

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
CERTAIN SEAMLESS CARBON AND) 701-TA-469 and
ALLOY STEEL STANDARD, LINE,) 731-TA-1168 (Final)
AND PRESSURE PIPE FROM CHINA)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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Tuesday,
 September 14, 2010

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

The hearing commenced, pursuant to notice, at
 9:32 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DEANNA
 TANNER OKUN, Chairman, presiding.

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 THE HONORABLE SHERROD BROWN, United States
 Senator, Ohio
 THE HONORABLE PETER J. VISCLOSKY, U.S.
 Representative, 1st District, Indiana
 THE HONORABLE BETTY SUTTON, U.S. Representative,
 13th District, Ohio
 THE HONORABLE JASON ALTMIRE, U.S. Representative,
 4th District, Pennsylvania
 THE HONORABLE KATHY DAHLKEMPER, U.S.
 Representative, 3rd District, Pennsylvania

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

On behalf of V&M Star, L.P.; TMK IPSCO; The United
 Steel; Paper and Forestry, Rubber, Manufacturing,
 Energy, Allied Industrial and Service Workers
 International Union, AFL-CIO-CLC ("United
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 JAMES HERALD, Managing Director, V&M
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and Countervailing Duty orders:

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Baosteel Group Corporation ("Baosteel"); Tianjin
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1 Speakers are reminded not to refer in their remarks or
2 answers to questions to business proprietary
3 information. Please speak clearly into the
4 microphones and state your name for the record for the
5 benefit of the court reporter. Finally, if you will
6 be submitting documents that contain information you
7 wish classified as business confidential, you're
8 requested to comply with Commission Rule 201.6. Mr.
9 Secretary, are there any preliminary matters?

10 MR. BISHOP: Madam Chairman, I would note
11 for the record that all witnesses for today's hearing
12 have been sworn. There are no other preliminary
13 matters.

14 CHAIRMAN OKUN: Thank you. Will you please
15 announce our first congressional witness.

16 MR. BISHOP: The Honorable Arlen Specter,
17 United States Senator, Pennsylvania.

18 CHAIRMAN OKUN: Welcome. Senator, would you
19 just check that your microphone's on. There should be
20 a button.

21 MR. SPECTER: Madam Chair, members of this
22 distinguished Commission, I'm here today representing
23 20,000 Pennsylvania steel workers on a case of great
24 importance involving the issue of seamless pipe. This
25 matter is one where the impact of Chinese imports has

1 been very, very harmful. The seamless pipe industry
2 is important in its own right, but it also plays a
3 vital role in supporting the supply chain for domestic
4 steel industry, including production of iron ore, coke
5 and other steel inputs, and services associated with
6 these activities. As it is well-known, the governing
7 parameters before the Commission is the determination
8 of whether there is a reasonable indication that the
9 imports under investigation have caused material
10 injury or whether they threaten material injury to the
11 domestic industry.

12 On October 30, 2009, the Commission made an
13 affirmative preliminary determination of material
14 injury, and as the statistics show as to what has
15 happened since, it has become worse, so that the
16 evidentiary base is very strong for a finding of
17 material injury. The underlying statistics are these.
18 Chinese imports of seamless pipe have increased by 112
19 percent from 2007 to 2009. China's market share
20 increased from an already high of 25.5 percent in 2007
21 to 33.4 percent in 2009. By 2008, China's share of
22 the U.S. market was larger than that of the entire
23 domestic industry. Over the period from 2007 to 2009,
24 the industry was forced to reduce its workforce levels
25 by 43 percent.

1 The subsidies and dumping have increased
2 with respect to what China has done here. The
3 Department of Commerce preliminary statistics which
4 were released on March 1, 2010 found that Chinese
5 producers benefitted from subsidies with a margin
6 ranging from 11.06 percent to 12.97 percent. The
7 final determination made just yesterday showed that
8 the subsidies increased from 13.66 percent to 33.66
9 percent, so that in the intervening time, the findings
10 almost tripled on the upper range of these subsidies.
11 With respect to the dumps deal, the preliminary
12 determination by the Department of Commerce on April
13 28 of this year found Chinese producers dumped
14 seamless pipe in the range of 32.39 percent to 98.37,
15 and yesterday's statistics showed an increase up to a
16 range of 44.99 to 98.74 percent, so that in a factual
17 context where you have this Commission having made a
18 preliminary determination of material injury, last
19 year the situation has gotten worse, so the evidence
20 is even stronger to support that preliminary
21 determination which the Commission made.

22 These statistics are part of a larger trade
23 war which exists between China and the United States,
24 as it is well-known. Too often, the interests of our
25 jobs, our workers, our industrial might, have been

1 sacrificed, as I have argued before this Commission on
2 many occasions in the past, for other national
3 interests, like foreign policy or on defense issues.
4 This came starkly to my attention all the way back in
5 1984 when the International Trade Commission made in a
6 finding a three to two vote in favor of limiting
7 imports from China. At that time, Senator Hines and I
8 made a special trip to see both the Secretary of State
9 and the Secretary of Defense.

10 They were both in Dallas at the National
11 Republican Convention. Secretary of State Shultz and
12 Secretary of Defense Weinberger received us, but our
13 conversations made it pretty plain that where they
14 were concerned about their primary duties on defense
15 and diplomacy, economic interests were going to be
16 sacrificed. The situation has intensified since that
17 time very, very materially. The Chinese have
18 continued to violate international trade laws, and
19 after some serious thought, my conclusion is, and I've
20 expressed it here before, the Chinese engage in
21 international banditry. International banditry.
22 That's a pretty tough charge, but I believe the facts
23 warrant it.

24 I believe we have to move in an aggressive
25 way. I thank this distinguished Commission for the

1 decisions last year on tubular steel and on tires.
2 Last month I used part of the recess period to travel
3 to China and to meet with Chinese officials on these
4 issues. I met with the governor of the People's Bank
5 of China, the number one man, Zhou Xiaochuan. I'd be
6 glad to spell it for the reporter later. The top man
7 on the Bank of China. Our conversations focused
8 largely around currency manipulation, which is well-
9 known. The Chinese have given a wink and a nod to
10 doing something about it but have not followed
11 through, which is characteristic.

12 The governor of the People's Bank of China
13 was very cordial, but when it came to the tough,
14 substantive matters, he was unyielding. I met with
15 the number two man in their equivalent of our
16 Department of Commerce, Wang Chao, the Vice Minister
17 of Commerce, and his talking points governed the
18 conversation on his end. Pretty hard to moving from
19 his prepared talking points. When I got into the
20 issues of how many jobs we had lost and how there had
21 been violations of international law, he started to
22 bring up farm subsidies. So it's a pretty tough
23 issue.

24 We have thousands of jobs at stake in the
25 seamless industry, and we have a conclusive record of

1 material injury, and the most solid indication of what
2 is material injury are all the jobs which are lost. I
3 believe it is necessary that the Department of
4 Commerce take an even more aggressive stand. That in
5 looking at what is happening in seamless, my judgment
6 is it is a conclusive matter. On a brief personal
7 note, may I say it's always a professional pleasure to
8 appear before this distinguished Commission. These
9 are matters of enormous importance. Very hard to come
10 to grips with the job issue. We are wrestling with it
11 all the time in the United States Senate.

12 I saw my colleague, Sherrod Brown, who's
13 going to follow me, can confirm that we're not very
14 effective in dealing with the trade issue. We've had
15 legislation pending for a long time now which I've co-
16 sponsored on currency manipulation and on various
17 other matters, but it really takes the Department of
18 Commerce to bring these matters, it takes a ruling by
19 the Commission here, and we had four successful cases
20 during the Bush administration, Bush two, all of which
21 were overturned by the President. We had two last
22 year and President Obama is more inclined to respect
23 these very, very important economic interests, so that
24 this is another skirmish. Just one passing note. My
25 late colleague, John Murtha, won't be here. He'd

1 always bat a clean up after I was accorded the
2 opportunity to make the initial argument. I thank you
3 for your attention, I thank you for your devoted
4 public service, and who knows, I might come back here
5 again in a different capacity. Thank you.

6 CHAIRMAN OKUN: Thank you, Senator, for the
7 thoughtful remarks. We've always appreciated seeing
8 you over the years. Let me see if my colleagues have
9 any questions. Thank you very much.

10 MR. SPECTER: The questions are always the
11 toughest part, if you're here today. Thank you.

12 CHAIRMAN OKUN: Well, we'll save those for
13 the industry witnesses sitting there.

14 MR. SPECTER: Thank you.

15 CHAIRMAN OKUN: Thank you. Mr. Secretary,
16 please announce our next congressional witness.

17 MR. BISHOP: The Honorable Sherrod Brown,
18 United States Senator, Ohio.

19 CHAIRMAN OKUN: Welcome, Senator. You may
20 proceed.

21 MR. BROWN: Thanks. It's good to be back.
22 I always appreciate being in front of you and
23 appreciate so much your public service, and thank you
24 for some of the decisions you've made recently which
25 is the reason we're here and which has translated into

1 real jobs for real people in Youngstown, Ohio, and
2 Lorain, Ohio, and Findlay, Ohio. Thank you for that.
3 I testified last year in the case involving oil
4 country tubular goods and appreciate the critical
5 relief the Commission provided to that industry. I'm
6 happy to report that after having many of these OCTG
7 mills, these oil country tubular goods mills, shut
8 down for much of 2009, these mills are active again,
9 regaining their footing in the marketplace.

10 This spring I attended the groundbreaking of
11 V&M Star Steel expansion in Youngstown, Ohio, which
12 will create more than 300 new jobs in the mill. They
13 are now in the process of a \$600 million expansion.
14 The owners of V&M Star Steel from France, the owners
15 and the top executives told me this expansion, these
16 new jobs, this \$600 million expansion, these 300 new
17 jobs with the potential of another 300 or 400 two or
18 three years out, would simply not have happened
19 without the decision that you all made. That's why
20 your public service matters to so many people in our
21 country.

22 Unfortunately, the same pattern we saw in
23 that case also caused enormous injury to the seamless
24 standard line and pressure pipe industry at issue
25 today in Alabama and Youngstown, Ohio, and Lorain,

1 Ohio and other places. It's a pattern that can be
2 traced back 10 years ago, September 19, 2000, when the
3 U.S. Senate passed permanent, normal trade relations
4 with China. Back then there was great enthusiasm from
5 proponents of PNTR who heralded its passage as a boon
6 of economic opportunities yet to come for U.S. workers
7 and U.S. businesses. Members of Congress were told
8 repeatedly and without equivocation how \$1.2 billion
9 Chinese consumers would soon purchase goods from their
10 districts and their states.

11 I remember CEOs walking the hall, CEOs who
12 rarely stopped anywhere in the House of
13 Representatives -- I was in the House in those days --
14 who rarely stopped anywhere in the House of
15 Representatives except for leadership's offices, and
16 committee chairs' offices, and they were evening
17 journeying to the fifth floor of the Cannon Building
18 to see every single member of Congress promising them,
19 talking always about one billion Chinese customers,
20 never ever talking about perhaps their major interest,
21 one billion Chinese workers. We heard the same thing
22 back then from trade advocates in Washington and Wall
23 Street through their excessive lobbying. We read in
24 newspaper editorials and advertisements how China PNTR
25 would promote reform and stability in China and the

1 region.

2 As a member of the House, I voted against
3 China PNTR because I simply didn't believe what its
4 proponents were selling. Ten years later, we're
5 seeing how wrong they were. Instead of abiding by the
6 same set of WTO rules, China received the benefits of
7 WTO membership while blatantly ignoring its rules.
8 The results are record trade deficits, millions of
9 jobs lost in Ohio and across the U.S. As for the
10 impact on Chinese workers, they continue to face low
11 wages and substandard labor conditions. It's no
12 secret that China's trade policies and market
13 distortions have wreaked havoc on numerous sectors in
14 the U.S. and around the globe.

15 There's probably no better poster child for
16 this problem than the pipe and tube sector. The
17 seamless pipes and tubes are made on the same Chinese
18 mills and by the very same producers that brought our
19 oil country tubular goods industry to its knees. U.S.
20 imports of Chinese seamless tubes and pipes rose from
21 156,000 tons in 2006 to 366,000 tons in 2008. You
22 just simply don't see that in any normal course of
23 business activities, a growth from 156,000 tons, two
24 years later to 366,000 tons, increasing by more than
25 100 percent, capturing more than 36 percent of the

1 market. This level of imports was, of course,
2 unsustainable in the best of conditions for us.
3 During the economic crisis, the results were horrific.

4 Backed up inventories exploded to untenable
5 levels, new orders almost completely dried up, much of
6 the domestic industry was shut down. As a result,
7 workers in Lorain, Ohio, and Youngstown, Ohio, were
8 idled or laid off. To add insult to injury, after
9 this crisis began, the Chinese shipped another 120,000
10 tons into a completely saturated market in 2009, more
11 than double the domestic shipments. These factors
12 only made the threat from Chinese imports that much
13 greater. Having lost many key markets abroad and in
14 the United States, a result of your decision, Chinese
15 producers have an overwhelming incentive to ship every
16 ton possible of this product to the U.S. market. They
17 quite literally have nowhere else to go to make up for
18 this lost business or to feed the seemingly ever
19 growing capacity to produce in China.

20 As China dumps products into our market, we
21 must do our part to open up markets for our domestic
22 producers. Later this week, President Obama will
23 convene a group of us, the President's Export Council,
24 to discuss the plan to double exports in the next five
25 years. As a member of the Export Council, I look

1 forward to implementing the National Export
2 Initiative, but we will not, and we cannot, achieve
3 this worthy goal set to double exports unless we have
4 strong trade enforcement. It's as simple as that. We
5 cannot expand opportunities for our workers and our
6 industries under this, until this, unless this
7 Commission continues to ensure our domestic
8 manufacturers have a fair venue to petition against
9 unfair foreign competition that undermines our
10 nation's economic competitiveness.

11 No one is asking that we do what China does:
12 break the rules, subsidize industry, help and pay for
13 energy, give them free land, and rig the game in our
14 favor. We're not asking that. All that is being
15 asked is we enforce basic rules that have been part of
16 the global trading system since its inception. All
17 that I would urge is that you give our workers and
18 businesses a chance to compete on a level playing
19 field. Last, I was speaking the other day to an
20 American lawyer who has done a lot of business with
21 the Chinese and I said to him, we're talking about a
22 different issue, not oil country tubular goods, not
23 seamless tube, and I said do the Chinese laugh at us
24 because we have given away so much of our industry to
25 them? He said, no. He said, they kind of laugh, but

1 mostly they just think we're a declining empire.

2 Thank you.

3 CHAIRMAN OKUN: Thank you, Senator. Do any
4 of my colleagues have questions for the Senator?

5 Thank you.

6 MR. BROWN: Thanks.

7 CHAIRMAN OKUN: Mr. Secretary, will you
8 announce our next congressional witness.

9 MR. BISHOP: The Honorable Peter J.
10 Visclosky, United States Representative, 1st District,
11 Indiana.

12 CHAIRMAN OKUN: Welcome. Welcome back.

13 MR. VISCLOSKY: Madam Chair, members of the
14 Commission, it has been seven weeks since I have
15 appeared before you and I become concerned that my
16 frequent appearance may be hurting the cause. On the
17 other hand, it is a reminder to me that every day you
18 and your staff are considering not just steel cases,
19 but cases across the economic spectrum, and do want
20 you to know that you have my continued appreciation
21 for your careful consideration and your deliberation
22 of these cases. I am here today as a member of
23 Congress from the 1st Congressional District of
24 northwest Indiana, but also as Chair of the
25 Congressional Steel Caucus, on a seamless pipe case

1 relative to the country of China.

2 I would point out that seamless pipe is not
3 produced in the 1st Congressional District of Indiana,
4 but the ramifications of the case affect production
5 across the United States, and it is an important
6 issue. People make positive decisions, in many
7 instances, to transfer production overseas, to move
8 jobs overseas. In many instances over the last 20
9 years, those types of decisions have not been
10 positive. They have been forced upon people, they
11 have been negative in their consequences. Each one of
12 you and myself are engaged in the public service,
13 we're paid by the taxpayers, and I certainly do
14 believe there is a role for the government in this
15 country.

16 I don't know if it's a sign of a healthy
17 economy that in an industrial state, like Indiana,
18 today, in the month of July of 2010, there were only
19 7,000 more people engaged in manufacturing than in
20 government service. Most of that change over the last
21 20 years has not been because of a significant
22 increase in government employment, but a 27 percent
23 decline in those who work in manufacturing. If the
24 choice is positive, people have that right under the
25 Constitution. If it is forced on them, that is why I

1 am here before you today. Clearly, a surge has taken
2 place between 2006 and 2009 in seamless pipe.

3 During the first half of 2009, Chinese
4 shipments more than doubled domestic production, and
5 more than half the workforce in domestic industry has
6 been let go. The Commerce Department has demonstrated
7 the scope of the subsidies enjoyed by the Chinese. I
8 do believe injury has occurred, I do believe that the
9 facts of this matter will evidence that and would ask
10 that you render that finding, but in closing, again,
11 simply appreciate that in every instance I have been
12 here you have given the cases before you your very
13 fair and careful consideration, and I do thank you for
14 that.

15 CHAIRMAN OKUN: Thank you. Any colleagues
16 have any questions? Seeing none, we want to thank
17 you. Have a good day.

18 MR. VISCLOSKY: Thank you.

19 CHAIRMAN OKUN: Mr. Secretary, our next
20 congressional witness?

21 MR. BISHOP: The Honorable Betty Sutton,
22 United States Representative, 13th District, Ohio.

23 CHAIRMAN OKUN: Welcome to the Commission.

24 MS. SUTTON: Thank you. Thank you, Chairman
25 Okun and members of the Commission for the opportunity

1 to testify at this important hearing on antidumping
2 and countervailing duty relief with respect to
3 seamless standard line and pressure pipe from China.
4 I have brought with me a bipartisan letter signed by
5 many of my colleagues in Ohio expressing our support
6 for our domestic seamless pipe industry and urging
7 that the Commission enforce our trade laws and stop
8 unfair trade from China. I would like to submit the
9 letter for the record, and I appreciate your
10 consideration of it.

11 CHAIRMAN OKUN: Without objection, it will
12 be placed in the record.

13 MS. SUTTON: The outcome of this case could
14 very well dictate the prospects and the livelihoods of
15 the many workers throughout Ohio, many of whom I have
16 the privilege to serve and represent. Workers
17 throughout my congressional district and I are
18 grateful for your efforts to enforce trade laws in a
19 similar pipe case last year, in the Section 421 tire
20 case, and in other trade cases. The seamless pipe
21 issue before us today is a very important one, and
22 seamless pipe is a very important product in Ohio.
23 It's made at U.S. Steel's plant in Lorain, in my
24 congressional district, and at V&M Star's mill in
25 Youngstown.

1 For decades, U.S. Steel has made this
2 product at two of its mills in Lorain. I understand
3 that members of your staff visited those facilities
4 last month, and I want to congratulate them for seeing
5 two of the finest seamless mills in the world. As I
6 have testified many times in the past, these mills
7 make seamless OCTG and they have certainly benefitted
8 from the Commission's decision to grant relief with
9 respect to dumped and subsidized OCTG from China, but
10 these mills also make significant volumes of the
11 product that is the subject of today's hearing. This
12 product is critical to the success of the Lorain mills
13 and to the jobs of the men and women who work there.
14 I'm so proud to represent these hard working men and
15 women. They are not statistics. They are the people
16 that I serve.

17 They are proud people, independent, hard
18 workers, who love to compete and who believe in always
19 doing their best. They're not asking for handouts,
20 they're not asking for special favors. They certainly
21 understand that business cycles have ups and downs.
22 All they ask for is the opportunity to compete with
23 the rest of the world on a level playing field. If
24 other companies in other countries are beating us fair
25 and square, then we will just have to work harder, but

1 if we are more efficient and more innovative, then we
2 should see the benefits. That's the spirit that has
3 made workers and companies in Ohio so great and so
4 prosperous, and that's the spirit that makes Lorain
5 mills some of the most competitive in the world.

6 In Ohio, we believe in level playing fields,
7 we believe in playing by the rules, the rules that we
8 agreed to. Cheaters should not be rewarded for
9 wrongdoing. For years, China has poured massive
10 government subsidies into their pipe industry. Report
11 after report indicates that they have more capacity
12 than market conditions justify. Finding after finding
13 from the Department of Commerce shows that they have
14 dumped pipe into the U.S. market at unfair prices, and
15 in doing so, they have taken sales away from American
16 companies. That's not true market competition.
17 They're not playing by the rules, and that's not
18 right.

19 Chinese producers should not benefit by
20 unfair and purposeful actions that takes jobs and
21 profits from American workers and businesses. That's
22 not just my opinion, or even just the opinion of my
23 constituents, it's the law. Congress has made it
24 clear that if dumped and subsidized imports cause or
25 threaten material injury to a domestic industry, then

1 tariffs should be imposed to level the playing field.
2 In this case, there is simply no doubt that unfair
3 trade has harmed domestic producers of seamless pipe.
4 Let me draw your attention to one vital point. It's
5 my understanding that your data shows that the U.S.
6 consumption of seamless SL pipe was basically the same
7 in both the first half of 2009 and the first half of
8 2010.

9 In terms of market conditions, the major
10 difference between these two periods was that in 2010
11 Chinese imports largely left the market due to these
12 cases. What happened? The domestic industry's
13 shipments increased by almost exactly the same volume
14 that Chinese imports fell. It would be hard to find
15 clearer evidence that unfairly traded imports were a
16 cause of injury to a domestic industry. In other
17 words, as soon as the unfairly traded product left the
18 U.S. market, U.S. mills and workers got that business
19 almost ton for ton. That is clear and compelling that
20 unfairly traded imports took a significant volume of
21 sales from our domestic industry and caused material
22 injury.

23 Under these circumstances, domestic
24 producers are entitled to relief. The threat from
25 Chinese imports is overwhelming. The Chinese mills

1 that flooded this market with seamless SLP pipe, and
2 seamless OCTG in 2008, have not gone away. In fact,
3 press reports indicate that a large number of new
4 mills have been built. Since Chinese producers can no
5 longer ship dumped and subsidized OCTG into this
6 market, there is little doubt that they will send
7 seamless SLP pipe instead. The harm to my
8 constituents in Lorain and to all Americans in this
9 industry is devastating.

10 Fortunately, you can stop this harm. You
11 can make sure that my constituents, and all Americans
12 in this industry, are not victimized yet again by
13 unfair trade. You can send a clear signal to China
14 and the world that in America we believe in
15 competition, but we also believe in fairness. You can
16 send a clear signal that we will enforce our trade
17 laws and hold cheaters accountable. That is the role
18 that Congress intended for the Commission to play. I
19 urge each of you to do so in this case. Grant the
20 domestic industry the relief it needs and deserves. I
21 thank you very much for your attention and for your
22 work.

23 CHAIRMAN OKUN: Thank you for your testimony
24 today. Any questions for the Congresswoman? Thank
25 you very much. Mr. Secretary, will you announce our

1 next congressional witness.

2 MR. BISHOP: The Honorable Jason Altmire,
3 United States Representative, 4th District,
4 Pennsylvania.

5 CHAIRMAN OKUN: Welcome.

6 MR. ALTMIRE: Good morning. Good morning to
7 members of the Commission. I appreciate the
8 opportunity to be able to return this morning to the
9 Commission to provide this important testimony on
10 behalf of domestic seamless pipe producers and TMK
11 IPSCO Tubulars. American workers produce the highest
12 quality steel products anywhere in the world.
13 American steel production has long been an economic
14 pillar of western Pennsylvania, and today, I'm here to
15 testify in support of ensuring the industry can
16 continue to compete in a fair market. The 4th
17 District of Pennsylvania, which I'm proud to
18 represent, is home to two TMK IPSCO manufacturing
19 facilities.

20 These facilities are located in Ambridge and
21 Koppel, Pennsylvania, two cities that have firsthand
22 experience with the devastation of our nation's steel
23 industry caused by unfairly traded foreign steel. TMK
24 IPSCO's Ambridge plant manufactures seamless line pipe
25 in the size range of two to four inches. Today, the

1 plant employs 450 workers, most of whom are
2 represented by the United Steelworkers, who are also
3 here today as a Petitioner in support of relief for
4 the industry and its workers. Seamless line pipe is
5 an important product for TMK IPSCO and serves a
6 variety of uses in the energy sector. It is used for
7 transmission of oil and natural gas, in chemical,
8 petro chemical and refinery facilities, in mechanical
9 applications for general construction and other
10 industrial applications.

11 Today you will hear from the Petitioners
12 about the negative impact that unfairly traded imports
13 have had on these operations. As a result of these
14 imports, TMK IPSCO was forced to impose numerous lay
15 offs at their facilities in 2009. I believe it's
16 imperative that the ITC recognize the damage that's
17 been done and pave the way for those companies to
18 receive long overdue and much needed relief. As our
19 economies continue to struggle, we cannot put
20 employers in position where they have to choose
21 between meeting their bottom line or laying off
22 workers.

23 I'm proud to represent workers in the steel
24 pipe industry, and I continue to be concerned about
25 the expansive nature of these unfair trade practices

1 by China. I'm aware that this case follows other pipe
2 cases which were previously brought against Chinese
3 imports. The most recent, as the Commission is aware,
4 was the successful OCTG case which provided relief to
5 the domestic industry from unfairly traded imports
6 from China. Today I'm joined by a number of my
7 colleagues in Congress who can testify to the
8 importance of this Commission's decision on the
9 industry, on their workers and on the districts that
10 we represent. Families in my district know firsthand
11 the correct application of U.S. trade laws can be the
12 difference between prosperity and poverty. I ask the
13 members of the Commission to give serious
14 consideration to the facts in this final injury
15 hearing as you prepare to issue a final decision on
16 this matter. I appreciate the opportunity to testify
17 once again and would be pleased to respond to any
18 questions you might have.

19 CHAIRMAN OKUN: Thank you for your
20 testimony. Any questions for the Congressman? Thank
21 you.

22 MR. ALTMIRE: Thank you.

23 CHAIRMAN OKUN: Mr. Secretary, announce our
24 next congressional witness.

25 MR. BISHOP: The Honorable Kathy Dahlkemper,

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1 United States Representative, 3rd District,
2 Pennsylvania.

3 CHAIRMAN OKUN: Good morning and welcome.

4 MS. DAHLKEMPER: Good morning. Thanks so
5 much for allowing me to testify in front of you today,
6 Chairman Okun and members of the Commission. I'm
7 Kathy Dahlkemper and I represent the 3rd Congressional
8 District of Pennsylvania. I'm just pleased to have
9 the opportunity to testify before you today in regard
10 to your consideration of antidumping and
11 countervailing duty case in certain seamless pipe from
12 China. Pennsylvania, as you probably know, is home to
13 a number of steel pipe producers, including two
14 Petitioners in this case, TMK IPSCO of Ambridge and
15 Koppel, and U.S. Steel of Pittsburgh. Our state has
16 had a long and successful history in manufacturing,
17 and specifically in steel making and fabrication.

18 My congressional district has numerous steel
19 manufacturing facilities, including steel pipe. Even
20 though I don't have a facility for seamless steel pipe
21 in my district, my constituents, many of who are
22 members of the United Steelworkers, are employed in
23 the seamless pipe industry both in my state and in the
24 State of Ohio. I'm here to provide support for the
25 seamless pipe industry and its workers located in

1 Pennsylvania that have been injured unfairly by trade
2 imports from China. We have a responsibility to the
3 hard working people in the steel industry, and in
4 every other industry, to make sure that when they are
5 taking part in this global economy, other countries
6 are playing fairly and our American workers are not
7 getting the short end of the stick.

8 The evidence is very clear that in the case
9 of the seamless pipe industry, China has not been
10 playing by the rules. They are benefitting from a
11 competitive edge that's created artificially, and it's
12 time that it stopped. As noticed in the record, the
13 industry and the union filing this antidumping and
14 countervailing duty case on September 6, 2009 alleging
15 that imports from China were dumped and subsidized.
16 These imports more than doubled between 2006 and 2008
17 from 158,000 net tons to 366,000 net tons. In 2009,
18 an additional 123,000 net tons entered the United
19 States.

20 During this same period, these imports were
21 more than domestic shipments of this product. We are
22 now in the final stages of this investigation and the
23 Commerce Department has issued affirmative findings
24 that these products were dumped and subsidized at
25 margins in this investigation ranging from 13.66

1 percent to 98.74 percent. I value the opportunities
2 of an open trade arena but insist that the trade must
3 be conducted fairly. In this matter, the record
4 clearly demonstrates that Chinese imports were taking
5 a larger share of U.S. market and placing many
6 companies and workers at risk as a result of unfair
7 trade practices.

8 The future of these companies, their workers
9 and the communities that I and so many others who have
10 testified here today represent have been compromised
11 and we must ensure that they are provided relief to
12 recompense for this unfair trade. My constituents in
13 the 3rd District of Pennsylvania depend on this
14 Commission to strictly enforce our antidumping and
15 countervailing duty laws, and I urge you to find that
16 these unfairly traded imports have injured the
17 domestic industry and the workers in that industry.
18 Thank you for your time today.

19 CHAIRMAN OKUN: Thank you for your
20 testimony. Let's see if my colleagues have any
21 questions. I want to thank you.

22 MS. DAHLKEMPER: Thank you very much.

23 MR. BISHOP: Madam Chairman, that concludes
24 our congressional witnesses today.

25 CHAIRMAN OKUN: Thank you. We will turn to

1 opening statements.

2 MR. BISHOP: Opening remarks on behalf of
3 Petitioners will be by Stephen P. Vaughn, Skadden,
4 Arps, Slate, Meagher & Flom.

5 CHAIRMAN OKUN: Good morning, Mr. Vaughn.

6 MR. VAUGHN: Good morning. Good morning,
7 members of the Commission. I am Steven Vaughn
8 representing the United States Steel Corporation.
9 Once again we have gathered for a hearing on the
10 fallout of China's policy of using government support
11 to build enormous volumes of tubular capacity that are
12 not justified by market forces. This is not only an
13 American problem. All over the world country after
14 country has been forced to use trade relief in order
15 to hold off a virtually unlimited supply of dumped and
16 subsidized Chinese export.

17 Indeed, given China's decision to disregard
18 the law of supply and demand and to press ahead with
19 building more and more capacity even during the
20 current economic downturn, trade relief is the only
21 practical method by which governments can preserve
22 true market competition in this vital industry. The
23 record in this particular case leaves no doubt on that
24 score. This case involves seamless standard, line,
25 and pressure pipe, high end product used in critical

1 application relating to construction, refineries,
2 power plants, and the transmission of oil and gas.

3 Compared to oil country tubular goods, a
4 product you considered last year, the market for
5 seamless SLP pipe is relatively small. U.S.
6 consumption was less than 400,000 tons last year and
7 is on pace to be only slightly higher this year. But
8 from 2007 to 2008, U.S. imports of this item from
9 China soared by almost 200,000 tons. Indeed by the
10 fourth quarter of 2008 Chinese imports were entering
11 the market at annual pace of 600,000 tons per year.

12 No realistic level of demand could justify
13 such an import surge, and as you have seen in case
14 after case involving Chinese tubular goods there was a
15 rapid increase in inventories that effectively killed
16 demand for the domestic like product. By the summer
17 of 2009 large portions of the domestic industry were
18 shut down altogether. Hundreds of workers lost their
19 jobs. While Respondents claim that the domestic
20 industry's problems were caused by the economic crisis
21 the record proves otherwise.

22 U.S. consumption in the first half of 2010
23 was almost exactly the same as in the first half of
24 2009, but in the first half of 2010 Chinese imports
25 were largely out of the U.S. market due to these

1 cases. That one change led to an increase of 138
2 percent of the domestic industry's U.S. shipments and
3 of 68 percent in its operating income. In other
4 words, merely eliminating unfair trade enabled the
5 producers here to raise their profits by almost 70
6 percent.

7 It seems beyond question that if imports are
8 suppressing your profits to that extent then they are
9 causing a material injury. As for threat, the
10 evidence in support of affirmative determinations is
11 simply overwhelming. Once again the vast majority of
12 Chinese mills have simply refused to answer any of
13 your questions regarding their capacity and output, a
14 fact that in and of itself should lead you to infer
15 that their data would support our argument.

16 Furthermore, the evidence you do have leaves
17 no doubt of the threat posed by Chinese imports. In
18 your threat analysis you generally look at the
19 combination of unused subject capacity, new capacity,
20 and the likelihood of product shifting. In this case
21 each of those three factors alone justifies an
22 affirmative determination. Our brief includes
23 statement after statement from Chinese observers
24 bemoaning the fact that Chinese mills have millions of
25 tons in unused capacity.

1 At the same time the record shows that
2 Chinese companies are in the process of adding over 11
3 million tons of new capacity. And Chinese producers
4 who shipped over 1.7 million tons of seamless OCTG to
5 this market in 2008 now have a compelling incentive to
6 shift away from that product to seamless SLP pipe
7 because of the orders on OCTG in the United States.
8 In today's relatively weak market even a fraction of
9 Chinese unused capacity, its new capacity, or the
10 volume it used to sell here as OCTG would be
11 sufficient to cause additional material injury to
12 domestic producers.

13 Moreover, in this case you have compelling
14 direct evidence of how Chinese producers will behave
15 in the absence of trade relief. As soon as the
16 petitions at issue were filed, Chinese mills began a
17 desperate effort to pour dumped and subsidized
18 products into this market before preliminary duties
19 were imposed. In the three months after the petition
20 more than 40,000 tons of Chinese imports entered the
21 United States.

22 This fact not only shows the willingness and
23 ability of Chinese producers to flood this market, it
24 represents a cynical and blatant attempt to undermine
25 any relief you may grant. In light of these facts,

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1 the Commission should not only reach affirmative
2 determination, it should also make a finding of
3 critical circumstances to discourage further efforts
4 to flout our laws in the future. Thank you very much.

5 CHAIRMAN OKUN: Thank you.

6 MR. BISHOP: Opening remarks on behalf of
7 Respondents will be by Philippe M. Bruno, Greenberg
8 Traurig.

9 CHAIRMAN OKUN: Good morning, Mr. Bruno.

10 MR. BRUNO: Good morning, Madam Chairman,
11 Commissioners, and Commission staff. I am Philippe
12 Bruno with the law firm of Greenberg Traurig,
13 representing three Chinese producers and exporters of
14 SLP, to which I will refer to as Baosteel, TPCO, and
15 Hengyang. In the preliminary phase of these
16 investigations the Commission determined that there
17 was no indication that a domestic SLP industry was
18 materially injured by reason of the subject imports.

19 We believe that the same negative
20 determination is warranted in this final phase.
21 Nothing has changed, and in fact the data collected by
22 the Commission since the end of the POI from the prior
23 phase confirms that the U.S. industry came out of the
24 severe recession that plagued the U.S. economy in 2009
25 with double digit operating income. Although this

1 profitability level was lower than in the boom year of
2 2008, subject imports lost market share in 2009 while
3 nonsubject imports gained significant market share all
4 of which at the expense of the U.S. industry.

5 Under these circumstances it is difficult to
6 pin whatever problems the industry alleges for 2009 on
7 the subject imports. In our view the only issue the
8 Commission needs to revisit in the final phase of
9 these investigations is that relating to the threat of
10 material injury by reason of the subject imports. The
11 Commission preliminarily concluded that such a threat
12 existed based on the information it had in its
13 possession on October 2009.

14 Much has changed since then. Perhaps the
15 single most important fact is that the recession ended
16 and the U.S. economy is growing again. As a result,
17 the future appears a lot less uncertain than it was
18 almost 12 months ago. It may not be the boom year of
19 2008 again, but it certainly no longer is the bust
20 year of 2009. We now know that the U.S. industry
21 turned a double digit profit at the end of 2009 that
22 few other U.S. industries hit by the recession managed
23 to achieve that year.

24 Having the full year data for 2009 also show
25 that subject imports follow closely the variations of

1 the U.S. demand and does decline in 2009 when U.S.
2 demand fell. Having the monthly data for 2009, we
3 also know that this decline was not caused by the
4 filing of the petition. The pricing information also
5 confirms that subject imports did not have any
6 depressing or suppressing on the U.S. seamless pipe
7 industry. The U.S. producers managed to cover any
8 rising costs throughout the POI with double digit
9 profits including in 2009.

10 In 2009 when subject imports rose
11 significantly the U.S. industry achieved its highest
12 level of profitability. In 2009 when subject imports
13 declined the U.S. industry profitability declined. In
14 2010 when there were virtually no subject imports, the
15 U.S. industry increased its share of the domestic
16 market but did not return to its prior levels of
17 profitability.

18 The question that the Commission has to
19 address in the final phase of whether the domestic
20 industry is currently vulnerable to the threat of
21 material injury and if so what evidence do we have
22 that any material injury will be by reason of the
23 subject imports given that what we know today on what
24 transpired during the POI. The fact that changed
25 since Commission made its final determination of

1 threat in OCTG. Then the profitability of the same
2 U.S. producers had plummeted to the low single digits
3 by the end of the POI. The U.S. economy was in the
4 throws of the recession and thus and the future looked
5 uncertain. Imports of OCTG from China were still
6 rising while U.S. demand trended downward.

7 Contrast those facts with those we have
8 today and it becomes much more difficult to find that
9 the U.S. industry is vulnerable. We are mindful that
10 we are dealing with China here, and that the most
11 outrageous claims can be made on these countries'
12 capability to increase exports to injurious levels.
13 We are asking the Commission to analyze those claims
14 very carefully in the context of the growing Chinese
15 economy and based on realistic projections of how
16 subject imports have behaved during the POI. As the
17 statute requires, the Commission may not make its
18 threat determination on the basis of mere conjecture
19 and speculation. Thank you.

20 CHAIRMAN OKUN: Thank you. Mr. Secretary,
21 please announce our first panel.

22 MR. BISHOP: Would the panel in support of
23 the imposition of antidumping and countervailing duty
24 orders please come forward and be seated.

25 CHAIRMAN OKUN: Good morning. You may

1 proceed. I would ask, there's a lot of you and we
2 can't always see name tags so please if you can be
3 sure to repeat your name when you answer the
4 questions, greatly appreciated.

5 MR. HECHT: Good morning. I am Jim Hecht
6 and would like to begin with an overview of the case.

7 CHAIRMAN OKUN: Mr. Secretary, I ask that
8 you restart the time once we get their PowerPoint up
9 that they need to give his presentation.

10 (Pause.)

11 CHAIRMAN OKUN: The pressure's on Mr.
12 Secretary this morning, the courtroom was recently
13 rewired and added some things and we have a few bugs
14 we're still working out, so I appreciate your patience
15 as we, we can see the TV.

16 MR. HECHT: Should we proceed with the TV if
17 that's sufficient?

18 CHAIRMAN OKUN: The Commissioners can see,
19 is this one on that you can see as well?

20 MR. HECHT: Yes, yes.

21 CHAIRMAN OKUN: So we will go ahead and
22 proceed and handouts are available.

23 MR. HECHT: Great.

24 CHAIRMAN OKUN: Mr. Secretary, if we can
25 just reset the time and then we'll start. You may

1 proceed, Mr. Hecht.

2 MR. HECHT: Good morning again, I'm Jim
3 Hecht and would like to begin with an overview of the
4 case. First, the record supports a finding of a
5 single like product. Second, the Chinese industry has
6 largely failed to show up or to provide critical
7 information in this investigation, fully justifying
8 application of adverse inferences. Third, an enormous
9 surge of dumped and subsidized Chinese imports flooded
10 this market in 2008 and 2009, causing an inventory
11 overhang that led to massive shutdowns, layoffs, and
12 other harm to domestic producers.

13 After Chinese imports left the market in
14 2010 as a direct result of this litigation, the
15 performance of domestic producers improved
16 significantly, even though demand remained relatively
17 weak. Finally, Chinese mills have enormous incentives
18 to return to this market, including the existence of
19 unused capacity, millions of tons in new capacity, and
20 the fact that they are under order with respect to
21 OCTG.

22 The record evidence from producers,
23 importers, and purchasers supports a finding of a
24 single like product for the pipe at issue here. In
25 terms of manufacturing process, customer perceptions,

1 channels of distribution, uses, and the other factors
2 considered by the Commission there is no clear
3 dividing line and no basis to depart from the
4 Commission's preliminary determination. The
5 Commission sent questionnaires to 84 Chinese mills but
6 only four responded.

7 Indeed, most of the Chinese mills who
8 provided quantity and value data to the Department of
9 Commerce failed to answer your questionnaires. In the
10 context of a Chinese industry that has caused massive
11 damage to pipe and tube industries around the world,
12 this lack of cooperation is beyond indefensible. You
13 should not risk the future of this industry and its
14 workers based on guess work that intentionally
15 withheld information would somehow exonerate Chinese
16 producers.

17 Here you see the tremendous flood of imports
18 that entered this market in 2008. Notice that in the
19 fourth quarter of that year Chinese imports run an
20 annual pace of almost 600,000 tons, a figure that
21 would overwhelm this market under any realistic level
22 of demand. Those imports caused inventories to reach
23 levels that were literally unprecedented. Here you
24 see the testimony given on this point by Mr. Durham of
25 Dixie Pipe at the staff conference last year.

1 This slide shows the ratio of end-of-period
2 inventories of Chinese imports for U.S. consumption.
3 Despite the remarkable increase in demand from '07 to
4 '08, the volume of Chinese imports in inventory rose
5 even faster. Even as late as June 2010 after
6 purchasers and importers had been trying to work off
7 the inventory for some time, the amount of reported
8 Chinese pipe in inventory equaled almost a quarter of
9 apparent consumption.

10 Under the weight of Chinese imports orders
11 for the domestic like product collapsed. Here you can
12 see that orders started to disappear in the third
13 quarter of 2008. Amazingly, after China's '08 import
14 surge had already inundated the market, Chinese
15 imports continued to pour in throughout 2009. As you
16 can see here, China was by far the dominant source of
17 imports during that year.

18 And here you see how much lower priced
19 Chinese imports were than imports from any other
20 source. In fact on this slide you can see that in
21 every for which the Commission collected data, the AUV
22 of Chinese imports was hundreds of dollars below the
23 AUV of imports from nonsubject countries or the
24 domestic like product. As you can see here, China
25 took a larger share of the U.S. market than the

1 domestic industry in 2008 when demand was high, and
2 again in 2009 after the market had fallen apart.

3 Contrary to the argument of Respondents that
4 Chinese imports receded along with demand, here you
5 see that Chinese producers actually achieved their
6 highest market share of the entire period of
7 investigation in the second half of 2009, with most of
8 the imports coming in after these cases were filed in
9 September. To be clear, this was when consumption was
10 at its lowest point.

11 The impact of China's actions was
12 incredible. By virtually every indicator the
13 performance of the domestic industry simply collapsed
14 between '08 and '09. As you will see in a moment the
15 record shows that this collapse cannot be explained
16 solely by demand, and indeed there is no question the
17 industry would have performed far better if not for
18 the flood of dumped and subsidized imports.

19 The next few slides compare the first half
20 of '09 to the first half of 2010 and tell a remarkable
21 story. As you can see here, when unfair Chinese
22 imports were finally forced to retreat from this
23 market in the first half of 2010 U.S. producers took
24 virtually every ton that the Chinese had been
25 previously supplying. Indeed, combined U.S. and

1 Chinese shipments were almost identical in the two
2 periods, but U.S. producers replaced almost all the
3 Chinese sales in 2010.

4 Notice that both apparent consumption and
5 nonsubject imports were flat between these two
6 periods. The significant change in the market was
7 simply that U.S. producers took the share that China
8 had previously supplied. Now take a look at the
9 impact this had for the domestic industry and its
10 workers. Solely because of the increase in volume,
11 and even though AUVs were actually down in 2010, the
12 industry's production, shipments, and capacity
13 utilization more than doubled.

14 Production workers increased by over 30
15 percent, hours were up by more than 60 percent, and
16 wages were up almost 60 percent, or roughly \$4
17 million. For any worker or producer in this industry
18 these are material changes, and we would respectfully
19 submit are overwhelming evidence that Chinese imports
20 were causing present material injury. The evidence on
21 threat is as strong as any case that has come before
22 this Commission.

23 Because so many Chinese mills refused to
24 answer your questionnaires, your data regarding
25 Chinese capacity is very limited. But as you can see

1 from these quotes and numerous others in our brief,
2 there is simply no question that China's available
3 capacity is wholly out of proportion to market
4 demands. Chinese mills are building massive amounts
5 of new capacity. Both the staff report and our brief
6 have extensive detail on this point.

7 Here we've translated the new capacity into
8 net tons and compared it to the flood of Chinese
9 imports that overwhelmed the market in 2008. As you
10 can see if only about 3 percent of the new capacity
11 were used to ship subject product to this market, the
12 volume would itself replicate what happened two years
13 ago. Country after country has imposed trade relief
14 to prevent their domestic industries from suffering
15 the type of harm we have seen here. Of course these
16 orders including the U.S. order on OCTG make it more
17 likely that Chinese producers would divert capacity to
18 ship more seamless SLP pipe to this market.

19 The potential for product shifting as a
20 result of the OCTG case is staggering. Chinese
21 producers told the world that they would be in real
22 trouble if they could no longer ship unfairly traded
23 OCTG to the U.S. That is now exactly the situation in
24 which they find themselves. Unless we obtain relief
25 here, they will have a compelling incentive to shift

1 production to supply more seamless SLP pipe to this
2 market.

3 Respondents may claim that Chinese producers
4 would not engage in product shifting because OCTG is
5 generally more profitable than seamless SLP pipe, but
6 as you can see here the imposition of trade relief on
7 Chinese OCTG has cost them, Chinese producers, an
8 enormous volume of sales. It is not a question of
9 making OCTG or seamless pipe, it's a question of
10 making nothing or shifting to make the subject product
11 here. Even a small percentage of those former OCTG
12 sales would be sufficient to devastate U.S. producers.

13 Again, there is nowhere else for Chinese
14 shipments to go. As you can see here, China has not
15 even come close to making up the export sales that it
16 has lost since 2008 as a result of worldwide trade
17 actions. Moreover, as we have demonstrated in our
18 brief, China's home market is also not sufficient to
19 make up for the sales China has lost in the U.S. and
20 elsewhere. Indeed, available evidence suggests that
21 China's home market for seamless products is flat or
22 decreasing.

23 Finally, here you see direct evidence of
24 China's likely behavior. After the petitions were
25 filed Chinese mills desperately sought to beat the

1 clock by pouring in imports before preliminary duties
2 were imposed. In the last three months of 2009 they
3 managed to ship over 40,000 tons of subject product
4 into an extremely weak market. It is difficult to
5 imagine a more cynical or blatant attempt to undermine
6 AD/CVD relief or a more compelling circumstance for
7 the Commission to make an affirmative finding of
8 critical circumstances.

9 I would just end with a photo of U.S.
10 Steel's seamless pipe mill in Lorain as of April 2009.
11 This is the same mill that the staff visited last
12 month. Thanks to the relief currently in place that
13 mill is operating, albeit not at anywhere close to
14 full capacity. But like virtually all the mills at
15 issue here, Lorain depends heavily upon its sales of
16 seamless SLP pipe. If sales of seamless pipe plummet
17 because of Chinese imports, jobs will be lost and the
18 very future of this industry will be at risk. Under
19 these circumstances it is absolutely essential that
20 domestic producers obtain relief. Thank you.

21 MR. MATTHEWS: Good morning. I am Douglas
22 Matthews, Vice President, Tubular Operations, for
23 United States Steel Corporation. I have been at U.S.
24 Steel for more than two decades. In my current
25 position I have executive responsibility for U.S.

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1 Steels tubular operations and associated functions. I
2 have held this post since February of 2009, and it
3 seems like much of my time has been spent dealing with
4 problems caused by dumped and subsidized Chinese
5 imports. I'm here this morning to tell you how those
6 problems have affected our seamless standard, line,
7 pressure pipe business and why we need relief on this
8 product.

9 U.S. Steel is faced with unfair trade for a
10 very long time, but the aggression and ruthlessness of
11 the Chinese tubular producers is virtually beyond
12 belief. Consider the swiftness with which Chinese
13 imports destroyed the OCTG market just a few years
14 ago. As the Commission well knows 2008 was one of the
15 all time record years for OCTG demand in this country.
16 By early 2009, however, the U.S. market lay in ruins,
17 buried under 2.2 million tons of dumped and subsidized
18 Chinese imports.

19 In May of 2009, only a few months after the
20 market conditions seemed so bright, virtually the
21 entire domestic industry was shut down, something that
22 had never happened before. Fortunately domestic
23 producers were able to obtain AD/CVD relief and the
24 situation has improved somewhat as a result, but
25 demand has never returned to 2008 levels and there is

1 no doubt that in the absence of relief Chinese mills
2 would have continued to flood this market year after
3 year doing more and more damage to domestic producers.

4 Indeed there are thousands of Americans both
5 at domestic mills and at other American companies that
6 depend on those mills who are working today solely
7 because the trade relief on Chinese OCTG imports. I
8 say all of this not to relive the OCTG case but
9 because the facts of the case are directly relevant
10 here. In particular we are dealing with many of the
11 same mills in China that helped to destroy the OCTG
12 market.

13 The very same Chinese companies that make
14 seamless OCTGs also produce seamless standard, line,
15 and pressure pipe on those very same mills. Those
16 companies have generally followed the same approach in
17 this case as we saw in OCTG, produce much more pipe
18 than the market conditions justify and dump it at
19 unfair prices. And we have seen the result, lost
20 sales, shutdowns, and layoffs.

21 Furthermore, the fact that those mills are
22 now under order with respect to OCTG makes them even
23 more dangerous when it comes to seamless SLP pipe.
24 Indeed it is evident that the Chinese producers are
25 running out of markets in which to dump their

1 products. They can't sell unfairly traded OCTG here,
2 they face trade relief in the European Union, in
3 Canada, and India. Market after market has closed to
4 them in recent years.

5 Meanwhile they keep building new mills and
6 adding more and more capacity that cannot possibly be
7 justified by market conditions. They need somewhere
8 for all this pipe to go. It requires no significant
9 leap of logic, no complicated analysis of detailed
10 facts to determine what has happened and what will
11 continue to happen to the U.S. market for seamless SLP
12 pipe in the absence of trade relief. Can anyone
13 possibly believe that the Chinese companies will
14 simply allow their mills and their workers to sit idle
15 or that they will be content to serve other markets if
16 they have unlimited access to this market, one of the
17 biggest and best in the world? Of course not.

18 But before we brought these cases the United
19 States was China's largest single export market for
20 the subject product. The notion that the Chinese
21 mills would voluntarily leave the U.S. market is
22 ludicrous. And make no mistake, U.S. Steel cannot
23 afford to lose any sales of seamless SLP pipe to
24 dumped and subsidized imports. This is a very
25 important market for us, a high end value added

1 product used in a variety of critical applications
2 from transmitting oil and gas to nonresidential
3 construction to renovating refineries and power
4 plants.

5 We make it at our mill in Fairfield,
6 Alabama, and at two mills in Lorain, Ohio. For
7 decades this product has been extremely important to
8 our overall operations. Our seamless mills are
9 designed to run three shifts a day seven days a week.
10 While the OCTG market is larger than seamless SLP
11 market, decades of experience have taught us that we
12 need a significant volume of seamless SLP pipe orders
13 to run our mills efficiently.

14 The situation at Lorain illustrates this
15 perfectly. Our number 4 mill at Lorain makes pipe in
16 the 1.9-inch to 4.5-inch in outside diameter. The
17 number three mill in Lorain makes 10.75 to 26-inch
18 outside diameter. Because there tends to be
19 relatively less demand for OCTG in these size ranges,
20 the Lorain mills depend heavily on sales of seamless
21 SLP. Indeed our facilities at Lorain have
22 historically made roughly the same amount of seamless
23 SLP pipe as OCTG.

24 Thus the Chinese imports at issue here are
25 of grave concern for us. Look at the harm those

1 imports have already caused. In 2007 the total U.S.
2 imports of seamless SLP from China were 172,000 tons.
3 The next year that volume surged to 366,000 tons, an
4 increase of over 112 percent. No possible level of
5 demand could have justified so many imports.

6 Inventories soared, our distributor customers worried
7 about potential collapse in prices due to oversupply
8 virtually stopped buying altogether.

9 Meanwhile the economic crisis that began in
10 late 2008 was also hurting demand, but Chinese imports
11 just kept coming, another 66,000 tons in the first
12 half of 2009, a figure greater than the total domestic
13 production over the same time period. We had no
14 choice but to dramatically cut production at all of
15 our facilities. The number 4 mill at Lorain was
16 actually down for most of the year. Things were so
17 bad, although not quite as bad at number 3 mill
18 largely because we were able to export some line pipe
19 greater than 16-inch in outside diameter.

20 Even so we were forced to slash production
21 both there and at our Fairfield facility. Many
22 hardworking employees had to be laid off. You may
23 wonder whether those layoffs would have happened
24 anyway given that OCTG production was also very low.
25 I want to be very clear on this point. Our inability

1 to sell seamless SLP pipe directly affected the
2 operating schedule at our mills.

3 During this time period we were extremely
4 interested in supplying any orders of seamless SLP
5 pipe we could get. Those orders would have helped us
6 to lessen the financial distress we were encountering
7 because of the state of the OCTG market, but the
8 market had also been overrun by Chinese imports.
9 There was so much pipe on the ground that practically
10 no one would buy our product. Our sales of seamless
11 SLP pipe fell over 70 percent from 2008 to 2009. Our
12 operating income on this product fell by almost 87
13 percent over the same period. The number of workers
14 used to make this product fell by almost 63 percent.

15 In short, regardless of the situation of
16 OCTG, we and our workers have clearly suffered greatly
17 because of the Chinese imports of seamless SLP pipe.
18 Furthermore, in the absence of relief that suffering
19 will continue. We learned in 2008 that the Chinese
20 imports could overwhelm even the strongest markets,
21 and the markets for seamless SLP pipe is not strong.
22 In the shale plates where much of the new gas drilling
23 is taking place, the vast majority of line pipe being
24 used is welded rather than seamless.

25 Other sources of demand such as refineries

1 and power plants have dried up due to the ongoing
2 recession. Meanwhile natural gas prices have fallen
3 to less than \$4 per million BTUs, some of the lowest
4 prices we have seen in recent years, and this will
5 place further downward pressure on sales. Especially
6 under the circumstances we cannot afford to lose any
7 market share to unfairly traded Chinese imports.

8 The situation at Lorain is particularly
9 grim. In 2008 we were running two full shifts at each
10 of our mills at Lorain. Now we are only using one
11 shift at each mill. Furthermore, due to the softening
12 in our order book we have already told the unions that
13 our Lorain mills will be shut down for a week in
14 October. Meanwhile the Chinese mills are still out
15 there just waiting to attack this market again. We
16 have watched them for years and we know how they
17 operate.

18 Unlike American companies they are
19 government supported and government protected. Their
20 chief responsibility is to supply, simply get as much
21 product out the door as possible to keep their workers
22 busy. If you open the door to them and once more give
23 them untrammelled access to this market the results
24 will be catastrophic both for U.S. Steel and our
25 workers. Indeed I believe you would be putting the

1 long term future of this vital industry at risk. I
2 urge you to grant us relief and restore fair market
3 competition to the industry. Thank you for your time.

4 MR. HERALD: Good morning, Chairman Okun and
5 members of the Commission. My name is James Herald
6 and I'm the Managing Director of V&M North America.
7 I'm accompanied by Joel Mascovich, the President of
8 V&M Star, Mike Jardon, President of V&M USA
9 Corporation, and Yves Pognonec, Vice President of
10 Sales for seamless line pipe of V&M USA Corporation.
11 As a team we have over 100 years of experience in the
12 energy, tubular, and steel business.

13 There have been some major changes at V&M
14 Star since we appeared here in October of 2009. First
15 I would like to thank you for your final affirmative
16 determination in the OCTG case. With the imposition
17 of duties and the continued development of the natural
18 gas shale market, our corporate parent approved and
19 V&M is in the midst of constructing a totally new \$650
20 million seamless pipe mill on a reclaimed Brownfield
21 directly adjacent to our current mill in Youngstown,
22 Ohio.

23 The new mill will produce seamless pipe in
24 the size range of 2 to 7 inches. Our planned
25 production is 350,000 tons, and the planned production

1 breakdown on the new mill is 75 percent OCTG, 15
2 percent seamless SLP subject to this case, and 10
3 percent green tubes intended for domestic
4 manufacturing of drill pipe at V&M Drilling in
5 Houston, Texas. The green tube portion for drill pipe
6 is subject to the outcome of the current drill pipe
7 case before the Department of Commerce and this
8 Commission.

9 Construction is underway with approximately
10 half the eventual 400 construction workers presently
11 on the job site. We expect to begin production in the
12 fourth quarter of next year and create 350 permanent
13 new jobs. Seamless line pipe is very important, a
14 very important product for V&M Star. We have
15 consistently reported in hearings before the ITC that
16 line pipe is a strategic product for us, comprising
17 approximately 20 percent of our pipe making capacity.

18 Our current mill produces 5-inch to 10-inch
19 line pipe. The new mill will enable us to extend our
20 domestic size range to 2 inches through 10 inches. We
21 will be able to replace some products we previously
22 imported from other V&M mills, but most importantly if
23 unfair trade duties are imposed the domestic industry
24 should be able to replace massive quantities of
25 unfairly traded seamless SLP from China.

1 Our strategic interest in line pipe is three
2 fold. First, the U.S. market for seamless line pipe
3 is traditionally a large mature market which is
4 comprised of a network of downstream consumers and
5 energy transmission requirements. Secondly, SLP is
6 largely a distributor product and all of our seamless
7 line pipe distributors like Dixie Pipe are not also
8 OCTG distributors. Our seamless line pipe
9 distributors know that regardless of the ups and downs
10 of the highly cyclical OCTG market we have always been
11 a consistent and timely supplier of SLP.

12 Third, our business is designed with
13 seamless line pipe as a key component. We have always
14 had a dedicated team to market to the line pipe
15 industry. Unfairly traded imports from China have had
16 and continue to have a devastating impact on our SLP
17 business. First was their effect on volume. The
18 import surge from China in 2008 robbed us of our order
19 book, resulting in decline of more than three quarters
20 of our volume by early 2009. While the imposition of
21 preliminary duties seven months ago has helped us from
22 the dreadful situation we were in last October, our
23 production rates for seamless SLP are still less than
24 half of what they were in 2007 and 2008.

25 We don't think real demand is down by

1 anything like 50 percent, so the reason for this
2 downturn must be that a significant portion of real
3 usage in 2010 has been supplied by inventory. We told
4 you last October in the conference that the Chinese
5 started gearing up to load up the boats the day we
6 filed the case in order to beat the duties. The data
7 on fourth quarter 2009 imports bear out that fact that
8 our market intelligence was correct. The inventory
9 overhang combined with weak demand has prevented our
10 order books from returning to anything like normal
11 levels.

12 Second was the impact on employment.
13 Without volume and cognizant of a massive inventory
14 overhang, we laid off a significant number of
15 employees in 2009. Third was the effect on pricing.
16 We have to compete against Chinese inventory and
17 against domestic competitors who also have little
18 volume. The result has been a big decline in prices
19 for SLP in spite of increasing raw material costs.
20 This has had a very negative impact on profitability
21 in this product line.

22 The E.U. has one of the largest markets in
23 the world for seamless SLP. Last year the E.U.
24 imposed very large antidumping duties against imports
25 of seamless pipe from China, reducing those imports by

1 about a half a million tons. Other countries are
2 doing the same. In spite of the loss of major exports
3 markets and its own massive overcapacity compared with
4 home market needs, Chinese mills continue to add new
5 seamless pipe mills. Our company has made consistent
6 and significant investments in the U.S., facilities to
7 serve our customers, improve our competitiveness,
8 provide safe and rewarding employment, and continue
9 our proud history of environmental compliance.

10 As we consider further investments in the
11 United States these investments will be dependent upon
12 market conditions, including relief from unfairly
13 traded imports, and the ability to obtain a return on
14 that investment. On behalf of all the employees of
15 V&M Star, I urge you to make an affirmative injury or
16 threat of injury determination against unfairly
17 imported seamless SLP from China. Give our company
18 and our employees a little playing field and I can
19 assure this Commission that our ingenuity and hard
20 work will show you that our company and our employees
21 will be able to survive and thrive in any business
22 environment. Thank you very much.

23 MR. BARNES: Good morning, Chairman Okun and
24 members of the Commission. For the record, my name is
25 Scott Barnes, and I'm Vice President and Chief

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1 Commercial Officer for TMK IPSCO. I have over 30
2 years experience in the energy tubulars industry. TMK
3 IPSCO operates an electric arts furnace steel mill in
4 Koppel, Pennsylvania, where we make the billets that
5 supply our rotary piercing mill in Ambridge,
6 Pennsylvania, which is where we make the seamless SLP
7 produced in sizes ranging from 2 to 4 inches.

8 Seamless line pipe has always been an
9 important product for our Koppel seamless product
10 line. Of course OCTG is our primary product, and I
11 wish to thank the Commission again as well as the
12 Department of Commerce for the affirmative ruling in
13 the OCTG case against China. That ruling positively
14 improved our level of operations and was a significant
15 reason for turning around our business. Since that
16 time, or since the time that we have acquired Koppel
17 in 2006, I can never remember our seamless line pipe
18 business being as weak as it is now.

19 It is normally a fairly dependable business
20 with regular orders and shipments to our stocking
21 distributors. However for almost two years now our
22 seamless line pipe business has been in the doldrums.
23 I think the reason for this is that the really big
24 seamless SLP inventory buildup that resulted from the
25 Chinese import surge has come down much more slowly

1 than it did in OCTG, because underlying demand for
2 seamless line pipe has been static or weakening.

3 Our parent company, OAO TMK based in Russia,
4 has participated in the Russian government case
5 instituting duties against seamless pipe imports from
6 China. Russia is very seamless line pipe oriented
7 market because many of its oil and gas producing areas
8 and gathering lines operate in extremely hostile
9 environmental conditions.

10 In contrast, the increase in the U.S. rig
11 count primarily because of increased shale drilling,
12 provides limited beneficial increase in U.S. demand
13 for seamless line pipe. TMK IPSCO is also in the
14 welded line pipe business, so I can tell you that it
15 is the welded line pipe, not the seamless, which is
16 benefitting today from the increased drilling in the
17 new shale areas.

18 Welded line pipe is less expensive than
19 seamless, and in the relatively benign environmental
20 conditions encountered in the continental U.S. shale
21 fields gas transmission companies have no reason to
22 choose seamless at a higher cost over the welded.
23 We're not talking about conditions like Siberia.
24 Fortunately, we received relief from imports of welded
25 line pipe from China in 2008. In conclusions, I am

1 here on behalf of our valued employees in both
2 Ambridge and Koppel to ask for relief against the
3 unfairly traded seamless SLP from China. Thank you.

4 MR. THOMPSON: Good morning. I'm George
5 Thompson, General Manager for Commercial for Tubular
6 Product for United States Steel Corporation. I
7 supervise sales activities for all of our tubular
8 products and I'm extremely familiar with both market
9 conditions and our tubular operations. I'd like to
10 address some of the key issues in this case.

11 First I understand there has been a question
12 about whether so called small diameter seamless SLP
13 pipe, that is pipe up to and including 4 and a half
14 inches in outside diameter, should be analyzed
15 separately from so called large diameter seamless SLP
16 pipe, greater than 4 and a half inches in OD up to 16
17 inches. Without getting into the legal issues, let me
18 give you some facts that strike me as very relevant to
19 your analysis.

20 In the real world there is simply no
21 significant difference between these two products.
22 They are generally made by the same methods and used
23 for the same type of applications. In fact we make
24 both size ranges on the same mill at our Fairfield
25 facility in Birmingham, Alabama. We produce pipe

1 there that goes from 4 and a half to 9 and seven
2 eighths inches in outside diameter. All seamless SLP
3 pipe up to 16 inches in outside diameter is sold to
4 the same distributors and often to the same end users
5 at prices that generally overlap.

6 I would also point out that whatever legal
7 conclusion you reach with respect to the like product
8 issue, all of the cut pipe covered by this case is
9 important to us, and all of that business is at risk
10 due to unfair trade. Chinese mills are more than
11 willing and are certainly capable of attacking the
12 full size range at issue. In 2008 for example, U.S.
13 imports of so called small diameter pipe from China
14 amounted to 197,000 tons, while the comparable figure
15 for large diameter pipe was 169,000 tons. In other
16 words Chinese mills were extremely active across the
17 board.

18 Second, if you want proof of our desperate
19 Chinese mills are to sell here, consider what happened
20 right after we filed the petitions last September. As
21 you may recall the market for seamless SLP pipe was
22 practically dead when those cases were filed,
23 inventories were extremely high and no one was looking
24 to buy more. Nevertheless, we started to hear almost
25 immediately that Chinese mills were trying to sell

1 seamless SLP pipe at extremely low prices in hopes of
2 getting product into this market before the imposition
3 of preliminary duties.

4 Unfortunately those reports were extremely
5 accurate. In the last quarter of 2009 U.S. imports of
6 the subject product from China were over 45,000 tons.
7 On an annualized bases that would equal around 180,000
8 tons, a figure greater than total Chinese imports
9 during 2007 and more than three times greater than
10 U.S. Steel's actual 2009 production. The fact that
11 Chinese mills could sell so much pipe here so quickly
12 in a market where buyers for fairly priced goods were
13 practically nonexistent shows how aggressive and
14 disruptive they are, can, and will be if allowed to
15 be. It also shows that in the absence of trade relief
16 they will attack this market again.

17 Third, we also know that Chinese mills are
18 desperate for business because we see what they are
19 doing in other markets. As recently as 2007 we
20 exported almost 30,000 tons of the subject product to
21 markets around the world, particularly into the Middle
22 East and Africa. Since 2008, however, that business
23 has virtually disappeared. Chinese mills anxious to
24 move as much product as possible and already shut out
25 of many other markets, including the U.S. OCTG market,

1 have simply bombarded available markets with pipe at
2 prices that we cannot possibly match. If given the
3 chance they will do the same thing here just as they
4 did in 2008 and 2009.

5 Fourth, the same Chinese producers who can
6 no longer ship unfairly traded seamless OCTG to this
7 market are likely to ship seamless SLP pipe instead.
8 Just like us, the Chinese mills make both products on
9 the same line and it's extremely easy to switch from
10 one to the other. Unfortunately, even a small
11 percentage of the seamless OCTG tonnage Chinese mills
12 have shipped here in 2008 would be enough to destroy
13 the seamless SLP market.

14 The 366,000 tons of seamless SLP pipe that
15 Chinese mills shipped here in 2008 caused inventories
16 to soar and orders for the domestic product to dry up.
17 But in 2008 Chinese mills shipped over 1.7 million
18 tons of seamless OCTG to the United States, a volume
19 more than four times as great as China's shipments of
20 seamless SLP pipe. These numbers show that
21 practically any significant product shifting by
22 Chinese mills would lead to a surge of imports that
23 would overwhelm this market.

24 Fifth, the notion that quality issues or
25 some other nonprice factor will prevent Chinese

1 imports from hurting domestic producers is completely
2 without foundation. More and more customers use
3 seamless SLP pipe as a commodity product sold on the
4 basis of price, and no American company can possibly
5 compete with dumped and subsidized Chinese imports on
6 the basis of price. As a result, American mills face
7 the possibility of losing almost all of their sales to
8 Chinese imports.

9 This is not an exaggeration. During both
10 2008 and 2009 Chinese mills held a larger share of the
11 U.S. market than all domestic mills combined. Last
12 year the Chinese sold almost as much seamless SLP pipe
13 here in the first quarter alone as U.S. Steel, the
14 largest domestic producer, did for the entire year.
15 Finally, domestic producers are in an extremely
16 vulnerable position. The U.S. economy is facing what
17 may be its worst crisis since the Great Depression.
18 Demand for seamless SLP pipe is still running well
19 below levels that we saw during 2007 and 2008, and
20 even those higher levels of demand were not enough to
21 insulate us from harm.

22 As you can see from the data, 2009 was a
23 disastrous year in which we made almost no sales. And
24 while our situation has improved somewhat in 2010, due
25 in very large part to these cases, we are still

1 dealing with relatively weak volumes. Looking at U.S.
2 Steel's data, we currently estimate that our
3 production of seamless SLP pipe this year will be down
4 more than one third from 2008 levels and that we are
5 looking at a 63 percent decline in operating income, a
6 28 percent decline in production related workers, and
7 a decline of 25 percentage points in capacity
8 utilization.

9 By any measure, therefore, we are in a much
10 weaker position than we were in 2008, and within a few
11 months after that year ended Chinese imports had shut
12 us down. They will do so again if given the chance.
13 For much of last year this industry was practically
14 shut down because of Chinese imports. I've been in
15 this business a long time and I've been through a
16 number of crises, but we have never faced a threat
17 comparable to China.

18 In my opinion the seriousness of the threat
19 is almost impossible to overstate. We don't even know
20 with any degree of certainty how many Chinese mills
21 are even out there or how big their capacity truly is,
22 how much new capacity is coming online, or what
23 government programs China has planned to give even
24 more help to its steel producers. The information
25 that we do have on those issues is alarming.

1 What we do know is that every time they get
2 a chance Chinese producers flood this market with pipe
3 that is hundreds of dollars per ton below market
4 prices. They did it in welded products, they did it
5 in OCTG, and they did it here. And they will keep
6 doing it unless they are stopped. That is why we need
7 antidumping and countervailing duty relief on the
8 imports covered by this case. Thank you very much.

9 MR. CONWAY: Good morning, Chairman Okun and
10 members of the Commission. I'm Thomas Conway, I'm the
11 Vice President of the United Steel, Paper, Forestry,
12 Lumber, Manufacturing, Energy Allied Industrial
13 Service Workers Union. I don't usually go through the
14 whole name for you guys, but it's important because in
15 so many of those sectors we just continue to get
16 hammered, and I'm here today on behalf of steel worker
17 members who produce this subject seamless pipe
18 products that U.S. Steel's plant in Lorain, Ohio, and
19 Fairfield, Alabama, and that TMK IPSCO plants in
20 Koppel and in Ambridge, Pennsylvania.

21 And for those members and for all the steel
22 worker members I want to say clearly that, you know,
23 we have no problem with the imports, we can compete
24 and beat the imports so long as the competition's fair
25 and steel worker members are working hard. And they

1 play by the rules but they expect everybody else to
2 play by the rules as well, and if they're not they
3 expect our government to step in and level it up and
4 enforce our trade rules.

5 Once again the fate of steel worker members
6 rests with the enforcement of our trade remedy laws,
7 and as the largest industrial union in North America
8 the steel workers are continually taking the brunt of
9 deliberate Chinese government policies that aren't
10 based on market principles and signals but rather on a
11 model of state capitalism that's grounded in strategic
12 goals for achieving market share in export markets and
13 ensuring that it's creating jobs for its population.

14 As petitioners in many CVD cases against
15 China including the case at hand, our members know
16 first hand the terrible effect that this
17 anticompetitive model in action. For example in the
18 recent CVD investigation on OCTG the volume imports
19 for China tripled from 2006 to 2008. That incredible
20 surge continued well into the severe economic
21 recession that we had and during the later period
22 2,400 jobs were lost in the industry and our hours
23 worked were cut in half.

24 The results all too familiar but nevertheless
25 quite devastating to our members who suffer the

1 consequences of the damage which happens when a flood
2 of subsidized and dumped Chinese imports hit our
3 shores in wave after wave. It's even more devastating
4 when a nation is facing an unemployment rate hovering
5 at 10 percent and national economy's still struggling
6 to regain its footing.

7 So not only have our members had to
8 withstand the most severe economic contraction since
9 the Great Depression and lost the 2.2 million
10 manufacturing jobs since it started in December 2007,
11 but in industry after industry we're being hammered by
12 the negative impact of deliberate Chinese industrial
13 policies which have caused real harm to critical
14 sectors of our industrial base like the seamless pipe
15 sector here today.

16 For the seamless pipe products under
17 investigation, Respondents benefit from a variety of
18 subsidies and particularly the state owned enterprises
19 like Baotou and Tianjin Pipe Company, Hengyang, they
20 just let them flood our market with dumped imports
21 that undersell our domestic producers. We shouldn't
22 be expected to compete against them. It can't be done
23 no matter how hard we work, no matter how many
24 productivity gains we make, no matter what we do we
25 can't compete against that.

1 And while the Commission maybe cannot
2 broadly solve all the nation's unemployment problems,
3 based on the evidence in this case you can make the
4 appropriate ruling that unfairly traded imports of
5 seamless pipe from China have injured or threaten to
6 injure U.S. producers of the seamless pipe products.
7 Such a ruling will make a tremendous difference in the
8 lives of steel workers members working in this
9 industry and to the health of our economy.

10 Consider the affirmative determination in
11 the recent OCTG case. Based on your decision, workers
12 in OCTG industry and in flat roll mills that supplied
13 steel to those OCTG producers were able to return to
14 work. To give just one example, U.S. Steel reopened
15 the former Lone Star mills in Texas and also the
16 Granite City plant which supplied hot rolled steel to
17 Lone Star facilities.

18 Moreover, every steel job supports
19 additional jobs in the communities where the plants
20 are located. It's no exaggeration to state that many
21 men and women are at work today all across America
22 because of that affirmative ruling, so these rulings
23 make real differences for our people and real
24 differences in our lives. Yet unfortunately this
25 isn't the end of it. There are more jobs at risk due

1 to unfairly traded imports of the seamless standard,
2 line, and pressure pipe.

3 These products are made on the same
4 equipment and at the same mills that the Chinese
5 producers use to make the seamless OCTG. The Chinese
6 shipped almost 2.4 million tons of seamless OCTG to
7 this market in 2008 and 9. With antidumping and
8 countervailing duties now in place the temptation
9 exists and a tremendous economic incentive exists to
10 flood this market with seamless pipe products, which
11 in the OCTG case literally shut down a majority of the
12 industry.

13 Steel worker members producing seamless pipe
14 products know too well what it'll mean, more lost
15 jobs, more lost hours, more suffering, more people
16 forced to scramble for work in a tough economy and
17 more people asking why they have to lose their jobs
18 because of Chinese imports. There can be no serious
19 doubt that the same Chinese industry that flooded the
20 OCTG and seamless pipe in 2008 would not resort to
21 that same vast capacity, now with far fewer
22 alternative outlets to unleash that on our seamless
23 producers and those markets and our members.

24 Certainly this presents a clear threat of
25 injury from imports under our trade remedy laws.

1 Finally understand that the Chinese Respondents may
2 claim the domestic is not suffering material injury.
3 You should reject that argument. The domestic
4 industry includes those who work in that industry and
5 those workers are suffering terribly. We have workers
6 here in the hearing room today who work in the
7 seamless pipe industry whose mills are going down now
8 who've been advised work won't be there. They're here
9 to watch that we do the right thing again.

10 This industry's practically been shut down
11 for much of last year. Hundreds of people lost their
12 jobs. Just imagine being out of work for months at a
13 time and the economic and the strain that puts on your
14 families and yourself and your community. That's what
15 happened to many of the workers in this industry, and
16 all this suffering incurred is because anything
17 they've done or because the domestic producers have
18 done anything wrong, but because of a deliberate
19 mercantilist policy and unfair trade practices engaged
20 in by China. And so I urge the Commission to grant
21 our workers in this industry the relief they need.
22 Thank you.

23 MR. DURHAM: Good morning. My name is James
24 Durham, I'm the Chief Executive Officer of Dixie Pipe
25 Sales, which is a major distributor of seamless

1 standard, line, and pressure pipe. Dixie Pipe has
2 been in the distribution business for over 50 years.
3 We carry a large inventory of seamless pipe, which
4 includes AFTM A53, A106, and API grades of seamless
5 pipe. I followed closely the OCTG investigations that
6 you recently concluded. That proceeding was of great
7 interest to us even though we don't sell OCTG.

8 With very few exceptions the Chinese mills
9 that make seamless OCTG also make seamless pipe and do
10 so using the same equipment and the same workers.
11 They can switch in a heartbeat from making seamless
12 OCTG to making seamless pipe. Now that their access
13 to the U.S. OCTG market has been restricted there is
14 no doubt whatsoever in my mind that they will if
15 permitted to do so use this equipment to make seamless
16 pipe for export to this country.

17 Given that the market for seamless pipe is
18 much smaller than the market for OCTG, this would
19 result in volumes of imports that would absolutely
20 swamp the U.S. market for seamless pipe. This process
21 of shifting from OCTG production to seamless
22 production by Chinese producers is not just something
23 that is extremely likely in the abstract. Right after
24 the OCTG cases were first filed, representatives of a
25 large Chinese producer approached me and told me that

1 this is exactly what they intended to do.

2 At the same time we also received offerings
3 of very low priced seamless pipe from another Chinese
4 producer. I would like to also share with you my
5 views on where demand currently stands and what it is
6 likely to be going forward. Because I am a veteran in
7 ITC hearings I know that you tend to pay a great deal
8 of attention to the rig count. Please let me explain
9 to you why I think that the rig count does not tell
10 you very much about current and likely demand in this
11 industry.

12 To begin with, unlike other tubular products
13 associated with oil and gas industry like OCTG, demand
14 for seamless pipe also depends heavily on general
15 economic conditions, which are not good. Two
16 applications that are closely tied to general economic
17 conditions are construction and refineries. As I am
18 sure that you are aware, construction in this country
19 is extremely depressed and that is not likely to
20 change any time soon.

21 Just a few years ago refineries were a hot
22 spot for seamless pipe demands. As this country's
23 refining capacity was stretched to the limit now just
24 the opposite is true. A lot of work was done to
25 expand or upgrade existing refineries or to a lesser

1 extent to build new refining capacity. That process
2 has finished. In the wake of the economic crisis,
3 people are driving less and we now have significant
4 excess refining capacity.

5 Consequently refining companies have
6 drastically cut back their capital expenditures and
7 thus their demand for seamless pipe. Demand for
8 deepwater drilling for oil and gas is tied to the rig
9 count. In fact seamless pipe was in many respects the
10 product of choice for such applications because
11 seamless pipe is designed to serve more demanding
12 applications of the kind that are often needed for
13 offshore oil and gas wells. But that sector of the
14 market is also fairing poorly.

15 Drilling activity in the Gulf of Mexico has
16 fallen off significantly even before the economic
17 crisis and even before the blowout at BP's rig in the
18 Gulf. This is because oil and gas producers
19 increasingly focused their exploration development
20 activities onshore. Now the BP disaster and the
21 resulting Federal suspension of drilling in ocean
22 that's below 500 feet have caused demand for seamless
23 pipe in deepwater applications to dry up almost
24 completely.

25 Most people in the business believe that it

1 will take deepwater drilling at least two years to
2 pick up even if the suspension is lifted. I recently
3 heard a speech by Bob Trippy of the Oil and Gas
4 Journal that was thought provoking. He predicted that
5 independent oil and gas producers will no longer be
6 allowed to drill in deepwater areas of the Gulf
7 because the government believes that these companies
8 are incapable of preventing or remediating oil spills
9 like the one experienced by BP.

10 If that proves to be the case and only the
11 major oil companies are allowed to operate in the
12 Gulf, I suspect that it will take a lot longer than
13 two years for deepwater drilling to recover. Finally
14 I suspect that you have heard a lot about the shale
15 gas plates that have been in the news. I think that
16 there are two things that you have to keep in mind as
17 you consider whether the relatively high level of
18 activity that is going on in those areas is likely to
19 generate new demand for seamless pipe.

20 The short answer to that question is that it
21 will not. To begin with, the shale plates are almost
22 entirely irrelevant to this product, seamless pipe, as
23 welded pipe accounts for virtually all pipe used to
24 carry shale gas wells to the transmission network.
25 Seamless pipe is used in above-ground shale operations

1 relating to shale gas plates only for hookup
2 operations. These hookup operations convey the gas
3 from the well to a gas compressor station located
4 nearby which processes the shale gas before passing it
5 through to a pipeline made of welded pipe. The amount
6 of seamless pipe that is used for this purpose is in
7 our experience quite small.

8 Moreover, the level of drilling activity
9 that is now occurring in the shale gas plates is being
10 heavily driven by the need for oil and gas producers
11 with leases in these locations to generate at least
12 some production before their leases expire. If they
13 don't, they lose their lease holds. A lot of folks in
14 the business expect drilling for the purpose of
15 holding leased acreage to fall off next year.

16 Furthermore, natural gas prices are low and
17 have recently fallen sharply as gas supplies have been
18 increasing and the economy has been slowing. Taken
19 together, these facts suggest to me that the current
20 level of demand for welded pipe and OCTG and for a
21 small amount of seamless pipe that is now being seen
22 in the gas shale plates is likely do decline rather
23 than increase.

24 In addition the fall in natural gas prices
25 is probably also going to result in a decline in

1 demand for seamless pipe as soon producers are simply
2 not going to drill for gas at current price levels.
3 For these producers it makes more economic sense to
4 wait in the hope that prices will rise. I appreciate
5 the chance to share my views on these issues. Thank
6 you.

7 MR. GILLELAND: Good morning. My name is
8 Bob Gilleland, I am Senior Vice President of Edgen
9 Murray. We are one of the nation's largest
10 distributors of seamless pipe. We are an
11 international company with locations around the world.
12 Consequently we have a broad perspective on the market
13 conditions in the United States and elsewhere, and
14 also have some insights on the situation in China that
15 may be of some value to you.

16 As part of my job I have traveled to China
17 and witnessed first hand the enormous expansion of the
18 Chinese seamless pipe industry that has taken place.
19 If you were to see some of these facilities, many of
20 which are brand new, I think that you would be
21 astounded. They are massive, often five times bigger
22 than even major seamless pipes in the United States
23 and in other countries. They are also state-of-the-
24 art, using the most advanced equipment and technology
25 in the world.

1 Amazingly, China is still expanding its
2 capacity by leaps and bounds even though demand for
3 seamless tubular products has fallen considerably. In
4 my opinion the scale of the expansion of the Chinese
5 capacities that has taken place appears to have no
6 economic justification. The Chinese industry has no
7 meaningful competitive advantage in the production of
8 seamless pipe. Its sources its raw materials from
9 other countries, in many cases countries that are on
10 the other side of the world.

11 Its home market is not nearly large enough
12 to support the massive amount of capacity that it has
13 built. The rationale for this expansion is therefore
14 not economic in the sense that an American would
15 understand the term. Instead the expansion of the
16 Chinese industry seems to have been motivated by
17 China's single-minded determination to export anything
18 and everything to generate jobs for its massive
19 workforce.

20 Let me talk now a little bit about demand.
21 I testified at the staff conference that the
22 Commission staff held last October. At that time
23 conditions were as bleak as I have seen during my 30
24 years in this business. Because imports from China
25 had risen such high levels in '08 the supply chain was

1 choked with oversupply. In '08 we were inundated
2 virtually every day with low price offers for seamless
3 pipe, often from companies with which we were not
4 familiar and which clearly had no knowledge about the
5 size of the U.S. market or about prevailing market
6 prices here.

7 Even if the economy had remained strong it
8 simply could not have begun to absorb the volumes of
9 imported Chinese pipe that were being sold in this
10 country in '08. Inventories soared to record levels.
11 By '09 there was essentially no demand for more
12 seamless pipe, but that did not deter Chinese
13 producers from selling even more pipe into a vastly
14 oversupplied market. Have demand conditions changed
15 since that time? I would say that they have improved
16 somewhat, but not nearly to the extent necessary to
17 reestablish a healthy market.

18 These cases have evidently forced Chinese
19 producers to temporarily back away from this market
20 and that has certainly helped. Among other things it
21 has stabilized prices and eliminated the source of
22 oversupply that has caused so much harm to Edgen
23 Murray and to the U.S. mills. I can barely imagine
24 how bad conditions might be if it were not for these
25 cases.

1 But we're still buying very little pipe for
2 inventory and do not believe that our major
3 competitors are either. There is still a lot of
4 Chinese pipe out there even now that has not been
5 washed through the system. The primary buys that we
6 are making are for projects that have been in the
7 works for some time, and we are maintaining minimal
8 levels of inventory and are buying mostly when we have
9 a customer requirement. In short times are still very
10 tough and we do not anticipate that the market will
11 recover significantly any time soon.

12 Finally let me make one observation about
13 what is at stake in these cases. If the U.S. mills do
14 not receive trade relief for these cases it is hard
15 for me to see how they can remain in this business.
16 Edgen Murray is well aware of how the Chinese
17 producers are behaving in overseas markets right now.
18 They are attacking other markets just the way they
19 attacked this one, by offering extremely low prices to
20 move supply rather than to make a profit.

21 There are very few applications in which
22 Chinese product is not considered acceptable, and the
23 applications that require a more advanced product than
24 the Chinese now offer cannot possibly generate enough
25 demand to enable U.S. producers to retain any

1 meaningful role in that market. Thank you for the
2 opportunity today.

3 MR. HECHT: That concludes our presentation.

4 CHAIRMAN OKUN: Thank you. And before we
5 turn to questions let me thank all of our witnesses
6 for being here today, in particular to thank the
7 industry and labor witnesses for taking the time to be
8 with us, for your time away from your business, and
9 also to thank the workers who are attending and I hope
10 that you find this a helpful exercise to observe the
11 proceedings. Just again one more reminder when you
12 respond to questions to state your name and for the
13 court reporter. And we are going to begin our
14 questions this morning with Commissioner Pinkert.

15 COMMISSIONER PINKERT: Thank you, Madam
16 Chairman, and I join the Chairman in thanking all of
17 you for being here today and helping us understand the
18 conditions of this industry. I want to begin with a
19 question for Mr. Thompson who talked a little bit
20 about the domestic like product issue in the case. I
21 don't know if I understood you correctly on this point
22 so I want to give you a chance to clarify. In your
23 view do the end uses for small and large diameter
24 pipes differ at least to some extent?

25 MR. THOMPSON: No. The point that I was

1 trying to make is no, they are for the most part the
2 same end uses. Obviously the size makes a difference
3 as they apply them in virtually the same use, the
4 specifications are the same and there's not a
5 significant difference between 2-inch through 4 and a
6 half and those sizes of 4 and a half through 16.

7 COMMISSIONER PINKERT: And specifically with
8 regard to the oil and gas industry is there any
9 difference between the use of the smaller versus the
10 larger?

11 MR. THOMPSON: No, for the most part it's
12 just the volume of product that they have to move
13 through those pipes.

14 COMMISSIONER PINKERT: Thank you. Now my
15 next question is addressed to the entire panel, and it
16 has to do with allocation of production resources
17 between different products such as OCTG and SLP pipe.
18 How do producers make the decision to allocate between
19 the various products that can be made from the
20 equipment?

21 MR. THOMPSON: I can speak for U.S. Steel.
22 George Thompson of U.S. Steel. I can obviously only
23 speak for our own company, but we make a concerted
24 effort to support both OCTG and the standard and line
25 and pressure pipe business, and the decisions that we

1 make are, we actually make decisions to support this
2 business at the expense of OCTG when we come to a
3 position in which our mills are full. Unfortunately
4 we haven't reached that position, even in 2008 we had
5 excess capacity on this product line. Now that being
6 said, we aren't always fully manned in order to tap
7 into all that capacity, it takes some time. In fact
8 in 2008 at our facilities in Lorain we were looking to
9 add crews as the market started to fall off in order
10 to support more volume. But the fact of the matter
11 getting directly to your question is, we support this
12 market at the expense of OCTG when the conditions
13 warrant that.

14 MR. HERALD: James Herald for V&M.
15 Basically I would make the same comments with V&M.
16 This has been a market, seamless line pipe market,
17 that we've served for many years, and we make sure
18 that from a capacity perspective we have capacity to
19 continue to serve it on an ongoing and regular basis
20 and we'll make the same type of tradeoffs similar to
21 what U.S. Steel does.

22 You know, for us it's important because we
23 see these markets OCTG and the downstream market
24 separate, and as markets cycle, and we know OCTG is
25 very cyclical, as that market's cycle, the nice thing

1 about this market is it's continually been fairly
2 steady, it's not necessarily connected to OCTG even
3 though there is some connectivity in particular with
4 deepwater in the Gulf of Mexico. But it allows us to
5 maintain our staffing, build resources we need through
6 the history by staying and participating in this
7 particular business segment.

8 MR. BARNES: Scott Barnes, and again I can
9 speak for TMK IPSCO and echo similar comments. In
10 fact I answered in the OCTG case with welded, you
11 know, we maintain the standard pipe business in welded
12 for the same reasons we do in seamless, it's a steady
13 business, it helps to base load the facility. It's an
14 opportunity to keep our skilled workforce rather than
15 to have them go through layoffs up and down in a more
16 volatile OCTG side of the business. You spend the
17 effort to develop the market and the customer base and
18 the relationships and then just to walk away from it
19 just doesn't make sense, so it's an important part of
20 our business.

21 COMMISSIONER PINKERT: Any other comments on
22 the panel on this issue?

23 (No response.)

24 COMMISSIONER PINKERT: Now turning to more
25 of a global economics kind of a question, with

1 apparent consumption down and unit costs up in 2009,
2 is it unsurprising that there should have been an
3 increase in the ratio of cost of goods sold to sales
4 from 2008 to 2009? Maybe the lawyers could take a
5 whack at that.

6 MR. VAUGHN: Yeah, I mean I'll just kick it
7 off here. I mean I think, you know, given that there
8 was a decrease in consumption from 2008 to 2009, you
9 know, one would have expected that to have an increase
10 in effect on the unit cost of goods sold, and that is
11 what you're record shows. However I think what's
12 important to note here is that the consumption, you
13 have another comparison too which is the comparison
14 between the first half of 2009 and the first half of
15 2010.

16 And so if you'll recall from the OCTG case,
17 one of the big issues in that case was, well how much
18 of it was demand versus how much of it was the
19 Chinese? Here you have more data, and so you can
20 actually sort of see, okay here's what, a market the
21 size of the 2009 market looks like with the Chinese in
22 it, here's what a market the size of the 2009 market
23 looks like with the Chinese out of it. And you can
24 see for example, you know, going to your point, cost
25 of goods sold in the first half of 2009, I'm just

1 looking at C3 in your staff report, the \$1,734 a ton,
2 2010 as production increased, they're able to spread
3 those costs over more tons, cost is \$1,279.

4 So again this is just another example of
5 sort of the point that we were making earlier. There
6 was not, and I think testimony here goes, the
7 qualitative testimony matches up with your numbers,
8 that people are saying this market now is just about
9 the same as it was in 2009, maybe a little better, not
10 significantly better. But the numbers these guys are
11 showing is significantly better, and to me that
12 indicates that China was a major cause of the problems
13 in 2009.

14 COMMISSIONER PINKERT: Thank you. Now since
15 we are making comparisons between various data points
16 within the record on the record of this case, I'm
17 curious as to what caused the nonsubject market share
18 to jump in the first six months of 2009 at the same
19 time that U.S. producers and subject imports market
20 share was declining. Does that have any significance
21 and what do you think caused that?

22 MR. POGNONEC: I'm Yves Pognonec from V&M
23 for the record. I also testified on the last
24 appearance here that a good portion of those imports
25 coming from Germany were for a project in the Gulf of

1 Mexico which was a specific project negotiated with
2 oil companies for a specific application in the Gulf
3 of Mexico. So that was in a different market segment,
4 if you wish, than the one supplied by the
5 distribution.

6 MR. SCHAGRIN: And I would just add,
7 Commissioner Pinkert, this is Roger Schagrin, that we
8 believe the same is true of the volumes of imports
9 from Japan. As the Commission is aware both small and
10 large diameter seamless pipe from Japan are covered by
11 orders but those orders have exceptions for certain
12 high grade heavy wall products that are used in the
13 offshore Gulf of Mexico.

14 And so once again we think that the imports
15 from Japan were these specialized products that are
16 not the commodity grade products that we have as
17 imports from China, and in fact they're even beyond,
18 which is why they're excluded from the orders, the
19 capabilities of the domestic mills. So we think that
20 in 2009 significant portions of nonsubject imports
21 were for special project tonnage used in the Gulf of
22 Mexico.

23 MR. HECHT: Yeah, Jim Hecht, just to follow
24 up on that, that I think 25,000 tons of that is the
25 German product and 15,000 tons of that is the Japanese

1 product that's under order and presumably subject to
2 an exclusion. So I think it looks very different when
3 you take into account what that actually was. The
4 other data point is to take a look at the market
5 shares for the second half of 2009, which are not
6 broken out on this chart but you can derive them from
7 the chart.

8 And again China achieved its highest market
9 share of the entire period of investigation in the
10 second half of 2009 largely due to shipments that came
11 in after the petition. So the notion that they
12 somehow backed away from the market when demand was
13 down is just completely belied by the record. They
14 shipped an enormous amount into a highly damaged
15 market in 2009.

16 COMMISSIONER PINKERT: I think you
17 anticipated my next question, Mr. Hecht. I was going
18 to ask for a comparison between the first half and the
19 second half of 2009, in particular whether the decline
20 in industry performance was affected by the decline in
21 apparent consumption from the first half to the second
22 half of the year.

23 MR. SCHAGRIN: We would say it was most --
24 this is Roger Schagrin again. It was most influenced
25 by two factors. One, the market in the second half of

1 '09 was being overwhelmingly supplied by inventories
2 because inventories, as was testified to by the
3 distributors in the staff conference in the fall, were
4 at incredibly high rates. And then, so the actual
5 numbers you have on consumption are on apparent
6 consumption which looks very low, but that's because
7 it's not adjusted for inventories.

8 And then into a market where for the
9 commodity grade distributor products no one in
10 distribution wanted more product, the Chinese then
11 plowed another 45,000 tons for one reason only, no
12 market pull forces, they just wanted to get product in
13 here before they would be subject to the AD and CVD
14 duties because they know they dump and subsidize and
15 they're going to get carded for that. And so that is
16 why from an injury perspective because you have the
17 data to look at the second half separately from the
18 first half of '09, clearly this industry suffered
19 injury in every respect in the second half of 2009 and
20 clearly the causation, because it's the highest level
21 of market share from China, was caused by imports from
22 China.

23 COMMISSIONER PINKERT: With the red light
24 on, just a quick comment from Mr. Hecht.

25 MR. HECHT: Okay, just to follow up, again I

1 think another phenomenon you'd see on the record is
2 something that was talked about in OCTG where in the
3 first quarter of 2009 you still had a carryover of
4 some of the orders and activity from 2008 so you're
5 going to see a relatively higher AUV at that point and
6 masking some of the problems that occurred later in
7 the year. Once those sales sort of worked through the
8 system the story for the rest of the year is the
9 massive inventory buildup from the Chinese surge and
10 then the effects of the additional 120,000 tons the
11 Chinese shipped in in '09 and you'll see a continual
12 decline in AUVs and in the performance throughout that
13 year.

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

16 CHAIRMAN OKUN: Thank you. I appreciate the
17 amount of time that you have spent talking about
18 demand and I know in the briefs there's also
19 information on that but I did have just a few more
20 questions just to make sure I understand the arguments
21 and the information that would be necessary to have in
22 our final staff report. And maybe I'll start with the
23 distributors with respect to the refineries but to the
24 extent other producers want to talk about that as
25 well.

1 I know the staff report mentions refineries
2 and there was information in the Skadden brief with
3 respect to a general statement about refinery demand
4 not, going down and not being very strong. Are there
5 any, is there anything else that we could look from
6 the staff or expect from you to track what demand
7 there is from refineries and what it's been? I mean
8 is there anything else that can be broken out or is it
9 only going to captured in general data?

10 MR. DURHAM: This is Jim Durham. I think
11 you could go to some of the periodicals that report
12 jobs for refineries and construction jobs and you
13 would determine that, by the information that would be
14 presented there, that the activity is very very low.
15 One of the largest jobs started in '06 was Mateba in
16 Port Arthur, Texas, which was I guess one of the
17 largest refinery jobs in the last 20 years.

18 And they stopped that job at the end of '08
19 and because of economic conditions. And they have not
20 started that back. And in our part of the country
21 there were several big jobs that happened to be in the
22 Port Arthur, Texas, area and they were all stopped or
23 put on hold at the end of '08 or the beginning of '09
24 because of the demand for their product and economic
25 conditions.

1 CHAIRMAN OKUN: Okay. Anyone else want to
2 talk about refineries? Yes, Mr. Gilleland.

3 MR. GILLELAND: This is Bob Gilleland. I
4 think you could also, this product is also used in
5 power generation and petrochem and those kinds of
6 industries as well, so you could check the activity in
7 those areas as well. It's all the downstream segment
8 of the market.

9 CHAIRMAN OKUN: Okay. And then if there are
10 no other comments with respect to refineries
11 specifically, with respect to nonresidential
12 construction and the emphasis that you've placed on
13 that today, in terms of looking at demand in the
14 imminent future is there, what are you tracking, what
15 are you looking at right now, just the general
16 nonresidential construction reporting? I mean what
17 are you paying attention to figure out where your
18 order books are going?

19 MR. DURHAM: Nonresidential construction
20 would be again would go back to refineries,
21 petrochemical, paper mills, offshore platforms,
22 drilling rigs. And that's basically stopped, and as
23 it did in the end of '08, and that has not started
24 back.

25 CHAIRMAN OKUN: Okay. And are there any

1 indicators you're going to be looking to or that you
2 would be aware of that you'll see when, is there any
3 lag time in terms of, you know, when you think you'll
4 see activity or is there anything going on now where
5 you think there is a lag time indicating demand will
6 pick up?

7 MR. DURHAM: Not that I know of, but I mean
8 here recently with the moratorium in the Gulf of
9 Mexico, there has been several large fabricators,
10 primarily in south Louisiana and in south Texas that
11 have drastically cut their workforces, and I know of
12 several of them that have totally closed. And they're
13 main product would go into offshore platforms or
14 construction of offshore platforms and drilling rigs.
15 And the fact that they think we're looking at a long
16 period of time before that resumes, they've closed
17 their doors.

18 CHAIRMAN OKUN: Okay. Other producers, Mr.
19 Herald?

20 MR. HERALD: Yeah, this is James Herald --

21 CHAIRMAN OKUN: If you can just pull the mic
22 a little closer so we can hear you?

23 MR. HERALD: I'm afraid I'm going to pull it
24 out of the wall. We also serve what we would describe
25 as industrial markets, which is heavy construction,

1 heavy machinery, et cetera. And we actually look at
2 manufacturing purchase indexes, and we've seen some
3 improvement there but not very much in the last six
4 months. So we don't see an indication yet of a
5 turnaround from an infrastructure standpoint in the
6 U.S. And we also see our order book in that area slow
7 significantly before any of our other products in 2008
8 and we still have not seen that return anywhere to
9 levels close even before '08. For right now from that
10 perspective we don't see a real indicator of a
11 turnaround in terms of that construction and
12 information in the U.S.

13 CHAIRMAN OKUN: Mr. Barnes?

14 MR. BARNES: Scott Barnes with TMK IPSCO.
15 Following up on Skip's comment, we also sell this
16 product in the industrial marketplace in the smaller
17 size range that we produce, so we look at
18 nonresidential construction as measured by the McGraw
19 Hill indexes as well as the leading indicator the
20 architectural index, and neither of those are showing
21 any promise in the near term.

22 MR. CONWAY: Chairman Okun?

23 CHAIRMAN OKUN: Yes, Mr. Conway.

24 MR. CONWAY: We have an odd place that we
25 can look at this from, and we watch it closely, on

1 commercial truck tires, not for passenger light truck
2 tires that were subject here for the 421 but where 18-
3 wheeler tires are getting put on, because we can get a
4 good sense about what's beginning to ship in the
5 country. And while it's picking up, right now we
6 believe and I believe the producers would believe,
7 it's a result of a lot of cannibalization that took
8 place in those rigs that were parked for a year and a
9 half.

10 Until there's a little bit of pickup in
11 commercial truck tire which kind of usually indicates
12 a pickup in parts being shipped and some industrial
13 capacity coming on and some office space construction.
14 But there's just nothing on the horizon that we're
15 able to read that this is picking up other than
16 there's a little slow steady climb.

17 CHAIRMAN OKUN: Okay. For purposes of
18 posthearing anything that you can do to continue to
19 help the staff put information on the record with
20 respect to what you think your demand drivers are,
21 what they're likely to be in the future, and if
22 there's been any change in the, as you see it in the
23 mix of where things go. I mean I've heard your
24 testimony with respect to the shale and with respect
25 to perhaps what you see as too much emphasis on the

1 rig counts for purposes of this product. I'd
2 appreciate seeing that information in posthearing and
3 filling in the staff report.

4 Let me now turn to a question about how we
5 interpret the data for 2010. And I think the argument
6 is often made in cases that if you see improvement
7 postpetition, you know, we have this, the issue, well
8 if statute says, about whether you discount
9 improvement. But increasingly I think it's being
10 argued as proving causation, that if you see an uptick
11 in indicators when subject imports are put under order
12 therefore that proves that there was causation because
13 you didn't see it before.

14 And I wanted to have, and I think I'll turn
15 to the lawyers on this, have you discuss how your
16 argument for that with respect to the other things
17 that are going on in the market, in other words this
18 is a disrupted market because there's an order in
19 effect, and I guess I'm trying to think about how we
20 go about the analysis in saying that, you know, in a
21 market where an order's in place it therefore proves
22 causation if you don't see it before that. I don't
23 know if that's a clear question but just one I'm
24 struggling with.

25 MR. HECHT: Jim Hecht. I'm happy to kick

1 that off, and I think you articulated well sort of the
2 way we look at that in terms of we do find it to be
3 evidence of causation and we think it does speak
4 directly to the question of material injury. It
5 really goes to threat as well when you look at what
6 they did before and what they did after. And I take
7 your point if I'm understanding it that one thing
8 that's not always easy is to compare two periods where
9 other things are changing.

10 And we certainly wouldn't say that these two
11 periods are identical, there are some different things
12 going on. But it is unique, we think in the cases
13 we've seen, that you do have apparent consumption
14 staying pretty constant, you have nonsubject imports
15 actually declining slightly but staying fairly
16 constant, and we think that really does give you a
17 pretty good test case to look at what the effects of
18 that added volume to the domestic industry really are.

19 And in a case like this where obviously you
20 do have positive operating margins and we've tried to
21 make the case that you can't look at injury just in
22 terms of absolute margins, you have to look at
23 quantity in a circumstance like this, and we think
24 it's really critical here, you can get a really good
25 sense of what gaining that quantity of sales really

1 meant to this industry. And we're not saying we're
2 doing great by any stretch of the imagination, but
3 when you look at shipments more than doubling,
4 capacity utilization more than doubling, worker's pay
5 going up 60, 70 percent, those are material changes
6 for purposes of the statute and we think it does go to
7 causation and material injury.

8 CHAIRMAN OKUN: Okay. I appreciate those
9 comments. My red light's come on, Mr. Schagrín, if
10 you want to do a brief one or I could come back to
11 you.

12 MR. SCHAGRIN: I'll let you come back to me.

13 CHAIRMAN OKUN: Okay, thank you very much.
14 And being so focused on that I, oh, it's Commissioner
15 Lane, you are next.

16 COMMISSIONER LANE: Don't worry, I wouldn't
17 let you forget me. Let me follow up on that question.
18 I'll start with Mr. Hecht and maybe Mr. Schagrín would
19 want to jump in. Having heard your explanation of the
20 2010 data showing causation, let's strike the 2010
21 data and what would be your best argument without that
22 data that there is a direct causation between the
23 Chinese imports and injury to the U.S. industry?

24 MR. HECHT: Sure, and that's, I'm glad you
25 asked that because we certainly would not stake our

1 entire present injury case on that. We think it's a
2 very interesting data point to look at, but I think if
3 you look more traditionally at just the trends in this
4 case there's no question you saw important volumes
5 that were absolutely astonishing in 2008 coming in at
6 levels way beyond what demand could take. You now
7 have a full year of data in 2009, not just an interim
8 period like what you looked at in OCTG, to see the
9 effects of that on this industry. And as we put up on
10 that slide you see declines absolutely across the
11 board.

12 And I think that to the extent in OCTG you
13 didn't feel as comfortable with that shorter period
14 trying to discern what was demand and what was the
15 result of subject imports, I think when you can see
16 subject imports coming in and getting in their highest
17 market share of the whole period at the very tail end,
18 that we think that is very strong evidence of present
19 material injury.

20 COMMISSIONER LANE: Mr. Schagrín?

21 MR. SCHAGRIN: Yes, Commissioner Lane, and
22 maybe I'll include a follow up answer to Chairman Okun
23 at the same time because as to the period before the
24 first half of 2010 you can by looking at market share
25 changes, that, you know, the change in market share

1 has nothing to do whether the demand is increasing or
2 decreasing. The U.S. industry lost 15 points of
3 market share, which was directly related to the losses
4 and production shipments, job losses, much greater
5 than there would have been just from the decline in
6 the market.

7 And about two thirds of that loss in market
8 share was to subject imports, and the third that was
9 lost to nonsubject imports was mostly from product the
10 domestic industry doesn't make. So then you just see
11 throughout your data, I mean the production,
12 shipments, employment, profit levels, profit margins,
13 all got hammered for this industry. And no one would
14 deny because we all understand basic economics that
15 this industry would have suffered somewhat from a
16 decline in demand.

17 We all know that a recession happened, but
18 what Respondents have argued is, oh all the problems
19 happened from the decline in demand, and that's just
20 simply not true. Because the imports from China
21 increase massively from '07 to '08, much faster than
22 the market was increasing, which is why they increase
23 market share. Their massive increases is what caused
24 the massive inventory overhang, and their only
25 argument could have possibly been, oh but don't worry,

1 we put the brakes on as soon as we saw that the market
2 was actually declining.

3 But that wasn't true because they said back
4 in October of last year to the staff conference, there
5 is no threat because you don't have to worry about
6 future imports, and then in September October we had -
7 - excuse me, in October and November of '09, we had
8 another surge of massive imports. And luckily here
9 you have data, Commissioner Lane, not only for 2009,
10 but maybe the staff would like to put together for
11 you, which we I know both did in our briefs,
12 information separately on the second half of '09. And
13 you could see that the industry's worst performance
14 was during the period when the import market share was
15 the highest.

16 Now just in terms of the first half of '10
17 because Respondents make the argument, well there's
18 really no injury and no threat because look the
19 industry's recovering, and there we would go to just
20 the statutory factors that Chairman Okun was
21 mentioning that clearly the improvement of the
22 industry is directly related to the decline in imports
23 that happened after the preliminary relief went into
24 effect. And so the Commission would properly discount
25 any of that relief when considering injury because it

1 was directly related to the imposition of duties.

2 MR. NARKIN: Commissioner Lane, this is
3 Steve Narkin with Skadden Arps. If I could just add
4 very briefly to the comments you've just heard?

5 COMMISSIONER LANE: Yes, go right ahead.

6 MR. NARKIN: In OCTG in considering whether
7 there was present material injury, the Commissioners
8 that didn't find present material injury seemed to
9 attach a significant amount of weight to the fact that
10 they did not believe that the record showed evidence
11 of price depression. And this case is very different.
12 There are two sources of information that you can look
13 at, both of which are confidential so I can't get into
14 the details here, but two sources of information that
15 showed what happened to prices over the course of
16 2009. One would be the data that you've collected on
17 your pricing products, and the other consists of data
18 reported by a third party source. And then we talked
19 about that in some detail on our prehearing brief.
20 Thank you.

21 COMMISSIONER LANE: Okay, thank you. Mr.
22 Schagrin, you said that one third of the nonsubject
23 are products that the U.S. market does not make. Is
24 that already in the record?

25 MR. SCHAGRIN: Yes, we can probably give

1 some more detail, but we did spend a lot of time in
2 this at both the staff conference in our
3 postconference brief, and Mr. Pognonec and V&M was
4 able to provide confidential information on the exact
5 volumes of the imports by V&M of products that are
6 heavier wall and higher grades than are produced by
7 the domestic industry.

8 And then I think it's a very reasonable
9 assumption, although we don't have maybe as much
10 supporting documentation as we do on the V&M imports,
11 is to assume that by the nature of the way the scope
12 of these investigations work the domestic industry in
13 the Japan cases excluded from the scope only those
14 products which the domestic industry did not produce.
15 So I think it's a very reasonable assumption to assume
16 that 100 percent of the Japanese nonsubject imports
17 are of products not produced by the domestic industry.
18 I don't know if Mr. Pognonec would like to add
19 anything on that. No?

20 COMMISSIONER LANE: Well I'll invite all of
21 you that are making this argument that a lot of the
22 nonsubject are not affecting the U.S. industry on this
23 product to provide that in an answer as an answer to
24 my question so that it will be easier for me to find
25 in this voluminous record.

1 MR. SCHAGRIN: We will do so in our
2 posthearing briefs, Commissioner Lane.

3 COMMISSIONER LANE: Okay, thank you. Mr.
4 Hecht, I want to make sure that you all know that I
5 looked at the huge volume of exhibits that you
6 provided to your brief. Although it strained my back
7 to pick it up, I did look at it, and one of the things
8 that really struck me was one of the articles that
9 suggested that because of the low price of natural gas
10 that the natural gas industry was going to smarten up
11 and figure out that they shouldn't be drilling so
12 much, and that would raise the price of natural gas.
13 And now so does that mean that that will severely cut
14 into the demand for your product or does that mean
15 that the industry will have to find other uses for the
16 product?

17 MR. HECHT: I'll be happy to briefly comment
18 on that and I think some of our industry and
19 distributor experts are probably closer to that market
20 to comment as well. But we pointed that out as a
21 number of the different factors that we think explain
22 why you're still not seeing robust demand for this
23 product. And certainly as we talked about with the
24 shale drilling there really is limited use of seamless
25 product in terms of connecting those up to the

1 pipelines. But to the extent that there is demand for
2 seamless pipe connected with drilling for natural gas
3 we think that the low price of natural gas is
4 certainly going to impact that. And I guess I'd
5 invite others who may have more to expand on it.

6 MR. MATTHEWS: Good morning. My name's Doug
7 Matthews.

8 COMMISSIONER LANE: Yes, go right ahead.

9 MR. MATTHEWS: The rig activity onshore, in
10 particular in the unconventional drilling which is
11 driving the increasing or improving rig counts from
12 previous time periods, a lot of that is dependent on
13 these operators being able to hold leases. And
14 there's time periods that are established and
15 depending on the company and the time period in which
16 the lease was established those range from three to
17 five years, and one of the requirements is that they
18 have to at least drill the well but not complete it.
19 And in this case there's a demand for OCTG products to
20 drill the well, but there's not necessarily a demand
21 for standard line to support the infrastructure of
22 gathering and distribution.

23 COMMISSIONER LANE: Okay, thank you. And
24 Madam Chair.

25 CHAIRMAN OKUN: Thank you. Commissioner

1 Pearson.

2 COMMISSIONER PEARSON: Thank you, Madam
3 Chairman. Let me add my welcome to those of the other
4 Commissioners, it's a pleasure to see so many familiar
5 faces here this morning, not entirely a surprise but a
6 pleasure nonetheless. And let me offer my compliments
7 to those of you in the business for being able to
8 manage it profitably still under some rather
9 challenging circumstances, it's a tribute to the
10 efficiencies and discipline of the industry.

11 In his opening comments I understood counsel
12 for Respondents to indicate that the question we
13 should deal with today is really not present injury,
14 he doesn't see that as a solid case, but rather
15 threat. Do you take the same view or do you think
16 that we should still give serious consideration to
17 present injury? Mr. Vaughn?

18 MR. VAUGHN: Thank you, Commissioner
19 Pearson. No, we feel that the case here for present
20 material injury is actually very strong. And I would
21 make, we would make a couple of points. First of all,
22 I think his focus is too narrow in terms of what
23 you're supposed to be thinking about in terms of
24 material injury. He acts as though you just sort of
25 look at one or two lines in the staff report and

1 that's all you need to think about for purposes of
2 material injury.

3 But that's not how the statute works. I
4 mean in this case as Mr. Conway testified very
5 eloquently, I mean you had people who lost their jobs
6 for the whole year. I mean you had mills that were
7 shut down for months at a time, you had skills that
8 were put at risk, investments that couldn't be made.
9 When an industry like this loses an entire year, I
10 think all these people would tell you, that really
11 hurts them in a lot of ways not just temporarily but
12 over a longer term.

13 And so we think in terms of, did they suffer
14 material injury? We think the record is overwhelming.
15 And in terms of did these guys cause the material
16 injury? And that's sort of been sort of the topic of
17 some of the back and forth here about, when you look
18 at the record on that we think again the causation
19 case is very very strong.

20 MR. SCHAGRIN: And, Commissioner Pearson,
21 good morning, Roger Schagrin. I would echo Mr.
22 Vaughn's comment. We think this is an extremely
23 strong material injury case. We think that for those
24 Commissioners who found the data through the first
25 half of '09 that that wasn't evidence of material

1 injury, that if you look carefully at the data for the
2 second half of '09 you'll find that the profit margins
3 that you referred to, Commissioner Pearson, which
4 these folks managed to successfully keep affirmative
5 profit margins, fell to about 7 percent in the second
6 half.

7 I would venture to guess that unlike IBM,
8 which is paying 1 percent on three to five-year bonds,
9 that I don't think -- I shouldn't overgeneralize. I'm
10 not sure anyone in the steel industry today has an
11 investment grade rating. I would bet their cost of
12 capital is probably about 8 to 9 percent. So in the
13 second half of 2009, (a) they weren't earning their
14 cost of capital, (b) as we stated in our brief the
15 entire profit margin or amount of profits that the
16 industry made was exactly the same as the decrease in
17 the wages they paid.

18 So essentially what everyone in this
19 industry did was they laid off Mr. Conway's members
20 and said, we don't have demand, we can't produce
21 things, we're not going to have labor costs and pay
22 laborers when we don't have work for them. So we're
23 going to cut all of our costs to the bone and make a
24 few isolated sales at decent margins, but they're
25 making margins on virtually no sales which is why

1 their profits plummeted by 80 percent.

2 So we think this is a strong injury case
3 when you analyze capacity utilization, market share,
4 production, shipments. You can do everything you
5 normally analyze, but particularly employment. Mr.
6 Conway's members, the USW and the workers in this
7 industry lost more jobs, suffered longer layoffs, lost
8 more employment income than they would have on the
9 downturn in demand because the Chinese were gobbling
10 up market share by underselling the industry.

11 That in a period when we have 10 percent
12 unemployment, this Commission just like everyone in
13 the Obama Administration ought to focus on the job
14 impact of your jobs. And that's what we have to start
15 focusing on because if we don't we're going to be that
16 declining empire that the Chinese think we are, that
17 the good Senator from Ohio talked about. And that's
18 not the right thing for this country.

19 COMMISSIONER PEARSON: Okay, well I hear
20 what you're saying, but turning to table C-1, which
21 fortunately is completely public so that we may talk
22 about it, I am looking at the trends in Chinese,
23 imports of Chinese SLP and looking at the earnings
24 which of course is kind of a proxy for everything else
25 that's going on. And, you know, so often in a record

1 we will see some correlation and then wonder whether
2 is there causation?

3 Because we don't want just the fact that
4 there's a correlation to, you know, to take that as
5 that there is causation, post hoc ergo propter hoc, is
6 that the correct Latin expression? But here on this
7 record we really don't even have correlation that
8 looks very good, much less causation. You know,
9 because frankly if you look at operating income as
10 divided by sales, you have a perfect negative
11 correlation with what subject imports are doing both
12 in absolute terms and as market share. So this is a
13 more challenging record than some for me to think
14 through how I would write an affirmative present on
15 this. Mr. Vaughn?

16 MR. SCHAGRIN: Go ahead, Steven.

17 MR. VAUGHN: I'll just kick it off,
18 Commissioner Pearson. I think that actually if you
19 sort of go through the record, you know, and look at
20 what was happening in terms of on a quarterly basis
21 and in terms of the narrative answers that you've
22 heard from the witnesses here, I think both the
23 correlation and the causation are pretty clear. The
24 peak of subject imports was in the fourth quarter of
25 2008. At that point they were on a pace of about

1 600,000 tons per year.

2 In other words out of that 366,000 tons that
3 you see there for '08, almost 150,000 tons of that
4 came in in the fourth quarter alone. Then you go to
5 the testimony from the distributor witnesses that
6 says, hey that caused our inventories to run up. And
7 as a result of these high levels of inventories we
8 were forced to cut back on orders. Then you look at
9 the order book data and sure enough, starting as early
10 as the third quarter of 2008, starting to see those
11 order books decline.

12 And then the testimony from these witnesses
13 and the data in your staff report show that in the
14 first half of 2009 this industry was using only 17
15 percent of its capacity utilization. So that's the
16 correlation. The imports come in and within just a
17 very short period of time the industry is totally shut
18 down. And I think that's both the correlation and the
19 causation. It just so happens that some, you know,
20 some of it fell on one side of the '08 line, some of
21 it fell on the other side of the '09 line. But it's
22 really very close within just a matter of months in
23 terms of what happens to the industry.

24 MR. SCHAGRIN: And I would just agree,
25 Commissioner Pearson. And we'll try to write your

1 affirmative injury determination in our posthearing
2 briefs, because I think the only addition to Mr.
3 Vaughn's argument is that it's just so much tied up
4 with inventories. It's not a new package as Mr. Bruno
5 argues to it, very simplistic, one of the other
6 Respondent's counsel here used to always just use
7 arrows and he would go, look the arrow for imports
8 goes up in '08 but domestic profits go up in '08, look
9 the arrow for imports goes down in '09 and look
10 domestic profits go down '09. You know, life stopped
11 being that simple for me back in like the mid '80s.
12 Now it's more complex and the reason is inventories.

13 COMMISSIONER PEARSON: Right.

14 MR. SCHAGRIN: You know, that so much of
15 these imports came in in late '08, they were plowing
16 in the market. They went into inventories. So if you
17 hear what these distributors say, they say this market
18 was totally overinventoried and those inventories were
19 selling against the domestic industry in '09. And
20 that's the causation --

21 COMMISSIONER PEARSON: Right, but in my
22 final minute I would like to just offer one other
23 thought. And that is, if one was to take the C table
24 and overlay on it our knowledge of what was going on
25 in the broader economy then one starts to see

1 correlation a bit more obviously, things are going
2 along pretty well, in 2007 2008 we're seeing positive
3 results for the U.S. industry, the economy falls off
4 the table two years ago now, and then we see effects
5 on the domestic industry that one would expect from a
6 severe recession. So, you know, I'm a little
7 concerned that some of what you're telling me would
8 encourage me to attribute to subject imports some of
9 the effects that really more properly belong to the
10 recession. And with that my time is expiring, Madam
11 Chairman.

12 MR. SCHAGRIN: Okay, we don't want you to do
13 that, Commissioner Pearson, but I think it is
14 important to point out that that's what makes this
15 case different from wired decks, is that there the
16 Commission was able to blame the downturn on the
17 recession because according to the data you utilized
18 import market share was declining over the time when
19 demand was declining. The difference here is that as
20 demand is declining import market share continues
21 increasing, in particular when demand was at its worst
22 in the second half of '09 imports were at their
23 highest level.

24 And that's why we don't want you to
25 attribute, I think I said it earlier, I'm not going to

1 change my tune, you expect to see declining industry
2 indicators when you have a downturn in demand. We're
3 all familiar with cyclical, this is still a
4 cyclical industry, not as cyclical as OCTG. What you
5 don't expect to see is large volume, higher market
6 share of unfairly traded imports when you see a
7 downturn in demand. That's what we had here, that's
8 the difference between this case and wired decks.

9 COMMISSIONER PEARSON: Madam Chair,
10 apologies for going over, I tried to prevent that.

11 MR. SCHAGRIN: It was my fault.

12 CHAIRMAN OKUN: It's response to an answer
13 so it's fine. Commissioner Aranoff?

14 COMMISSIONER ARANOFF: Thank you, Madam
15 Chairman. I want to join my colleagues in welcoming
16 all the witnesses and thanking you for being here with
17 us today. I want to go back to a like product
18 question that Commissioner Pinkert started to ask Mr.
19 Thompson, and I don't want to belabor the point but I
20 just want to make sure that we have a very clean
21 record on this. And this is the issue of end uses.

22 Mr. Thompson, you indicated in response to
23 Commissioner Pinkert that, you know, the end uses are
24 the same for the smaller diameter and the larger
25 diameter, but I really want to nail that down with

1 some specific examples. So some of the end uses for
2 this kind of pipe, you know, we've been told their in
3 refineries or petrochemical plants or I think someone
4 said paper mills. So in a petrochemical plant, you
5 know, what would you do with a 2-inch pipe and would
6 you do anything different with a 6-inch pipe?

7 MR. THOMPSON: No, it's just the volume of
8 product that -- volume of liquids or materials that
9 they would move through that pipe is, I'm sure there
10 are engineers some place that could explain a lot
11 better than I. But whether it's bringing large
12 volumes in and then breaking those volumes up into
13 smaller volumes they use the smaller diameter pipe,
14 and then as they have to bring volumes out or move it
15 from one process to another they will go to a larger
16 pipe. But the specs throughout whether it's the
17 larger ODs or the smaller ODs, they are the exact same
18 spec and the exact same pipe made through the exact
19 same process, really through the exact same supply
20 chain.

21 COMMISSIONER ARANOFF: So in any kind of
22 processing plant you would say the only difference is
23 the volume of material that needs to go through the
24 pipe it's not the type of material that's going
25 through the pipe, it's not the kind of process that's

1 being performed on the material in the pipe?

2 MR. THOMPSON: No, that may be what
3 differentiates this product from perhaps a welded or
4 other products, but no there is really no other major
5 difference. In particular, I think what you have to
6 pay attention to is the spec, and the spec's exactly
7 the same throughout this size range.

8 COMMISSIONER ARANOFF: Okay, I appreciate
9 that. We have -- oh I'm sorry, was there another
10 response in the back?

11 MR. DURHAM: Yeah, this is Jim Durham with
12 Dixie Pipe. The inquiries that we see and I think
13 that most distributors see for a half-inch or a 16-
14 inch seamless pipe normally is not just for one item,
15 for one size. It will be for a number of sizes, it
16 will be for, you know, some 2-inch, 3-inch, 4-inch, 6-
17 inch, 8-inch, 16-inch. And I would also say this, I
18 do not know of any distributor of seamless pipe that
19 inventories only half through 4 or only 5 through 16,
20 I know of no one. They will inventory the complete
21 size range.

22 COMMISSIONER ARANOFF: Okay, I appreciate
23 this, that's helpful. Let me ask counsel then, I mean
24 historically the Commission has recognized the size
25 distinction. And has that been because of the way the

1 product is manufactured or has something changed about
2 the way it's used that, I mean the facts on the record
3 in this case suggest that the Commission was wrong for
4 a long time.

5 MR. SCHAGRIN: Vice Chairman Aranoff, this
6 is Roger Schagrin, it's all my fault --

7 COMMISSIONER ARANOFF: You're giving me a
8 promotion, Mr. Schagrin, I'm just a Commissioner now.

9 MR. SCHAGRIN: No, no -- oh, I'm sorry, oh
10 that's right. Anyway, it was all my fault. It is
11 because really of a change in the industry. In 1994
12 when the first cases, actually there were some cases
13 brought by Babcock and Wilcox on this product by of
14 all people Eric Garfinkle when he what a very young
15 associate at a law firm that used to be called Collier
16 Shannon. I think he brought cases on all seamless
17 pipe and tube against Japan in maybe 1980, Eric's very
18 old.

19 But when I brought cases on this, and those
20 were negative determinations so the Commission didn't
21 have any orders in effect when cases were brought in
22 '94. I was representing a client named Quanex
23 Tubular, and they had two plants, a plant in
24 Rosenberg, Texas, and a plant in the Lavonia,
25 Michigan, area. And at both plants their maximum size

1 range was 3 inches.

2 And the Rosenberg, Texas, was one of these
3 extrusion processes, it was a massive mill but they
4 made all this product just up to I think at that plant
5 2 and a half inches. So we were the ones who
6 separated below 4 and a half as a separate product.
7 And then of course the Commission's looked at this
8 again. That plan was shut down in I want to say the
9 early 2000 2001 period, 1999. Since then there have
10 been some changes in the industry.

11 U.S. Steel always I think had the same three
12 mills and made across the product size range. V&M
13 Star will now make across the product size range, in
14 fact they're even going to have a new mill which is
15 going to go 2 to 7 inches. So there's been some
16 changes in the domestic industry, but maybe also in
17 1994 representing a producer that only went up to 3
18 inches we did a good job convincing the Commission
19 that things were different, but things have changed,
20 largely because the industry has changed.

21 Some people who made just small sizes went
22 out of business, and the people in the industry today,
23 I think you really have with these three producers
24 most of the entire U.S. industry, all three of these
25 producers go to market with product from 2 inches to

1 16 inches, not always from all mills in the United
2 States but through their own mills or through other
3 mills they go to the entire market together and market
4 the entire size range of their products. So I hope
5 that helps clarify things, it's not that you were
6 wrong in the past, it's mostly because things have
7 changed.

8 COMMISSIONER ARANOFF: Okay, that's helpful.
9 Mr. Narkin, do you want to add something; I think I
10 have what I need, but go ahead.

11 MR. NARKIN: To go directly to your question
12 about whether you got it wrong, you know, I went
13 through and lived to tell the story of the experience
14 in the 1999/2000 cases, where you sort of, you know,
15 dealt with that issue head on. And I would just think
16 a couple of observations about what, first of all
17 what's different now.

18 The most important thing that's different I
19 think is what you're, what information you're getting
20 in the questionnaire responses. If you were to go
21 back and look at the questionnaires in those other
22 cases, this issue of large versus small was dealt with
23 only in the importers' questionnaire and the
24 preliminary investigation.

25 And the question that was asked is not what

1 you're asking now, for people to comment on the six
2 white product factors. The question asked, do you
3 think that small- and large-diameter-size pipe
4 compete. And you got a number of answers from people
5 who were saying no, they don't compete.

6 And the reason they were saying that in most
7 instances was because you can't substitute one for the
8 other. And so, you know, that's what you had on the
9 record.

10 Now, the other side did not contest the
11 issue. And so the question wasn't even raised in the
12 questionnaire responses in the final investigation.
13 So that's one significant difference.

14 The other thing on the question, and this is
15 sort of a secondary, whether you got it wrong. I
16 think it's important to keep in mind that the scope of
17 investigation in these cases is different from what
18 you were faced with in the 1999/2000 cases, where
19 cases were filed against small-diameter pipe from four
20 different countries.

21 And I think it was perfectly appropriate for
22 the Commission to define the like product so that it
23 was co-extensive with the scope. And that we didn't
24 go after large-diameter pipes in those countries,
25 because we didn't think we were experiencing any harm

1 from larger sizes from those countries.

2 So I think on that ground as well, you know,
3 what you did was defensible now, and consistent with
4 what we're asking you to do here.

5 COMMISSIONER ARANOFF: Okay. Thank you. I
6 think I got time left to get through another question.
7 Let's see. Well, I'll start this one, and I'll have
8 to get back to it in my next round.

9 A number of the questionnaires from
10 purchasers indicate that some purchasers or their
11 downstream customers will not accept Chinese pipe due
12 to quality concerns. Which seems somewhat
13 inconsistent with what we see on the record with
14 respect to the volume and market share of subject
15 imports.

16 And I'm trying to reconcile those two
17 things, because I don't think people are lying when
18 they say that there are questions about acceptance of
19 Chinese product. So I wanted to ask you, is there any
20 evidence that there are two groupings of Chinese
21 suppliers in the market? A group of large,
22 established Chinese producers whose products are
23 widely accepted, and maybe another group of newer,
24 less well-known producers that encounter doubts about
25 the quality of their product?

1 MR. THOMPSON: I think, I think if you were
2 to ask a progression of questions from purchasers, you
3 would see that the pool of people that do not accept
4 Chinese is a diminishing pool.

5 I think what we've seen out of the Chinese
6 over the past 10 years, and because of the new, quite
7 frankly, the newness of the mills, I mean, we're going
8 to change a little bit of that with Skip's new mill in
9 Youngstown. But the newness of their mills really
10 doesn't compare to anything that we're operating right
11 now. They have the best and the most modern mills in
12 the world, and I think their product is every bit as
13 acceptable as ours in almost any application, to tell
14 you the truth.

15 Are there preferences? And are there
16 engineers that have not qualified Chinese mills yet?
17 Absolutely. But I think, as I said, I think the pool
18 of those companies and/or end users that don't accept
19 Chinese is much, much smaller than it was 15 years
20 ago.

21 COMMISSIONER ARANOFF: I've used up my time,
22 so I'm going to come back to this in my next round.
23 Because I also want to talk about approved
24 manufacturer lists.

25 Thank you, Madame Chairman.

1 CHAIRMAN OKUN: Thank you. Commissioner
2 Williamson.

3 COMMISSIONER WILLIAMSON: Thank you, Madame
4 Chair. I do want to express my appreciation to the
5 witnesses for their testimony.

6 I would like to begin, Mr. Conway, and go
7 back to this question of the effects of the recession
8 versus the effects of the subject imports. And
9 particularly serious about what if we had had the
10 recession, but not the Chinese imports? Would the
11 impact on workers have been any different, and how
12 would it have been different?

13 MR. CONWAY: We felt the, we felt the
14 recession across all industries.

15 COMMISSIONER WILLIAMSON: Yes.

16 MR. CONWAY: But we've noticed these imports
17 were there, as well, too. So you know, there would
18 have been some effect on how much is separated out.

19 But clearly, this pipe is flooding in. We
20 seem to sort of dip the OCTG behind this, and now
21 comes this right off of the same mills. So we are
22 convinced that this exacerbated that situation and
23 made it worse. And I have more guys on the street
24 that would have been in there making some pipe had
25 this stuff not been landing.

1 COMMISSIONER WILLIAMSON: Okay, thank you.
2 What about as we look at this recovery period, to the
3 extent it is one? Any impacts? Because it's clear
4 that the impact has been biggest on workers, I think,
5 is what I'm saying.

6 MR. CONWAY: It's been coming back. But
7 even still, the mills, mills up in Lorain, we just got
8 notification that we're going to have weeks out.
9 Still sort of difficult to separate some of it out and
10 follow it all.

11 But you know, some of this clearly is just
12 attributable to the recession; we understand that.
13 There is a significant portion, though, that is tied
14 to these imports, and continues to be tied to them.
15 If they weren't in there, if they weren't coming in at
16 the prices they came in, we'd have met this market.

17 I mean, it's really, for us, sort of a
18 straightforward common-sense approach to this. We'd
19 have supplied that market, and we're prepared to, but
20 cannot compete against the dump and the
21 countervailable pipe that came in.

22 So that volume hurt us, and it otherwise
23 wouldn't have been there.

24 COMMISSIONER WILLIAMSON: Okay, thank you.
25 Does anyone else have anything they want to add? Mr.

1 Matthews?

2 MR. MATTHEWS: Yes, Commissioner Williams,
3 if you don't mind. Just to comment. When we talked
4 earlier in some of the opening comments, the Lorain
5 No. 4 seamless mill, for example, was shuttered for
6 nearly a year, because there was no market to
7 participate in.

8 We're talking now about reduced levels of
9 operation, and maybe taking a week out in the fourth
10 quarter to balance with what the market demanded. So
11 had not those imports been brought in in a surge
12 manner, those market opportunities would have existed
13 last year for us to supply product to. And we did not
14 have the opportunity because it was sold out of
15 inventory.

16 COMMISSIONER WILLIAMSON: Okay.

17 MR. SCHAGRIN: Commissioner Williamson,
18 Roger Schagrin. And I would just point out, this
19 really goes to the issue, the benefits of relief.
20 That even with the same poor recession-induced levels
21 of demand in the first half of 2010 as the first half
22 of 2009, the ability of the domestic industry to
23 regain 29 points of market share based on the
24 imposition of duties forcing the Chinese to give up 25
25 points of market share, enabled the industry to

1 increase workers by a third. I mean, rehire almost
2 100 workers. Increase their hours worked by 65
3 percent, increase their wages paid by 57 percent.

4 So I think as Mr. Conway said, you know,
5 sure, they were going to suffer because of the
6 downturn. But if the U.S. industry had kind of been
7 able to hold its market share, a lot fewer people
8 would have been laid off, and the workers that were
9 working would have had more shifts and earned more
10 money.

11 And I think the difference there, the
12 difference between the first half '09 and the first
13 half '10, with similar levels of consumption, but the
14 U.S. taking its market share back from the Chinese has
15 certainly helped Mr. Conway's members.

16 COMMISSIONER WILLIAMSON: Okay. Mr. Hecht?

17 MR. HECHT: Jim Hecht. If I could just add
18 a brief, somewhat simplistic point. But when you look
19 at the trends and the correlation, keep in mind the
20 Chinese were shipping at a pace of 600,000 tons in the
21 fourth quarter of 2008. One quarter later, this was
22 reflective of the state of much of the industry. That
23 we think is a pretty good correlation.

24 And while this, throughout this year, when
25 this reflected much of the state of U.S. industry,

1 they shipped an additional 120,000 tons, which
2 accounted for one third of all consumption in the
3 market. It's just impossible to claim that that did
4 not have a major effect on workers and the entire
5 industry. It just simply can't be maintained.

6 COMMISSIONER WILLIAMSON: Okay. Thank you
7 for those answers. I want to ask a couple of scope
8 questions. Toyota Shuho in their prehearing brief
9 argues that mechanical balling bore tubing should not
10 be included in the domestic like product.

11 What is your position? And did you mean to
12 cover this product in addition?

13 MR. VAUGHN: Commissioner Williamson, I'll
14 just start off, and then other people can comment who
15 may comment.

16 What happened here was this. Basically,
17 when this petition was originally filed, there was
18 language in its scope saying that it would only cover
19 products that were going to be used, like seamless
20 standard, line, and pressure pipe. And that was
21 consistent with petitions on this product that had
22 been filed earlier.

23 The Department of Commerce has taken a more
24 averse position with respect to that type of end-use
25 language. And so there, what they really wanted us to

1 do was to define the scope in such a way that we would
2 have, you know, get it to this product, but not use
3 end-use language.

4 And so there was some ambiguity as to,
5 obviously we didn't want to be in a position to where
6 the scope would allow for, you know, product to come
7 in that wasn't technically stenciled as this, but
8 could be used as this.

9 Now, what ended up happening was that there
10 was a scope amendment that made clear that the type of
11 tubing that you're referring to was out of the case,
12 unless it's made to the same outside diameter and wall
13 thickness and specifications as this product.

14 And so I think all the parties agreed on
15 that, and that is where it ended up at Commerce. And
16 so I think now we have a situation in which mechanical
17 tubing is effectively excluded from the case, unless
18 it is, you know, a type of product that would clearly
19 be just simply an effort to circumvent any relief that
20 you might grant.

21 COMMISSIONER WILLIAMSON: Okay, thank you.
22 What effect did the outstanding anti-dumping orders on
23 Germany, Japan, and Romania have on the ability of
24 non-subject imports to supply the U.S. market? You've
25 already talked about, I guess, some specialized

1 products that are not made in the U.S. But is there
2 any other impact?

3 MR. SCHAGRIN: Yes. It would keep the
4 commodity products, which are covered by those orders,
5 out of the U.S. market. So to the extent you're
6 looking at the ability of non-subject imports to
7 supplant the Chinese and the commodity products that
8 the Chinese have been selling, continuation of the
9 existing orders against Germany, Romania, and Japan
10 would prevent those from those non-subject sources.

11 COMMISSIONER WILLIAMSON: Okay, thank you.
12 I was wondering, talking about production, is the
13 industry capable of operating three full shifts a day?
14 And when was the last time that it did operate at that
15 level?

16 MR. MATTHEWS: Excuse me, this is Doug
17 Matthews. It depends on the mill and the capabilities
18 of the particular mill. Our mill in Fairfield,
19 Alabama, which is more heavily weighted towards OCTG
20 and some standard, line, and pressure pipe, as well,
21 would be fully capable of operating at a what we refer
22 to as a 21-turn operation. Which would actually crew
23 up to a four-crew level.

24 And it has, in the recent time period,
25 operated at that level. It's not currently at that

1 level now.

2 If we go to our Lorain facilities, the No. 3
3 seamless mill, which is a large OD mill, which was, in
4 its past, very heavily weighted towards the OCTG
5 business, predominantly in the Gulf of Mexico, it did
6 operate at three-crew levels in the early 2000 time
7 period, when the Gulf reg count was in excess of 100
8 to 150 during that time.

9 And the No. 4 seamless mill, the smaller OD
10 mill, it I want to say historically has only gotten up
11 to about two crew levels, based on the market
12 opportunities that exist for that mill. But it is
13 fully capable to go to higher crew levels.

14 COMMISSIONER WILLIAMSON: Okay, thank you.
15 Let's see. I think this addition pipe is, reporting
16 and investing is a substantial production facility in
17 the U.S. And I was just wondering what you think the
18 likely impact of that would be in the U.S. market, if
19 they go through with that. Actually, let me save that
20 for another time, because I see my time has just
21 expired. Thank you.

22 CHAIRMAN OKUN: Commissioner Pinkert.

23 COMMISSIONER PINKERT: Thank you, Madame
24 Chairman. Mr. Schagrin, I may have misunderstood some
25 of your testimony here, so I want to come back to it.

1 When you talk about the first half and the
2 second half of 2009, you're comparing those two
3 periods, are you saying that the increase in subject
4 import market share was the result of increasing
5 subject imports? Or are you saying that it was simply
6 an increase in market share that may have been driven
7 by a number of different factors?

8 MR. SCHAGRIN: It was an increase in market
9 share. It happened that that increase in market share
10 for the second half of '09 was almost entirely driven
11 by shipments from China that occurred after the filing
12 of the petition, and which arrived here in October and
13 November.

14 So I think that absolute tons in the second
15 half of '09 were less than the tons in the first half
16 of '09, but the market share of the Chinese in the
17 second half of '09 was higher than the first half of
18 '09.

19 COMMISSIONER PINKERT: This may require more
20 of a post-hearing kind of an answer, but I'm wondering
21 whether it could be argued that it takes the Chinese
22 suppliers a little longer to respond to market
23 conditions in the United States than it takes the U.S.
24 producers.

25 MR. VAUGHN: Commissioner Pinkert, I mean,

1 one point that we do have in this record -- I don't
2 want to get into the confidentiality of it, but what
3 you do have here, in terms of especially when you're
4 looking at that second half 2009 data, we have direct
5 evidence that some of those shipments came in response
6 to the filing of these cases. So we know from that
7 evidence that the 40,000 tons was not nearly a
8 reflection of changes in the market.

9 The other thing, the other point I would
10 make is, and I think your question has picked up on
11 this very well, the second half, consumption in the
12 second half of 2009 was actually weaker than it was in
13 the first half of 2009.

14 So the idea that there was some expected up-
15 surge in consumption in the second half of 2009, and
16 that's why the imports happened to come in during that
17 period, there is just really no reason to believe that
18 in the record. It really looks as though this was a
19 situation in which people were simply trying to beat
20 the cost on preliminary duties.

21 MR. THOMPSON: And I think to argue that
22 they were slow to react is, I think that might have
23 been true 10, 20 years ago. But in the marketplaces
24 we have today, and with their outlets, they know the
25 market every bit as well as we know the market. In

1 fact, they go in at levels, and because of the way
2 they price their product, they're fully cognizant of
3 where the market is at all times.

4 In fact, I would say their reaction is more
5 a reflection of how quickly they do react in the
6 amount of volume they bring in, not the opposite.

7 MR. SCHAGRIN: And I would echo that,
8 Commissioner Pinkert. I think the record about what
9 the Chinese did after this petition was filed shows
10 that even though, clearly, shipping times from China
11 to the United States are longer than the time it takes
12 to get from Youngstown to Houston, the fact is I think
13 most of the domestic mills, whether times are good or
14 not as good, have these rolling cycles on their mills.
15 And they are generally six- to eight-week rolling
16 cycles.

17 And so for the Chinese, they probably have
18 similar types of mill rolling cycles, and it may be an
19 extra four weeks to ship. But literally, which is a
20 little bit unique in this case, and it happened again
21 in the case that you're going to have in a few months,
22 it seems that the same time the petition was filed,
23 the Chinese mills -- and I'll get, you'll get to ask
24 this of Bao and Hengyang, and maybe it was other
25 Chinese mills, not them -- they literally told

1 distributors we're going to ship more product so that
2 you can get it before the duties become effective.

3 And it was so blatant that the V&M Star
4 witnesses were actually able to testify to that market
5 knowledge at the staff conference, which occurred 21
6 days after the filing.

7 What was amazing to me about that
8 conference, because I was there, is that you had the
9 V&M Star witnesses saying this is what we've heard
10 going on in the marketplace, and then you had the
11 Chinese counsel saying this is absolutely not going to
12 happen, what they testified to. Now you have the
13 facts. You know it arrived in October/November.

14 It comes to credibility. The V&M Star
15 witnesses were good. That counsel is no longer here,
16 they have different counsel. But obviously -- and I
17 know that counsel, you all do, he's a very honest
18 person -- he obviously wasn't getting the right
19 information from his client.

20 But I think that just shows, and it goes to
21 threat, how fast these Chinese mills can react. They
22 really went from zero to 50,000 tons in a market which
23 didn't need it, just because we filed a petition.

24 In current market demand conditions, you say
25 no, and they start shipping again the next day after a

1 negative determination, 50,000 tons again in the next
2 six to eight weeks. That's going to decimate this
3 market. So I think it's also a very important threat
4 issue for you all to consider.

5 MR. DURHAM: Can I comment, please?

6 COMMISSIONER PINKERT: Mr. Durham.

7 MR. DURHAM: This is Jim Durham. I think I
8 was totally shocked at 45,000 tons coming in in the
9 fourth quarter of '09. I mean, I can't imagine who
10 was buying pipe in the fourth quarter of '09. I mean,
11 inventories were still extremely heavy at that point
12 in time. And that, I mean, that's a lot of tons.

13 I know we didn't take any of it. And I, the
14 people who I talked to in the industry, everyone was
15 extremely over-inventoried. And it just would be
16 interesting to know who took the 45,000 tons. I know
17 there's no way to determine that, but I can't, I can't
18 imagine that there was a market need for it.

19 COMMISSIONER PINKERT: Thank you. Now, back
20 to this issue of the effect of the petition in this
21 case. And for that purpose, I think we're comparing
22 the first half of 2009 with the first half of 2010.

23 I'm wondering -- and again, this may be more
24 of a question for post-hearing submissions -- but what
25 happened with operating margins between the first half

1 in 2009 and the first half of 2010?

2 MR. VAUGHN: Well, just in terms of the
3 data, you did see an increase -- I mean, I'm sorry.
4 You saw a slight, I would say basically what that
5 goes, we'll talk about it in more detail in the post-
6 hearing brief, but let me explain.

7 I was thinking at first about the overall
8 operating income. You're asking about the margin.
9 We'll explain this in more detail in the post-hearing
10 brief. But I would say take a look, for example, at
11 your AUV totals, and you'll see also that the AUVs in
12 the first half of '09 were higher than the AUVs in the
13 first half of '10.

14 And the testimony I think from the witnesses
15 here has been that there was some of the carry-over
16 effect in the first half of '09. In other words, you
17 still had some sales that had actually been made in
18 kind of the stronger market conditions of '08, and at
19 the relatively higher prices. And those shipped.

20 And given the very small volumes at issue,
21 that had an effect both in terms of the AUVs, and in
22 terms of the ratio of operating income to the very
23 small volume of sales.

24 But on every, you know, as that got worked
25 through the market, you know, now, in the first half

1 of '10, you have a much, these guys are now able to go
2 into a broader market; they're able to make more
3 sales; the volume goes way up. You're not just
4 talking about a small number, relatively small number
5 of hangover sales; you're talking about kind of what
6 you think of as sort of more normal sales. And I
7 think that's reflected in the data.

8 MR. HECHT: Jim Hecht. Just to follow up on
9 that. I mean, basically again, we talked about yet
10 high unit values at the beginning of '09 carry-over
11 from '08, but fairly high unit costs because of the
12 very low volume you had. And then you get a little
13 bit of a flip of that in the first half of 2010. With
14 more volume, you'll see the unit costs going down. On
15 the other hand, the AUVs are also down, reflective of
16 the price trends you had seen through the whole year,
17 with the inventory overhang and the depressed market.

18 So I think that's why you see a somewhat
19 similar operating income, is those two things at work.

20 COMMISSIONER PINKERT: Mr. Schagrín, I see
21 you shaking your head.

22 MR. SCHAGRIN: I was disagreeing with Mr.
23 Hecht's comment. I think clearly that the difference
24 between first half '09 and first half '10 is selling
25 prices are falling, there is no doubt about that.

1 We'll talk about that further. You talk about price
2 depression; there's clearly evidence on this record of
3 price depression.

4 But in this industry, which includes the
5 steel making, I mean all three of these producers make
6 their steel billets and make the seamless pipe, the
7 increase in their operating levels and capacity
8 utilization in the first half of '10 compared to the
9 first half of '09, the increase in the worker
10 productivity is they're able to make more tons and
11 reduce per-ton labor cost, certainly shows up in
12 reducing costs and allowing profit margins to stay at
13 what we consider to be modest levels.

14 Once again, the new normal has got to be, I
15 get a kick out of Mr. Bruno talking about how bad
16 manufacturing profits were. I guess those are all the
17 companies I don't own stock in. I mean, I just see
18 manufacturers' profits. That's the amazing thing
19 about this recession.

20 If you look at the data, which I think was
21 in the Skadden brief, about profits across
22 manufacturing, profits haven't gone down that much in
23 this recession. Profits went down tremendously in
24 this industry, but profits haven't gone down along the
25 recession. That's why we have such high unemployment;

1 everybody gets rid of their employees, and tries to
2 maintain profits.

3 COMMISSIONER PINKERT: Thank you. Thank
4 you, Madame Chairman.

5 CHAIRMAN OKUN: Thank you. I wanted a
6 chance to have the producers extend a little bit. I
7 know that you have talked about where there are
8 planned production increases. And I don't want to get
9 into anything business-confidential.

10 But I've wanted to have a response on a
11 couple of things. To the extent that there are
12 domestic producers expanding the seamless pipe
13 operations, if you can comment on what, well, if you
14 can provide in the record any more information about
15 what market research or other business information
16 you're relying on to make those decisions.

17 And then also just talk to me generally
18 about when we look at the capacity utilization numbers
19 in this, on this record, whether those matter, how
20 much those matter in making these decisions to expand.
21 Is it because of product differences of products you
22 can't make? You talked about imports that are coming
23 in of products you can't make.

24 I'm just trying to have a better
25 understanding of how to evaluate this, the health of

1 the industry when we do see some evidence of
2 expansion. Mr. Herald.

3 MR. HERALD: Since I have one of the bigger
4 expansions.

5 CHAIRMAN OKUN: Right, looking at you.

6 MR. HERALD: I'd be glad to attempt to
7 answer that.

8 CHAIRMAN OKUN: Okay. And I'm sorry, I know
9 you don't want to pull that out, but I can't hear you
10 very well.

11 MR. HERALD: There's no pull left.

12 CHAIRMAN OKUN: There we go, I can hear you
13 now.

14 MR. HERALD: So I think that, from a
15 business perspective, yes, we had built business cases
16 based on different industry sources and looking where
17 we think the market will go.

18 I think when we, you know, in our mills,
19 like many of these other mills, we do several things.
20 We do OCTG, as well as this particular product that
21 we're talking about today.

22 From our perspective really, our rationale
23 is really from a different, several different
24 perspectives. One is, is the development of the shale
25 place in the U.S. And that's really moved faster than

1 we even thought it would several years ago. We've
2 seen that continue to develop; we've seen our major
3 customers reinvest in the U.S.

4 So we believe in order for us to serve our
5 customers, we need to be closer to them. So part of
6 building this mill, one is to be closer to the end
7 users that use our product.

8 CHAIRMAN OKUN: And Mr. Herald, just to be
9 specific, so I don't want to have the wrong
10 impression, that would be for the OCTG part of your
11 mill.

12 MR. HERALD: For OCTG, from the standpoint
13 of the, of the shale place.

14 CHAIRMAN OKUN: Okay.

15 MR. HERALD: But along with that, we also
16 build our business case on the fact that, as we said
17 earlier this morning, today currently it's between 15
18 and 20 percent of our pipe-making capacity in V&M
19 Star. We used to serve this particular market.

20 In our businesses cases we're looking at a
21 similar type of ratio for the new mill, also. And
22 with this new mill, the other thing that we do is we
23 expand our size range. Currently, we are five-inch to
24 10-inch, basically, and this will take us down to two-
25 inch.

1 So our intent was that new mill is also to
2 try to serve this market in a similar type, 15- to 20-
3 percent loading of that new mill, along with the
4 current mill, to serve this market.

5 But the primary drivers for us is really
6 proximity to market. You know, import is fairly
7 difficult to manage for us, so we want a proximity to
8 market, and then reinvestment in the U.S. for major
9 customers that we haven't seen in many years.

10 CHAIRMAN OKUN: Okay, I appreciate those
11 responses. And I know there is some information in
12 the briefs. But if there is information that you can
13 provide post-hearing, in particular with respect to
14 where, what portions of the market you see the demand,
15 and that percentage breakdown you had talked about, I
16 think that would be helpful for me to understand.

17 Would there be other comments with respect
18 to other information going on in the industry? One
19 thing that Respondents -- I'll put this question out,
20 and see if you can respond in the public session.

21 Respondents had argued that, that the
22 capacity utilization number is not very, not a good
23 indicator of what, what production is for this
24 industry, or not a good indicator of what's going on
25 with subject imports, because of the increased,

1 because of the import, the producers who import non-
2 subject imports. Non-subject products. Gee, I think
3 it's about lunchtime, I can't even get this question
4 out.

5 And so I wanted to get your response to
6 that. I think you've talked about it a little bit in
7 terms of the non-subject imports, and the answer that
8 I've heard is that those were for products that, that
9 you don't produce; in particular for Mr. Herald, I
10 think that was specific.

11 The other, I think, Mr. Schagrín, you had
12 said there are some assumptions that could be made,
13 but I'm not sure if we have specifics.

14 But if you could just link that to what the
15 capacity utilization figures that we see on the record
16 here have to do with either non-subject imports, or
17 product not produced, or anything else that you think
18 is relevant for me to look at in evaluating what
19 emphasis to place on capacity utilization numbers as
20 an indicator of injury.

21 MR. SCHAGRIN: Chairman Okun, two comments.
22 First, we think you can rely on capacity utilization
23 as an injury indicator. We don't think there's an
24 effect on capacity utilization at U.S. mills of
25 imports by U.S. producers of non-subject imports.

1 To the best of my knowledge, representing
2 both TMK IPSCO and V&M Star, both of which have sister
3 mills in other countries, these companies are not
4 importing sizes, specifications, and wall thicknesses
5 that they produce in their U.S. mills. They're doing
6 two things. They're either complementing in the
7 commodity-sized grades, because size grades, the fact
8 that distributors want from two- to 16-inch. So
9 they're bringing those other sizes to give a full
10 range of sizes to distributors.

11 Or, as is particularly the case in V&M Star,
12 they're selling products that they're not capable of
13 producing in the United States for these very specific
14 projects in the deep part of the Gulf of Mexico.

15 So we would actually differ with the
16 characterization of Respondents that there is an
17 effect on U.S. capacity utilization of the fact that
18 U.S. producers are also importing from sister mills.
19 They're importing products normally that they don't
20 make at these mills, and they would love to have
21 higher utilization rates at their U.S. mills by making
22 more of the products that were being imported from
23 China.

24 CHAIRMAN OKUN: Yes, Mr. Vaughn.

25 MR. VAUGHN: I would just, you know, comment

1 that I just think the point that, you know, obviously,
2 for example, you do have the domestic producer in U.S.
3 Steel who makes the full size range in this country,
4 and is now bringing in stuff from other markets.

5 And so I think that, you know, if you look
6 at their capacity utilizations, for example, you would
7 have a very clean look at what's been going on, that
8 doesn't involve any of these other factors. And I
9 think that when you look at those data, you'll see
10 that this argument is a bit of a red herring.

11 CHAIRMAN OKUN: Okay. Any other comments
12 from producers or others about capacity utilization?
13 Okay.

14 I don't think this question has been covered
15 yet, but if you've responded, just let me know. Some
16 Chinese producers of seamless pipe are not on the
17 approved, AML's approved manufacturer list of certain
18 major end users. And this was noted in the staff
19 report.

20 Do these approved manufacturer lists of the
21 AML significantly limit imports from China in the
22 United States, or is the impact minimal? And what
23 should we look at to determine that? And background
24 from Dixie.

25 MR. DURHAM: This is Jim Durham. I would

1 say most of the inquiries requirements that we see do
2 not relate to what's on an AML.

3 CHAIRMAN OKUN: Are there certain particular
4 end users where that is the case?

5 MR. DURHAM: Your major oil and gas
6 companies. Exxon has an AML, Shell has an AML. I
7 don't know of anybody else that really, that really
8 even, that keeps an AML updated, that maintains one.

9 But most of what we sell, it's not sold
10 based upon an AML.

11 CHAIRMAN OKUN: Okay. Other responses, or
12 other distributor --

13 MR. GILLELAND: Yes.

14 CHAIRMAN OKUN: Mr. Gilleland.

15 MR. GILLELAND: Let me say that one of the
16 things that happens in situations like this is that
17 there are AMLs out there, but the price differential
18 is so great that people with AMLs find a way to
19 approve material that's this far off the normal price
20 that they would pay. So we see a lot of Chinese mills
21 have been, are now currently owning AMLs. I can't
22 tell you those here; we could do it later, maybe. But
23 it's becoming more prevalent in the marketplace. And
24 the reason for it is the price differentials.

25 CHAIRMAN OKUN: Okay. If you could provide

1 that information post-hearing, that would be great.

2 MR. THOMPSON: George Thompson.

3 CHAIRMAN OKUN: Yes, Mr. Thompson.

4 MR. THOMPSON: I also think that the speed
5 and the aggressiveness with which the Chinese have
6 come to market almost, they move faster than some of
7 these companies move, as far as putting them on their
8 approved producer list. And consequently, you get
9 into a situation such as Bob talked about, in which
10 these producers, basically a set of specifications is
11 shown that says that they can make the same product
12 that we can, and/or the Chinese approved companies.
13 And because of the price differential, they're very
14 quickly accepted.

15 CHAIRMAN OKUN: Yes, Mr. --

16 MR. POGNONEC: Yves Pognonec with V&M. I'd
17 like to begin for what has been said here. Several of
18 our distributors have been telling us over the last,
19 say, 12 to 18 months that the price differential was
20 inciting our companies into looking at Chinese
21 material. Even if they were not on the approved list,
22 maybe with somebody showing inspection. And that has
23 been definitely a trend we're seeing in the market.

24 CHAIRMAN OKUN: I appreciate those comments.
25 And any additional information you can provide to the

1 extent there are prices or other information about the
2 size of the AML impact, that would be helpful.

3 Commissioner Lane.

4 COMMISSIONER LANE: Thank you. Mr.
5 Malashevich, I would like for you to explain so we can
6 have on the record the position of Wyman-Gordon with
7 regard to the A-335 pipe, and whether or not it should
8 be, it is within the scope, or whether or not it
9 should be considered within the like product
10 definition.

11 MR. MALASHEVICH: Bruce Malashevich, acting
12 as a representative of Wyman-Gordon for purposes of
13 this case.

14 Thank you for your question, Commissioner.
15 I received, about 5:30 yesterday afternoon, a copy of
16 the Commerce Department's final determination. And
17 the plain language in that determination, under a
18 paragraph that talks about scope changes, is to call
19 for the total exclusion of a 335, whether finished or
20 unfinished, from the scope of the Commerce
21 Department's inquiry.

22 And I'm here basically for two reasons. One
23 is to show Wyman-Gordon's respect for the Commission's
24 process, to express appreciation for the Commission
25 and staff willingness to get their teeth into this

1 issue. Indeed, in a very unusual situation, from my
2 personal perspective, also on their behalf, expressing
3 appreciation to the parties on both sides of this
4 case, who showed a tremendous sensitivity to how this
5 product was being treated.

6 As far as we know, it is out of the scope of
7 the Commerce Department's determination. But as we
8 said in a brief submission prehearing, we do urge the
9 Commission nevertheless to consider still declaring,
10 if you will, that A-335 is in a different like product
11 than the mainstream inquiry here.

12 COMMISSIONER LANE: And that would be on the
13 basis of the content that goes into making that
14 specific specification?

15 MR. MALASHEVICH: Well, it's one basis. But
16 we believe that there is a good case to be made for
17 all the traditional factors that enter into a like
18 product determination.

19 I think the staff report does an excellent
20 and fair job of laying out the facts, but I also urge
21 you to look at our prehearing submission and where
22 this issue is addressed, based on the findings of the
23 staff report, and in the U.S. producers'
24 questionnaire, submitted some time ago by Wyman-
25 Gordon.

1 COMMISSIONER LANE: Okay, thank you. Mr.
2 Herald, you mentioned in your testimony that V&M
3 planned on increasing mill capacity and hiring 350 new
4 employees. Of those 350 employees, how many are
5 production-related workers?

6 MR. HERALD: Maybe I'll possibly refer that
7 to Joel Mastervich, who is our President of V&M Star,
8 who may have that breakdown a little better than I
9 have.

10 COMMISSIONER LANE: Okay.

11 MR. MASTERVICH: Joel Mastervich, V&M Star.
12 I would say over 300 are going to be production
13 workers or maintenance workers, and the other would be
14 professional staff.

15 COMMISSIONER LANE: Okay, thank you. These
16 questions can be answered by anybody that cares to.
17 How do you respond to the argument that because U.S.
18 firms raised prices dramatically between 2007 and
19 2008, and then maintained those levels in 2009, there
20 could not have been price suppression or depression by
21 imports from China? And I am referring to statements
22 made in the Respondent's prehearing brief at page 15.
23 Mr. Vaughn.

24 MR. VAUGHN: Yes, I'll just kick it off, and
25 I'm sure other people can, can weigh in.

1 Basically, I think what you have to do is
2 you sort of have to look at the narrative of what was
3 happening in this market. And what was happening was
4 that, and I think the testimony is unanimous on this,
5 you had a very strong market throughout 2008. That
6 led to a runup in prices.

7 At the end of 2008, you had this enormous
8 surge of imports that was pouring into the market;
9 150,000 tons in the fourth quarter of 2008. That led
10 to this inventory overhang. And what happened was
11 prices did not just immediately collapse. Instead,
12 orders collapsed, production collapsed, output
13 collapsed. All those things collapsed. Within this
14 very short period of time, as you see up here, you had
15 these mills being shut down.

16 Prices, on the other hand, in this case are
17 a lagging indicator. And so if you look at, you know,
18 data regarding prices, say on a month-by-month basis,
19 you will see that, you know, in September of 2008
20 prices start to decline. And they drift down for over
21 a year.

22 But that acted as more of a lagging
23 indicator. And when you look just at your AUV data,
24 you don't necessarily pick that up. So I think that's
25 the clearest response, or the basic response to that

1 argument. There was an effect on prices, and you can
2 see it if you look at the monthly pricing data, or if
3 you look at the data for your pricing product. But
4 you don't necessarily see it picked up in the AUVs
5 immediately because of the lag effect.

6 MR. THOMPSON: I think, you know, I would
7 say in the experience I had throughout 2009 is, in
8 order for prices to move, somebody had to be buying
9 pipe. And there were no orders in this marketplace.

10 I think one of the things, some of the
11 questions earlier about how we allocate our tons, one
12 of the values of this particular market versus OCTG is
13 the consistency of this market. Because it's a
14 stocking business, because it's a business that our
15 distributors and our end users, they tend to buy on a
16 regular basis. Not real high highs, and not real low
17 lows.

18 I think the phenomenon that happened in 2009
19 because of the sheer volume of product on the ground,
20 most of which was Chinese, there were very few
21 transactions that took place in 2009. And
22 consequently, that's why you saw the aberration that
23 the market, the prices stayed the same. In fact, they
24 didn't.

25 Because we entered the first quarter of 2009

1 at the peak of pricing for 2008. And the volumes
2 carried over throughout any transactions that happened
3 after that, because there were so few transactions.
4 And beyond that, the few transactions that took place,
5 they were coming out, you had to compete with the
6 inventory that was on the ground that came in at low
7 numbers. That's the Chinese.

8 And so it's somewhat of an anomaly. And I
9 think that's proven out by the fact that once, I won't
10 say the market returned, but that once transactions
11 started to happen on a more regular basis in 2010, you
12 saw a precipitous drop in the pricing.

13 COMMISSIONER LANE: Okay, thank you.

14 MR. POGNONEC: Yves Pognonec, V&M.

15 COMMISSIONER LANE: Yes.

16 MR. POGNONEC: I want to mention that when
17 there is no transaction, when there is no demand,
18 there is no action on the prices. You have to have a
19 transaction.

20 And what did happen is that for the longest
21 period I have ever seen in all my years in the
22 business, we have had basically no transactions for
23 most of 2009. And when those transactions started to
24 shore up again, then we saw a substantial decrease in
25 the price level, at the end of 2009.

1 COMMISSIONER LANE: Okay, thank you. Well,
2 I was going to say, Madame Chair, I have no questions.
3 Oh, there you are, I'm sorry. I'm finished
4 questioning, and I want to thank this panel for all of
5 their answers.

6 CHAIRMAN OKUN: Thank you. Commissioner
7 Pearson.

8 COMMISSIONER PEARSON: Thank you, Madame
9 Chairman. This topic has been touched on just a
10 little bit, but let me go back to it just for
11 clarification.

12 Broadly speaking, how much demand for SLP
13 pipe is linked to the energy sector, as opposed to
14 other applications? And I'm sure this varies over
15 time, et cetera. But do you have a rule of thumb?
16 And if you want to provide more detail and you want to
17 do it post-hearing, that also would be okay.

18 MR. THOMPSON: Well, and I think we've
19 talked about it a little bit. And actually we've had
20 this discussion before. And I think, you know, it is
21 connected to the energy business in that it goes into
22 refineries, and it is at the tail end of the business.
23 You know, there's the upstream, the midstream, and the
24 downstream. And predominantly, the seamless portion
25 of it falls into the downstream.

1 I think historically, 50 years ago, there
2 was much more seamless used in the midstream, also.
3 But at this point in time, the seamless SLP product is
4 almost predominantly downstream. And that's all due
5 to the refinery business that falls into the offshore
6 business, because of the specifications we referred to
7 earlier. And that falls to the general construction
8 that are more economic-based.

9 And when you look at those three segments,
10 refinery, it's at the tail end. You could look at
11 Exxon-Mobil, Conocco-Philips, Marathon's business.
12 The refinery business is horrible, and consequently
13 they're not budgeting a lot of products who build,
14 and/or they're slow to refurbish, just simply because
15 they're not making money in that portion of their
16 business. And I think Mr. Durham spoke to that
17 earlier.

18 In 2008 they saw a glimmer of hope, and I
19 think the door got closed before any major movement
20 was forward. The offshore business I think, as Mr.
21 Matthews spoke to earlier, we were used to rig counts
22 in the 100 to 150 range prior to 2000. Now we went as
23 low as 12 I think earlier this year. We've climbed
24 all the way back up to 20. And obviously there is not
25 a whole lot of product being produced in the Gulf that

1 calls for new lines coming ashore. And so we don't
2 see any real hope there.

3 And then the last part, and I think Chairman
4 Okun asked questions with regard to it, it's very much
5 economic-based. You can pick up the paper almost
6 every day, and I can tell you how that portion of my
7 business was going to go. Being part of a company
8 that's in the larger steel environment, you know, some
9 30 to 40 percent of the volume is tied to
10 construction. And we watch construction extremely
11 closely. And there is, not only is that market not
12 coming out, but that market's been in the doldrums,
13 the non-residential construction. It's been down
14 virtually since 2006/2007. It is a significantly weak
15 portion of the economy.

16 And while we, on our larger portion of
17 business, have seen gains back in automotive,
18 appliance, and other areas, we are not seeing any
19 growth in that portion of the market at all. And it's
20 probably the most disappointing portion.

21 In fact, I would venture to say that as our
22 people look at that, we think that it's going to be a
23 significant amount of time before that market returns.

24 COMMISSIONER PEARSON: Okay. So for
25 construction use, you might see 30, 40 percent as --

1 MR. THOMPSON: I would say, I would say 30
2 percent's a fair number that goes into construction
3 and/or the larger economy.

4 COMMISSIONER PEARSON: And how about for the
5 energy sector? Closer to half of total consumption?

6 MR. THOMPSON: Well, you know, the refinery
7 and the offshore transmission, that's a large portion
8 of it. And I have to deem that energy.

9 But as far as into the OCTG and that portion
10 of it, a very, very small percent. I'd say five
11 percent or less.

12 COMMISSIONER PEARSON: I'm sorry, you are
13 talking about seamless pipe --

14 MR. THOMPSON: No, I'm talking about --

15 COMMISSIONER PEARSON: -- and you develop it
16 to --

17 MR. THOMPSON: -- seamless pipe going into
18 the ocean. You're talking about some of it's used on
19 the rigs and the, and in the midstream. It's a very
20 small portion of this product goes into the upstream
21 and/or the midstream portion of it.

22 COMMISSIONER PEARSON: Right, okay. But
23 now, when you use the term midstream, are you talking
24 about the pipeline?

25 MR. THOMPSON: That's pipelines, yes.

1 COMMISSIONER PEARSON: Okay.

2 MR. THOMPSON: Yeah, very, very little.

3 COMMISSIONER PEARSON: Even though we're
4 talking about line pipe, very little of it is used for
5 that?

6 MR. THOMPSON: Yeah. I mean, there's the
7 offshore portion. But when you're talking about
8 midstream on shore, it's very little. I mean, some of
9 it is used in the compressor, in the compression
10 operation, in the, with the conversion houses. But
11 very little in the actual transmission of pipe.
12 Transmission of gas.

13 COMMISSIONER PEARSON: Okay. But for
14 petroleum, then it would be mostly this product?

15 MR. THOMPSON: No, they transfer petroleum
16 in ERW, also. It's just offshore. Because of the
17 conditions offshore, seamless is needed.

18 COMMISSIONER PEARSON: Okay. Well, perhaps
19 for purposes of the post-hearing, counsel could kind
20 of summarize the views of the participants in the
21 marketplace? And give some general sense how much
22 goes to which use. Because I understand there are a
23 lot of complications, there's going to be a big
24 variation from year to year, depending on whether
25 somebody's building a refinery, et cetera, et cetera.

1 But I don't really have a good sense yet for
2 kind of how the market breaks down among those, among
3 those highly adjustable segments. And so that's --

4 MR. THOMPSON: Okay, we'll address that in
5 post briefs.

6 COMMISSIONER PEARSON: Okay, thank you.
7 Madame Chairman, I think I have no further questions.
8 So let me thank this panel, and I will pass.

9 CHAIRMAN OKUN: Commissioner Aranoff.

10 COMMISSIONER ARANOFF: Thank you, Madame
11 Chairman. We've talked some about investments that
12 the domestic producers are undertaking. The
13 Respondents argue that an industry that is committed
14 to major new investments such as are being undertaken
15 in this industry can't possibly be vulnerable.

16 Can someone give me what your response would
17 be to that?

18 MR. SCHAGRIN: It's just plain wrong. This
19 is Roger Schagrin. It's clearly wrong.

20 COMMISSIONER ARANOFF: Oh, see, I thought
21 you were going to stop there, Mr. Schagrin. That
22 would have been a nice, brief answer.

23 (Laughter.)

24 COMMISSIONER ARANOFF: Go ahead.

25 MR. SCHAGRIN: I can stop there. It's just

1 wrong, as a matter of this Commission's precedents.
2 It's wrong. You have found in numerous cases that the
3 domestic industry should have the ability to earn a
4 reasonable rate of return on new investments, to the
5 extent new investments are being made. And increased
6 imports threaten the ability of the industry to obtain
7 a reasonable rate of return on those investments.
8 That goes to vulnerability to the threat of injury.
9 And you found that, I remember, as recently as -- and
10 boy, did it ever come out to play -- the large-
11 diameter line pipe case sunset review.

12 I think at the time we were here for the
13 sunset review, there was like six new planned mills.
14 And the Japanese said how can you have all these new
15 mills, and claim that injury could possibly continue
16 to recur? You're making all these investments.

17 And people said well, if the imports are
18 going to increase, then we won't get a return on
19 investment. And so, and the Commission said that in
20 their determination; that, you know, you went to what
21 you'll do here on threat, to the extent you look at
22 threat instead of injury. You'll say is an increase
23 in imports at prices that will undersell the market,
24 and at volumes that will be significant, likely to
25 occur in the real and imminent future.

1 And if you find that they will, then you'll
2 say, well, that's going to affect the current
3 operations, and it will affect the ability of the
4 industry to obtain a return on investment on new
5 investments. And I think that's what this Commission
6 has done consistently in the past, and that's why I
7 think the argument made by Respondent's counsel is
8 just plain wrong.

9 MR. NARKIN: Commissioner Aranoff, this is
10 Steve Narkin. If I could just add to that briefly.

11 I think you've heard a lot of testimony that
12 these new investments are being driven heavily by
13 demand for OCTG, as opposed to this product.

14 COMMISSIONER ARANOFF: Okay. Yes, that's
15 actually one of the things that makes it hard to
16 assess. Because we know OCTG is a larger product.
17 Any of these investments need to produce a lot more
18 OCTG than they need to produce this product to really
19 pay off.

20 So that's actually one of the things that,
21 if you could help me post-hearing in assessing. I
22 know Commissioner, I mean Chairman Okun, asked for
23 documentation of what the considerations were that
24 companies were taking into consideration when they
25 decided to make these investments. And anything that

1 can help distinguish what the contribution of this
2 product was, versus OCTG, where you face a more
3 certain situation because there's an order in place, I
4 think would be helpful.

5 Mr. Hecht.

6 MR. HECHT: Yeah, just a brief followup.
7 And obviously here, I think again a lot of what's
8 driving it is in OCTG, and you've got to take that
9 into account.

10 But just from a broader policy perspective,
11 I don't think you want to set up a way of looking at
12 this, where you're somehow having people think their
13 investment decisions are going to hurt their ability
14 to enforce the trade laws. These are long-term
15 investments where they have to be made in the context
16 of a view that there will be fair trade in our market,
17 and our laws will be enforced.

18 And if anything, in that context, when you
19 see new investment, that's added vulnerability that
20 you've got more at stake, essentially, with the
21 domestic industry, that unfair trade could put at
22 risk.

23 MR. HERALD: James Herald with V&M. I would
24 just, well, I'll add to that to say that when we look
25 at an investment, we make the investment based on the

1 opportunity in the market. But we also look at that
2 market being fair and level, a fair and level playing
3 field.

4 So we are not opposed to competing to more
5 domestic supply, we are not opposed to competing to
6 imports, as long as we're playing on the same level
7 playing field. We believe with our customer
8 relationships, the quality of products we can produce,
9 and the quality of people that we have doing it, that
10 we can play on that, on that playing field and make a
11 good business for ourselves.

12 When we make that decision to invest, we
13 make it based on those set of circumstances.

14 COMMISSIONER ARANOFF: Okay, I appreciate
15 that.

16 MR. MATTHEWS: Commissioner, if you don't
17 mind, I'd just like to comment. Probably ask for a
18 correction in the staff brief.

19 There's identification of a project that
20 U.S. Steel was developing to describe, it's for our
21 Lorain facility. The size range on that is actually
22 the size range from the existing Q and T facility that
23 is part of the No. 3 seamless mill.

24 But the project we're developing is two-and-
25 three-eighths to seven-and-five-eighths. It's

1 predominantly driven by this unconventional drilling
2 demand for higher-engineered products, or higher-
3 valuated products, with our customer base here in
4 North America.

5 But there is a standard line component to
6 that, that we think that it not only provides for
7 opportunity in our Lorain facility, but it also
8 provides for opportunity as we move the product off of
9 Fairfield up to this facility, that we would be able
10 to load additional standard line.

11 One of the risk factors that we look at is,
12 where do we stand with competitive. And when we talk
13 about competition, we break it down in two categories,
14 so that we have domestic competition, and we analyze
15 imports. And we take into account decisions that were
16 made, like the OCTG case, that we received a favorable
17 ruling. It gives us some level of business confidence
18 that we're going to be able to compete with the fairly
19 traded imports and the domestic competition in the
20 marketplace.

21 COMMISSIONER ARANOFF: Okay. Well, thank
22 you, Mr. Matthews, because you actually had
23 anticipated my next question I was going to ask about
24 what U.S. Steel was doing in this area. So thank you,
25 that allows me to move on to my next area.

1 This is another argument that Respondents
2 raised, that I wanted to give all of you an
3 opportunity to respond to.

4 Respondents argued that the reason that the
5 volume of subject imports increased in 2008 was that
6 the domestic industry shifted production capacity away
7 from this product, and to OCTG, while demand was very
8 high in that year. Do you want to respond to that
9 argument? Mr. Thompson.

10 MR. THOMPSON: George Thompson, U.S. Steel.
11 While our markets were extremely tight and we were,
12 our production capacities were being pushed, I can
13 tell you categorically that at no point in 2008 did we
14 not have excess capacity at Lorain. Which, and at our
15 Fairfield facility. While we had months of peak
16 consumption, we were able to service the needs of our
17 seamless SLP customers throughout the year.

18 And you know, the real issue was the amount
19 of product that arrived after the market ended, and
20 the fact that there was a tremendous amount of
21 inventory coming in to 2009. And we just, you know,
22 that this happened; that the mills shut down, and we
23 just couldn't compete, couldn't compete with product
24 on the ground.

25 COMMISSIONER ARANOFF: Okay.

1 MR. DURHAM: Let me add to that, please.

2 COMMISSIONER ARANOFF: Sure.

3 MR. DURHAM: Jim Durham again with Dixie.
4 We had no problem in getting the amount of pipe that
5 we wanted in 2008 from the domestic producers.

6 COMMISSIONER ARANOFF: Okay. That's helpful
7 to know. Let me turn to the flip side of that, then.

8 MR. BARNES: Can I just make a comment,
9 please?

10 COMMISSIONER ARANOFF: Sure.

11 MR. BARNES: Scott Barnes with TMK IPSCO.
12 If that argument would be true, the economics would
13 seem to indicate that the prices would be much higher
14 because of the demand. And yet, the Chinese were much
15 lower in the marketplace on price.

16 COMMISSIONER ARANOFF: Okay. I mean, one of
17 the things we sometimes talk about in these cases is
18 that there is excess capacity, but in order to really
19 tap that excess capacity you have to bring in another
20 shift of workers. And that that's something that
21 companies are sometimes reluctant to do, because you
22 have to look out and decide, well, you've got to find
23 them, and then you've got to train them. And by the
24 time you get done with all of that, is the demand
25 really still going to be there.

1 So I guess I'd ask the companies, and I'd
2 ask Mr. Conway, whether that was a factor that was at
3 work in terms of some of the excess capacity numbers
4 that we see in this case. Particularly earlier in the
5 period, when demand was better.

6 MR. HERALD: James Herald with V&M. Maybe
7 I'll possibly refer that to Ron. In 2009 with import,
8 you probably could have had more workers working that
9 we wouldn't have had to lay off, because this market
10 traditionally has given us a base load to keep those
11 skilled workers employed.

12 So for us, it's an important market. It's
13 part of our base load, it's part of keeping our
14 skilled workers. And irregardless of market ups and
15 downs, we stay and participate in that market, and are
16 dedicated to the distributors and end users that we
17 have.

18 MR. MATTHEWS: This is Doug Matthews from
19 U.S. Steel. If I might add, we were in the process of
20 adding crews. It wasn't a matter of making decisions.
21 We were going through the recruiting process.

22 But the process doesn't happen overnight. I
23 mean, you put notifications out there that you're
24 hiring. You get applications. You do a screening
25 process that takes some time period. And then once

1 you select the candidates, there's a physical that's
2 required and other things that we do. And then you
3 bring them in day one.

4 And then you have a training period. And
5 depending on the complexity of the equipment they are
6 going to be operating, you know, we have safety
7 training as well as technical training so they would
8 be proficient on their job.

9 So that whole time period takes an extended
10 period of time. And if you look at the ramp-up in
11 2008, the way the market went up at a very fast rate,
12 we were adding crews. And we were continuing to add
13 crews as the market dropped off.

14 COMMISSIONER ARANOFF: Mr. Conway.

15 MR. CONWAY: In the most recent round of
16 bargaining that we did with U.S. Steel in particular,
17 in the labor agreement we had a requirement that by
18 the end of 2009, we would have increased the
19 maintenance forces, kept up with attrition and
20 increased them by three percent. And by the end of
21 the labor agreement, also kept up with attrition and
22 increased it by five percent, in recognition that we
23 knew both the difficulty in hiring and training
24 maintenance workers.

25 And we were struggling in Fairfield, and

1 always had been for a while, in trying to hire even
2 production workers. So for the pipeline, to get them
3 in there and get them started was there and
4 established. And we had expected, through this labor
5 agreement, to hire significantly more people, and
6 increase it by five percent. And it collapsed on us.

7 And so I'm sort of struggling with how did I
8 fare at the end of 2009. I'm short of my three
9 percent, but I can't hardly force them to go out and
10 hire people when I struggled through that whole
11 period. And we've kind of been set a year behind.

12 So there wasn't necessarily a reluctance to
13 hire people. Everybody had worked a lot of overtime.
14 People were kind of sick of overtime; it ran at 20
15 percent while we were in a hiring mode.

16 COMMISSIONER ARANOFF: Okay. My time is up.
17 I apologize to my colleagues, but thank you for those
18 answers.

19 CHAIRMAN OKUN: Commissioner Williamson.

20 COMMISSIONER WILLIAMSON: Thank you, Madame
21 Chairman. Earlier I asked a question about when
22 companies work three shifts, and I think I only got
23 answers, an answer from U.S. Steel.

24 And I was wondering, was anybody else
25 wanting to comment on that. Was there a time when you

1 were operating at three shifts.

2 MR. HERALD: Well, from a V&M perspective,
3 we've operated at three shifts. We've also operated
4 at four shifts, depending upon the load, in different
5 parts of the mill. Some parts of the mill, because of
6 efficiency, we may operate three; other parts, we may
7 operate four.

8 In 2009 we got as low as one, working a 24-
9 hour week. So depending upon the load, we had the
10 capability to go up to about four, would be our
11 maximum, maximum number of shifts.

12 COMMISSIONER WILLIAMSON: And how long, when
13 was the last time you were at that, if you recall?

14 MR. HERALD: At that level?

15 COMMISSIONER WILLIAMSON: Yes.

16 MR. HERALD: In some places of the mill, we
17 are at that level now.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. BARNES: Scott Barnes, TMK IPSCO. We've
20 gone the complete range, from being completely shut
21 down to having four crews working.

22 COMMISSIONER WILLIAMSON: Okay. So it's a
23 very, sounds like it's a very volatile thing.

24 MR. BARNES: Well, in 2008 we were
25 operating, you know, at four crews. And then in 2009,

1 we were shut down for a good period of time. So, a
2 lot of it was because of this Chinese problem we're
3 here today about.

4 COMMISSIONER WILLIAMSON: Okay. Anyone else
5 want to add to that? Chairman Okun and Commissioner
6 Aranoff have asked questions about the new
7 investments. And when you make your comments post-
8 hearing, I just wonder if you also might just address
9 the question of how quickly, you know -- there's talk
10 about these new investments, but how quickly are they
11 actually going to come on line? How quickly are they
12 going to actually impact supply, things like that?

13 MR. HERALD: James Herald, V&M. As I
14 mentioned earlier in our testimony, we had broken
15 ground on our new investments in Youngstown. And our
16 intent is to be, hopefully, if the weather, if the
17 weather and everyone allows, we'll be able to bring
18 this production capacity into the market in the fourth
19 quarter of next year.

20 COMMISSIONER WILLIAMSON: Thank you.

21 MR. MATTHEWS: The Q&T facility I referred
22 to in Lorain is actually due for approval with our
23 board of directors here shortly. And the forecast
24 will be in 2011 we'd be starting up.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 Purchaser questionnaires show that subject imports
2 have an advantage on price, but that the U.S.
3 producers have an advantage with such factors as
4 delivery time, terms, and quality and technical
5 support.

6 I was just wondering, how do these
7 differences affect the competition between subject
8 imports and domestic product?

9 MR. THOMPSON: Well, first of all I'd say
10 that if the imports are being brought, you know, if
11 they're ordered on the mill in China, that we have
12 that advantage of delivery. But if pipe is sitting on
13 the ground in Houston, we have no such advantage. In
14 fact, the advantage is to them.

15 I mean, we don't make inventory; we make our
16 product to order. And so consequently, that's one of
17 the things that happened with this surge of product.
18 We were at an extreme disadvantage. And in a market
19 as weak as 2009, and really we're still in that
20 market, as weak as it is, it's really difficult to
21 compete with product that's sitting on the ground,
22 that, number one, came in at cheaper numbers, and
23 number two, there seems to be a willingness to
24 bargain, to move to lower numbers in order to move it
25 because it has been sitting on the ground.

1 From a quality standpoint, I think we've
2 addressed that already. These products are all API-
3 certified, they meet all the same specs that we do.
4 And in this particular product line, with very few
5 exceptions, their product meets the same standards
6 that ours do.

7 COMMISSIONER WILLIAMSON: Okay. So I guess,
8 are you sort of saying that the large inventories,
9 weak demand, low prices -- are you saying that so with
10 large inventories around, weak demand, the low prices
11 are really going to have a bigger impact? Low prices?

12 MR. THOMPSON: Bigger impact on the prices,
13 you mean on the overall pricing in the marketplace?

14 COMMISSIONER WILLIAMSON: Yes.

15 MR. THOMPSON: Yes.

16 COMMISSIONER WILLIAMSON: And the price
17 competition, actually.

18 MR. THOMPSON: Absolutely. I mean, and what
19 you get because of the material sitting on the ground,
20 because they worry about whether, when the next sale
21 is coming, more of a desire to move that price lower
22 as they bargain with, with people looking to buy
23 product.

24 And people are very aware of where and what
25 the condition is, as far as the inventory is

1 concerned.

2 COMMISSIONER WILLIAMSON: Okay, thank you.
3 Anything else, Mr. Durham?

4 MR. DURHAM: I would say that in a down
5 market like we're in today, that price becomes more,
6 much more important. And I think we're going to
7 continue to see that for the next year or two.

8 COMMISSIONER WILLIAMSON: Okay, thank you.
9 In post-hearing briefs, could you please address, for
10 the purpose of critical circumstances, the data in
11 Table
12 4-13 of the prehearing report? And particularly the
13 second note in that, the second footnote on that
14 table. That's for post-hearing.

15 And I think with that, I have no further
16 questions. And I want to thank the witnesses for
17 their testimony.

18 CHAIRMAN OKUN: Commissioner Pinkert?

19 COMMISSIONER PINKERT: I just have one
20 additional question. In discussing evidence of threat
21 based on Chinese inventories in the United States, the
22 Respondents make a comparison in their brief between
23 the subject import inventories in the United States
24 and the non-subject import inventories in the United
25 States.

1 And again, I don't know if you can discuss
2 this in a public hearing, but just on a theoretical
3 level, is that comparison relevant to the issue of
4 threat? And if you can add anything in the post-
5 hearing with the specific numbers, that will be
6 helpful, too.

7 MR. NARKIN: Commissioner Pinkert, this is
8 Steve Narkin. I would just say as a legal matter,
9 that it's completely irrelevant. The threat
10 provisions of the statute tell you that you're
11 supposed to look at the level of subject inventories.
12 It doesn't even remotely suggest that non-subject
13 inventories are relevant to that kind of analysis.

14 COMMISSIONER PINKERT: Thank you, Mr.
15 Narkin. Mr. Schagrin.

16 MR. SCHAGRIN: We'll address it in our post-
17 hearing brief.

18 COMMISSIONER PINKERT: Thank you. Mr.
19 Vaughn.

20 MR. VAUGHN: Yes, Commissioner Pinkert. I
21 mean, a couple of points. I mean, I agree with what
22 Steve said. But you know, a couple of points about
23 these Chinese inventories.

24 I mean, first of all, if you look at the
25 purchases table -- I'm on page 2-7 of the public staff

1 report -- it says that imports from China that are in
2 inventory at the end of June 2010 were 52,480 tons.
3 Imports from other sources were 36,754 tons. And then
4 there's some unknown, you know, some proportion of
5 which may or may not be from China.

6 And then when you go to table 7-14, and you
7 look at the inventory there, these are the importers',
8 reported in this period, inventories. China, 43,326;
9 non-subject sources, 23,097.

10 So to be honest, I'm a bit mystified by the
11 notion that China is not as big as the non-subject
12 imports. I mean, the record here indicates that if
13 anything, the inventories of Chinese imports have been
14 extraordinary throughout the period.

15 And just to make one other point, and this
16 follows up on Commissioner Williamson's earlier
17 question and Mr. Thompson's earlier testimony, about
18 how these inventories have been in this market and
19 hurting these people. And you can see in the 2009
20 purchaser inventory data, inventories from every other
21 source go down from 2008 to 2009, which is what you
22 would have expected in a year where people were
23 supposedly drawing down inventories.

24 But inventories from China actually are
25 higher at the end of 2009 than they were at the end of

1 2008. And I think this links back to your question as
2 well, because it just shows that this, that these
3 inventories are there. They have been there
4 throughout the period, they have been weighing on
5 these people. And going forward, they're going to
6 continue to weigh on the market, and they do threaten
7 further injury.

8 COMMISSIONER WILLIAMSON: Thank you. And I
9 have no further questions for the panel, but I
10 appreciate the testimony, and I look forward to the
11 additional information in the post-hearing.

12 CHAIRMAN OKUN: I don't have any other
13 questions for this panel. I want to thank you very
14 much for all the information we've received, both in
15 the prehearing briefs and today. And we'll look
16 forward to the post-hearing, as well.

17 Let me look to see if any of my colleagues
18 have questions. Let me turn to staff and see if staff
19 has questions of this panel.

20 MR. CORKRAN: Douglas Corkran, Office of
21 Investigations. Thank you, Madame Chairman. Staff
22 has no additional questions.

23 CHAIRMAN OKUN: Do counsel for Respondents
24 have questions of the panel?

25 MR. BRUNO: Thank you, Madame Chair, we

1 don't have any questions.

2 CHAIRMAN OKUN: All right, thank you. I see
3 you back there, Mr. Bruno. All right, then, I think
4 this would be an excellent time to take a lunch break.
5 Before we recess, I want to remind parties that the
6 room is not secure, so please take any information
7 that is confidential. And we will take an hour for
8 lunch, and resume at 2:25.

9 With that, this hearing is adjourned.

10 (Whereupon, at 1:25 p.m., the hearing was
11 recessed, to reconvene at 2:27 p.m. this same day,
12 Tuesday, September 14, 2010.)

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1 record, but we're going to try to do it.

2 I believe you have a written copy of their
3 statements, and I would ask you to look at the
4 statement at the same time they are reading it.

5 In terms of the questions, they are
6 obviously available to answer questions, but we may
7 want to ask the questions very slowly so they can
8 understand and be able to answer them. Thank you.

9 MR. QIN: Good afternoon, ladies and
10 gentlemen. My name is Binghua Qin. I am the Sales
11 Manager for Tubular Goods for Baosteel America.

12 Baosteel America is a wholly owned
13 subsidiary of Baoshan Iron & Steel Corporation, Ltd.
14 I am in charge of selling all tubular products to
15 North America and the South American market.

16 I have worked in this position for the past
17 four years. I have worked for Baosteel for two years,
18 starting as the mechanical engineer for Baosteel's
19 specialty steel division.

20 About four years ago I started working in
21 sales, in Baosteel's Shanghai sales office, and then
22 moved to Baosteel America, Houston office.

23 Baosteel has been selling pipe, including
24 SLP, to the U.S. market for many years, going back at
25 least about 15 years. Baosteel sells almost

1 exclusively to distributors, who in turn sell to end
2 users. To my knowledge, these end users are general
3 oil companies, for which our pipe products match their
4 specification and requirements.

5 Over the years Baosteel has established a
6 stable group of customers to whom it sells pipe almost
7 exclusively. Baosteel has been selling stable
8 quantities to its customer every year. We usually
9 negotiate orders on a company basis. This is because
10 our customers purchase a stable volume from month to
11 month.

12 Because we produce to order, there is an
13 average of three to five months between receipt of
14 order and the delivery at a U.S. port. For example,
15 orders placed in this month will not be delivered
16 until December at the earliest, or generally in
17 January and February of next year.

18 Our sales have generally followed the month
19 trends of the U.S. market. Starting late 2007, I
20 remember that a lot of the phone calls asking for more
21 pipe. People just want more pipe because of the high
22 demand in U.S.

23 Because we could not satisfy every order, we
24 made a decision to supply our existing customers
25 first. We sold our pipe to the same customers that we

1 had in the past, and did not supply the new customers.
2 We could not supply all these new customers, because
3 we're operating at a full capacity. And no more pipe
4 to supply to the U.S. market because our customer in
5 China and other countries.

6 Also, we have been selling to the U.S.
7 market for many years. The Chinese market is the most
8 important market for Baosteel. Over 80 percent of
9 Baosteel production is for Chinese market.

10 Like the U.S. Market, Baosteel's customers
11 in China are stable and include large oil companies
12 like CNPC, SinoPec, and CNOOC. Baosteel produces and
13 sells both OCTG and line pipe under SLP pipe. We do
14 not reach our production or sales from one product to
15 the others. Usually, OCTG and SLP demand pick at same
16 time. Because new oil and gas projects, we have
17 both.

18 We must supply both products to our
19 customers. When we stop exporting OCTG to the U.S.
20 after April 2009, we didn't increase our sales of SLP
21 pipe.

22 The majority of OCTG sales to the large
23 Chinese oil companies are based on the long-term
24 contracts or long-term framework agreements for
25 specific projects that last about one to two years.

1 During the period of the investigation,
2 Baosteel's overload capacity for SLP pipe didn't
3 change. The Chinese economy has been growing very
4 quickly every year, and there is a big demand in China
5 for SLP pipe. These sales will continue to grow in
6 the future, because the Chinese economy is still
7 growing very quickly, and there is a need in Chinese
8 industry for SLP pipe growing as well. There are many
9 new projects that will require more SLP pipe.

10 I do not believe that our long-established
11 and stable presence in the U.S. market has harmed the
12 U.S. producers, because we are just meeting our
13 existing customers' needs. We do not plan to change
14 our business, or do not believe that we will cause any
15 harm in the future. Thank you so much.

16 MR. CHANGHUA: Good afternoon, ladies and
17 gentlemen. My name is Tang Changhua. I am the
18 Overseas Manager of Hengyang Steel Group International
19 Trading Company, which is related to Hengyang Valin
20 Steel Tube Company.

21 I am in charge of selling to the North
22 American and South American markets. I have been in
23 this position for about four years. Before that, I
24 was in charge of the Southeast Asian market, although
25 I have worked for Hengyang for about seven years.

1 In the U.S. we sell SLP pipe to
2 distributors. Like Baosteel, we sell pipe to the same
3 customers every year, which are U.S. distributors.

4 When demand is high, like it was in 2008, we
5 sold more pipe to the same customers, but not to new
6 customers because we did not have enough production to
7 meet all the new orders.

8 All of our sales are produced to order. Our
9 average takes about four to five months from the time
10 an order is placed, until the product is received by
11 the customers.

12 In 2008, when demand was so high, the time
13 was even longer, because the orders got backed up. It
14 takes about five to seven months lead time on average
15 that year. For Hengyang, the Chinese market
16 represents over 60 percent of its production, on
17 average. We sell to distributors and end users in
18 that market, and we usually have long-term contracts
19 with them.

20 The economies of China are growing every
21 year, and China's oil and gas companies are starting
22 to make new projects in China, as well. As China's
23 economy continues to grow at a very high rate, the
24 Chinese demand for pipe will continue to grow.

25 They also have stable growth in the Middle

1 East, Africa, and Southeast Asia market, where we sell
2 a lot of pipe. These countries also have new oil and
3 gas projects that we supply with pipe.

4 Because Hengyang is at full capacity, we
5 cannot increase sales of pipe in the future. Hengyang
6 did not increase capacity for SLP during the period of
7 investigation, and is operating at full capacity for a
8 long time. We have a new mill that started operation
9 in June of 2009, but that mill is only for pipe about
10 16 inch in diameter, which is not covered by this
11 case.

12 Hengyang believes very strongly that the
13 Chinese imports did not cause an injury to the U.S.
14 industry. Hengyang is a responsible company, and only
15 met demand that was needed by the market and our
16 existing customers.

17 We do not believe that Chinese imports will
18 cause any harm in the future. Thank you.

19 MR. BRUNO: I am Philippe Bruno with the Law
20 Firm of Greenberg Traurig. I would like to focus my
21 remarks on the threat of material injury, which, in
22 our opinion, is the major issue the Commission must
23 address in this case.

24 In this regard, the U.S. industry has made a
25 number of allegations that warrant further scrutiny in

1 light of the data collected by the Commission in this
2 final phase of the investigation.

3 First, the U.S. industry has claimed that it
4 is vulnerable. Let's analyze this claim.

5 The U.S. industry has been profitable
6 throughout the period of investigation, and in '09 has
7 come out of one of the worst economic recessions this
8 country has known with a double-digit profit. Is this
9 a sign of vulnerability?

10 The Petitioners claim that U.S. demand is
11 not strong; that the U.S. economy, which drives
12 demand, is on the verge of a double-dip recession; and
13 that the future is uncertain.

14 Well, I wish I could read the future, but we
15 need to focus on the facts here. The fact is that the
16 U.S. economy is growing again, albeit at a slow rate.
17 There have been talks in the media about a double-dip
18 recession, but the fact is that there is no sign that
19 we're entering a new recession.

20 The economic outlook may be somewhat
21 uncertain, but investors are currently betting that
22 the economy will continue to grow with a wallop. For
23 example, on June 30, 2010, at the end of the interim
24 period, the Dow-Jones closed at 9,770 points. It was
25 close to 800 points higher yesterday.

1 As the U.S. economy continues to grow, it is
2 also a fact that the prices of oil and gas are
3 expected to rise, again driving demand for SLP. This
4 drive may not point to the same kind of explosion in
5 SLP demand that the U.S. industry experienced in 2008,
6 prior to the 2009 bust. But the economic outlook
7 today is far different from that that this industry
8 faced in the recent OCTG case, when the Commission
9 made its affirmative threat determination. Then the
10 industry operating income had plummeted to the low
11 single digits by the end of the POI, and was
12 experiencing losses on a net profit basis. The U.S.
13 economy was in a slump, and its future outlook was
14 uncertain.

15 Although the same Petitioners make the same
16 allegations in this case, this picture doesn't match
17 to the facts. When was the last time the Commission
18 treated an industry with double-digit profits and
19 hundreds of millions of dollars in new investments as
20 vulnerable?

21 Second. The pattern of subject imports has
22 followed closely the variations in U.S. demand. The
23 U.S. industry's allegation of an out-of-control surge
24 in subject imports that threaten to engulf it is not
25 borne by the data collected by the Commission.

1 As you can see from the chart 1, subject
2 imports followed exactly the ups and downs of U.S.
3 demand, increasing when demand trended upward, and
4 declining when demand trended downward.

5 Relative to U.S. consumption, the pattern is
6 exactly the same, as you can see from slide 2.
7 Subject imports increased market share in '08, and
8 lost market share in '09, when demand fell. It is
9 interesting to note the role played by non-subject
10 imports. Between '08 and '09, non-subject imports
11 gained over eight percentage points of a shrinking
12 U.S. market, almost all of it at the expense of the
13 domestic industry, which lost seven percentage points
14 during the same period.

15 In interim 2010, both U.S. producers and
16 non-subject imports took a larger share of the market,
17 as would be expected with the exit of subject imports
18 on the market. It is worth noting that a significant
19 increase in the U.S. industry's market share in 2010
20 was achieved in spite of the very significant
21 underselling by the non-subject imports, which was on
22 the order of \$400 per short ton. This is not a sign
23 of a domestic industry that is vulnerable.

24 Third. This chart also rebuts the point
25 made by the Petitioners that the overhang in U.S.

1 inventories of subject imports is likely to have an
2 adverse impact on the industry itself. The U.S.
3 industry increased market share, notwithstanding the
4 alleged inventory overhang that existed throughout
5 2010.

6 Slide 4 shows that U.S. inventories of
7 subject imports declined by about 50 percent from
8 their peak at the end of June '09 to June '10. The
9 sales from inventories have not affected in any
10 measurable way sales by the U.S. producers in interim
11 '10, when increased significantly the share of U.S.
12 market, in spite of lower-priced non-subject imports.

13 In addition, it would appear that the
14 inventory buildup that was a one-time occurrence
15 driven by the lead times in getting the Chinese pipe
16 to the U.S. market. The inventories increased in the
17 first half of 2009, probably in response to the large
18 increase in U.S. demand in '08.

19 Given lead times of anywhere from three to
20 five months for Chinese imports, what was ordered in
21 the second half of '08, at a time of increased demand,
22 did not arrive until the first half of '09, when
23 demand fell.

24 Fourth. Petitioners allege that subject
25 imports are likely to have an adverse affect on U.S.

1 prices. The fact is that subject import did not have
2 any depressing effects on U.S. prices during the POI,
3 in spite of widespread underselling. There can be no
4 argument that subject imports did not depress U.S.
5 prices, as average values of U.S. SLP rose steadily
6 through the period 07/09.

7 Whatever decline in average values occurred
8 in interim '10, there were virtually no subject
9 imports; and thus, they could not have caused it.

10 The Petitioners have attempted to argue that
11 they have experienced price depression in '09 because
12 prices were not high enough to maintain the same level
13 of profit as in prior years. While it is true that
14 U.S. operating income declined in '09, the U.S.
15 industry more than covered its costs, as the double-
16 digit profit they achieved that year shows.

17 Respondents note that raw material and labor
18 costs actually declined in '09 as the ratio to net
19 sales; and that it is only the category of other
20 factory costs which increased. This suggests that
21 lower sales volume resulted in a higher percentage of
22 fixed cost as the ratio to net sales. This is not
23 surprising, given the huge drop in demand that hit
24 this industry in '09, and resulted in much lower sales
25 volume for all suppliers.

1 This decline in U.S. sales volume and
2 resulting overall profitability would have happened in
3 any case, given the severe economic recession that
4 depressed demand.

5 Subject imports declined in '09, both in
6 absolute terms and relative to consumption, and were
7 non-existent in interim '10. Yet in '10, the U.S.
8 industry still did not return to its prior profits
9 level of '08 and '07. This fact did not establish
10 that any alleged price suppression in '09 was caused
11 by subject imports.

12 Finally, the Petitioners allege that the
13 Chinese producers have the capacity and incentive to
14 increase exports to the United States in the
15 foreseeable future. Much has been said about the
16 Chinese industry becoming the largest producer in the
17 world, its growing capacity, and its blossoming
18 exports.

19 However, all of this must be analyzed in a
20 context of the fastest-growing economy in the world
21 that China has become.

22 As the Petitioners have stated repeatedly,
23 the strength of the economy drives the demand for oil
24 and gas exploration, refineries and construction,
25 which in turn drives the demand for SLP.

1 Let's focus on the Chinese economy. China's
2 economy grew at a rate well in excess of nine percent
3 during most of the POI. In '09, when the United
4 States and other countries in the world were in the
5 throes of a severe recession, the Chinese economy
6 still grew at a rate of 8.7 percent. As a result,
7 China has an insatiable appetite for energy, and is
8 exploring and exporting new oil and gas sales wherever
9 it can.

10 The staff report mentions a few new
11 exploration projects with requirements in SLP on such
12 a scale that they would keep the U.S. industry
13 producing large-diameter SLP at full capacity for many
14 years.

15 The International Monetary Funds expect
16 China output to reach \$5.4 trillion by the end of
17 2010, making it the second-largest economy in the
18 world. China's GDP grew at a rate of 11.9 percent in
19 the first quarter of 2010, and 10.3 percent during the
20 second quarter. It is expected that China's GDP will
21 grow at a rate of 10 percent a year.

22 All of this translates, and will continue to
23 translate, into growing domestic demand for SLP. In
24 fact, the data collected by the Commission from its
25 foreign producers' questionnaires, however incomplete

1 it might be, indicate that Chinese producers sales to
2 their domestic market rose significantly and steadily
3 during the POI, especially in 2009, when U.S. demand
4 was depressed.

5 Therefore, the growing Chinese market of SLP
6 seems to justify the growth of the Chinese SLP
7 industry.

8 It has been alleged that the Chinese
9 industry is the world's largest exporter of SLP.
10 However, we have to be careful with this claim. It is
11 based on the export data from the Global Trade Atlas
12 for tariff findings that include a number of non-
13 subject products. Therefore, exports of Chinese SLP
14 are probably over-stated.

15 The information collected by the Commission
16 from its questionnaire responses show that Chinese
17 exports, as a share of total shipments, have actually
18 declined between '07 and '09; and that the Chinese
19 market absorbs by far the largest share of Chinese
20 production.

21 In any case, SLP exports from China to the
22 United States have moved in concert with variations in
23 U.S. demand, as shown earlier. This pattern is
24 consistent with the Chinese industry's worldwide
25 exports of the broader category of pipe reported in

1 the Global Trade Atlas, which increased between '07
2 and '08, and declined between '08 and '09, again
3 moving up and down with worldwide demand.

4 The same caution should be employed when
5 analyzing the evidence of Chinese producers'
6 investments in new capacity has been discussed by
7 Petitioner. It is common for new expensive
8 investments to be widely publicized, for the retiring
9 of old and obsolete capacity receives little
10 attention.

11 As indicated in the prehearing report, a lot
12 of what is going on in China in the seamless pipe
13 sector seems to have more to do with upgrading old,
14 obsolete capacity, and merging existing mills to
15 rationalize production, than with an out-of-touch
16 industry experiencing out-of-control growth.

17 For example, mention has been made of
18 Baosteel's new investment to produce X-65-grade pipe.
19 This type of pipe is used for underwater use, and is
20 being produced to supply China's deep-sea gas field
21 project in the South China Sea, Liwan-1.

22 The joint venture between TPCO and Hengyang,
23 also mentioned in the prehearing staff report, is to
24 produce essentially non-subject pipe: boiler,
25 mechanical, and hydraulic pipe for the Chinese market.

1 In sum, while we have to take a realistic
2 approach to the threat of material injury and the
3 conditions of competition that will develop in the
4 foreseeable future, we cannot do so in a vacuum. The
5 growth in the Chinese seamless pipe industry must be
6 analyzed within the overall context of the growing
7 Chinese economy. And the likelihood of future and
8 imminent material injury by the subject imports must
9 be based on realistic projections of what has already
10 occurred during the POI. Anything else would be pure
11 speculation.

12 MS. JEONG: Good afternoon. My name is Rosa
13 Jeong of Greenberg Traurig. I am here on behalf of
14 the Chinese Respondents.

15 I'd like to take just a couple of minutes
16 focusing on the issue of threat of material injury;
17 and in particular, the issue of vulnerability.

18 In virtually all cases dealing with threat
19 determinations, the Commission, as an initial matter,
20 determines whether the U.S. industry at issue is
21 vulnerable to material injury in the imminent future.

22 As Mr. Bruno has mentioned earlier, this
23 case is unusual in that the domestic industry which is
24 claiming to be injured or threatened with material
25 injury is one that has shown a remarkable level of

1 profitability throughout the period of investigation,
2 earning double-digit profits even during a time when
3 the entire U.S. economy was struggling with the
4 effects of a deep global recession.

5 Because we couldn't recall the last time we
6 saw this level of profit in an affirmative threat
7 case, we actually went back and reviewed all previous
8 investigations during the last seven years, going back
9 to 2003, in which the Commission found a vulnerable
10 industry in the context of a threat analysis.

11 This slide shows the list of investigations
12 in which the Commission examined whether a domestic
13 industry was vulnerable to material injury in the
14 imminent future. And you see here the list of cases,
15 and whether the Commission found vulnerable or not
16 vulnerable, and operating income-and-loss ratio, as
17 much as we determined from the public versions of the
18 publications. And also the final column shows the
19 final determination on injury and threat.

20 As you can see from the slide, based on a
21 review of all cases in recent years in which the
22 Commission found the industry to be vulnerable, there
23 has not been an industry that earned profits anywhere
24 near what this current domestic industry is showing
25 for SLP.

1 Of course, we recognize that profitability
2 is not the only factor that the Commission considers
3 when determining whether the industry is vulnerable to
4 material injury. However, as one of the most basic
5 measures of industry's financial health, it is often
6 one of the most important factors that support the
7 Commission's threat findings.

8 In this case, we believe that the level of
9 profits that the U.S. seamless SLP industry has earned
10 throughout the period of investigation, along with
11 other factors that we discussed in our prehearing
12 brief and you will hear later, do not show a weakened
13 industry that is vulnerable to material injury in the
14 imminent future, and weigh heavily against an
15 affirmative finding of threat.

16 Thank you.

17 MR. BRUNO: This completes our presentation.
18 Thank you.

19 CHAIRMAN OKUN: And thank you. Before we
20 begin our questioning, let me thank this panel for
21 appearing, in particular Mr. Changhua, Mr. Qin. We
22 very much appreciate your willingness to testify here
23 today, your willingness to take our direct questions,
24 and the information that you have provided is very
25 helpful to the Commission's business to have that

1 opportunity.

2 I'm going to begin the questions this
3 afternoon. And Mr. Bruno, you can, if you need to
4 take time to have Ms. Jeong translate or otherwise,
5 please feel free to do so.

6 I want to start with the demand questions,
7 both demand in the United States for this product and
8 demand in China, both of which you touched on. I
9 would be interested in hearing your clients'
10 perspective on what they see as demand in the imminent
11 future in the U.S. market. And if they could, to be
12 specific as we question the producers this morning on
13 whether they are looking at the energy sector or the
14 non-residential construction sector. You know, what's
15 the most important indicator for purposes of where
16 they have sold their products in the United States.

17 MR. QIN: I believe the oil price is a
18 prefect of the indication of the demand in the USA.
19 Usually the oil price is stable, and it's growing.
20 The demand for the OCTG and the SLP pipe, the demand
21 will grow, as well.

22 So I think the market in the States right
23 now for the SLP pipe is much better than the year of
24 2009. And I believe it's the -- account, May 10,
25 around 1600 and above. I believe they still need a

1 lot of the seamless pipe to, for the gathering system
2 and the distribution system.

3 CHAIRMAN OKUN: Thank you. I wonder, the
4 producers this morning had indicated that, for
5 purposes of the shale oil, two things we had discussed
6 this morning were the use of this pipe in the shale
7 oil activities, as well as with respect to use in
8 refineries.

9 Do you have any information with respect to
10 those areas, and whether that is something for the
11 product? You can just bring your microphone a little
12 bit closer.

13 MR. QIN: I didn't have confirmed
14 information for the impact of the offshore drilling
15 and refinery. But the Baosteel, my company, we sold a
16 lot of pipe to some local pipe distributor. They used
17 the pipe for some oil drilling. They used the pipe to
18 transit the steam to make the crude oil flow very
19 quickly.

20 So I believe, to my company, I don't think
21 the offshore drilling restriction and the refinery
22 construction will affect this portion of demand. So
23 the impact I believe is based on the; what's the
24 application of the product.

25 MR. BRUNO: We will supplement this response

1 in our post-conference submission. I do understand
2 your question, and I think we have some elements of a
3 response that we will provide in our submission later
4 on.

5 CHAIRMAN OKUN: Okay. That would be very
6 helpful. And I think that it would, for purposes of
7 that response, both to the extent the Petitioners
8 provided a number of exhibits in the Skadden brief on
9 their demand productions, and what those are based on.
10 If you have information that's contrary to that, if
11 you could supply that.

12 And then the other thing, because it sounds
13 slightly different in terms of where Mr. Qin's
14 emphasis is on the energy sector, and we heard less
15 emphasis from at least some of the producers today, if
16 there is a breakdown in terms of what percentage of
17 production goes into the energy-related fields, versus
18 construction-related fields. And trying to keep in
19 mind I think the distinction this morning being made
20 between refineries, and not being energy-related, and
21 if that's consistent with industry practice. Or with
22 the information that you gather, if you can be
23 specific about that, I think that would be very
24 helpful.

25 MR. BRUNO: Thank you, we will do so.

1 CHAIRMAN OKUN: Okay. And then in the
2 testimony from both Mr. Qin and Mr. Changhua, I think
3 they both touched on the growth in the Chinese market.
4 And Mr. Bruno, you had discussed that, as well.

5 And I wondered if -- and some of this could
6 be done post-hearing, as well -- if you could be
7 specific about the use for this pipe in China, and the
8 specifics of if there are any projections that your
9 companies use in terms of growth in the Chinese
10 market.

11 You have provided percentages on how much of
12 your own production goes to the home market, and
13 that's helpful. But I'm also interested in what
14 additional information you might have with respect to
15 the Chinese market for this product.

16 And I take your point -- I'll let you
17 respond -- I take your point, Mr. Bruno, of giving us
18 the GDP numbers and the GDP as an indicator of China's
19 growth. But for purposes of sorting out what we have
20 in the staff report, the information that was provided
21 by Petitioners with respect to capacity additions, you
22 know, any specifics that we could get to with respect
23 to the Chinese market itself.

24 MR. BRUNO: This is an area where we try to
25 collect additional information that we will provide

1 again in the post-conference, sorry, post-hearing
2 submission.

3 The point I wanted to make, though, is that
4 the Petitioners have stated, I think, in their brief,
5 and again at the hearing this morning, that they
6 believe that the GDP growth, if you will, the growth
7 of the economy is a factor that you can consider in
8 determining future strength of the demand for SLP.

9 And in this case, I think it's interesting
10 to contrast the GDP growth, if you will, in the United
11 States with that in China. If you show that any
12 increased capacity in China, given the percentage of
13 production which is devoted to the Chinese domestic
14 market, that capacity, even if it's growing, seems to
15 be in line with the growth in the economy of that, of
16 that country.

17 CHAIRMAN OKUN: And that's what I'm not sure
18 that I see specifically in the record. I mean, as
19 opposed to the assumption that the GDP tracks it, it's
20 what capacity is coming on line. And I know you made
21 a number of specific references to capacity that may
22 have not been, may not actually be new capacity.

23 Anyway, I would like to see specifics about,
24 you know, what these capacity numbers are versus
25 demand for the specific product, to the extent we can.

1 Because you understand, as we do, the Petitioner's
2 argument that while you have had participation, very
3 much appreciate the question information we have, that
4 you can't make a leap to the whole market without
5 additional information. So anything you can provide
6 on that would be helpful.

7 And then if I could turn to your witnesses
8 again. Are you on the approved manufacturing list,
9 the AMLs, for the major companies in the United
10 States? To be on that approved manufacturing list?

11 MS. JEONG: We'll provide this information
12 in our post-hearing brief.

13 CHAIRMAN OKUN: Okay, I appreciate that.
14 Then a question for you, Mr. Bruno, or perhaps Ms.
15 Jeong, with respect to your argument on the non-
16 subject imports. You, I'm sure, were listening to the
17 responses this morning from producers and counsel,
18 indicating their testimony that of the non-subject
19 product that was coming into the United States being
20 produced primarily product that they are not
21 producing. And therefore, refuting your argument as
22 that affects capacity utilization and other numbers.

23 And I wanted to see if you had a further
24 response on that.

25 MR. BRUNO: Well, I think what I heard them

1 to say is that this import did not compete directly
2 with their products. They go to different market
3 segments, and therefore they don't have any impact on
4 their operation.

5 And that is, in my view, contradicted by the
6 information collected by the Commission. First of
7 all, there were answers to the questionnaire responses
8 that indicated that there was a fair amount of
9 fungibility between all three sources of products,
10 number one.

11 But number two, if you look at the 2009
12 market share variations, the non-subject imports
13 increased their market share by eight percentage
14 points. The U.S. industry lost seven percentage
15 points of market share. And the subject imports
16 slightly declined. But even assuming they will stay
17 at the same level, the non-subject imports had to take
18 this market share from products that compete directly
19 with the U.S. industry. Otherwise it doesn't make any
20 sense.

21 The domestic demand was going down in 2009,
22 which was much lower than in 2008. They took an
23 increasing share of a shrinking market, and they had
24 to do it, and they did it, at the expense of the U.S.
25 industry.

1 So this product did not compete. That is
2 something that I don't understand here in terms of how
3 you can accuse the subject imports of taking market
4 share away from the domestic industry, when in fact
5 all the facts show that non-subject imports did
6 compete with the U.S. products and took market share
7 away from them.

8 CHAIRMAN OKUN: Okay. I appreciate those
9 responses. My red light has come on. I will now turn
10 to Commissioner Lane.

11 COMMISSIONER LANE: Good afternoon, and
12 thank you for being here this afternoon.

13 Good afternoon, Mr. Bruno, I would like to
14 start with you, and I think that this is the same
15 question that Chairman Okun asked, but I am not sure.
16 Can you provide for us the number of firms in China
17 that actually produce this product, SLP, and what
18 their total capacity is, and on an industry-wide basis
19 what the capacity utilization is?

20 MR. BRUNO: We will try to do our best to
21 provide this information. This is information which
22 is difficult to obtain as you can see from the various
23 sources that have been providing it, or attempted to
24 provide it in this case. We will do our best to
25 provide this information to the Commission in our

1 post-hearing submission.

2 COMMISSIONER LANE: Okay. Thank you. And I
3 believe you said that at least for the firms that
4 responded to the questionnaires that those firms are
5 selling most of the product to their home market.

6 And could you tell me the types of projects,
7 and the types of businesses that these four firms are
8 selling their product to?

9 MR. BRUNO: Well, for the companies that I
10 represent here, which includes three --

11 COMMISSIONER LANE: Okay.

12 MR. BRUNO: My understanding is that a large
13 share of those, a large percentage of those sales, go
14 to the oil industries in China.

15 COMMISSIONER LANE: So does that mean that
16 there is a huge increase in drilling activity in
17 China?

18 MR. BRUNO: That's correct.

19 COMMISSIONER LANE: And what part of China
20 would that be in?

21 MR. BRUNO: Well, I just mentioned one
22 recent project that is starting or will start very
23 shortly in China. In the South China Sea, you have
24 these new off-shore drilling going on, and there is
25 another area of China where they are also increasing

1 drilling operations, and I forget the name of the
2 province.

3 COMMISSIONER LANE: Okay. But those are
4 projects that are going to be in the future?

5 MR. BRUNO: Which are starting now actually,
6 and the Li-1 project which I mentioned is a project
7 which is starting.

8 COMMISSIONER LANE: Okay. So I am trying to
9 work this through in my mind. You represent three
10 facilities and they are at near capacity, and the
11 product is going to projects that are in the works.

12 So does that mean that those end-users are
13 holding all of the capacity in inventory until they
14 get ready to use the projects?

15 MR. BRUNO: Well, those customers are going
16 hold a certain percentage of the capacity. I cannot
17 confirm here today that they will be the whole
18 capacity. I will have to consult with those
19 companies, and find that out from them.

20 But, yes, these are projects. For example,
21 the plant that Baosteel is starting, this new capacity
22 for X65 is in fact the steel for that particular
23 project, the Li-1 project, in the China South Sea.

24 COMMISSIONER LANE: How much off-shore
25 drilling is going on in the South China Sea?

1 MR. BRUNO: I will have to provide this
2 information to you, Commissioner Lane.

3 COMMISSIONER LANE: Okay. And would that be
4 new activity, or has China been drilling in the South
5 China Sea for some time?

6 MR. BRUNO: Let me ask my witness here.

7 MR. QIN: Actually, China has found a
8 greater return of natural gas and oil in the Western
9 part of China, the Hengyang region, and they already
10 built a huge pipeline project named West-East Gas
11 Project Pipeline, and they transmit gas from the west
12 to east.

13 So when the China pipeline built from the
14 rural area to the city, they have to use the small
15 pipe, like a seamless pipe, to distribute the gas to
16 the residential area. Usually for the reason of
17 safety, the Chinese oil companies prefer to use the
18 seamless line pipe.

19 So that is why more and more gas reserves
20 was founded, and more big pipeline project was
21 contracted. A lot of the Chinese residents will use
22 the natural gas at least for clean gas. So for the
23 small cities, line pipe, and even some large OD line
24 pipes, I believe the amount will be growing very
25 steadily.

1 COMMISSIONER LANE: Could you tell me how
2 the Chinese facilities determine the allocation of
3 production between seamless line pipe and other higher
4 volume forms of seamless pipe, such as OCTG and
5 mechanical or boiler tubing?

6 MR. QIN: For Baosteel, the majority of the
7 capacity is for OCTG. And Baosteel is involved in the
8 highest value added product, and maybe you know, that
9 the Chinese steel import a lot of OCTG from Japan for
10 some deeper gas oil wells, and also for some services
11 for Baosteel.

12 We have real potential to those OCTG
13 products. We want to develop more high-end OCTG to
14 satisfy those markets, and we have heavy importation,
15 and I believe that Baosteel's OCTG accounts for at
16 least 60 percent of our total capacity, and that the
17 trading for OCTG will be increased.

18 And for the SLP pipe, because of our total
19 capacity, didn't change. It didn't increase. So as
20 the OCTG total production is increasing, I believe the
21 SLP production capacity will keep stable, or even
22 decrease.

23 COMMISSIONER LANE: If I understood you
24 correctly, you are saying that Baosteel now has 60
25 percent of its production is OCTG, and the other 40

1 percent would be the SLP?

2 MR. QIN: For the SLP, it is around 40
3 percent, and the percentage we can provide that
4 information after in a post-hearing submission.

5 COMMISSIONER LANE: Okay. Thank you.

6 MR. BRUNO: We will supplement his response
7 in our post-conference submission.

8 COMMISSIONER LANE: Okay. Thank you. Is it
9 easy to shift from OCTG to SLP production?

10 MR. TANG: It's not easy because the process
11 is totally different. We understand that OCTG and the
12 SLP have some same processes, but as far as the
13 finishing process is different, and we assemble, heat
14 treatment, hydraulic, and -- machine is not for SLP.
15 So to answer the question, and I would like to say
16 something about the portion of OCTG and SLP, and some
17 other products for Hengyang Steel.

18 For Hengyang Steel, OCTG and SLP pipe takes
19 around 60 percent of our total capacity, in which the
20 OCTG is around 70 percent, and the SLP is 30 percent.
21 So the other boiler tubes takes around 15 percent, and
22 the mechanic tubes 15 percent; and 10 percent are
23 other categories.

24 So maybe in the following several years, we
25 will change our strategy, because we have big diameter

1 manufacturing, and the sizing is from 16 to 28 inch.
2 This merely focuses on the heavy wall thickness, and
3 boiling, and mechanical tubes.

4 So for the small diameters, we have a
5 quarter-mill, which is very economic, and so we maybe
6 we change this product to SLC, to the mechanical and
7 boiling tubes big diameter. Thank you.

8 COMMISSIONER LANE: Okay. Thank you. Thank
9 you, Madam Chair.

10 CHAIRMAN OKUN: Thank you, and before I turn
11 to Commissioner Pearson, as a protocol and courtesy
12 question for our Chinese witnesses and referring to
13 them, I am looking at your name tags, and your name
14 plates, and I am wondering whether we have one of them
15 flipped. Is it Mr. Tang that we should refer to, and
16 not Mr. Changhua, correct?

17 MR. TANG: Changhua Tang.

18 CHAIRMAN OKUN: Yes, okay. So they are
19 flipped, and I apologize, because I was thinking we
20 had put that correctly, and I was confused by your
21 witness statements. Thank you. Commissioner Pearson,
22 we wanted to make sure that we had that correct. Now
23 it is your turn to ask questions.

24 COMMISSIONER PEARSON: Thank you, Madam
25 Chairman. Welcome to the afternoon panel. I

1 appreciate your tenacity in staying with us all day.
2 We will try not to make this too taxing. A question
3 for Mr. Qin and Mr. Tang.

4 I have heard about the possibility of a
5 pipeline that might be built from Kazakhstan to China.
6 Is such a project being contemplated, and if so, would
7 it use the type of seamless pipe that we are
8 discussing at this hearing?

9 MR. QIN: To my information, in the
10 residential area, the oil companies. like CNPC and
11 SinoPec, they prefer to use the Chinese line pipe.
12 The -- wrench division for the gathering and the
13 distribution system is 16 inch and below.

14 For the Kazakhstan project, I am not quite
15 sure if it is for the second Chinese Eastern-Western
16 project or not, and I am not quite sure, but we can
17 check and report back.

18 COMMISSIONER PEARSON: Well, perhaps for
19 purposes of the post-hearing, if there is additional
20 information on that project, because I had heard about
21 it in the context of there possibly being a
22 significant increase in the demand for whatever type
23 of pipe would be used there, and I simply don't know
24 whether the project will be built, and I don't know
25 what type of pipe it will use.

1 MR. BRUNO: We will follow up on this.

2 COMMISSIONER PEARSON: Okay. Thank you. It
3 may well be a large diameter pipe if indeed such a
4 project goes forward. Okay. Mr. Tang and Mr. Qin,
5 both of you spoke about the limitations on the ability
6 of your own companies to expand the production of
7 seamless pipe, and to increase exports to the United
8 States.

9 Do you have any information on other Chinese
10 pipe producers? Is there a trade association perhaps
11 that would help to provide that information? Because,
12 of course, we have the statements by the domestic
13 industry that production in China is large and
14 growing.

15 That's not what we have heard from your two
16 firms. Your production might be large, but it is not
17 growing, okay? So can you address this question?

18 MR. TANG: As you know, the capacity of
19 China is huge and growing, but I think nobody knows
20 exactly how much is -- because there are many, many
21 small mills. So we try to gather as much information
22 as possible that we can, and we are not sure that this
23 information is available or not, but we can try to
24 find some information for you.

25 COMMISSIONER PEARSON: Okay. Is there an

1 association of pipe producers in China that would have
2 such information?

3 MR. TANG: We have a union for steel tube,
4 but it is not for all the mills. It is for part of
5 the mills.

6 MR. BRUNO: The complexity here,
7 Commissioner Pearson, comes from the fact that you
8 have a few associations, but they don't have as
9 members all the industries that produce the product
10 concerned.

11 In addition, when you look at the data, the
12 data is not necessarily for SLP covered by the scope
13 of this investigation, but for much larger seamless
14 pipe that would include OCTG, and that once you get
15 down to making adjustments to the data, then it gets
16 very confusing, because to adjust the data to the
17 products covered by this case, you need to know the
18 data for the other products, which becomes almost a
19 Catch-22.

20 COMMISSIONER PEARSON: Okay. Well, I
21 appreciate the complexities of the data issue. If you
22 can shed any more light on this in one context or
23 another, please do so. Mr. Bruno, perhaps to follow
24 up with that a more specific question.

25 You had made reference to the fact that it

1 is much easier to get publicity to new projects that
2 are announced, and perhaps actually come on-line, and
3 it is harder to find information about the closing of
4 old facilities.

5 Is that something that perhaps trade
6 associations in China could address?

7 MR. BRUNO: We will provide examples of
8 retired, old, or obsolete facilities in China to show
9 that the increase in capacity, or at least the new
10 capacity that is being advertised, is also an offset
11 by the closing of old plants.

12 And with the merger of plants, if you have
13 two plants that have a certain capacity and they merge
14 together, it is not new capacity. It is just the
15 combined capacity of the two older plants.

16 We intend to provide that type of
17 information to the extent that we can in our post-
18 conference hearing brief.

19 COMMISSIONER PEARSON: Yes, thank you. I am
20 following you. It is not a problem. Mr. Bruno let me
21 continue with you, and perhaps with Ms. Jeong. How do
22 you respond to the point raised by the domestic
23 industry that the new U.S. order on OCTG, plus the
24 orders on OCTG that are in place in the EU, Canada,
25 and Mexico, that those will increase the probability

1 that Chinese producers may shift production to SLP,
2 and then send that SLP to the United States absent an
3 order?

4 MR. BRUNO: Well, in this case, we have the
5 benefit of the experience, because we had the OCTG and
6 the SLP case almost landing at the same time. When
7 the OCTG case was brought with the signing of the
8 petition, and the preliminary duties, and so forth, we
9 have the actual import data in the SLP investigation.

10 And if you try to track with the import data
11 from the SLP investigation, and the schedule of the
12 case in OCTG, you see that there is absolutely -- or
13 at least to my knowledge -- no correlation between any
14 increase in SLP imported into the United States after
15 the OCTG duties were imposed.

16 In fact, imports of SLP into the United
17 States declined at that time because demand was
18 declining, and so there was no -- or at least on the
19 face of it, no attempt by the Chinese industry to push
20 or literally force sales of SLP in the U.S. market at
21 a time when they were cut out from that market by the
22 trade agreement that was imposed.

23 COMMISSIONER PEARSON: Right, and you in
24 some respects argued both sides of that issue, because
25 the drop in demand is the reason that you have

1 indicated that the SLP imports have gone down so
2 substantially, and I am not sure that you can argue
3 both sides with complete comfort.

4 MR. BRUNO: Well, I mean, our view is that
5 the -- well, this is the point that I was trying to
6 make, is that the SLP imports follow the demand, and
7 so when demand declined, there was no attempt to get a
8 larger share of the shrinking market, which is often
9 what the Commission sees in those cases.

10 When you have a threat determination, often
11 what you see is a market going down, and apparent U.S.
12 consumption going down, and then subject imports
13 getting an increasing share of a declining market.

14 Here you have seen is that the imports have
15 followed exactly the variation in the U.S. demand
16 without any attempt to try to retain or capture a
17 larger share to make up for the lost share in OCTG.

18 COMMISSIONER PEARSON: Okay. But we would
19 be correct to understand that if you look at the
20 global market prospects for Chinese OCTG versus SLP,
21 right now it would be OCTG that is more constrained
22 because of the orders in various countries; SLP at
23 this point being still more open?

24 MR. BRUNO: That's correct.

25 COMMISSIONER PEARSON: Okay. I'm not sure

1 whether you addressed this earlier, but do you believe
2 that non-subject imports could completely replace the
3 imports from China?

4 MR. BRUNO: Well, they seem to have done so.
5 If you look at the market share, non-subject imports
6 in the interim 2010 had a market share which was
7 higher than that of the subject imports during the
8 POI.

9 So it would seem in this respect that we had
10 a substitution between market share, in terms of the
11 larger source of supply if you will in the U.S.
12 market. But I think that there is indeed a
13 substitution of certain types of products by non-
14 subject imports.

15 It would seem that the low price imports
16 from Russia, the Ukraine, some of them are controlled
17 by the U.S. industry, have competed directly with the
18 Chinese imports. And in this respect, I think there
19 is a certain level or degree of substitution between
20 non-subject imports and subject imports.

21 It is possible that certain imports are out
22 of Germany, Brazil, or Italy, which sell at much
23 higher prices, and seem to be slightly different
24 products, would not substitute entirely for the non-
25 subject imports.

1 But I think that there is a certain level of
2 substitution between non-subject and subject imports.

3 COMMISSIONER PEARSON: Okay. Well, I agree
4 with that, but it is at a low level of aggregate
5 demand in the United States, and I have little doubt
6 that non-subject imports could replace completely
7 imports from China.

8 At a higher level of demand, perhaps for
9 post-hearing, you might look at that question. Is
10 there some breaking point at which the U.S. market
11 would be short of supply if there were no imports from
12 China.

13 MR. BRUNO: I think that if we go back to
14 demand like in 2008, there will have to be an increase
15 in either non-subject imports, or increasing other
16 sources of supplies to the U.S. market, because
17 obviously the U.S. industry could not meet the entire
18 demand.

19 COMMISSIONER PEARSON: Right. Okay. Well,
20 if you can follow that up in the post-hearing that
21 would be great. Thank you, Madam Chairman.

22 CHAIRMAN OKUN: Commissioner Aranoff.

23 COMMISSIONER ARANOFF: Okay. Mr. Tang and
24 Mr. Qin, this morning the distributor witnesses said
25 that when the petition was filed in these cases that

1 Chinese suppliers came to them and offered to rush
2 pipe into the United States ahead of the duties.

3 Did either of your companies do that, say
4 that to any of your U.S. customers?

5 MR. QIN: After the petitions were filed, we
6 never signed a new contract with any new customers.
7 We just shipped what we booked before to the States.

8 COMMISSIONER ARANOFF: Okay. Mr. Tang?

9 MR. TANG: Actually, because of the demand
10 that dropped a lot in 2009, and from that time on, we
11 almost reduced because of the total demand dropped,
12 and so it was reduced a lot. And in September of 2009,
13 we almost received no more new contracts.

14 COMMISSIONER ARANOFF: Okay.

15 MR. BRUNO: If I may make a comment on this.
16 I am sure that you are looking at the monthly data
17 that the prehearing report has with respect to the so-
18 called critical circumstances allegation, and I just
19 wanted to point out that contrary to what the
20 petitioners have said this morning, there is only one
21 month that stands out in that data.

22 And if you consider the lead times that
23 prevail there with respect to subject imports, three
24 to five months, I mean some of these orders had to be
25 placed prior to the filing of the petition.

1 I am not saying that is for the entire
2 amount if that is the case, but certainly it would
3 appear that some of the orders would have, because you
4 fall within that 3 to 5 month window.

5 COMMISSIONER ARANOFF: Okay. That was going
6 to be the next question that I was going to ask. It
7 was indicated to us that the government of China has
8 rescinded a 9 percent export tax rebate on a variety
9 of steel products, but has kept that rebate in place
10 for seamless SLP pipe. Do you have any information on
11 the most recent status of that rebate?

12 MR. BRUNO: We will have to address this
13 question in our post-hearing submission.

14 COMMISSIONER ARANOFF: Mr. Bruno, your third
15 client, the one who doesn't have a witness here, is
16 that TPCO?

17 MR. BRUNO: That's correct.

18 COMMISSIONER ARANOFF: And my understanding
19 is that that company has obtained a permit to build a
20 Greenfield seamless pipe mill in the United States?

21 MR. BRUNO: That's correct.

22 COMMISSIONER ARANOFF: And my understanding
23 from our record is that the ground breaking is
24 expected to take place next month?

25 MR. BRUNO: That I cannot confirm, but the

1 permit is indeed something that they have obtained.

2 COMMISSIONER ARANOFF: Okay. Either now or
3 in post-hearing, if you could give us anymore up-to-
4 date information on the status of that project, and
5 what markets this mill is expected to serve, that is
6 information that we would like to have on the record.

7 MR. BRUNO: Yes.

8 COMMISSIONER ARANOFF: And if there is
9 anything that you can tell us in consultation with
10 your client about the factors that underlie TPCO's
11 decision to invest in a new facility in the United
12 States, particularly in light of the current level of
13 excess capacity in the U.S. industry right now, and
14 also in the Chinese industry, it would be helpful to
15 know what considerations went into that investment
16 decision. Thank you. So I will look forward to your
17 answers on that.

18 MR. BRUNO: All right. We will provide
19 that.

20 COMMISSIONER ARANOFF: Okay. Let me have
21 another question for Mr. Tang and Mr. Qin. Have you
22 had experience with purchasers in the United States
23 who have expressed concern about buying Chinese
24 seamless pipe out of concern for the quality or
25 perceived quality of the product?

1 MR. TANG: So actually we do have the court
2 claim in 2006 for OCTG. That is a big problem, but --
3 responsible manufacturing company so we settle those
4 problem and pay the compensation to the oil company.

5 Actually from that, the quality improved a
6 lot from Hengyang. Actually, Hengyang is a big
7 manufacturing for the same pipe in China, and it is
8 very good quality, and nobody can guarantee 100
9 percent for the quality, but we just did our best to
10 provide the qualified products.

11 So all the imports for our customers,
12 because of the quality, they asked for an inquiry from
13 Baosteel, TPCO, and Hengyang. That's my comment.

14 COMMISSIONER ARANOFF: Okay. I want to make
15 sure that I understood.

16 MR. BRUNO: We will supply further
17 information.

18 COMMISSIONER ARANOFF: Okay. I think I
19 understood you to say that there was a quality problem
20 with an OCTG product back in 2006?

21 MR. TANG: Yes, and since then, they don't
22 seem to have any problems with the quality of the
23 OCTG.

24 COMMISSIONER ARANOFF: All right. So if we
25 could have the three companies for post-hearing just

1 respond as to whether they have had people who have
2 been concerned about buying from them with respect to
3 the product that is the subject of investigation in
4 this case, that would be helpful.

5 MR. BRUNO: We will do so.

6 COMMISSIONER ARANOFF: Okay. Thank you. In
7 U.S. Steel's prehearing brief, they include a section
8 that quotes a number of Chinese officials, and
9 industry representatives, all of whom are
10 acknowledging that there is a large amount of unused
11 seamless SLP pipe capacity in China.

12 And based on that, U.S. Steel argues that
13 Chinese producers will have a strong incentive to
14 increase their shipments to the United States. So I
15 would ask do you dispute, or do you think there is
16 evidence that could dispute that there is substantial
17 overcapacity in China at the present time?

18 MR. BRUNO: I think that what you had was
19 the reaction to the OCTG case, at a time when the OCTG
20 decisions came down, I know that a lot of Chinese
21 companies were -- I would not call it upset, but
22 certainly concerned about finding new markets for
23 their OCTG product and so forth.

24 My view on this is that given the growth in
25 the Chinese economy, which is going to drive the

1 growth and the demand for more energy, more oil, more
2 gas, I think that any increase in capacity that may
3 have occurred over the last few years will be absorbed
4 by the growing sells to the Chinese market

5 MS. JEONG: And if I could just add. We
6 don't represent the entire -- every single company in
7 China producing SLP pipe, but two of the companies
8 here are one of the largest producers in China, whose
9 experience shows that their production did not go
10 down, and they continue to produce.

11 And, of course, when the U.S. market -- you
12 know, when they stopped exporting to the U.S. market,
13 they had to find new sources, and they have done that
14 as Mr. Tang has testified that they see a lot of
15 growth in the Middle East, and I think also in
16 Southeast Asia, and Africa, and other places that he
17 cited that they have found new markets, and they are
18 shipping and exporting, and continue to produce at
19 full capacity.

20 COMMISSIONER ARANOFF: Okay. I think it's
21 one thing to
22 -- it was very helpful to have the response with
23 respect to the experience of specific companies, but
24 with respect to the industry as a whole, I am
25 concerned that the sort of general statements that

1 demand is growing in China, and that there are other
2 markets, is not really sufficient to counter some of
3 the evidence that we have on the record regarding
4 imbalances between supply and demand in China.

5 So if there is anything that you can add to
6 that, then that is going to be helpful. And with
7 that, my time is up, and so thank you.

8 CHAIRMAN OKUN: Commissioner Williamson.

9 COMMISSIONER WILLIAMSON: Thank you, Madam
10 Chairman. I do want to express my appreciation to
11 this afternoon's panel and particularly to the
12 business people who have come today. I want to start
13 off with Ms. Jeong and Mr. Bruno.

14 In the preliminary investigation, I found
15 that the domestic industry was vulnerable, and I am
16 wondering if there is anything in the record that
17 should lead me not to reach the same conclusion here.

18 Now, I note with interest your table
19 identities on profitability of vulnerable industries,
20 and these other cases that we looked at. And I also
21 note that, Mr. Bruno, you had mentioned things like
22 profitability of the domestic industry, the new
23 investments, and all of that.

24 But the one thing that you didn't mention
25 was anything about the employment numbers, and so what

1 I am wondering is if the impact of the subject imports
2 was primarily in the employment number, and how should
3 I treat that?

4 MR. BRUNO: Well, the employment numbers
5 went down in 2009, and went right back up in 2010
6 during the interim period. In 2009, imports were
7 declining as you know, and a recession was in full
8 swing, and hit this industry like it hit every other
9 industry in the United States.

10 What I think happened between 2008 and 2009
11 is a volume issue. In other words, if you look, for
12 example, at the operating income for the interim
13 period of 2010, and you compare that to the first six
14 months of 2009, you are going to see an operating
15 income which is very, very similar, Almost identical
16 actually.

17 Which means that the loss of employment
18 during the year 2009 would have been caused by the
19 lower sales that this industry made during that year.
20 A lower volume of sales did not justify keeping a lot
21 more employees within the plant.

22 When sales volume increased in 2010 when
23 there was no imports, they rehired a lot of the people
24 that they had, I guess, laid off during 2009. So my
25 view on this is that you have a situation where the

1 recession had its impact in 2009, and that was the
2 recession that had this impact on employment, mostly
3 on the subject imports, which again declined in 2009.

4 And in 2010, when the volume increased, but
5 not necessarily profitability, immediately you saw
6 maybe shifts added, or more employees being rehired to
7 produce a larger volume of product.

8 COMMISSIONER WILLIAMSON: Well, looking at
9 the import numbers, clearly the imports did not
10 decline as much as the employment, and if you have the
11 domestic industry making this argument about inventory
12 overhang, it would seem that the hit that the workers
13 took was much greater than either the imports, the
14 profits, or in terms of sales?

15 MR. BRUNO: That the employment was
16 certainly hit hard in 2009. There is no doubt about
17 it, but I am not sure that you can pin that particular
18 problem on the subject imports. Keep in mind that you
19 had an increase, a very large increase of non-subject
20 imports in the marketplace.

21 And that certainly to me would be the
22 primary -- and in addition to the recession, would
23 certainly be the second primary cause of an employment
24 decline in 2009 before you go to subject imports. I
25 think there is a leap here that the records in this

1 investigation does not necessarily allow us to make.

2 COMMISSIONER WILLIAMSON: And that leads me
3 to say that it is the subject imports versus the non-
4 subject imports.

5 MR. BRUNO: There are two other causes in
6 the marketplace in 2009. You had a very severe
7 recession that caused volumes to go down. Keep in
8 mind that volumes would have gone down no matter what,
9 whether or not you had subject imports.

10 They would have sold less in 2009 than they
11 did in 1008 for sure, and then you had the non-subject
12 imports that basically gobbled up 8 percentage points
13 of the market share, which is a significant number,
14 and then you have subject imports.

15 But that is only a third and far distant
16 cause of any problems that they may have had in 2009.

17 COMMISSIONER WILLIAMSON: Okay. So where do
18 we stand on the question of vulnerability though?

19 MR. BRUNO: Well, I don't think that they
20 are vulnerable. I think at this point that they have
21 shown that they resisted very well the worse recession
22 that we have experienced in this country in many, many
23 years; that they had double-digit profits.

24 They managed to make or they decided to make
25 the investments in OCTG, but there are investments

1 made by the same suppliers, by the same producers, and
2 I believe that looking at this industry today, I don't
3 think we can make a decision and determination that
4 they are vulnerable.

5 COMMISSIONER WILLIAMSON: Okay. Well, I
6 appreciate that, although I guess we would still have
7 to look at how far has employment come back, and then
8 there is the question of the prospects for the future.

9 MR. BRUNO: Sure.

10 COMMISSIONER WILLIAMSON: The other question
11 I had was how would you suggest that we distinguish
12 between the effects of a recession and the effects of
13 subject imports?

14 MR. BRUNO: Well, this is one case where I
15 think it is quite interesting, because in 2009, what
16 you had in the marketplace is a very large volume of
17 non-subject imports, and the fact that you had this
18 volume of non-subject imports as I said makes the non-
19 subject imports also a secondary cause of any
20 problems.

21 The impact of the recession was essentially
22 on the volume of sales that went down. If you look at
23 the demand in 20089, You will see that it literally
24 fell. It collapsed in 2009. All parties agreed to
25 that.

1 And that volume, that decline in volume,
2 caused the industry to experience a ratio of fixed
3 costs to the net sales that went up, which means that
4 already hurt them, and also caused the industry to lay
5 off a number of employees and so forth.

6 That is in my view directly related to the
7 recession, and not to the subject imports.

8 COMMISSIONER WILLIAMSON: Okay.

9 MS. JEONG: If I could add. I think it is
10 important to consider the record and the findings of
11 the Commission in the OCTG. In the OCTG case the
12 Commission found that with respect to the present
13 material injury that it was not caused by the subject
14 imports, and that any decline in performance
15 indicators for foreign financial health was really due
16 to demand determined by the recession.

17 And we realize that the Commission reached a
18 threat decision in that case. However, the big
19 difference there is that there the Commission was only
20 looking at a POI that only included a part of 2009,
21 and you had no idea when the recession would be over,
22 and what the effects will be, and how the industry
23 would come out.

24 The big difference here is that you have the
25 full 2009 data, which shows the domestic industry came

1 out of it with flying colors really, in terms of
2 profitability, and really seemed to weather the storm
3 very well. And then a partial 2010 --

4 COMMISSIONER WILLIAMSON: Don't you think
5 that the workers are in the domestic industry though.

6 MS. JEONG: Yes, understood. Understood.
7 But the worker levels are up, and actually I wanted to
8 go back to that point, because the employment levels
9 are up, and I think they are back to 2007 levels.

10 And this happened -- and I understand that
11 you were concerned about the inventory in the
12 marketplace, and as Mr. Bruno has shown earlier
13 before, you saw that we had perhaps relatively high
14 levels of inventory that existed in the U.S.,
15 something close to 80 thousand.

16 And you see that the data shows that about
17 half of it, about 40 thousand of it, has been depleted
18 and absorbed by the market, without -- and at the same
19 time where the domestic industry shows a remarkable
20 recovery, and especially in the employment numbers.

21 So it shows that the current existing
22 inventory, the same volumes did not cause injury or
23 did not adversely impact employment levels for the
24 domestic industry.

25 COMMISSIONER WILLIAMSON: Well, would the

1 recovery have been quicker?

2 MR. BRUNO: Well, in 2010, the U.S. industry
3 did increase its market share significantly, and was
4 the largest supplier to the U.S. market based on their
5 market share. I don't know what the impact of the
6 inventories would have been, because they basically
7 were able to increase sales, notwithstanding the so-
8 called overhang in inventories.

9 So I am not sure that there was an impact,
10 and therefore, I am not sure what would have happened
11 if there were no inventories in that situation.

12 COMMISSIONER WILLIAMSON: Okay. Thank you.
13 We will leave it there. For post-hearing, I wonder if
14 you could address the question of the imports spike in
15 2009. You have already done that, but I am particular
16 interested in that November number.

17 It is crying for some kind of explanation,
18 and post-hearing, in your post-hearing brief, could
19 you address -- and again for this critical
20 circumstance either the data in Table 4-13, and the
21 note, the second note. It is the same question that I
22 asked the domestic industry this morning.

23 MR. BRUNO: We will do so.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.
25 Thank you, Madam Chairman.

1 CHAIRMAN OKUN: Commissioner Pinkert.

2 COMMISSIONER PINKERT: Thank you, Madam
3 Chairman, and I thank all of you for being here today
4 to help us understand what is happening in this
5 industry. I want to begin with the question for the
6 two witnesses, and perhaps the attorneys can add to
7 the answer.

8 But in your view did the Chinese government
9 stimulus actions in 2009 have any impact on this
10 industry?

11 MR. QIN: I think in 2009, the Chinese
12 economy, the stimulus package had a strong impact on
13 the Chinese economy, but as I had the lead
14 investments, almost all of them went to the
15 infrastructure instead of the steel mills is my
16 information.

17 COMMISSIONER PINKERT: Thank you. Any
18 additional comments on that?

19 MR. BRUNO: We will supplement this response
20 in our post-hearing submission.

21 COMMISSIONER PINKERT: Thank you. Now, I
22 note that in your answers to Commissioner Williamson's
23 questions that you talked a bit about employment and
24 about operating income margin in the industry, in the
25 U.S. industry. particularly how the industry came out

1 of the recession period.

2 But I am wondering how we should deal with
3 the information that we have on return on investment
4 for 2007, 2008, and 2009, which is in the staff
5 report. And then secondarily can you construct a
6 return on investment figure for the first six months
7 of 2010 for this industry?

8 MR. BRUNO: We will address these questions
9 in our post-hearing submission, Commissioner Pinkert.

10 COMMISSIONER PINKERT: Thank you. Now, I
11 note that we have received a lot of argument about the
12 domestic like product issue, and of course I was very
13 interested in your analysis of threat in the charts
14 that you put up on the overhead.

15 But I am wondering can you do an analysis of
16 threat for us that disaggregates the two alleged
17 domestic like products in this case? In other words,
18 one for the small, and one for the large diameter.

19 MR. BRUNO: Yes, we can, and we were
20 planning to do so in our post-hearing submission.

21 COMMISSIONER PINKERT: Okay. Thank you.
22 Now, perhaps we can anticipate some of that analysis
23 here. In your view is there one of the two alleged
24 domestic like products that presents a stronger case
25 for you with regard to the threat issue?

1 MS. JEONG: I'm not sure how much we can
2 discuss it, because I think the separate data is
3 mostly confidential, but in our belief, yes, I think
4 there is a stronger case for one part than the other,
5 especially when you look at things like inventory
6 levels, and the capacity levels, but we will get into
7 more details in our post-hearing brief.

8 COMMISSIONER PINKERT: That would be very,
9 very helpful, and I would ask, too, that you address
10 the vulnerability issue for the two alleged domestic
11 like products. Is that something that you can do?

12 MR. BRUNO: Yes, sorry.

13 MS. JEONG: Yes.

14 COMMISSIONER PINKERT: Okay. Thank you.
15 Now, staying with this threat issue for a moment. Do
16 you agree with the Petitioners that for purposes of a
17 threat determination the Commission should discount
18 the increase in the rig count?

19 MR. BRUNO: I was not sure I understood why
20 you would have to discount this particular information
21 to the extent that it is a factor that drives demand,
22 and we will look into it, because this is something
23 which is rather complex, and requires a lot of
24 additional information that I don't have right now.
25 But we will look into it, and get back to you in the

1 post-hearing submission.

2 COMMISSIONER PINKERT: Thank you. That
3 would be helpful, too. Now, turning momentarily to
4 the issue of critical circumstances in this case, as
5 you know there was testimony this morning, and there
6 was argument in the briefing concerning efforts to
7 "beat the clock" with regard to getting imports into
8 the United States by some suppliers of Chinese SLP
9 pipe.

10 And I wondering -- now this is just a legal
11 question, and not addressing so much the facts
12 alleged. But is the motivation of the suppliers
13 implicitly part of the analysis that we do for
14 critical circumstances, or is it more of a objective
15 kind of analysis if you will?

16 MR. BRUNO: To my recollection, and based on
17 other precedents that the Commission had, in which it
18 discussed this particular issue, it is more of an
19 objective analysis of the Commission conducted in the
20 context of this critical circumstances analysis.

21 COMMISSIONER PINKERT: Thank you. Now, I
22 would like to address or reiterate a question that I
23 asked earlier today with regard to the ratio of cost
24 of goods sold to sales from 2008 to 2009.

25 With apparent consumption down

1 substantially, and unit costs up in 2009, should we be
2 surprised to see that there was an increase in the
3 ratio of cost of goods sold to sales during that
4 period from 2008 to 2009?

5 MR. BRUNO: Well, if I understand the
6 question that you are asking on whether or not the
7 difference in sales volume had an impact on the ratio
8 of cost of goods sold to net sales, and the answer is
9 yes. That is the impact of the recession.

10 That is the impact of the lower sales that
11 were going to happen no matter what in 2009 because of
12 the recession. Demand collapsed, and the U.S.
13 producers sold less. Everybody sold less in that
14 market, and as a result, your fixed costs -- and not
15 so much the labor costs and the variable costs, the
16 material costs, but the fixed costs, did increase as
17 the ratio to net sales.

18 COMMISSIONER PINKERT: Well, also, I suppose
19 another way of framing this issue is that if apparent
20 consumption is down, and costs are going up, unit
21 costs are going up, would you expect that the
22 producers could cover the increase in costs with
23 increases in prices?

24 MR. BRUNO: Well, that is an indirect way to
25 get at price suppression. They did cover their costs.

1 They did manage to turn a double-digit profit in that
2 year. The issue that they have is that this profit is
3 not as high as it was in 2008 and 2007.

4 But in terms of not covering an increase in
5 costs that is not the case in 2009. They did cover
6 their costs, and some more, to the extent that they
7 made a profit, and a significant one at that.

8 I was specifically talking about the ratio
9 of COGS to sales in 2009, and I would also direct your
10 attention, and perhaps this is for the post-hearing,
11 but I would direct your attention to the issue of
12 demand elasticity, and whether or not that can help us
13 understand what happened to that ratio from 2008 to
14 2009.

15 Now, one other question along these lines.
16 Should we discount the market share of non-subject
17 imports somewhat as suggested in Mr. Schagrins' brief,
18 because many of those imports consisted of heavy wall
19 pipe that the U.S. producers or the U.S. industry does
20 not focus on?

21 MR. BRUNO: The U.S. industry lost seven
22 percentage points to the market share in 2009, and the
23 non-subject imports increased their market share by
24 eight percentage points that same year. I don't see
25 how you can discount the impact of non-subject imports

1 on this market and on this industry.

2 COMMISSIONER PINKERT: Thank you. My yellow
3 light is on, and so I will pass the panel to the next
4 Commissioner.

5 CHAIRMAN OKUN: Thank you. I just wanted to
6 follow up on a few more questions about home market
7 demand, as well as demand in alternative markets, and
8 just so I can understand the responses that you gave,
9 Mr. Bruno, about the future that you see in the
10 Chinese market soaking up a lot of this capacity.

11 But based on the different statistics that
12 are out there, China is a net exporter of this
13 product?

14 MR. BRUNO: Not to my knowledge, and not
15 based on the data that the Commission collected
16 ultimately.

17 CHAIRMAN OKUN: Okay. So as currently, and
18 then with respect to the alternative markets that you
19 had cited as attractive, including the Middle East,
20 which I think you mentioned, and Southeast Asia, the
21 Skadden brief had contained exhibits talking about
22 additional capacity coming on-line in particular
23 countries.

24 For purposes of post-hearing, and I am not
25 sure that it can be done, but can you just respond to

1 how that affects your potential in those markets, in
2 terms of what you know about that capacity?

3 MS. JEONG: We will do so.

4 CHAIRMAN OKUN: Okay. And then just in
5 terms of the products shifting argument, which I think
6 you addressed in your brief, and might have been able
7 to discuss today, but the companies represented here,
8 do you produce welded pipe as well as OCTG?

9 MR. TANG: We don't. We only produce
10 seamless.

11 CHAIRMAN OKUN: Okay. Just seamless.

12 MR. QIN: Baosteel produces welded pipe.

13 CHAIRMAN OKUN: You also produce welded,
14 yes?

15 MR. QIN: Yes.

16 CHAIRMAN OKUN: No?

17 MR. QIN: Yes.

18 CHAIRMAN OKUN: Yes? Okay. There was some
19 discussion this morning on the Petitioners' panel
20 about the uses of welded product that was used in the
21 energy business. I didn't know if there was anything
22 that you heard this morning that is inconsistent that
23 is inconsistent with your companies, and where your
24 product is going, and when you decide to produce one
25 product versus the other one when a particular market

1 is good in the energy markets. Is there product
2 shifting among those products?

3 MR. BRUNO: I am no metallurgy expert, but I
4 will give you my observations. I have represented
5 welded pipe producers in the past, and I can tell you
6 that I have visited plants, welded pipe plants, and
7 seamless pipe plants.

8 Those are two different production
9 processes. You can't produce one or the other, and
10 generally those companies are usually different. They
11 are not the same companies.

12 CHAIRMAN OKUN: So with respect to your OCTG
13 production, and incentives to shift among or between
14 seamless and OCTG, can you give any further response
15 to the argument that the incentive would exist for you
16 to ship more into the U.S. in light of the OCTG order?

17 MR. QIN: No. No, we don't have any
18 shipments.

19 CHAIRMAN OKUN: No, shipments. So if I
20 heard your testimony, and you have submitted
21 information confidential as well, that you have other
22 markets for your OCTG that otherwise would have been
23 going to the U.S. market? Was that the testimony, and
24 I just wanted to make sure that I understood it
25 correctly.

1 MR. QIN: No, we have no shifting in
2 capacity.

3 CHAIRMAN OKUN: No shifting of capacity,
4 because I thought maybe you had responded to this, but
5 I was not sure. With respect to OCTG, did you export
6 OCTG to the United States?

7 MR. QIN: We stopped since the clarification
8 was filed.

9 CHAIRMAN OKUN: Okay. So for the products
10 that you would have shipped to the United States, is
11 that product -- did you stop producing it or did you
12 find out markets for it?

13 MR. QIN: Actually, the Chinese demand had
14 already stopped our capacity.

15 CHAIRMAN OKUN: So it went to the home
16 market?

17 MR. QIN: Yes.

18 CHAIRMAN OKUN: Okay. For purposes of post-
19 hearing, it might be very clear from the information
20 that we have, but just to the extent that you can be
21 sure, as that is not clear to me. And then I think
22 the last question that I wanted to ask you to discuss
23 today is pricing, and particularly pricing of Chinese
24 product.

25 I mean, looking at the staff report, there

1 is widespread underselling. The Petitioners have
2 argued that one of the distinctions with this case and
3 OCTG is that we should be able to look at this record
4 and see pricing pressure because of the prices, and
5 the volume coming in.

6 And I wanted to give you a chance to respond
7 to that this afternoon, and if there is anything
8 further that you think from the record evidence that
9 we should be focusing on with respect to both pricing
10 for purposes of present injury, as well as with
11 respect to the pricing pressure in a threat context.

12 MR. BRUNO: We will address that in our
13 post-hearing submission.

14 CHAIRMAN OKUN: Okay. That's fair enough.
15 Okay. With that, I don't believe I have further
16 questions, but I did want to thank you again very much
17 for your appearance here, and perhaps any questions,
18 and we look forward to the additional information that
19 you have promised. And with that, I will turn to
20 Commissioner Lane.

21 COMMISSIONER LANE: Thank you. I just have
22 a few questions. Mr. Bruno, starting on page 70, and
23 going to page 74 of U.S. Steel's prehearing brief,
24 U.S. Steel alleges that the Chinese SLP industry is
25 increasing capacity, listing specific instances of

1 specific companies adding capacity. Do you dispute
2 any of these allegations?

3 MR. BRUNO: We intend to dispute them, and
4 we have started to do so. We are collecting
5 information to rebut that particular information put
6 by the Petitioners in their brief.

7 COMMISSIONER LANE: Okay. Thank you. Could
8 you tell me why so few Chinese producers responded to
9 the Commissioner's questionnaire, and why are so few
10 of the Chinese producers represented here today?

11 MR. BRUNO: I would like to say because they
12 don't care about the U.S. market.

13 COMMISSIONER LANE: Well, but they
14 participated at the Department of Commerce.

15 MR. BRUNO: No, only a few of them
16 participated at the Department of Commerce. I cannot
17 answer that question. I do not know, Commissioner
18 Lane.

19 COMMISSIONER LANE: And so you don't know
20 why they didn't even answer the questionnaire?

21 MR. BRUNO: No, I do not represent these
22 other companies, and I have had no contacts with them.

23 COMMISSIONER LANE: Okay. Thank you. You
24 touched on this a little bit that you wanted the
25 Commission to find two like products, rather than one

1 like product. Could you explain to me again what you
2 think the difference is between this SLP so that it
3 should be two like products instead of one?

4 MS. JEONG: Well, without getting into all
5 the details that we discussed, and we know that we
6 went through the Commission's traditional six factor
7 test, but what really sticks out here is that the
8 Commission in the prior cases dealing with the same
9 product has always consistently found or never found
10 the two products to be that one is a single like
11 product.

12 Now, when you look at the six factors, there
13 is nothing
14 -- none of the factors really changed, and I think
15 that there is one factor, in terms of producer and
16 consumer exceptions, which may have listed some
17 different responses.

18 But the underlying reason for that
19 perception difference is that in the 2000 case the
20 perception was noted to be different because of the
21 difference in the use of applications, which really
22 hasn't changed in this case.

23 The only difference when you compare the
24 Commission's previous decision, which was in 2000, and
25 also in 2006 in a Sunset, is that the only difference

1 between this case is that there the Petitioners wanted
2 two separate like products, and here the Petitioners
3 do not.

4 But all the facts that support the six
5 factor test remains the same, and for the details that
6 we discussed in our brief.

7 COMMISSIONER LANE: Did you hear the
8 Petitioners' witnesses this morning testify that the
9 different sizes of the SLP were used for the same
10 purpose? It was just a matter of how much volume was
11 going through the pipe that would determine the size
12 of the pipe?

13 MR. BRUNO: Commissioner Lane, we heard
14 them, and that's exactly the same difference between a
15 truck and a car. They are all used to carry cargo or
16 carry passengers, or a bus and a car, but at the end
17 of the day, I don't think it would come to anybody's
18 mind to consider a bus to be the same product as a
19 car.

20 And I think if you go to a common
21 denominator, then yes, you are going to find that
22 everything is like, but I think that there are enough
23 differences between these products in this case to
24 continue to determine that they are two separate like
25 products as the Commission has done in prior

1 investigations.

2 COMMISSIONER LANE: Okay. I will look
3 forward to your further explanation in your brief, but
4 as to the difference between a car and a truck, I
5 would like for you to look at the Commission's
6 decision in Fall Behind Lawn Groomers, and perhaps a
7 truck and a car are the same things.

8 MR. BRUNO: Touche.

9 CHAIRMAN OKUN: Commissioner Pearson.

10 COMMISSIONER PEARSON: Thank you, Madam
11 Chairman. I believe I have just one remaining
12 question, and it deals with your chart on
13 vulnerabilities, the last of the charts that was
14 presented.

15 That chart compares the Commission decisions
16 on vulnerability with the operating ratios that were
17 involved in those cases, and the question I have is
18 could you go through the same list for purposes of the
19 post-hearing, and look at what the demand conditions
20 were in those cases?

21 Because very often, and particularly when we
22 are looking at it in a threat context, the condition
23 of demand, is it increasing, decreasing, is it level.
24 That may be as important or potentially more important
25 than the profitability of the industry at that time.

1 So that would be a help to me if you could do that.

2 MS. JEONG: Absolutely.

3 COMMISSIONER PEARSON: Thank you. And with
4 that, Madam Chairman, I believe I have no further
5 questions. I would like to very much thank the
6 afternoon witnesses.

7 CHAIRMAN OKUN: Commissioner Aranoff.

8 COMMISSIONER ARANOFF: One last question.
9 Do the Chinese producers represented here typically
10 sell multi-stenciled pipe as standard pipe?

11 MR. QIN: Yes, we produce multi-stenciling
12 pipe.

13 COMMISSIONER ARANOFF: And Mr. Tang, does
14 your company as well?

15 MR. TANG: Yes. We produce multi-stenciling
16 SLP pipe, and the multiple specifications.

17 COMMISSIONER ARANOFF: Do the prices at
18 which multi-stenciled pipe sold reflect any additional
19 production costs that are associated with complying
20 with the highest API tolerances, even when it is sold
21 as standard pipe?

22 MR. QIN: No, actually, this is based on the
23 customers' requirements. Our customers and the
24 distributors, they reach out to supply the market for
25 multi-stenciled pipe, and they can be used in the

1 different applications.

2 COMMISSIONER ARANOFF: Right. But doesn't
3 it cost more to produce a multi-stenciled pipe than it
4 does to produce a standard pipe that has only got the
5 standard pipe specification?

6 MR. QIN: For Baosteel, the cost to do so is
7 very similar to stenciled ones specification. Multi-
8 stenciling and the single stenciling, the costs are
9 very similar.

10 COMMISSIONER ARANOFF: Okay. Mr. Bruno, if
11 you could have each of your three companies address
12 that point that would be helpful.

13 MR. BRUNO: We will do so.

14 COMMISSIONER ARANOFF: Okay. And I don't
15 know whether there is anything that these companies
16 can tell us that would generalize the practices of the
17 rest of the Chinese industry, and if there is, that
18 would be helpful to know as well.

19 MR. BRUNO: We will ask them.

20 COMMISSIONER ARANOFF: Okay. With that, I
21 don't believe that I have any further questions, but I
22 do very much want to thank the witnesses on this
23 afternoon's panel. Thank you, Madam Chairman.

24 CHAIRMAN OKUN: Commissioner Williamson.

25 COMMISSIONER WILLIAMSON: Thank you, Madam

1 Chairman. Just two quick questions. I am not sure to
2 what extent this was addressed, but I was wondering if
3 on the trade restrictions on seamless pipe, and a
4 number of other important markets, like India, and
5 Mexico, and the European Union.

6 And I was wondering don't those restrictions
7 make the U.S. market a more appealing market?

8 MR. BRUNO: If we look at the experience
9 that we know from the OCTG case, for example, you
10 heard the testimony, and I believe it was from Mr. Qin
11 today saying that all the production that was devoted
12 to France and the United States has been in fact
13 absorbed by the U.S. market.

14 So based on that type of testimony, we can
15 assume that the shortfall if you will in sales to
16 those other markets has been and will continue to be
17 absorbed by other markets, including the Chinese
18 market.

19 COMMISSIONER WILLIAMSON: Okay. Although if
20 you look at the staff report, it doesn't look like all
21 of the shortfall to the U.S. exports went to the home
22 market. A lot of it seems to have gone, at least for
23 this product, to other markets. So you might want to
24 take a look at that table. I don't have the number
25 here, but --

1 MR. BRUNO: We will take a look at the table
2 and follow that up in our post-hearing brief.

3 COMMISSIONER WILLIAMSON: Okay. One other
4 thing, and this may be post-hearing, but the domestic
5 industry argued that a lot of the non-subject imports,
6 particularly I think in 2009, went for production that
7 was not -- for products that were not produced in the
8 U.S., and I think a substantial portion of that.

9 And that sort of gets to the question of
10 whether or not the impact of the non-subject imports,
11 and I was wondering if you could address that, and see
12 if you agree with their argument on that.

13 MR. BRUNO: We will address it in our post-
14 hearing submission, but the impact was that the U.S.
15 industry lost essentially seven percentage points of
16 the market share during 2009, but we will address that
17 more fully in the post-hearing brief.

18 COMMISSIONER WILLIAMSON: Okay. And can you
19 say that they lost market share if those were products
20 that they weren't making or would not have sold?

21 MR. BRUNO: Well, Commissioner Williamson,
22 it doesn't make any sense. Some subject imports went
23 down. They had to lose market share to another
24 source, and they lost a market share to the subject
25 imports, which means that they had to be at a certain

1 level at a certain point, at which these imports,
2 these non-subject imports, competed with the U.S.
3 products. Otherwise, there are only three players in
4 the --

5 COMMISSIONER WILLIAMSON: Okay. Well, take
6 a look at their arguments, and then specifically
7 address that, and with that, I want to thank all the
8 witnesses for their testimony. Thank you.

9 CHAIRMAN OKUN: Commissioner Pinkert.

10 COMMISSIONER PINKERT: I have just one
11 additional question. I hope that doesn't remind
12 anybody of Inspector Columbo, who often had a number
13 of additional questions when he said that, but in any
14 event, I was interested in your answer about the
15 domestic like product issue, and the analogy to a car
16 and a bus, or to a car and a truck.

17 And I am wondering is there anything special
18 about this 4.5 inches outside diameter that makes that
19 a clear dividing line within the scope of this
20 investigation?

21 MS. JEONG: Well, Commissioner, I think the
22 clear dividing line is shown by the practice of the
23 domestic industry, and in particular, in terms of use,
24 I think that there is evidence on the record that
25 shows that although there is some overlap, there is

1 some overlap in some places, there is clearly a more
2 predominant use for one product over the other.

3 For example, in refineries versus -- I think
4 there was pressure uses and things like that. But
5 when you look at what the company producers actually
6 do day to day, the record shows that U.S. producers do
7 not produce the products in the same facilities, with
8 a very limited exception.

9 And I think that there is an example, which
10 I believe is confidential, that I can't get into, but
11 there is at least one producer that explains why there
12 is a dividing line because of its inability to produce
13 the in between ranges. And I think that I need to
14 stop here, because I think all that information is
15 confidential.

16 MR. BRUNO: We will address that further in
17 our post-hearing submission.

18 COMMISSIONER PINKERT: And please, too, in
19 the post-hearing submission, look at the cases where
20 we looked for a clear dividing line within the scope,
21 and compare those situations with the situation in
22 this case.

23 MR. BRUNO: We will do so.

24 COMMISSIONER PINKERT: Thank you. And with
25 that, I indeed have no further questions for the

1 panel, and I thank the panel, and I look forward to
2 the post-hearing submission.

3 CHAIRMAN OKUN: Thank you. So you are still
4 Commissioner Pinkert and not Commissioner Columbo.
5 Seeing no other questions from my colleagues, let me
6 turn to the staff and see if the staff has questions
7 of this panel.

8 MR. CORKRAN: Douglas Corkran, Office of
9 Investigations. Thank you, Madam Chairman. The staff
10 has no additional questions.

11 CHAIRMAN OKUN: And, Mr. Secretary, I
12 understand that the Petitioners do not have questions?
13 Mr. Schagrín, do you have questions?

14 MR. SCHAGRIN: No, we have no questions,
15 Madam Chairman.

16 CHAIRMAN OKUN: Okay. Then let me review
17 the time remaining before we turn to our closing. The
18 Petitioners have four minutes from their direct
19 presentation, and then five additional minutes for
20 closing, for nine minutes total.

21 The Respondents have 35 minutes remaining
22 from their direct presentation, and five minutes for
23 closing, for 40 minutes total. If there is no
24 objection, it is then our practice to combine those
25 times and we would then turn to the Petitioners to

1 present their closing and rebuttal.

2 And thank you again to this panel. If you
3 could move and change seats.

4 (Pause.)

5 CHAIRMAN OKUN: You may proceed

6 MR. VAUGHN: Thank you, Commissioners. This
7 is Stephen Vaughn once again for U.S. Steel. I just
8 want to respond very briefly to some of the claims
9 made in this afternoon's presentation by the
10 Respondents.

11 First, they claim that they their imports
12 were simply following demand, and that they were
13 moving up and down with the market. In fact, if you
14 look at their Table Two, you can sort of see what was
15 happening, and you can see that their market share was
16 greater than our market share in 2008, which was a hot
17 market, and their market share was greater than our
18 market share in 2009, which was a slow market.

19 The only thing that seems to have made a
20 real difference in their behavior was 2010, when these
21 cases were filed and they left the market. Table Two
22 is also interesting, because they kept talking as
23 though the competition was between Chinese imports and
24 non-subject imports.

25 But as you can see from their own table in

1 the first half of 2010, when their market share went
2 down, our market share went up. In fact, we got
3 basically all of the tonnage that had previously been
4 sold by the Chinese producers, and it is hard to
5 imagine more precise data of evidence of direct
6 competition between Chinese imports and the domestic
7 producers.

8 Second, they made the claim that their
9 inventories, or that inventories simply reflected
10 market conditions. In other words, there were a lot
11 of inventories because there had been a lot of demand.

12 But the interesting thing of it is, is that
13 if you look at 2-7 of your staff report, and we talked
14 about this a little this morning, it is true that
15 overall inventories went down by 42 thousand tons from
16 the end of '08 to the end of '09. I am just talking
17 about purchases of inventories now.

18 But inventories of Chinese imports went up
19 by 10 thousand tons, and once again we see that their
20 behavior in 2009 was not reflective of what was going
21 on in the market. They were simply shifting more and
22 more product into a market that was already
23 overcrowded.

24 Third, they claim that the operating margins
25 reported by the domestic producers show that they are

1 now vulnerable to injury, and I think there are a
2 couple of points to be made. First of all, I think
3 that Commissioner Williamson in his line of
4 questioning really put his finger on what happened
5 here.

6 I mean, there were shutdowns, and there were
7 layoffs. There were massive losses in terms of hours
8 worked and wages paid. All that happened in 2009,
9 coming out of a year, 2008, when the industry's
10 performance was much stronger than it is now, and into
11 a market that was about the same size as it is now.

12 And so under these conditions, when you are
13 looking at your first half of 2009 consumption data,
14 and your first half of 2010 consumption data, you
15 basically have the same sized market. You have got to
16 believe that if you have these people come back into
17 this market in droves, you are going to get the same
18 type of results.

19 That is going to be shut down, and layoffs,
20 and loss of jobs, and that's vulnerability, and that
21 totally refutes their arguments with respect to that
22 point. They kept trying to claim that their market is
23 growing so fast that it is going to use up all of the
24 Chinese pipe.

25 But if you look at their testimony, the

1 witness from Hengyang said that his company exported
2 about 39 percent of their production. The witness
3 from Bao said that their export is a significant
4 percentage, around 20 percent of their production.

5 And if you look at the data, they had 22
6 million tons of production, and they are adding at
7 least 10 to 11 million tons more of capacity. And I
8 don't think anything in the record indicates that
9 China's market is growing anywhere close to that level
10 of detail.

11 And, in fact, we will show evidence in the
12 post-hearing brief that OCTG and the rig count in
13 China, the total number of rigs in China is in some
14 ways lower now than it was in 2008. So, with that,
15 that concludes my rebuttal.

16 MR. SCHAGRIN: Thank you, Chairman Okun, and
17 Members of the Commission. Roger Schagrin with a
18 closing on behalf of the Petitioners. First, let's
19 take a quick overview of the injury case.

20 It is pretty simple. Between 2007 and 2009,
21 Chinese imports significantly increased their market
22 share. The fact that it fell one point, from 34 to 33
23 percent, still taking one-third of this market between
24 '08 and '09, is not of great significance, even though
25 it was emphasized again and again by Mr. Bruno.

1 And the domestic industry lost that market
2 share to imports from China. Most importantly every
3 single domestic industry indicator, absolute profits,
4 profit margins, capacity utilization, production,
5 shipments, all employment indicators, all declined
6 more between 2007 and 2009 than did the decline in
7 demand.

8 So clearly imports were a contributing and
9 material cause of that injury. In particular, import
10 market share was the highest in the second half of '09
11 when the domestic industry fared the worst. It went
12 up to 35.8 percent, and that is on the chart on page 3
13 of our pre-hearing brief.

14 Now, they claim that you really shouldn't
15 worry about that big second half import market share,
16 because both of the company witnesses -- and I want to
17 thank both Bao and Hengyang Valin for providing
18 witnesses.

19 This is my sixth pipe and tube case here in
20 the last three years. This is the first time that we
21 have had a witness from a Chinese pipe producer, and
22 it is very much appreciated, and we appreciate their
23 testimony.

24 They both said that they had 4 to 5 month
25 lead times for their shipments to the U.S. That would

1 mean if you look at your Table 4-10 in the pre-hearing
2 staff report at 4-16, you see in that monthly import
3 data, boy, February, 10 thousand tons; and March, 10,
4 and April, 12; and May, four, and June, one, and July,
5 seven; August, two; September, two. We filed the case
6 on September 16th, and all of a sudden, eight, and
7 then 29 thousand tons.

8 Now, what they are trying to say is that
9 they didn't just rush product in, in November, after
10 we filed the case in order to beat import duties, but
11 instead these were orders that were taken in May and
12 June.

13 It just doesn't go with the testimony that
14 we heard from Edgen Murray and Mr. Durham today about
15 what was going on in the marketplace in the middle of
16 '09. Things were really horrible then. Our
17 information was that Chinese producers claimed or told
18 U.S. customers that we are going to get in as much as
19 possible right after the petition was filed.

20 But you don't have to take our word for it.
21 The Commerce Department makes critical circumstances
22 findings based upon is there a post-filing import
23 surge. Now, to be honest, TPCO was left out of that.

24 We got their determination yesterday, but
25 Hengyang Valin was specifically cited for critical

1 circumstances, as were all other Chinese imports. You
2 have significant evidence of price underselling in the
3 POI.

4 It is clear that caused price depression.
5 All the individual product prices were falling
6 drastically at the end of the POI, the last three
7 quarters. Your information shows a six to seven
8 hundred dollar per ton drop in AUVs, or a 25 percent
9 decline in prices in the staff report.

10 So what do we have on the injury side? We
11 have volume effects, which were significant, and
12 employment effects, which were dramatic; and price
13 effects, and profit effects. That adds up to an
14 injury case.

15 If you don't find injury, then you should
16 certainly find that this industry is vulnerable. We
17 came out of the horrible recession, and what has
18 happened in 2010? We have hardly any increase in
19 demand. So obviously these markets were weak.

20 The Chinese have shown the ability to have
21 an import surge. We have high inventories, and they
22 have huge excess capacity, at least 10 million tons.
23 Most of the Chinese industry didn't respond.

24 Hengyang Valin and Bao were both targets in
25 the U.K. They lost a half-a-million tons in shipments

1 to the EU, and 2.2 millions tons of seamless OCTG to
2 the U.S., and more tons to Russia, India, Canada,
3 Mexico.

4 The data from the World Trade Atlas shows
5 that their exports fell by 3 million tons last year.
6 It is just I have a bridge to sell you. It is already
7 in Arizona. Somebody sold it before.

8 But if you think the Chinese home market
9 increased, that seamless pipe increased by 3 million
10 tons in one year last year, I will sell you that
11 bridge again. So the threat case here is just
12 overwhelming.

13 As to vulnerability to the industry, we
14 didn't regain the jobs to 2007 levels. You can look
15 in the staff report. We are still down a third of the
16 jobs, and down a third in hours worked. We are
17 nowhere close to where we were in '07.

18 Workers are still suffering. This industry
19 is very vulnerable. We urge you to make an
20 affirmative injury or threat of injury determination.
21 Thank you very much.

22 CHAIRMAN OKUN: Thank you. You may proceed.

23 MS. JEONG: Thank you. I promise I won't
24 take the whole 35 minutes that we have remaining.
25 Like some of the hearings involving Chinese imports,

1 we have heard a lot of rhetoric this morning and this
2 afternoon about what China as a whole country is
3 doing, and speculations about supposed unlimited
4 supply of imports from China.

5 But as the Commission always does, the
6 decision in this case will be based on the facts in
7 the record, and without rehashing everything that we
8 discussed earlier, I would like to summarize just a
9 few key points.

10 First, as the Commission found in the
11 preliminary phase of this case, as well as the recent
12 final phase of OCTG case, the facts of this case show
13 that there is no present material injury, and as the
14 Commission has found in the preliminary and OCTG, any
15 decline in the performance of the U.S. industry was
16 directly related to the generic conditions caused by
17 the recession, which had nothing to do with imports,
18 or at least the Chinese haven't been blamed for the
19 recession yet.

20 As Commissioner Pearson observed earlier,
21 there is almost a perfect negative correlation between
22 the level of subject imports and the domestic
23 industry's performance indicators; whereas, there is
24 almost a perfect correlation between demand conditions
25 and the domestic industry's performance.

1 Earlier today when asked about the causation
2 issues, counsel for the Petitioners took some pains to
3 discuss -- and I admit that I didn't completely catch
4 what they were reasoning was, that there is indeed a
5 causal link in showing material injury if you start
6 looking at perhaps a half-year data, or maybe even
7 slicing it to quarterly data.

8 We do not agree as a matter of fact about
9 the factual and any positive correlation between any
10 particular quarter or half-year, but even if some
11 levels of imports happened to co-exist in a particular
12 quarter with domestic industry performance, a single
13 quarter or half-year does not establish a pattern that
14 would support evidence of a causal relationship.

15 These facts confirm that as in the
16 preliminary phase of the OCTG case a relevant issue
17 before the Commission is really whether the U.S. SLP
18 industry is threatened with material injury by reason
19 of subject imports, and here let me just summarize the
20 facts.

21 First, the domestic industry is not
22 vulnerable. Even during the worst economic recession
23 in the past 80 years, and in particular 2009, which
24 one of the domestic witnesses described earlier as
25 disastrous, the domestic industry was able to earn

1 operating income of over 13 percent, an impressive
2 number by any measure, and if a profit of 13 percent
3 is considered disastrous, it is difficult to
4 understand where the bottom may be for the domestic
5 industry.

6 The domestic witnesses also discussed
7 various expansion projects and new mills that are
8 being built, or has been built, in the recent months.
9 It appears that the decision to build much of their
10 capacity were made after the subject imports entered
11 the market.

12 These types of investments, and
13 reinvestments, and expansions, simply do not reflect
14 an industry that is feeling vulnerable, and
15 furthermore, the expansions are also inconsistent with
16 their claim that there is excess capacity in the U.S.
17 industry.

18 This begs the question why build new mills
19 if you really have such high levels of excess
20 capacity, and why not use or convert some of your
21 excess capacity to produce size ranges that the
22 domestic industry claims that they don't produce, and
23 that's why they have to turn to non-subject imports.
24 It just doesn't make any sense, and I do not believe
25 that questions have been answered effectively today.

1 The Petitioners also point to the inventory
2 levels of subject imports that is currently in the
3 U.S., or was in the U.S., as a factor supporting a
4 finding of threats. And again here we point to the
5 interim 2010 period where the performance of the
6 domestic industry improved markedly, despite the
7 existence and the depreciation of the inventory levels
8 that existed.

9 Next, the record also doesn't support the
10 claim that the Chinese producers will shift their
11 capacity of production and sales from two seamless SLP
12 pipe after the imposition of the orders, and here the
13 record doesn't support these facts.

14 As the Chinese witnesses testified, there is
15 no -- when the OCTG petition was filed, and when the
16 duties went into place, there was no shifting, there
17 was no corresponding increase in SLP imports into the
18 marketplace.

19 In addition, just like the U.S. producers
20 and Chinese producers consider OCTG to be the most
21 high value possible product, and as much of that
22 Chinese capacity was already committed to producing
23 OCTG, a lot of which is tied to long term contracts
24 for their customers in the domestic market, there is
25 simply no incentives for the Chinese producers to

1 shift products at the expense of their most profitable
2 product.

3 Also, we ask the Commission to question the
4 claim that there is this gigantic and unlimited
5 capacity that exists in the marketplace. A lot that
6 we see -- and unfortunately, we don't have a lot of
7 hard data on this issue, and what the Petitioners have
8 pointed to are a lot of antidotal evidence, or
9 antidotal statements made about Chinese capacity.

10 First of all, whatever the antidotal
11 evidence is that has been cited does not distinguish a
12 capacity between seamless pipe and seamless SLP pipe
13 and other types of products. And even if you take
14 some of the discussions at face value, and I am
15 thinking of what has been discussed in the staff
16 report, which I believe estimated the Chinese capacity
17 as something like 24 million tons, the other side of
18 the evidence is that there exists a growing demand in
19 China, and in particular the planned demand that the
20 staff report discusses is more than enough to absorb
21 all of the Chinese capacity that has been cited.

22 Lastly, we want to go back to the causation
23 issue. I think the record is pretty clear that there
24 is no causal relationship, causal link between
25 domestic industry's performance and subject imports.

1 And even in threat determinations the
2 Commission has to find that the domestic industry was
3 threatened by material injury by reason of subject
4 imports. If there has been no causal link that could
5 be established by the current record, there is no
6 reason to believe that this is going to change in the
7 future.

8 For these reasons, we believe that the
9 record shows that the Commission should reach a
10 negative injury and also a negative threat
11 determination in this case. Thank you.

12 CHAIRMAN OKUN: Thank you. Post-hearing
13 briefs, statements, and responses to questions, and
14 requests by the Commission, and corrections to the
15 transcript must be filed by September 21st, 2010. The
16 closing of the record and final release of data to
17 parties is October 8th, 2010; and final comments are
18 due October 12th, 2010. Seeing no other business
19 before the Commission, this hearing is adjourned.

20 (Whereupon, at 4:36 p.m., the hearing in the
21 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Seamless Carbon and Alloy
INVESTIGATION NOS.: 701-TA-469, 731-TA-1168 (Final)
HEARING DATE: September 14, 2010
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: September 14, 2010

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter