UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation Nos.:**
COLD-DRAWN MECHANICAL TUBING FROM CHINA,	**) 701-TA-576-577 AND**
GERMANY, INDIA, ITALY, KOREA, AND SWITZERLAND	**) 731-TA-1362-1367**
	) (PRELIMINARY)

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Wednesday, May 10, 2017
Main Hearing Room
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at 9:30 a.m., before the United States International Trade Commission Investigative Staff. Michael Anderson, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Michael Anderson, Director of Investigations (presiding)

Elizabeth Haines, Supervisory Investigator

Keysha Martinez, Investigator

Karen Taylor, International Trade Analyst

APPEARANCES (Continued):

Lauren Gamache, International Economist

Brian Soiset, Attorney/Advisor

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

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

Kelley Drye & Warren LLP

Washington, DC,

On behalf of

ArcelorMittal Tubular Products

Michigan Seamless Tube, LLA

PTC Alliance Corp.

Webco Industries, Inc.

Zekelman Industries, Inc.

Edward S. Vore, Chief Executive Officer, ArcelorMittal Tubular Products

Mike Caporini, Chief Commercial Officer, Mechanical-Automotive North America, ArcelorMittal Tubular Products

Ben Trumpower, Market Research Analyst, ArcelorMittal Tubular Products

Cary Hart, President and Chief Executive Officer, PTC Alliance Corp.

David Boyer, Chief Operating Officer, Senior Vice President -- Tubing Operations, Webco Industries, Inc.

Ken Pursel, President, Sharon Tube of Zekelman Industries, Inc.

Holly Hart, Legislative Director and Assistant to the President, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

Michael T. Kerwin, Economist, Georgetown Economic Services, LLC

R. Alan Luberda)
Paul C. Rosenthal)
Kathleen W. Cannon) -- OF COUNSEL
GRACE W. KIM)
MELISSA M. BREWER)

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
Morris, Manning & Martin, LLP
Washington, DC
On behalf of:
Karay Metals, Inc.
James Karayannides, President, Karay Metals, Inc.
Julie C. Mendoza)
R. Will Planert) -- OF COUNSEL

Trade Law Defense PLLC
Alexandria, VA
and
The Law Offices of Nithya Nagarajan
Bethesda, MD
On behalf of:
Tube Products of India, a unit of Tube Investments of India Limited
C.K. Sekar, Vice President Exports, Tube Products of India
S. Suresh, Vice President Legal and Company Secretary,Tube Products of India
Frank Morgan)
Nithya Nagarajan) -- OF COUNSEL

deKieffer & Horgan, PLLC
Washington, DC
On behalf of:
Salzgitter Mannesmann Precision GmbH
Salzgitter Mannesmann International (USA) Inc.
Bob Moore, Vice President, Salzgitter Mannesmann International (USA) Inc.
Joerg Tilly, Manager OCTG, Salzgitter Mannesmann International (USA)
Kevin Horgan) -- OF COUNSEL

Crowell & Moring LLP
Washington, DC
In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):
On behalf of:
METALFER S.P.A. ("Metalfer")
Alexander H. Schaefer) -- OF COUNSEL

Harris Bricken
Seattle, WA
On behalf of:
Salem Steel
Tube Fabrication Industries
voestalpine Rotec Inc.
Goodluck India
Sidd Saran, President, Salem Steel
Julie Ellis, President, Tube Fabrication Industries
Andrew Ball, President, voestalpine Rotec Inc.
William E. Perry) -- OF COUNSEL

I N D E X

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. BISHOP: Will the room please come to order?

MR. ANDERSON: Good morning and welcome to the U.S. International Trade Commission's conference in connection with the preliminary phase anti-dumping and countervailing duty investigations number 701-TA-576-577 and 731-TA-1362-1367 concerning Cold-Drawn Mechanical Tubing from China, Germany, India, Italy, Korea, and Switzerland.

My name is Michael Anderson and I'm the director of the Office of Investigations. I'll preside at this conference. Among those present from the Commission staff or from my right, our Supervising Investigator Elizabeth Haines, our investigator Keysha Martinez, and to my left, our attorney adviser Mr. Brian Soiset and our economist Lauren Gamache. Our auditor and accountant Jennifer Brinckhaus, may be here later. And then our industry analyst Karen Taylor.

I understand the parties are aware of the time allocations. Any questions regarding time allocations should be addressed with the Secretary. I would also remind all speakers not to refer to any business proprietary information in your remarks or when you speak and that you please speak clearly and directly into the microphone, and please state your name before you speak for the benefit of

the court reporter. All witnesses must be sworn in before presenting testimony. Are there any questions?

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that all witnesses for today's conference have been sworn in and I would also again remind everyone to please state your name for the court reporter when you speak, because he can't see the name signs very well. If you hear me state your name, don't be alarmed. I'm just letting him know who's speaking. Thank you.

MR. ANDERSON: Thank you, Mr. Secretary.

Very well, let's begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of petitioner will be given by Alan Luberda of Kelley Drye & Warren.

OPENING REMARKS OF R. ALAN LUBERDA

MR. LUBERDA: Good morning, Mr. Anderson and Commission staff. I am Alan Luberda Of the law firm Kelly Drye & Warren appearing today on behalf of the domestic industry producing cold-drawn mechanical tubing.

Cold-drawn mechanical tubing is, as its name implies, using mechanical applications rather than conveyance applications. It is produced to very tight dimensional and shape tolerances. Cold-drawn also imparts

enhanced yield strength, hardness, machinability, toughness, and surface condition in the tubing.

Cold-drawn mechanical tubing is used in a variety of automotive applications, such as for bearings, axles, structural pieces in vehicles. And it's also used to make components for the energy industrial, mining, and agricultural equipment industries among others.

The Commission has seen a large number of pipe and tube cases over the years, but this is the first case on cold-drawn mechanical tubing. While the product may be new to the Commission, the story of this industry will be very familiar. The domestic industry is being driven into the ground by unfairly traded imports from China, Germany, India, Italy, Korea, and Switzerland. The subject imports have rapidly taken market share directly from the domestic producers with low, dumped, and subsidized prices that undersell the domestic industry.

That underselling at depressed domestic industry prices, domestic producers sold fewer to fewer tons at ever lower prices undermining its financial health. A review of each of the statutory injury factors demonstrates why the subject imports are a cause of material industry or injury to the domestic industry.

The absolute volume of subject imports increased significantly over the period at a time when apparent

consumption was falling. As a result, subject imports gained significant market share. Those gains came directly at the expense of domestic industry in a nearly one for one swap.

Subject imports were not filling some unmet customer need when they grabbed new market share over the period of investigation. The domestic industry can and does present the full range and produce the full range of mechanical tubing that the market requires. It has had significant additional capacity available throughout the period. The subject imports capture market share for the domestic industry simply due to their low, dumped, and subsidized prices.

Its aggressively low prices undercut and depressed U.S. producer prices. The quarterly pricing data you've collected demonstrate the significant degree of price undercutting, as well as the price depression caused by the subject imports. Customers reported to you that they both switched to subject imports because of price and had domestic producers lower their prices due to the import prices. You'll hear from our industry witnesses today how they are faced with the choice of either meeting the low prices of the subject imports of losing the sale, or worse, potentially losing the customer entirely. None of these options is good obviously. And the industry has been

devastated as a result.

The record shows that the domestic industry suffered significant declines in all important trade and financial variables over the period. Production, shipment, and employment variables have all plunged by double digits. Capacity utilization for the industry is at dangerously low levels. And the quantity, value, and average unit value of net sales all crashed.

As a result, both operating income and debt income plummeted and the industry went from modest profitability to what can only be described as dire financial circumstances over the period.

The industry has faced delayed investments and inability to obtain financing, downgraded credit, and diminished returns on investment as it struggles with the financial devastation caused by the unfair import competition. Its workers have seen layoffs, reduced work hours, and pay cuts.

The injury to the domestic industry will only continue to intensify if it is -- the industry is not granted relief. The subject foreign producers demonstrated their ability and intent to rapidly increase the volume and market share. They have substantial excess capacity. They've targeted the United States as a key market. And they have established distribution operations and growing

customer base that will continue to demand the lowest price cold-drawn mechanical tubing from these sources as long as it's available.

U.S. producers and workers in the cold-drawn mechanical tubing industry have suffered injury at the hands of unfairly traded imports and face further harm if relief is not granted.

On behalf of this industry, we urge the Commission to issue an affirmative preliminary determination to begin restoring fair trade conditions to this market. Thank you.

MR. BISHOP: Opening remarks on behalf of respondents will be given by Frank Morgan of Trade Law Defense.

OPENING REMARKS OF FRANK MORGAN

MR. MORGAN: Good morning, Mr. Anderson, members of the staff. My name is Frank Morgan and I am making these opening remarks on behalf of all respondents.

We appreciate staff's efforts to date and in the future to make sense of all the data on the record. That said, the facts are quite simple. The volume of subject imports has remained almost level throughout the period of investigation. To the extent the domestic industry's condition has declined, it is not because of an increase in subject imports. How can I say that with a straight face?

Classified under HTS heading 7306.50.5030, one of the HTS numbers included in petitioner's calculation of subject import volumes in the petition are welded, cold sized tubes that have not been cold-drawn.

To state the obvious, these tubes are nonsubject merchandise because they are not cold-drawn. After you remove these nonsubject imports from consideration of subject import volumes, as you must, it will be evident that the volume of subject imports remained flat from 2014 to 2015, from 2015 to 2016, and from 2014 to 2016. We'll provide more detail in our presentation and in our post conference briefs.

But even if you look at the volume of subject imports alleged in the petition, at most, you can characterize the increase as moderate from 2014 to 2015 and from 2014 to 2016. Petitioners ask the Commission to attribute the alleged decline in the domestic industry's condition to the moderate increase in subject import volumes. That is implausible. Factors other than subject imports were responsible for the decline petitioners allege occurred in the domestic industry's condition.

What were those factors? The testimony you will hear from U.S. market participants during the respondent's panel, people who are every bit as knowledgeable about the U.S. market as members of the domestic industry, is that the

decline in the oil and gas and in the agricultural sector created a perfect storm. When those two sectors collapsed in late 2014 and early 2015, the effects were quickly felt by the domestic producers, who are more focused on those sectors than subject imports are.

Subject imports, on the other hand, are more focused on the automotive sector, which continued to perform well throughout the period of investigation. Please do not allow petitioners to obfuscate this point by saying that subject imports also participate in the oil and gas and agricultural sectors. We are not saying they are absent from those sectors, but when demand declines as dramatically as it did in the oil and gas and agricultural, if subject imports had been focused on those sectors as much as the domestic industry was, their volumes would have declined as well. The fact that they did not attest to the fact that subject imports are more focused on the automotive sector.

As you will hear from our witnesses, the domestic industry as a whole is more focused on making larger diameter tubes. The domestic industry witnesses may attempt to refute this point by claiming they would sell smaller diameter tubes for the right price, but the subject imports have made that impossible.

One has to question, though, whether the domestic industry's drawing equipment really makes this

feasible. Sure, you can produce a smaller diameter tube on a draw bench that is designed to produce a much larger tube, but doing so is highly cost inefficient. And you would only do it if demand for larger sized tubes like those used in the oil and gas agricultural sectors dried up.

Maybe the domestic industry wants to regain customers it lost when the oil and gas and agricultural sectors were booming and the domestic industry was ignoring those customers, but it is a provision of the trade remedy laws to blame subject imports, the volume of which was flat to declining for the domestic industry's present condition.

You also will hear testimony from our panel explaining why cold-drawn hydraulic fluid line pressure tubing is a different like product than a mechanical tube. U.S. producers distinguish their production in sales in mechanical tubing and pressure tubing and the manufacturing processes and uses and physical characteristics are different. And other types of pressure tubing are excluded from the case.

Our panel will provide more details and testimony and in the post conference brief.

To conclude, subject imports have been flat to declining over the period of investigation. And to the extent the domestic industry's condition decline, it was due to other factors. These facts are not subject to change and

may call for negative preliminary determination. Thank you.

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

Mr. Luberda, you have 60 minutes for your direct presentation. You may begin when you're ready.

MR. LUBERDA: Thank you very much. This is Alan Luberda from Kelley Drye. We will begin with Mr. Edward Vore from ArcelorMittal Tubular.

STATEMENT OF EDWARD S. VORE

MR. VORE: Good morning. My name is Ed Vore and I'm the chief executive officer of the ArcelorMittal Tubular Products, North America. I've been in the tubular products industry since 1983, beginning at one of the legacy companies that eventually became ArcelorMittal Tubular. I've had a wide variety of technical and commercial positions within the company before assuming my current position in mid-2013.

ArcelorMittal Tubular Products is the largest producer of cold-drawn mechanical tubing in the United States and we are a union facility. A cold-drawing facility in Shelby, Ohio has the largest size range of any domestic producer, the ability to cold draw mechanical tubing from less than one inch in diameter, up to 12 and a quarter inches in outside diameter at a wide variety of wall

thicknesses.

Make a full range of carbon and alloy steel cold-drawn mechanical tubing for automotive applications, hydraulic and pneumatic tubing, and many other applications in the energy, mining, and heavy equipment industries, among others.

All cold-drawn mechanical tubing is produced using the same process on the same drawing equipment. The feedstock for cold-drawn mechanical tubing is a mother tube or redraw hollow, which is an unfinished carbon and alloy steel hollow profile. That hollow profile could be an as welded tube or it can be a hot finished seamless tube. In order to get the essential physical and mechanical characteristics that customers require, the tubing must be cold-drawn.

The cold-drawing process itself is the same regardless of the type of tube hollow we feed into it. We start with a hollow that has a larger outside diameter than the finished tube we want to produce. The hollow is pulled through a dye to reduce the outside diameter of the tubing. The tubing is simultaneously being pulled or drawn over a mandrel, rod, or plug to control the inside diameter and wall thickness. You will frequently hear the term drawn over mandrel or DOM to describe this process.

The tubing may have to be drawn more than once

to get to the necessary reduction in outside diameter and the desired wall thickness and mechanical characteristics. The tubing may also be heat treated after drawing.

Cold-drawing imparts to the tubing the essential physical mechanical characteristics that our customers require. It allows for the production of an infinite number of wall thicknesses and diameter combinations to meet customer specific needs.

Cold-drawing provides very precise dimensional tolerances on the outside diameter, inside diameter, and wall thickness. It also provides enhanced mechanical properties such as higher yield strength and tensile strengths, elongation, greater hardness, and an enhanced strength to weight ratio. Cold-drawing also imparts a superior surface finish machinability and shape.

Both producers and customers view cold-drawn mechanical tubing as a distinct product from nondrawing tubing products. Our customers specify cold-drawn tubing for mechanical properties, precise dimensions and shape, and surface finish they provide.

Nondrawn tubing is not interchangeable with cold-drawn mechanical tubing. Cold-drawn mechanical tubing that is drawn from watered or seamless feedstock is largely interchangeable when made to the same wall thicknesses, grades, and diameters.

All cold-drawn mechanical tubing is sold through similar channels of distribution to OEMs and service centers. The prices for cold-drawn mechanical tubing fall along a continuum based on the diameter and wall thickness combinations, chemistries required, number of drawing passes, and the final heat treatment.

As I said, ArcelorMittal Tubular can make a full complement of cold-drawn mechanical tube products. And we are recognized in the industry for our product range, quality, and service. We have -- what we have not been able to do is compete with extremely low, dumped and subsidized prices of imported cold-drawn mechanical tubing from China, India, Italy, Korea, Germany, and Switzerland.

Over the last several years, imports from the subject countries have made significant inroads into our volumes and market share using extremely low prices. Our lost volume has nothing to do with the inability of ArcelorMittal to supply the quality or product range our customers require. We do that well.

As you can see from our questionnaire response, it also has nothing to do adequate capacity to supply the market. We have had significant excess capacity throughout the period and our capacity utilization rate has been falling. What has prevented us for selling adequate volumes has been the extremely low prices of the subject

merchandise.

As a result, ArcelorMittal Tubular competes head to head on a price basis for volume in the market with unfairly traded imports. We've had to lower our prices consistently across the period of investigation as the import volumes increased and their prices decreased.

Our customers are very sophisticated buyers, who are very aware of the low import pricing being offered. Those customers buy the lower priced imports and use those lower prices to leverage down ArcelorMittal prices.

With demand for cold-drawn mechanical tubing down, maintaining as much volume as we can with our customer base is critical. When we lose volume, our unit fixed costs for each ton we produce increases, cutting into our margins. Importantly, we have found that once we lose volume to lower priced imports, it becomes extremely difficult to get it back.

For example, if the customer gets offered a much lower price than ours this quarter, it may simply order from the same source the next quarter without even contacting ArcelorMittal. Or the customer may decide to place an order for the lower priced dumped and subsidized imports for six months or longer rather than just for a quarter.

The point is that we can use lose multiple opportunities for business with the loss of that initial

order due to low import prices. This puts intense pressure on us to try to match subject import pricing.

The prices we see from the countries that are subject to this case have been incredibly low, often at levels that are below our cost to manufacture. That means to make that sale, we would have sell a product at a price that does not even cover all of our variable costs.

We are seeing this sort of low aggressive pricing across the board, not just with Chinese and Indian producers. For example, last year, we were bidding on a sale for a cold-drawn mechanical tubing product, but lost the sale to a lower priced German competitor. What was surprising to us is the German supplier actually won the sale by offering a seamless cold-drawn product of the same dimensions that would have been more expensive to produce than a welded product of like size, yet they still managed to significantly underbid ArcelorMittal.

The results of this sort of unfair competition have been predictably bad for our bottom line. Over the period, ArcelorMittal has seen a deterioration in production, capacity utilization, shipments, prices, net sales, and profitability. We had a series of temporary layoffs in 2015 and 2016 due to the following orders. We had been unable to get any return on a capital project we initiated in 2014 and completed in 2016 as low price subject imports took

increasing market share in a shrinking market.

Unless we receive relief from this trade case, we expect additional erosion of our market share and a further decline in prices and profits that will not be sustainable as a business. Thank you for your attention.

STATEMENT OF DAVID BOYER

MR. BOYER: Good morning. My name is David Boyer. I am Chief Operating Officer and Senior Vice President of Tubing Operations at Webco Industries. Webco was founded in 1969 as a cold drawn steel tubing manufacturer. This July marks my 33rd year with the company. Over that time I have held a wide variety of technical, operations, sales and marketing positions before becoming Chief Operating Officer in 2011.

I appreciate the opportunity to participate in today's conference to discuss the injury to my company and to the Domestic Industry by the imports of cold drawn mechanical tubing by the six Subject Countries. Webco Industries is a leading producer of cold drawn mechanical tubing. We produce virtually any cold drawn tubing product demanded by the product within our size range at our Sand Springs, Oklahoma and Oval City, Pennsylvania facilities.

We produce cold drawn mechanical tubing from both welded and seamless tube hollows on the same equipment in the same facilities. Our cold drawn mechanical tubing

products are produced in a number of applications including various components of automotive, heavy duty truck, agricultural machineries, hydraulic and pneumatic cylinder industries as well as the number of other industrial applications.

The biggest challenge that Webco Industries faces in the cold drawn mechanical tubing business over the last three years has been the increasing market share of dumped and subsidized imports from the Subject Countries driven by low pricing that consistently undersells Webco.

The dumped and subsidized imports began with imports of cold drawn mechanical tubing in the smaller diameters. Over time, as the volume increased, their product offerings expanded to include larger diameters throughout my company's size range. There is a huge volume of cold drawn mechanical tubing available to our customers at incredibly low prices. Webco has faced dumped and subsidized prices that are 20 to 30 percent or more below our prices and often below our costs.

Faced with our customers being offered these unfairly low prices for cold drawn mechanical tubing we have no choice but to lower our prices to unsustainably low levels to try to keep the business. With the exception of price, there is no reason that Webco cannot compete with Subject Imports. Webco ships nationwide to all regions of

the country, including the West Coast.

We can also produce all products that are being imported from the Subject Countries including both seamless and cold-drawn tubing. Webco offers high quality products that are fully capable of competing with fairly priced imports. The negative effects of the unfairly priced foreign imports have been devastating to our company's bottom line. Pricing is at unsustainably low levels that undermine our long-term viability as a producer of cold drawn mechanical tubing.

We have tried to shift production to other products where possible but as you can see from our questionnaire we have had still some excess capacity ad retreating through fear of product lines is not a recipe for long term health of the company. The low pricing resulting in low returns has stifled our ability to commit to future investments. Capital spending has been curtailed over the past several years as a result of the financial impact of low-priced imports.

As a result, we have cancelled or delayed several investment projects. We will continue to face difficult decisions regarding future investments until we receive some relief from the relentless downward and unfair pricing pressure of the Subject Imports. The dumped and subsidized imports are also harming our employees. Over the period,

Webco has been forced to lay off employees, decrease hours, cut pay of employees in response to lost volume and lower prices caused by unfairly traded imports.

I'd add that we in management even took larger pay cuts when our employees were required to do so. Without relief, at some point in the future Webco will likely be forced to make additional layoffs, reduce pay for our employees and possibly worse. Webco and its employees cannot afford to compete with the dumped and subsidized imports over the long term. On behalf of Webco and its employees, I ask the Commission to reach an affirmative decision in this case. Thank you for your time and attention given to this important and urgent matter.

STATEMENT OF KEN PURSEL

MR. PURSEL: Good morning, I am Ken Pursel, President of Sharon Tube which is a wholly owned subsidiary of Zekelman Industries. I have been with Sharon Tube since 1990 when I started as a laborer on the shop floor. Since that time I have held a variety of positions within Sharon Tube, ultimately obtaining my current position in 2016. I still know the workers on the shop floor well and they know me.

We are a union facility and take great pride in maintaining a close relationship with our employees. Sharon Tube is a producer of cold drawn mechanical tubing with a

production facility in Farrell, Pennsylvania. Our mechanical tubing is employed in a variety of applications such as automotive. Mining, construction, agricultural equipment and ATVs and other various fluid-powered applications.

Sharon Tube is the most efficient producer of cold-drawn mechanical tubing in North America, and we believe, the world. This efficiency reflects a large capital investment of 45 million dollars by our parent company Zekelman Industries in 2011 and 2012 to upgrade our production capabilities. Our cold drawn facilities employ state-of-the-art industrial design that allows greater precision and reduced lead times in our manufacturing process.

We produce a broad range of high quality product, serving the entire U.S. Market. Despite this large investment and our efficient production process, unfair competition from imports from the Subject Countries has undermined the performance of Sharon Tube. While we envision increasing our sales and our share of the U.S. Market through our capital improvement, in fact, we have actually lost volume and market share since the time our new investment came on-stream.

My company and our industry have been under attack by imports for quite a while but things have become

intolerable over the past couple of years. We have seen imported material being brought into the United States on a speculative basis meaning that product is landed here and remains in import inventories and is then sold to individual purchasers at absurdly low prices.

To give you an idea of how low pricing is, earlier this year we met with a purchaser of our product who buys via distributor. His purchaser told us that he instructed the distributor to purchase and stock Subject Imports of cold drawn mechanical tubing because they were available at prices significantly below those of Sharon Tube.

He also stated that his company had no choice but to purchase these imports because its competitors were buying them. This was a significant customer of many years. Absent success in this trade case it will be difficult if not impossible to get that business back without making the uneconomic choice to match the ridiculously low prices of the dumped and subsidized imports. I have never once had a customer tell me that he or she purchased a cold drawn mechanical tubing because it was a better quality than my product.

Nor are there any imported products that cannot be produced by our Domestic Industry. Rather, customers tell us they would prefer to buy our product but they have

to buy the imports because they are so much cheaper. The impact of unfairly priced imports on our operation has been dramatic as we have lost sales volume and lowered price we have had no options but to lay off employees and reduce our production.

We in fact had a second facility in Sharon, Pennsylvania that was cold drawing small diameter tubing as recently as 2012 when we were forced to shutter the operation due to declining sales caused by increasing imports. In addition, we have reduced the number of shifts at our Farrell facility. This has resulted in layoffs of both steel workers and salary employees since 2014.

These reductions have been extremely hard on our workers, their families and our communities but they have been mandated by the import competition we have faced. In the last couple of years, imports have often been priced lower per pound than the cost for us to produce the redraw hauler. As an efficient producer of cold drawn mechanical tubing I can tell you that there is no way the prices being offered on these imports are justified.

Rather these prices reflect large margins of dumping and subsidization in the Subject Countries. As bad as the conditions have been in the last few years we are already starting to see an impact from this case. After the case was filed, customers have informed us that some

importers are increasing their prices significantly.

To my mind, the fact that we are seeing changes in the market in just a few weeks since the filing of this petition demonstrates that it was the imports that caused the injury suffered by the Domestic Industry over the last two years. It is crucial that this case be allowed to move forward because my company has suffered severe injury by imports from these six countries over the entirety of the 2014 to 2016 period.

Our sales volumes are down substantially and our prices have declined dramatically thereby depriving us of any ability to realize a reasonable return on the large investment that we made in our state of the art cold drawing facility. We would like to hire back the workers that we have been forced to lay off and we have plenty of capacity to serve the U.S. Market.

We believe this action can achieve that. This concludes my testimony. Thank you for allowing me to address you this morning.

STATEMENT OF CARY HART

MR. HART: Good morning Mr. Anderson and members of the Commission Staff. My name is Cary Hart and I am the President and CEO of PTC Alliance Corporation. I joined PTC nearly 20 years ago starting out in sales and over my career I have served in nearly every role within operations and

sales before taking this current role as President in 2009 and CEO in 2015.

PTC Alliance is a leading global manufacturer of cold drawn mechanical steel tubing. We are a Petitioner in this trade case and operate multiple unionized facilities. PTC Alliance was founded in 1924 and was formally known as the Pittsburgh Tube Company until 2000.

PTC is located in Wexford, Pennsylvania and we produce cold drawn mechanical tubing at our five production facilities located in Illinois, Ohio and Pennsylvania. At our modern facilities we produce cold drawn mechanical tubing from both welded and seamless tube hollows. Our products are critical components in a wide variety of many high end industrial applications in the automotive, heavy equipment and mining industries.

Our capacity for specialization of products and services and our dedication to customers and continuous improvement enable PTC to maintain a competitive position in both U.S. and in global markets. In recent years however we have been unable to operate our production lines at anywhere near their capacity due to the increase in dumped and subsidized imports.

Competition with Subject Imports has significantly intensified since 2014. These unfair imports have made it extremely difficult for our company to compete

in our own market and we have lost substantial sales and revenue as a result. PTC competes with imports ever day across the full range of cold drawn mechanical tubing products and our quality is second to none.

We sell our products through the entire United States. Both the U.S. and Foreign Producers manufacture cold drawn mechanical tubing to the same industry specifications and standards such as the STN or the European Nominal specifications. Thus, the domestic and import products are highly interchangeable. The only difference is price. Subject Imports have gained market share by significantly underselling our company as well as other producers here today.

The low prices offered by the Subject Countries have been very attractive to our customers because price is critical in their purchase decision. Our customers frequently use lower offers or offers of lower-priced imports, forcing us to reduce our prices if we want to win the sale. In many cases however the prices are simply too low. We have seen our customers shift away from our products toward the substantially lower priced imports offered by Subject Producers.

For example, we have seen dumped and subsidized imports of cold drawn mechanical tubing at prices that are not only below our cost of production but even lower than

our cost at which we can procure our raw material stock.

We have made every effort to remain cost competitive with imports but we have struggled to compete with their ridiculously low prices. If we try to keep prices at a reasonable level, we lose sales and market share. If we cut our prices to try to capture a sale, our bottom line suffers. For the last couple of years we have faced the worst of both worlds losing significant volume and getting lower prices based on the pricing pressure created by the dumped and subsidized imports.

Due to the substantially lower sales volume we have experienced over the past few years we have had to run our mills at dramatically reduced levels, operating fewer shifts and in fewer months. In 2014, we were forced to idle part of our mill in Chicago Heights, Illinois that produced our upstream feed stock. Now we only operate our finishing lines at that location and we do so even at reduced capacity.

In 2016 we also experienced the temporary idling of our finishing facility in Beaver Falls, Pennsylvania. These shut downs have taken a human toll as well due to all the worker layoffs. The poor financial performance of our operations has also prevented us from making many necessary capital investments. In fact, our capital expenditures during the past three years have been a fraction of what

they were several years ago and have been down to the bare bones, just doing repairs and maintenance to allow us to continue reduced operations.

If dumped and subsidized imports continue to flow into the U.S. Market at the low prices we have seen in recent years there is no doubt our company will continue to lose sales and market share to Subject Imports. We are confident that if import relief is provided to our industry, PTC can effectively compete and once again achieve a healthy return on our investment.

Thank you very much for the opportunity to appear today.

STATEMENT OF HOLLY HART

MS. HART: Good morning Mr. Anderson and Commission Staff. My name is Holly Hart and I am the Assistant to the President and Legislative Director of the United Steel Workers of the USW. We're the largest industrial union in North America with about one million active, retired and laid off members. We're proud to represent men and women in nearly every manufacturing sector.

The USW has consistently opposed the unfair trade practices of foreign companies and governments. Not only do such actions violate U.S. and international trade rules but they also have a devastating impact on American

Manufacturers and their workers. In recent years, the Steel Workers have been spending more and more time here urging the Commission to provide much needed trade relief to save American Manufacturing Jobs from the effects of unfairly traded imports.

As our leadership has repeatedly and publicly stated, we are in the midst of a steel crisis caused by massive global overcapacity and a willingness by others to dump their steel at low prices in the United States just to avoid having to make tough decisions at home. My purpose here today on behalf of our members is to bring your attention to yet another domestic steel sector, cold drawn mechanical tubing that is suffering from these challenging conditions.

The Steelworkers represent steelworkers at a number of cold drawn mechanical tubing production facilities in the United States including those of Acelor Mittal Tubular Products, PTC Alliance Corporation, Zekelman and Michigan Seamless. For those steelworkers and their families, I ask the Commission to level the playing field for the U.S. cold drawn mechanical tubing industry and its workers.

During the past three years, American cold drawn mechanical tubing producers have faced unfair and increasing competition from the six Subject Countries. The depressed

market conditions caused by these low-priced imports have had far reaching effect. For example, PTC Alliance was forced in 2016 to temporarily idle its finishing plant in Beaver Falls, Pennsylvania.

Similarly, Zekelman idled one of its three production lines at its Niles, Ohio facility and our members have faced dozens of layoffs since 2014. ArcelorMittal Tubular has also experienced layoffs during the 2014 to 2016 period as Subject Imports have flooded the market. The consequences of unfairly priced imports have placed the Domestic Industry and our members in really a dire situation.

Workers at other cold drawn mechanical tubing facilities have suffered job loss, reduced pay as well as Subject Imports have surged. Those lost jobs and wages hurt not only hard-working, highly-skilled American steel workers but also their families, retirees and the entire community that depends on the success of these plants.

For the U.S. cold drawn mechanical tubing industry and those jobs that still exist, trade relief is absolutely critical. There is no question that American Steel Workers and the products we make can compete with imports from any country in the world. Our modern facilities and product quality are second to none yet despite the Domestic Producers potential to be highly

competitive, they are still suffering.

We need help in stopping the injury being caused by the overcapacity, government subsidies and unfair pricing coming from the six Subject Countries. We are counting on the Commission to enforce the trace laws to ensure the competition is fair so that U.S. Producers and workers can thrive and they can invest in the future.

On behalf of our Union's members who make cold drawn mechanical tubing and the communities that depend on them, I urge the Commission to enforce the trace rules and to find that unfair imports of cold drawn mechanical tubing are injuring the U.S. Industry and its workers. Thank you very much.

STATEMENT OF R. ALAN LUBERDA

MR. LUBERDA: Good morning again Mr. Anderson and members of the staff. Again, I'm Alan Luberda from Kelley Drye. I'm here on behalf of the Petitioners and I'm going to summarize the main arguments for the Domestic Industry. We've passed out to you a confidential set of charts that you can follow along with. Most of the information is confidential so we didn't think it was a good idea -- there would be too many blank screens to put on a screen this morning so.

First, the domestic like product. The scope of this case covers circular cold drawn mechanical tubing of

carbon and alloy steel and I just note given the introduction of the other side that the language of the scope says it is covering "product that is cold drawn or otherwise cold finished after initial tube formation in a manner that involves a change in the diameter of wall thickness of the tubing or both. We believe that the domestic like product mirrors the scope in this case.

In Slide No. 3, you can see these products all have physical characteristics imparted through cold drawing process. All cold drawn mechanical tubing has the very tight dimensional shape tolerances, enhanced yield strength, hardness, machinability toughness and surface conditions that are necessary for use in the mechanical applications. These products represent a continuum of products of varying outside diameter and wall thickness combinations and physical and mechanical characteristics.

Because the purchasers need those physical mechanical characteristics imparted by the cold finishing and cold drawing process the subject product is not interchangeable with non-drawn tubular products. Both purchasers and producers recognize cold drawn mechanical tubing as a single like product that is different from the non drawn products.

All cold drawn mechanical tubing is made on the same equipment, in the same facilities and with the same

workers. It is sold in the same channels of distribution and at prices that are within a reasonable range of one another based on their physical and other characteristics. The Commission should therefore find a single like product that mirrors the scope of this case.

As can be seen on Slide No. 4, negligibility is not an issue in this case. Each of the six countries exceeds the 3 percent threshold on an individual country basis. Next, cumulation, the factors the ITC examines to identify a reasonable overlap in competition, fungibility, geographic overlap; channel distribution and simultaneous presence are met in this case. We will provide the specifics on these factors with respect to each country in our brief.

Turning to the first of the statutory injury factors. Slide No. 6 shows that the absolute level of Subject Import Volumes is significant and has been increasing rapidly. Starting from the already significant volume in 2014, Subject Imports grew in volume by about 10 percent over the period. But it is showing in Slide No. 7, not only was the Subject Import Volume growing it was doing so at a time when consumption was declining.

In Slide No. 8 with demand falling and Subject Imports increasing market share of the Subject Imports surged form an already significant level in 2014. Slide No.

9, clearly the Subject Imports growth was not in response to demand needs in the U.S. Industry. Subject Foreign Producers were instead grabbing market share in a declining market at the Domestic Industry's expense.

As the Subject Import market share grew, the Domestic Industry's market share commensurately shrank over the period. Indeed, this confidential slide shows all of the market share lost by the Domestic Industry went to the Subject Imports.

Slide No. 11, Subject Imports were moving in the opposite direction of the market, taking volume and market share from the Domestic Industry when the Domestic Industry could least afford to lose it. Domestic Industry had to absorb all of the declining demand as well as all of the market share lost to the Subject Imports. This made each additional ton that they took more important and more harmful to the Domestic Industry.

The next few slides demonstrate the rapid capture of market share at the Domestic Industry's expense being accomplished on the basis of unfairly low prices that undersold the Domestic Industry. If you look at Slide No. 12, the responding purchasers so far have overwhelmingly reported that Subject Imports were priced lower than the competing U.S. Producers, just as you heard from our witnesses this morning.

Purchasers also overwhelmingly reported that price drove their decision to buy Subject Imports instead of the domestic like product. Moreover, responding purchasers reported significant volume that was actually shifted for the Domestic Producers to the Subject Imports.

These data from the purchasers confirm the testimony you heard this morning from the Domestic Industry. Purchasers were not seeking Subject Imports for quality reasons or due to the inability of the Domestic Industry to supply the product they sought, they were looking for and found low prices in the Subject Imports sources.

Slide No. 13 summarizes the quarterly pricing data collected by the staff so far. These data show that the Subject Imports undercut U.S. prices most of the time over the period of investigation both on a quarterly basis and on a total volume basis. Slide No. 14 shows that the purchasers confirmed the testimony heard today from domestic witnesses Domestic Producers were forced to reduce prices significant to compete with lower priced imports.

Slide No. 15 shows the severe pricing pressure caused by the Subject Imports. As import prices drove down domestic pricing the Domestic Industry's unit net sales value declined by more than raw material costs and by more than the cost of the low dumped subsidized import prices rather than raw material costs which are forcing U.S.

Producer prices down to unsustainably low levels experienced during the Period of Investigation. In other words, the Subject Imports depressed domestic prices significantly.

The large volume of Subject Imports' underselling the Domestic Industry and declining market drove pricing downward to extremely low levels and has caused severe injury to the Domestic Industry. Slide No. 16 shows that the Domestic Industry has suffered significant double digit declines in every one of the relevant trade variables that the Commission examined over the Period of Investigation.

Slide No. 17 shows the financial impact of that surge in low-priced imports, that it was devastating for the Domestic Industry. As the Subject Imports flooded in and depressed U.S. prices, every financial indicator fell significantly. The industry quickly went from modest profits to dire financial circumstances over the period.

The current financial condition of the Domestic Industry is simply unsustainable. Confidential Slide No. 18 shows the negative effects of on investment of the industry as well as the other negative effects felt by the industry and its employees, Domestic Producers have suffered delayed or canceled investments, downgraded credit, inability to obtain financing and diminished returns on investment. Thus the industry is hampered in its ability to make the

investments necessary to continue to be viable into the future. The data also shows that production workers of this industry suffered layoffs, reduced work hours and pay cuts as the Domestic Industry has struggled.

Under these circumstances, the Domestic Industry can ill afford to lose any more ground to the Subject Imports but if a remedy to address the unfair trade practice is not imposed, the injury we have already suffered will continue and worsen. Even taking into account the incomplete coverage of the questionnaire responses for Foreign Producers so far, Slide No. 19 shows that just the reporting subject producers alone have sufficient excess capacity to dramatically increase their U.S. Market share.

As Domestic Industry witnesses have testified, the Foreign Producers now have the established customers and distribution network in the United States to allow them to do just that. They have already demonstrated the ability and willingness to increase their imports with low prices that undersell the industry. This threat of further material injury is very real and imminent.

Absent a remedy from these investigations, the surging volumes of low-priced imports into the United States will only increase and will lead to further deterioration of an already severely injured industry. Thank you, that concludes my statement. At this time I would just like to

take this opportunity to introduce two other witnesses on our Panel that are available for your questions. We have Mike Caparini the Chief Commercial Officer of ArcelorMittal Tube and Ben Trumpower Market Research Analyst, also with ArcelorMittal Tubular and with that we are happy to answer the Staff's questions.

MR. ANDERSON: Thank you Mr. Luberda, and thank you to the panelists for being here today. We appreciate you taking time out of your businesses to be here at the Commission and helping us understand the industry and the product. We'd like to start with staff questions now and we'll start with our investigator, Ms. Martinez.

MS. MARTINEZ: Good morning. Thank you for being here today. Can you produce other products on the same machinery, and how easily are you able to shift production?

MR. HART: For the -- this is Cary Hart, PTC Alliance. In the cold drawing process, we don't produce other products on that generally, and you will see from our questionnaire it's nearly 95 percent of all of the cold drawing goes into the subject products that we're talking about. There's only a very, very small percentage that would actually be cold drawn into another product that wouldn't be part of this.

MS. MARTINEZ: So if demand increased for this

other product, would you be able to respond to that demand and switch more of the capacity over or it would be too costly?

MR. HART: It's an extremely small market. It's the nature of a few thousand tons a year. It's an extremely, extremely small piece of business. So we have -- we are the market share leader on that product. There's almost no other demand to be taken.

MS. MARTINEZ: Are you able to tell me which products generally are produced on this new machinery?

MR. VORE: This is Ed Vore with ArcelorMittal Tubular. All the subject products are produced on the same machinery in our plants and they are unique to the process, unique to the demand of these products, and we have sufficient capacity to respond to demand as we certainly have additional shifts that could be hired if we staffed up appropriately. The equipment are available to do that.

MS. MARTINEZ: Thank you. Are there certain types of technologies that are significantly more efficient than others of producing the subject product, or is it just a general mil?

MR. HART: This is Cary Hart with PTC Alliance. No, if you through the entire industry, you'll see that I've traveled extensively around the world seeing a number of plants in some of the subject -- in actually some

of the subject participants in the case in India and China. Everyone does it in an extremely similar way.

The equipment is quite similar. Ken Pursel, as part of Zuckerman Industries, did talk about the fact that he did -- their company did invest in a highly automated system. But generally it's still done the same way, across the entire world.

MS. MARTINEZ: Would you say that that technology, that it's new technology that's made the process more efficient or --

MR. HART: Again, Cary Hart with PTC Alliance. No, the technology's the same. It's simply material handling efficiencies. The process of cold drawing is identical. All that most people are trying to do is reduce the amount of material handling. Just automation, but the process is identical.

MS. MARTINEZ: Okay, thank you. Can you please comment on the differences between cold drawn mechanical tube made from carbon or ally and whether seamless or welded? Is there a preference for one over the other in the U.S. market and abroad? Are there differences between the U.S. product and the imported product, things of that nature?

MR. HART: This is Ed Vore with ArcelorMittal Tubular. We don't see a difference. The customer end use,

these products are raw material to manufacturer components within some sort of a mechanical system on a piece of equipment, like a bulldozer or a mobile crane or something like that.

The customer's design specifications for these products, the products that our customers manufacture complete worldwide, and so they have to be similar in application, similar in grade, similar in capability. So we find that the products that we manufacture here in the United States not only within my companies but with the other who are represented here today, is they are interchangeable with the imported product and with customers around the globe.

MS. MARTINEZ: So why would a customer prefer a seamless product over a welded product? Is it just the application or the application is a little bit different or --

MR. VORE: This is Ed Vore with ArcelorMittal, and we do manufacture both products. There can be specification demands or application demands by the customer that would indicate a preference for seamless versus a welded hollow coming into the cold drawn mechanical tubing process. Typically, that can be size-related. It may be steel chemistry related for the downstream processing.

But our experience and the big reason that

we're here today is that that being kind of basis of entry into the market, it winds up being a price exercise after that, once the customer establishes that they have a -- they seem to exhibit a good bit of flexibility between seamless and welded based on what the lowest price is. Thank you.

MS. MARTINEZ: Okay, thank you. During the opening remarks, Respondents made an argument regarding the like product definition. How do you respond?

MR. LUBERDA: This is Alan Luberda from Kelley Drye. Are you referring to that you're talking about the -- well, the cold sizing or are you talking about the cylinders, the product for hydraulic cylinders?

MS. MARTINEZ: Yeah. I believe they mentioned something about the hydraulic.

MR. LUBERDA: About for hydraulic cylinders?

MS. MARTINEZ: Uh-huh.

MR. LUBERDA: So hydraulic cylinders are clearly part of the scope. The tubing for hydraulic cylinders is clearly part of the scope. We believe that is it part of this like product. I'll let the panelists here address, you know, the similarities. This is mechanical tubing application that it's going into, and I think these guys all consider that to be part of mechanical tubing so --

So I think Ms. Martinez is asking the question, correct me if I'm wrong. Are mechanical tubes

that are made to go into the cylinder market, into the hydraulic cylinder market different, a different product than other mechanical tubing within the scope? We've covered all of them. That's what you're asking; is that correct?

MS. MARTINEZ: I believe that's what --

MR. LUBERDA: You're summarizing the other side has said no, that's a different product and should be a different like product?

MR. PURSEL: Ken Pursel, Sharon Tube. Mechanical tubing that goes into the manufacture of hydraulic cylinders is made across the same pieces of equipment in the same process as all other cold drawn mechanical tubing. There is no difference. It is not used for any conveyance. It is used to build pressure. It is absolutely a mechanical tube.

MS. MARTINEZ: Anyone else have anything to add?

MR. ROSENTHAL: This is Paul Rosenthal from Kelley Drye. That argument that was made in the opening by Respondent's counsel went by pretty quickly, and if it's more extensive or complex than what has just been summarized, I'd be glad to address it further in our post-hearing brief. But we're not sure exactly what they're saying either.

MR. LUBERDA: I would just add that the like product in this case is a continuum product. It covers a variety of different specifications. We've listed, you know, many in the scope. So like many other steel products, there are a variety of specifications for that match end use applications. But it is these products are, whether you're talking about hydraulic cylinders or hydraulic tubing, these are mechanical tubing applications. It's a mechanical tubing product.

MS. MARTINEZ: Okay, thank you for that. Respondents also mentioned that one of the HTS numbers contained non-subject merchandise. In your view, how clean are the import data, the official import statistics?

MR. LUBERDA: Well, I haven't seen the data they're showing. We don't think it contains non-subject merchandise. I think we'll have to look at that after the conference and address it in our brief. I'd add that there's also some in scope product that is coming into other tariff numbers. Those weren't clean, so we didn't include them in our statistics for the petition. Some of the small wall thickness stuff, for example.

So we think the numbers we've given you are the cleanest ones and represent what's happening in the market for cold drawn mechanical tubing.

MS. MARTINEZ: So looking at the official

import statistics, the imports from China actually decreased during 2014 to 2016. Can you explain this trend?

MR. HART: Can you repeat that again? Just in the beginning. I didn't get the beginning of your question, sorry.

MS. MARTINEZ: Sure. Looking at the official import statistics, imports from China actually decreased from 2014 to 2016, which is different than the other subject countries and I'm wondering if you knew why that was.

MR. HART: Yeah, I believe -- this is Cary Hart, PTC Alliance. I believe I can answer that. Actually, during their official statement they said that they -- you know, that the reason that their volume had been good was that they participate mostly in automotive. The Chinese product that they're bringing, that they're talking about, the reason it went is because that product was into heavy hydraulic cylinders. That was -- and heavy applications like mining and agriculture and construction equipment.

So they did see a reduction in demand too. But what you'll see is their volume came down nowhere near the extent that our volume came down. So there are continued low prices. They might have had slower, lesser volume but they kept gaining market share due to their prices.

MR. VORE: This is Ed Core with ArcelorMittal.

I'd also like to add that from the commercial pressure that we feel, the Chinese prices are still very well-known in the marketplace and create significant distress for us for our commercial efforts. So even if the absolute volumes that you're looking at may indicate that, it's -- they are a real threat even today.

MR. BOYER: This is Dave Boyer with Webco Industries. I would agree with Mr. Vore, that the Chinese product continues to be a very significant factor in terms of low pricing and also in terms of absolute volume. Another factor that I would put in is we've seen Chinese product start to come in in the smaller cut length form, which is outside the scope of the trade case.

But I think our case goes down to 12 inch, and we've seen them start to come in, you know, in shorter pieces than that. So it's kind of -- I think we've seen similar things go on in hydraulic cylinders also.

MR. ROSENTHAL: One last point to add. This is Paul Rosenthal. One of the things that Respondents lose sight of is that the -- from the beginning of the Period of Investigation, the import volumes were significant, and the statute does talk in terms of the significance of volumes. It doesn't require an increase in imports in order to provide relief. So you start the Period of Investigation with absolutely high volumes of imports at very, very low

prices and we believe, and you've heard some of this testimony, that the import-related injury started before 2014.

MR. LUBERDA: Alan Luberda. I'll just -- that we believe cumulation's appropriate in this case too, so cumulated imports did rise, even if there was some small decline in the Chinese.

MS. MARTINEZ: I just noticed that there was a decrease with the Chinese product. I was wondering if there was a particular reason for that.

MS. CANNON: This is Kathy Cannon with Kelley Drye. One other point that I would add is you're looking at a falling market here. So you shouldn't be looking at the imports on an absolute volume basis. You should look at them on a relative volume basis, and if you look at the Chinese market shares on a relative volume basis, you're not going to see the same drop.

MS. MARTINEZ: Okay. Respondents also said that the U.S. domestic industry is more focused in the oil, gas and agriculture sectors, whereas the subject imports are more focused on the automotive sectors. Can you comment on that?

MR. HART: This is Cary Hart, PTC Alliance. That's actually not true. We focus across the whole range of products. We're very heavy in automotive. Our company

makes a huge amount of product for the automotive industry and has since long before I came with the company. In fact, the PTC, the original Pittsburgh Tube Company, was almost 100 percent automotive.

As we've done acquisitions, we have entered other products, but our company is heavy into automotive. We do cover the range of agricultural products, as well as construction and some energy products. But my company particularly covers the full range of products and covers -- we supply the full complement of products into the automotive industry, as well as all the others.

MR. BOYER: This is Dave Boyer with Webco Industries. Similar to PTC Alliance, Webco covers a vast number of markets, automotive, agriculture, the service center, hydraulic cylinder, a lot of different businesses. We see the subject country imports in really all those markets.

MS. MARTINEZ: Okay, thank you. I think I just have one more question for this round. To the best of your knowledge, are there any anti-dumping or countervailing duty orders in third country markets for cold drawn mechanical tubing?

MR. LUBERDA: We put this in our brief. There aren't very many of these around. We think there's one that we found, maybe two. Is that right Grace?

MS. KIM: This is Grace Kim with Kelley Drye. We believe there's two currently against China.

MR. LUBERDA: But this is a product that has not been subject to not only -- not only to actions in this country, but not very many other countries over time.

MS. MARTINEZ: So the two that you're referencing, is that just products that include cold drawn mechanical tubing or is it --

MS. KIM: It's a broader scope that includes cold drawn mechanical tubing.

MS. MARTINEZ: It's broader, okay.

MS. KIM: And I'd just like to point out that those orders were placed very recently. One, India imposed an order just in February 2017, and I believe Turkey imposed one in late 2016. So they're very recent.

MS. MARTINEZ: Can you please include that in your post-conference brief?

MS. KIM: Yes, we'll do so. Thank you.

MS. MARTINEZ: Thank you. That concludes my questions for now. Thank you so much.

MR. ANDERSON: Thank you Ms. Martinez, and before I turn it over to Mr. Soiset, just a couple close the loop, also freshen your mind. On the HTS number that the Respondents opened with, the same as outside the scope, if you'd please directly address that in post-conference. I

believe it's 7306.50, .5030 that they're alleging is not within scope. And then also on your confidential slides here, Mr. Luberda, I think you mentioned that demand is down and you have some specific numbers in here overall for the market.

If you could give us a little more sense of what components or what segments of the market are driving that decline. I think in their opening statement, Respondents referred to certain sectors driving the decline in demand, and if there's any additional information you want to share on, you know, how much is automotive, how much is agriculture, how much is heavy, etcetera, that would I think be very helpful for the Commission to get that kind of detail or get that kind of information.

MR. LUBERDA: We'll try to provide that type of detail in our post-conference brief, to the extent it's available.

MR. ANDERSON: Okay. Thank you very much. All right, Mr. Soiset.

MR. SOISET: Good morning, and I echo thanks for your attendance here. We appreciate your efforts and your arguments today. I wanted to ask a few questions regarding the process of cutting tubing down to length, presumably to be put into the end use product. There's a company in our proceeding, Tube Fabrication Industries, that

has described that they purchase subject imports and then cut them down for use in automotives or other purposes in a smaller length.

And my first question would be whether any of your companies engage in similar activities? If not, are you familiar with such firms and could you go into a little bit of detail about these manufacturing activities, the source and extent of capital investment, the amount of employees and expertise involved in and what-not?

MR. HART: This is Cary Hart with PTC Alliance. In fact, that subject company used to be an extremely large customer for us. They bought a tube made out of our Dixmoor facility in Illinois. We supplied them for many years until they began to switch over to foreign goods.

We can -- do in fact the cutting that you're talking about. We have an operations in Beaver Falls, Pennsylvania, an operation in Richmond, Indiana that does do short-length cutting. We provide those products to customers very, very similar to what the Petitioner is mentioning.

MR. SOISET: And could you go into a little bit more detail about that process, the expertise and cost involved in the cutting of the tube?

MR. HART: Absolutely. To be honest with you,

there's not a great deal of expertise in it. There are lots of people who do this. Some of the customers do it themselves in-house and some of the mills do it, and then there are a few companies that do the cutting as a separate product. Most of those companies have switched to foreign because that's really where they get their advantage. They really have no advantage in technology or know-how or equipment to do cutting per se. They simply are bringing in lower cost imports and using that lower price to gain market share.

The process of cutting is to take a long, straight bar of tubing, put it on a variety of different machinery. We have about four or five different types of equipment we do cutting on. It depends on the wall thickness in the OD, the outside diameter of the tube, and then the final link to the product. We can cut anything from a three-quarter inch OD tube, you know, under one inch length up to some things that really would be mill lengths.

So anything in that range we can cover and produce in-house. You use either a punch-type cut, which means you use a knife to punch it. We use that on a high volume light wall application. We use roller blade cutting, which is a cut similar to what you see if you do a pipe cut, or you use a disk type cutting.

We have cold saw cutting, which is what a

subject company uses. We have a number of cold saw cutting capability inside our factories, and we also do lathe cutting, which would be simply spinning the tube and using an insert cutting type. So we can duplicate all that and we do all that in-house.

MR. BOYER: This is Dave Boyer with Webco Industries. We concur with everything Mr. Hart. What I would add is our company also has the ability to cut shorter length products. There's really not too much value added that goes into that. The subject respondent that you talked about also used to be a customer of ours also, before they started bringing in low-priced imports.

MR. SOISET: Thank you. Anybody else?

MR. PURSEL: Ken Pursel, Sharon Tube. We do not have internal capability, but we do supply customers that is their business. They struggle with the same issues that these gentlemen have already spoke about and the ability to compete with the low-priced import material coming in.

MR. SOISET: So will the subject imports come in pre-cut already, or is that something that typically occurs within the United States?

MR. HART: There are -- in fact, that company also buys pre-cut products, but there are people who do pre-cut and bring them in simply as import. There's a few

companies that specialize in that. They bring in pre-cut, what they would call bushing or small length cutting parts, bringing it typically in from China or India in that condition. Because it wasn't part of our petition we did not bring that up, but that is a portion of the market.

MR. PURSEL: As I had mentioned previously, we've seen, particularly in the case of China, that activity actually increasing the subject period.

MR. SOISET: And could you clarify. So do you consider the cut tubing to be outside of the scope of petition, or is that something that you consider to be subject merchandise? I'm not familiar where in the scope is there a length requirement for the tubing.

MR. LUBERDA: There's not a length requirement in the scope. In the tariff schedules, the imports -- this is Alan Luberda from Kelley Drye. The tariff schedule import data, pipe is ^^^^ pipes and tubes are classified in those tariff numbers if they're 12 inches or above. So under 12 inches is generally considered comes in the fittings categories.

So it remains -- we have been covering pipe and tubing. The cold draw mechanical tubing, so it comes in as longer than 12 inch piece, and these folks were -- the cutting, they're cutting it down and making it closer to the end product. So our scope is covering tubing and the cut

pieces that have been -- these smaller cut pieces are not in the scope. Not to say that there couldn't be circumvention in that way, but that would be a Commerce Department matter.

MR. SOISET: Okay. And a similar question on the cut tubing. I'm just trying to wrap my head around this still, and so would you consider the longer length tubes that are the subject of this proceeding, to be almost -- is there any other purpose for these tubes than to be cut down ultimately? Basically are the cut tubes the sort of end product, the finished product, whereas the longer pieces in this proceeding are sort of unfinished, waiting to be cut down for final use?

MR. VORE: This is Ed Vore with ArcelorMittal. I would say that vast majority, and you might be able to find some exceptions; none come to mind right now, all get processed, further processing in our customers. Whether it's cut to length, they will machine services; they will prepare the ID for other things. They will potentially chrome-plate for wear. The customers may continue to heat treat or selectively heat treat these pieces.

Cold drawn mechanical tubing is a raw material for our customers that they are going to manufacture additional components from. So whether it's a hydraulic cylinder, whether it's an axle, if it's a drive shaft underneath a school bus, those kinds of things are typically

additional operations that happen to our tube, of which cutting to length may be one of those. But there may be other things that are welded to it or otherwise manipulated, bent, slotted.

You know, there are a number of different other mechanical metal working operations that can take place in these tubes, and all of them -- very few get used in the as-received condition as any of the companies represented here would supply them.

MR. SOISET: And one final question. Regarding imports, and to the best of your knowledge, do you believe that imports from any of the individual subject countries typically specialize in certain types of tubing? It seems like there's been several references to Chinese imports being particular sizes. In your experience, is that true for any of the subject countries?

MR. HART: I think someone, one of my colleagues did ^^^^ this is Cary Hart, PTC Alliance. One of my colleagues did mention that over time, at one point I think you were right, that there or the mention was that there might have been a range of products. At one point, most of the imports started in a particular range, maybe in the smaller size range or were heavily used in the country where they started producing.

But over time, that range has changed, and

many of the products and many of the companies represented in these countries have a full range of products now. They're not just supplying into a small segment or a very small niche of the products. Most of them now have expanded their size range, expanded their capability and now have a full range of products that compete with all of the members of this committee.

MR. BOYER: This is Dave Boyer with Webco. Kind of adding to Mr. Hart's comments, the Respondents kind of in connection with that, have talked about how the subject countries had smaller diameter product and that the U.S. industry really wasn't equipped to deal with that.

I will tell you that is just not true. Our company would be happy to produce many of those smaller diameter products. It just really has been economically not viable to do so in large part because of the dumped and subsidized products.

MR. SOISET: All right. Thank you very much. No further questions at this time from me.

MR. ANDERSON: Okay, thank you. Ms. Gamache.

MS. GAMACHE: Hello. Lauren Gamache. Thank you all for coming. So building off of the cutting question, is there a particular reason that all of the pricing products submitted were for a longer length of 17 to 24 feet? Is there any diversity in these pricing products

that you think we could better capture if we go to a final?

MR. LUBERDA: We use the 17 to 24 foot because those are the standard length ranges that the mills are producing, and so -- and the standard lengths that would be shipped by the foreign mills as well. And I mean we'd be happy for the final to work with the staff to come up with if there were other ranges. I don't think the length is -- would be the issue, but we might talk about ranges for thicknesses or something else.

The ODID combinations might be something. I mean we're definitely interested in helping you get a broad a coverage as possible. But this is a product. Unfortunately for your purposes, this is a product where there's, as one of our witnesses testified, an infinite number of combinations of outside diameters and inside diameters and wall thicknesses, grades of steel, which makes it difficult to pick out one.

But you know, I think we could take out -- we tried our best to pick out some of that work that will be representative of everybody in the marketplace. But we're happy to work with you for the final.

MS. GAMACHE: Okay, thank you. That makes sense. I guess I was just trying to see if there were other standard sizes that might make sense for us to collect, but it sounds like the length to which these tubes are cut is

entirely customer-specific; is that correct?

MR. VORE: This is Ed Vore with ArcelorMital. If you think about one particular application might be a forklift truck, and hydraulic cylinders are made out of steel tubing that are on that truck. But if it's in a Amazon Warehouse someplace that has to go three pallets high, or four pallets high, the customer will cut the cylinder a different length because the forks have to reach a different height from the floor of the truck.

And we don't control that because we don't understand what our end customer's demand changes are. You will see different lengths for in our automotive applications depending on the particular variety of vehicle that's being produced.

So if it's a pickup truck someplace, if it has a longer wheel base, or it has dual wheels, or single wheels, or if it's two-wheel drive or four-wheel drive, it can all require a different length axle because of the positioning of the drive train underneath the vehicle dictates what length that they need for that.

So the lengths can, as we talked about the variety of size combinations, the lengths can be anything probably to about three decimal points in specificity from as short as you can cut it and hold it safely until as long as one of the producers can manufacture it.

MS. GAMACHE: Thank you. And I think Mr. Vore said earlier the cutting is very --- it's not very expensive. Is that correct? And so I guess I'm trying to see what effects the cutting might have on the prices that we're getting in.

MR. VORE: Again this is Ed Vore with ArcelorMital. The value of the cutting is really dependent on the piece length and the dimension of the material being cut. So a six-inch piece, if it's a relatively small and light diameter that maybe costs, depending on the technology you're using, just for the sake of illustration here let's say it costs 25 cents apiece to cut that. But whenever you're looking at values, and I think they're probably on a per-ton basis in the data? Okay, that that value per ton, because there are more pieces per ton of a smaller tub than there are of the larger tube would have a larger aggregate value of cutting in that per-ton sold. But even though the price per piece to cut would be identical.

So it's very difficult with the huge variety of sizes that we're talking about to really make a concise characterization of the value of cutting in that price workup.

MR. HART: This is Cary Hart with PTC Alliance. Just a couple of things to add. So one is the product that we're talking about is price per foot, or per meter. And

the reason that is, is that most of our customers, as Ed Vore was saying, say they're making a two-wheel drive truck or a four-wheel drive truck or a front-wheel drive, or a rear-wheel drive, they will order one malt length of tube, say it's 21 feet, and may make 6 or 8 different axles out of that.

So the way that the industry works is we send them what's called a random length, or a fixed-length bar that they're going to make multiple parts out of. So all of the product is sold per-foot or per-meter.

What they end up parting it into is quite, as he said, there's not much value in it. The cost of the cutting equipment, the capital requirement for cutting, is extremely low compared to the investment in capital equipment around building the tube, the subject tube we're talking about.

So a lot of focus on the length is really, as you said, it's sort of irrelevant. It's quite a small portion of it. The investment is very small. The value of the portion is very small. And the reason we use the 17- to 20-foot, or 17- to 24-foot is that that's the way most of the customers receive the product, and that's the way most of the subject importers are bringing it in.

There are some part chances that they'll bring in, you know, cut pieces, but again we don't consider anything under 12 inches as part of this. So it's really

all of the long length, random lengths, and fixed lengths that they bring in.

MS. GAMACHE: Thank you. That's really helpful.

We've already made the request for an estimate of market shares for these different sectors, so if that is possible to include into the post-conference brief that would be really helpful. Unless anybody can make estimates about how much of the market goes to auto, how much goes to mining, et cetera, et cetera.

MR. Luberda: That's what we prefer to do in the brief. It's just going to take a little time to come up with it. It's not an off-the-top-of-the-head type thing that these guys can do.

MR. HART: This is Cary Hart with PCT Alliance. Let me just add that there's a significant amount of the product that is channeled to the customer. You know, the supply chain goes through a series of distributors.

In many cases, and in a lot of cases, the producers on this panel here have no idea what the final end use of that product is. So for us to try and--and there are no statistics in the industry. There's no data being generated from any reputable source that can tell you where the size of the market is for individual markets. And because upwards of 50 percent of the product that we product goes through that nondescript distribution channel, I have

to say you're asking for something that would be nearly impossible to do.

Our customers can't tell us, nor can the subject countries tell you what that end use for that product is going to be every time.

MS. GAMACHE: Okay. I was under the impression that characteristics of this tubing would vary by end use. Is that correct? So like oil and gas, I was under the impression that that would involve sort of like thicker walls, or some sort of higher strength tubing. I could be totally--maybe I'm wrong.

MR. VORE: This is Ed Vore with ArcelorMital. I think generally speaking mechanical tubing essentially is used in applications that replicates or replaces human movement. So if you're talking about things that you use to push, pull, lift, carry, that used to be human effort in the past, is now mechanized. So depending on the products that are being moved and depending on the fashion that it's being moved, will indicate the size of the tube.

So you can have the same size tube in a variety of applications. So if we send, as Mr. Hart mentioned in his remarks, we send a significant volume through the Steel Service Center channel. And if they will have a requirement that their customers will have an engineered requirement for a tube of a particular size, that could go to material

handling and a forklift truck manufacturer; that could go to an oil and gas application; it may be a hydraulic cylinder on an offshore rig that requires the same size tube that it does on a dump truck. And we would not recognize that at our point of sale to understand which end use market that tube is really being consumed by.

We do look at sort of general economic activity in those various sectors so that when there are changes in demand for coal production, or the price of oil and gas fluctuate and you see relative differences in activities, the rig count is not a real good barometer for us, but it is one that we at least tangentially watch to understand the level of activity in those markets.

But you'll see things like general GDP growth because our products go into essentially what amounts to capital equipment. So if New York City is buying 100 garbage trucks this year, those all have hydraulic cylinders that have mechanical tubing in them, that affects us the same as if we're making 500-pound bomb rings for the Navy that they're using for practice.

And we don't always understand that. So you can see it's really a very, very wide, diverse variety of applications that our tubes go into because they're just components in other mechanical systems.

MS. GAMACHE: Thank you. And I have one last

basic question and then I'll be done. Generally are those steel sheets you all use as inputs, are those generally domestically sourced? Or is there some importation of that? And if so, from which sources?

MR. HART: Just so we're clear, sheet is not the only feedstock for this product. There is bar, as well, or billet. So there's a few different inputs. And, no, the domestic supply is not the only input for the--in case you were using coil or sheet, as you called it, as a feedstock it does--there are--there are some foreign products coming into the country as hot-rolled coil that does become feedstock for our product.

The far majority of it is domestic, though.

MS. GAMACHE: Okay. Thank you so much.

MR. ANDERSON: Okay. Thank you, Ms. Gamache. Ms. Taylor, your turn.

MS. TAYLOR: Good morning. Karen Taylor, Office of Industries, and I would like to thank the panel for coming here. We realize you're busy, so we do appreciate you taking time to testify before us.

I have a few questions. One is that to my memory this product, no trade case has been brought before the Commission for this particular product. And in fact it has been an explicitly excluded from pipe cases brought before the Commission in the past.

Has there been some sort of change in the U.S. market that has led to this filing?

MR. HART: Yeah, the --- this is Cary Hart with PTC Alliance. When you refer to other trade cases, most other trade cases are not mechanical tubing. They are fluid and gas distribution products. So the reason that this hasn't been--has exploded is because they are different products.

Cold-drawing for mechanical properties is a unique product in the market, unlike other products that maybe the Commission has looked at. Can you ask the rest of your question again?

MS. TAYLOR: My question is: This is the first time this product has come before the Commission in a trade case, and in fact has been explicitly excluded from pipe cases in the past. So my question is: Has there been something in the U.S. market for cold-drawn mechanical tubing that has led to this filing?

MR. HART: This is Cary Hart again. Yeah. What's changed is the volume and the pricing. There were not substantial foreign imports 10 or 15 years ago. Most of the companies have established presence over the last 10 years and have dramatically increased their share, but doing so by using unfairly traded prices and dumping the product into the country.

That's the reason it has come to the Commission at this point.

MR. BOYER: This is Dave Boyer with Webco. I absolutely agree with what Mr. Hart said. I think your question is "Why now?" And the reason is because, leading up to recent times there really had not been the low-priced imports coming in. But it has been happening in the subject period and been accelerating, and the prices have just gotten ridiculous.

MR. VORE: This is Ed Vore with ArcelorMital. I would just add to those comments to say that the prior products that you've mentioned that have been, at least something that has a hole in it, that have been subject to it in the past, the behavior of our global competitors has shifted.

So as you've seen trade cases being put into effect with these other products, it has shifted their ability to sell those products here. And our market being relatively small in the steel realm, they finally ended up in our place exhibiting the same behavior that invited the trade cases that they got on the other products.

So when you see the appetite of coming to the U.S. market selling on the basis of price, and then going after market share, and a lot of times at the disregard of what the economic value might be from a company's balance

sheet, I think what you'd find is they found one of the last remaining small niches that they might be able to exploit, and that's why we're here now rather than being here maybe 10 years ago.

MS. TAYLOR: Thank you. I posed that question to Respondent's allegations that this case brought not because of imports but because the market for oil country tubular goods and energy-related tubing has substantially declined, and that is the reason for the injury to the U.S. Domestic producers. Could you respond to that?

MR. HART: This is Cary Hart with PTC Alliance. We do not produce oil country tubular goods. It's not our market. So the effect of oil country tubular goods demand or lack of demand thereof has no effect on my business.

MS. TAYLOR: Okay.

MR. BOYER: This is Dave Boyer with Webco Industries. Webco Industries does not produce oil country tubular goods, either.

MS. TAYLOR: Okay.

MR. PURSEL: This is Ken Pursel of Sharon Tube. Sharon Tube does not produce oil country tubular goods. I would also add that the reason the case is being filed now would have to do with momentum and velocity of increasing imports in a falling market at prices that we are unfairly-- cannot compete against.

MS. TAYLOR: Alright, my next question has to do with the opening statement by the Respondent and the Interested Parties concerning this one particular HTS Code. I believe it was 7306505030, which Respondents are saying does not include cold-drawn tubing. And I believe, Mr. Luberda, you said that the scope includes pipe produced by cold processing to reduce outside diameter. It doesn't have to be cold drawn.

My question is: For the record, could you tell us what other kinds of cold processing would be done to do that?

MR. LUBERDA: So there is a rolling process that can be used to get the diameter smaller and change wall thickness, too. I'm not the expert on this, so I'll let one of my panelists briefly describe it. We'll address their issue in our brief, however we have the ability--in fact, I think we'll just leave the whole thing for the brief, because I think we want to go into the details to make sure you get--and talk about the allegation about what is or is not in the HTS number.

MS. TAYLOR: Okay. Thank you. Alright, also in Respondent's opening statement, if I understood it correctly, it was mentioned that, quote/unquote, "pressure tubing is excluded." I assume tubing like boiler tubing is excluded, if I understood the argument correctly. And the

statement that this is the same kind of tubing, and why isn't this part of the scope?

MR. LUBERDA: You're asking why boiler tubing, heat exchanger tubing is not a part of the scope?

MS. TAYLOR: Um-hmm.

MR. LUBERDA: It's a different product serving different markets, different customers, but I'll let my panelists talk to that.

MS. TAYLOR: Is it produced the same way?

MR. BOYER: Our Company manufactures cold-drawn mechanical tubing. We also manufacture cold-drawn heat exchanger tubing and cold-drawn boiler tubing. So we're very experienced in that area.

You start off--generally, you're talking about different chemistries between them. You know, if you go down and you look at the specifications associated with mechanical tubing, you're dealing with different chemistry ranges, and different chemistry selections there than you do with the heat exchanger or boiler products.

From there, the--you go through the cold-drawing process and it generally is similar equipment, although you're dealing with different tolerances on the product.

You know, heat exchanger tubing, boiler tubing, has a much wider tolerance associated with it. It's also generally ordered to a minimum wall thickness specification

with a significant range on that. Mechanical tubing isn't ordered that way. It could be ordered OD wall, but when it is wall it is an average wall kind of specification.

You sell those into completely different market channels to different customers. Those parts really aren't interchangeable at all. A boiler customer or a heat exchanger customer wouldn't use a cold-drawn mechanical tube in their application, nor would a cold-drawn mechanical tube customer do the same.

There's a variety of other differences, too, but in general those parts are quite different and not interchangeable, and we'll leave it at that.

MS. TAYLOR: Alright, thank you. This question os seamless versus welded, my understanding--and correct me if I'm wrong--is that the predominant form in the United States would be tubing made from welded tubing. In many other parts of the world, the preference is for tubing made from seamless tubes. Is that correct? And if so, why? Or why not?

MR. VORE: Ed Vore from ArcelorMital. I think as a general understanding that statement is largely correct. And I think there can be some debate about how that manifested itself. So I can only relate my experience of having sold our products around the world the same way that Mr. Hart has, is that the technology development in the

United States and the relative cost position of manufacturing those two different products allowed us to achieve a technical equivalence with the welded tube, with seamless, that began kind of in the mid-1970s time period; that reduced the customer's risk for using welded tube vis-a-vis seamless tube at that time. Certainly the advent of continuous casting and ladle refining on the steel making side allowed those products to be better than whenever they were open hearth and ingot cast, sort of raw material--our raw material products.

If you go into that seamless was the predominant material of choice in Europe, as an example, typically there were--before the EU there were kind of national steel industries. Germany, France, England, Italy all had their own sort of national steel industries. And those tended on long products, and they made bars. And the seamless process was developed by the Mannesmann Brothers in the 1860s. It stayed largely the same way. We still use the same technology in our plant today that was discovered then.

And because they were downstream operations of the National Steel Company, they tended to process what the mother mill manufactured. And so their equipment designs tended to reflect what was readily available in their home market. And they didn't necessarily develop sort of the same sort of alternate or destructive technologies that

happened in the United States as we had companies like U.S. Steel who had a large seamless mechanical business whenever I first entered the industry that has since disappeared.

But the independent companies like the ones you see here today continue to develop the technology around the welded tube. We found that manufacturing channel to be more cost-effective than the seamless channel, or like sizes that could be made. And so what has happened in the domestic market is you've seen an evolution to where the welded tubes occupy as much space as possible that the manufacturing technology allows, and seamless tends to fill in the margins around that in mechanical applications where a welded tube won't suffice.

MR. HART: This is Cary Hart with PTC Alliance. I would only add that, you know, the end need is identical in the case. The customers' need is identical. The big difference has been--and Ed did a very good job of explaining some of the evolution of the industry--but at the end of the day, it's economic.

So what the customers are looking for is the lowest cost method to achieve their engineering need. Whichever method achieves that need at the lowest economic cost is the one that is going to be selected.

And historically seamless was considered the higher cost production process than the development of the

domestic welded product. What we're seeing now, and the reason this case is in front of you, is that we're seeing that shift.

We are seeing extremely low priced seamless product coming in and replacing the welded applications, or were historically, because of economics. It's price. They're bringing in a lower priced product. It fits the same need. It serves the same purpose. It achieves the economic need. And all they're looking for is price.

So if the price is lower, the customer is going to pick the lowest priced option. Thank you.

MS. TAYLOR: Alright, so if I understand you, they are--or let me ask--seamless or welded, completely interchangeable?

MR. HART: For a given application, absolutely.

MS. TAYLOR: Alright, thank you. That concludes my questions for right now. Thank you, very much.

MR. ANDERSON: Thanks, Ms. Taylor. I believe we have another follow up question from a couple of staff members, so I will turn it over to Ms. Martinez.

MS. MARTINEZ: I just had a couple questions just to clarify, and I apologize if this has already been discussed.

Mr. Luberda mentioned that smaller cut pieces are not in the scope, and I just want to make sure I understand.

Because we've talked about the scope description, and there's no length requirement. So can you elaborate on that and clear that up for me, please?

MR. LUBERDA: So the scope covers pipes and tubes--cold-drawn mechanical tubing, not pipe, sorry. Pipes are a standardized product. So cold-drawn mechanical tubing.

Tubing are these longer length products. Traditionally it's been product that's over 12 inches. That's the way the HTS looks at it. We'd be happy to clarify at Commerce what the scope is, if that's necessary.

The guys who are cutting, just doing cutting operations, they are not a part of this industry. They buy the product we make. They buy imported product, too. So we'll address it in our brief and we'll talk to Commerce about whether it needs a clarification.

MS. MARTINEZ: So you mentioned the 13 inches, you said, is being looked at? Is that to the diameter?

MR. LUBERDA: That's diameter. So the 13 inches is diameter. Nobody in this room makes larger than that diameter, and nobody--sorry if misunderstood your question, but nobody--and our understanding is that the amount of mechanical tubing that would be larger than that in the marketplace is extremely tiny.

MS. MARTINEZ: If you could just elaborate on your post-conference brief regarding the smaller cut pieces and

whether or not they're in the scope that would be really helpful.

MR. LUBERDA: We will do so. Thank you.

MS. MARTINEZ: And then also for your post-conference brief, if it's possible to have maybe some sort of value-added analysis for those companies here today that do provide this cutting-to-length service, just so we can get a better understanding of that?

MR. LUBERDA: We'll try to provide that for you.

MS. MARTINEZ: Thank you. And a couple more questions.

Mr. Pursel mentioned in his testimony that imports were brought in on a speculative basis and were kept in inventory.

Can you elaborate on that? I'm sorry if you've already discussed it.

MR. PURSEL: Historically, a relatively small percentage of distribution customers had the ability to bring in large quantities of imported tubing. That's changed as there's another entrant in the market, or class of entrant in the market, that is bringing in long length tubing, stockpiling it, and selling it to said distributors in very small quantities, so they've essentially aggregated their demand.

We struggle to compete with that. That's

already at a low enough price that we can't compete with their price, let alone to stock and have things ready on a daily basis. There's an economic choice that we have to make. We make everything on a make-to-order basis. So we have a lead time issue, etcetera. We can't afford to have material sitting there to compete with that, because we already can't get to the price level that they're marketing at, let alone if we incur working capital costs, etcetera.

MS. MARTINEZ: Thank you. That's really helpful. And just one last question. I just wanted to get your thoughts on the Global Trade Atlas data and it's my understanding that it's not -- it includes product that's outside of the scope, outside of cold-drawn mechanical tubing.

And I'm just wondering if you know if it's accurate enough to portray at least global export trends specific to the subject merchandise, or does it include so much out-of-scope product that it's not very useful? I just wanted to get your thoughts on that.

MR. LUBERDA: I think it would depend on the country and we'd have to take a look at it. It just is the best information available, particularly where you have the inadequate coverage in questionnaire responses from the countries involved. But those numbers do include some non-subject.

It would be difficult for us to estimate how much in any particular country -- we can look at our import statistics certainly for coming into the United States, but it's difficult for us to be able to say other than, it includes the subject product and it is the best information available to us as to those products.

MR. VORE: I'd just like to add to what Alan said, that if you look at our industry, in the scope of the United States steel industry, we're less than one-half of 1% of the total steel consumption in the United States on an annual basis.

So for us to get that kind of data on a granular basis that's only for our industry, is non-existent practically. So we struggle with that. Those of us who are part of larger companies and get asked for that on a management basis, well I struggle with trying to find that kind of data to justify what we're doing as well. So it's one of the issues of being one of the small niche industries. Thank you.

MR. KERWIN: I just wanted to add, and you're probably aware, that Global Trade Atlas data are typically only available on a six- or eight-digit level of specificity, so there's not a direct concurrence with what we have available on our own ten-digit HTS system, as far as our imports go. So there are some limitations and we make

the most out of the data that we can and glean from it what we can, but as Alan mentioned, it's not a perfect system.

MS. MARTINEZ: So you would say that it would still be useful to take a look at those numbers, particular to this industry?

MR. KERWIN: Yeah, I think they're generally useful as a broad indicator of what's going on. You know, if we could get full information from the foreign producers, that would certainly be more specific, but in the absence of that information, it's certainly useful in terms of discerning trends.

MS. MARTINEZ: Thank you. That's very helpful. Thank you again for being here today and for your testimony.

MR. ANDERSON: And I believe Mr. Soiset has a follow-up question.

MR. SOISET: Similar to Ms. Martinez, I had a couple of follow-ups about the cutting issue. And again, I'm reading through the scope language again, and so I think maybe if your intent is to keep the shorter length tube out of the scope, that maybe you should talk to Commerce.

Just reference to the third paragraph after the list of standards in this scope, "Subject merchandise -- and I'm quoting from the scope, "Subject merchandise subject to minor working in a third country that occurs after drawing in one of the subject countries, including -- and there's a

list of activities, among which is cutting to length -- "remains within the scope of the investigation."

So I would read that to mean that subject imports coming in that have been cut to length already are in fact subject imports within the scope of investigation. And so, I guess for clarification, you know, whether that means a change in the scope or if you consider these to be different domestic like products, I think that would definitely be useful, and especially, maybe for your post-conference briefs, to touch on a domestic like product analysis there.

It seems like I'm hearing that you consider this a distinct product from the longer length pieces that you are manufacturing. But I also understand you also engage in some cutting. So if you could, just try to clarify that for this conference briefs.

MR. LUBERDA: Yes, we will clarify that after the post-conference brief.

MR. SOISET: And you've hit this fairly well, and the comments to my questions earlier about the cutters and the amount of activities engaged, but if you could just go through a full sufficient production-related activities analysis in your post-conference briefs, just so that we could have that organized and fully address all the issues.

And the witnesses give me blank looks, but your

counsel will know what I'm saying. You basically hit these issues earlier, but it would be useful for us to sort of have it organized in the way that we deal with it. So, thank you.

MR. LUBERDA: We'll do that for you.

MR. SOISET: That was mainly addressed to your counsel, but that's all the questions for me. Thank you for your time.

MR. ANDERSON: All right, thank you. I'm looking at Ms. Taylor. I believe she has a follow-up question or two.

MS. TAYLOR: Yes, I have a follow-up question, follow-up to Ms. Martinez' question concerning the Global Trade Atlas export data. And our issues with it, as far as this particular product, as Mr. Kerwin said, the harmonized tariff system is only harmonized to six digits. And at that level, it looks like we can include seamless, or cold-drawn mechanical tubing made from seamless tubes, but that would also include pipes and tubes that are outside the scope of these investigations.

But we can't even do that with cold-drawn mechanical tubing made from welded tubing because that distinction of cold-drawing from my review of the HTS just doesn't exist at the six-digit level for welded tubes. So that's our issue about whether what we can get from the

Global Trade Atlas is accurate enough for these investigations. So we throw that out to you for comment.

MR. LUBERDA: I think we'll comment on that in the brief, to see if we can't find -- if we can find something else to help clarify that information, we will, but we agree that there are limitations to the data.

MS. TAYLOR: All right, thank you. My final question, and this has to do with some statements by respondent interested parties, not in the opening statement here, but in questionnaires, for example, stating that there's certain steel grades that are not available to U.S. customers, that are available from their foreign suppliers. I'd like you to comment on that.

MR. HART: Steel grades are different regionally, but that doesn't mean that everyone can't make them. And as I think I was asked before, do we bring in foreign stock? The answer is yes. So we've produced to grades and chemistries and different varieties of products from demands and specifications from all over the world.

So if someone in the United States needs to buy a particular grade that's only melted by a mill in Europe, I can buy that product from them and produce the product for them, as well as everyone else can. Grade does not make this finished cold-drawn mechanical tube unmakeable. It's the raw feedstock that they're mentioning, and the raw

feedstock is available worldwide.

There's a world market for that. It just so happens that certain producers specialize in certain grades and chemistries. And they have, you know -- some people like to focus on carbon steels, and some people like to focus on alloy steels, and some people like to focus on chromium steels. We buy those products from those particular suppliers around the world. So that's not a true statement that you can't produce that product in America. Thank you.

MS. TAYLOR: All right.

MR. VORE: I would just add, you know, as a subsidiary of the world's largest steel company, and when we're faced with those kinds of things, we always have the opportunity through our metallurgical analysis of a customer's need, is to identify what the chemistry of that steel is.

And at some place in the world, we'll be able to manufacture that particular recipe of elements that you put together to make the grade of steel, and it really becomes a question of whether it's economical to manufacture that grade, or what the price of that steel would be for us to import it.

But as Mr. Hart said, that there aren't any things that are not producible by our industry in some way,

shape or form. It's just -- the cold-drawing is a process of the upstream feed product, and we would be able to produce that by arranging a different supply chain than maybe we have today.

MS. TAYLOR: All right.

MR. LUBERDA: I just want to add, you know, the subject imports didn't increase based on some tiny portion that they allege couldn't be made in the United States. It all comes down to price.

Things could be made in the United States. But if you look at the information you got from the purchasers, the purchasers were also overwhelmingly saying when they went to the subject imports, it was because of price, because it undersold the domestic industry and there's a fair bit of quantification there.

So, to the extent there's some tiny piece of a market that they said, "Oh, we can only get that one place," I would question that. And I think they mean they can only get it one place at a price they like. But when you look at the overall data here, that's not what's driving -- it's not what is driving the increase in market share or volume.

MS. TAYLOR: All right, thank you. I have no additional questions.

MR. ANDERSON: Thank you, Ms. Taylor. And with that, my colleagues have very ably covered a lot of issues

that we wanted to hear about and talk about today. So I thank you very much for your responses. I did have one quick follow-up regarding decline in demand and prices and anything you can share now or in a post-conference brief, it would be very helpful.

How should the Commission disentangle the fact that this is a declining market over the period of investigation, and then with the decline in demand we'd expect to see, a downward pricing or pressure on pricing. So how should we disentangle that from the other factors that you say are driving prices downward during the POI?

MR. ROSENTHAL: We'll address this more fully in our post-hearing brief, but the first place I would start would be the purchasers' questionnaire responses where they've told you, in this declining market, that they've decided to buy imports because of price, and they've given you a fair amount of specificity about how much tonnage they've bought. So whatever the market was doing, the imports were underselling the U.S. producers throughout, and the result was purchasers were buying from them because of lower prices. Has nothing whatsoever to do with the decline in demand.

MR. ANDERSON: Very helpful, and anything else you wish to add, feel free to do so. With that, I want to thank the panel on behalf of staff here. Thank you very

much for being here today, for your testimony and helping us understand your industry and your product much better.

With that, I would like to take a twenty-five minute break. We'll reconvene at noon, by the large clock on the back, behind everybody. And thank you very much.

(Whereupon a lunch recess was taken to reconvene at 12:00 noon this same day.)

AFTERNOON SESSION

MR. BISHOP: Will the room please come to order.

MR. ANDERSON: It literally is good afternoon. The church has done chiming, so welcome to our second panel. Thank you for being here today and welcome to the ITC, and please proceed with your testimony.

STATEMENT OF JAMES KARAYANNIDES

MR. KARAYANNIDES: Good afternoon. My name is Jim Karayannides, and I am President of Karay Metals in Woodstock, New York, having been in the business of distributing tube and pipe for over 40 years.

Karay Metals has been an importer of high-quality cold-drawn steel tubes from leading offshore mills for many years. I would like to talk to you today about the U.S. market for cold-drawn mechanical tubing over the last few years, and about certain product distinctions in the market.

The past three years were difficult for the tubing market, but market conditions have improved significantly in late 2016 and 2017. 2014 was expected to be a good year, particularly with respect to the agricultural equipment business. Unfortunately the year began with a very bad winter. Inventories increased as the agricultural sector started to lose steam in the second quarter of 2014, due to the drop in grain prices and general slowdown in the farm sector.

Construction was still down. The increasing rig count in the oil and gas sectors and the automotive markets however provided some business, but not enough to shoulder the market.

Beginning in the third quarter of 2016, manufacturing began to increase at a strong pace, bringing new business for many suppliers. 2017, better, and has ushered in an increase in demand from construction in the oil and gas market, providing mills with welcome relief and customers with increased prices.

The Institute of Supply Management's PMI Index reached a high of 57.2 last month, which was quite something. They estimate that there will be a 4.2 percent increase in capacity in 2017 in industrial manufacturing.

New orders have also increased for the domestic tube mills. Being in the thick of the supply chain and going through one of the worst markets in memory, it is not surprising that the domestic manufacturers of cold-drawn mechanical tubing have experienced declines in shipments with weak profitability.

But this would not have been caused by imports, by difficult market conditions that I just described, including pressures from powerful end users to cut prices. Large, powerful end users, OEMs such as automotive and agricultural equipment producers, control pricing. So when

their markets were depressed, they exerted a lot of downward pricing pressure.

The cold-drawn tube market is segmented in the USA with imports filling an important role. It is quite well known that many of the domestic mills either do not produce the smaller sizes of cold-drawn welded carbon steel tubes, or do not have sufficient volume to satisfy demand.

Smaller diameter tubes are less efficient to produce because of the speed of the production line. They produce less tonnage per foot, and therefore per-hour production. Domestic producers want to produce more tons. Production of smaller tubes reduce their production line time.

I am not aware of any U.S. mills that can produce seamless diesel injection tubing used in the building of truck engines by a lot of the manufacturers here in the States. This is a quarter-inch round tube and has special OD/ID ratios.

Even PTC Alliance, a petitioner, chose to import smaller mechanical tube sizes from Tube Products of India. Imports fill this important role in the market and do not compete with most domestic producers for these sizes.

The domestic producers do not have a strong presence in this market segment. It is my belief that domestic production cannot supply the entire market for

cold-drawn mechanical tubes.

Many service centers fear that there will be shortages in the market if imports are not allowed to continue. Already flat-rolled steel producers have been placing customers on allocation, including the U.S. tube mills, due to the recent trade cases on the hot-rolled coil.

Delivery delays are already occurring. This Petition will have a further negative effect on the supply chain for downstream U.S. manufacturers.

You know, it would be helpful to know the size ranges of the U.S. producers in terms of their production and capacity, and what percentage of their capacity goes to various size ranges, particularly under point 134-inch in thickness.

I am concerned that the reduction in imports of welded cold-drawn carbon steel tubes would simply lead to an increase in imports of the finished components, including finished cylinder tubes.

This would negatively affect the U.S. fabricators of these higher value products as well as the domestic tube mills. In my remaining time this morning I would like to call your attention to what I believe is a significant like-product issue.

Although the Petitioners have described this as a case against cold-drawn mechanical tubing, the scope of the

Petition in fact also covers one very different product: cold-drawn hydraulic fluid line pressure tubing.

The lighter product, which is produced to an SAE-J524 specification, and a J525 specification, is not a mechanical tube. Significantly, the A179, which is also a pressure tube and referred to earlier, is specifically excluded from this case.

A review of the websites of Petitioners confirms that all U.S. producers clearly distinguish their production and sales between mechanical and pressure tubing. J524 is a specialized type of pressure tube used for hydraulic applications. The end uses are very different.

The J524 pressure tubing is an annealed cold-drawn low-carbon hydraulic tube and is used as a transport vehicle for air, fluid, and gases under pressure. They are used for hydraulic assemblies for power equipment and hydraulic and pneumatic fluid lines and in other applications that require suitable flaring and bending properties.

Just look under the hood of your car to see these tubes. No mechanical tubing subject to this case can be substituted. There are significant physical differences, as well.

Cold-drawn mechanical tubing generally has a higher carbon and manganese content. Tighter size

tolerances. And higher minimum yields than pressure tubing. Because cold-drawn mechanical tubing is used in applications that would require high-yield and high tensile strength, hardness and an increased strength-to-weight ratio, the product is manufactured to very different chemistries and specifications than pressure tubing.

Mechanical tubing is used to produce bushings, spacers, bearings, axles, steering columns and other mechanical parts for automobiles, trucks, aircraft, construction, agricultural, and drilling equipment.

The manufacturing process for J524 pressure tubing is also significantly different. Following the cold-drawing process which both categories share, the tubing must undergo heat treatment to achieve a soft normalized temper for its ductility, for its ability to bend.

There are significant additional testing requirements such as flaring, reverse flattening, and pressure-proof tests. Cold-drawn mechanical tubing undergoes a different type of heat treatment to achieve just a stress relief temper and does not require the additional testing processes that I just mentioned, nor does it have the equipment for that.

As a result of these differences in chemistry, mechanical properties, and production process, cold-drawn tubing and cold-drawn mechanical tubing are not

interchangeable.

There can be no overlap in end uses between these two products due to their different physical properties. Cold-drawn mechanical tubing cannot be used in cold-drawn pressure tubing applications because mechanical tubing is too rigid and cannot be flared and bent as needed for these applications.

Conversely, hydraulic tubing cannot be used in mechanical applications because the pressure tubing lacks the required tensile strength, anneal strength, and hardness required for mechanical applications.

Customers and producers clearly perceive cold-drawn hydraulic tubing--and we're not talking about hydraulic cylinder tubes here--and cold-drawn mechanical tubing has distinct products. Producers and distributors do not include J524 tubing amongst the cold-drawn mechanical tubing specifications.

The composition of the industries producing the two products is different. It is my understanding that none of the Petitioners in this case even produce J524 cold-drawn hydraulic tubes. I am aware of only one domestic producer--and that is Plymouth Tube Company--that actually produces J524 tubing.

Plymouth Tube's website clearly distinguishes, however, between its offerings of mechanical tubing and

hydraulic pressure tubing. At present, deliveries at Plymouth are extended to five months ex-mill compared to the normal six-week delivery time for mechanical tubing, making the product difficult to secure in the market.

This is due to issues associated with raw material sourcing. I understand that this company imports hollows to make this product. Although I understand that Michigan Seamless, one of the Petitioners, claims to have the capability to produce J524, I don't know from personal experience whether they've ever produced it or sold it as a 524 product.

Finally, there are significant differences in price between the two products. We are distributors of a variety of tube products, including both cold-drawn mechanical tubing and cold-drawn hydraulic tubing. The prices of cold-drawn hydraulic tubing are typically 20 percent or more higher than cold-drawn mechanical tubing.

Thank you, and I am prepared to answer any questions.

STATEMENT OF C.K. SEKAR

MR. SEKAR: Good afternoon. My name is C.K. Sekar and I am the Associate Vice President of Marketing at Tube Products of India. I am joined by my colleague, S. Suresh, who is the Senior Vice President and Company Secretary.

Tube Products of India, a division of Tube

Investments of India, Limited, or TPI, is heavily focused on its home market in India as you can see from our questionnaire response.

TPI started operations in 1955. TPI currently has four manufacturing locations, all of which are located in close proximity to automotive manufacturing facilities. TPI produces cold-drawn welded mechanical tube which are drawn over a mandrel. I will refer to these as CDW tubes.

TPI also produces and sells electric resistance welded tubes. To make the CDW tubes, TPI starts with an electric resistance welded tube which it produces from hot-rolled coil, and then cold-draws it to achieve the desired size.

TPI does not make cold-drawn seamless tube. The CDW tubes TPI exports are made to order and are in nonstandard tubing sizes. In other words, these are not standard tubes off the shelf.

Generally these tubes are customer-specific or application-specific. In some cases, the CDW tubes undergo further operations like cutting to length, chamfering depending on the customer's specifications. In other cases, the customer provides specifications and carries out a Production Part Approval Process, PPAP, before accepting TPI as a supplier. This process involves extensive testing, site visits by the purchaser, process and system audits and

can take even up to two years. Obviously these products are not commodity products. In fact, all of our product must be traceable into the finished product.

CDW tube is very different from cold-drawn seamless tube. Seamless tube starts with an ingot that is formed into a billet and pierced. The chemical properties, dimensional consistencies, metallurgical properties, and the end user applications for seamless tubes are different than those for CDW tubes. In my view, grouping them together and treating them as the same product is a mistake. They certainly are not perceived that way by end users.

It is also my view, which is shared by CDW tube manufacturers, that CDW tubes are categorized into three groups. Group 1 includes CDW tubes with an outer diameter up to 101.6 millimeter, or 4 inches, with a wall thickness up to 3.40 millimeter, or 0.134 inches.

Group 2 includes CDW tubes with an outer diameter up to 177.8 millimeter, or 7 inches, with a wall thickness up to 9.53 millimeter, or 0.375 inches.

Group 3 consists of CDW tubes with an outer diameter above 177.8 millimeter, and with a wall thickness above 9.53 millimeter.

Most of TPI's exports to the United States consist of CDW tubes in the Group 1, which are destined predominantly for the automotive sector. In my view, Groups

1, 2, and 3 are distinct in a number of ways.

First, the production equipment is different. The machinery used to make CDW tubes in Group 1 cannot make CDW tubes in Groups 2 and 3. While it is true that the machinery used to make CDW tubes in Groups 2 and 3 can be used to make CDW tubes in Group 1, it is highly inefficient to do so.

The reason is that CDW tubes in Groups 2 and 3 use draw benches designed to draw much larger tubes. To produce a smaller Group 1 CDW tube on a draw bench designed for larger, heavier products is highly inefficient because you must draw the tube several times.

In addition, there would be an opportunity cost from using the machine inefficiently instead of using it to produce larger, heavier products more efficiently. Machinery that is designed to make Group 1 CDW tubes consists of draw benches up to a draw load capacity of 50 metric tons.

Group 1 products are not interchangeable with those in Group 2 or Group 3. In fact, in the normal course of business TPI tracks its capacity and production based on Group 1 and 2. In my experience, the U.S. producers follow this nomenclature, or something similar, in tracking their production and capacity. I note that TPI does not have equipment to make CDW tubes for Group 3.

Thank you for your time. I am here to answer any questions you may have.

STATEMENT OF BOB MOORE

MR. MOORE: Good morning, members of the Commission. My name is Bob Moore. I am Vice President of Salzgitter Mannesmann International USA, SMIH for short, in Houston, Texas.

SMIH is a member of the Salzgitter Group of companies. I am joined today by my colleague, Joerg Tilly, who is one of our managers of our Tubular Products Sales Groups in Houston.

We would like to thank the Commission for this opportunity to present our views on a matter before you today.

The Salzgitter Group is synonymous with the innovative and sustainable manufacture of steel and technology products. We employ about 25,000 people to provide customers with innovative and sustainable products of the highest quality.

Our core competencies are in the production of specialized steel and tubular products. In addition, we are also successful in the field of specialized machinery and plant engineering.

We have several core philosophies that guide our group, and I would like to share these with you:

Independence is the cornerstone of our group policy. This forms the foundation of our strategic initiatives with a long-term outlook. We are not known for frequent speculative measures aimed at short-term share price gains as we do not believe that this type of activity is suited to increasing the value of our company in the long term.

We are innovative. Our companies have always developed revolutionary products and services. Our innovation is not only limited to our final products. The Salzgitter Group boasts one of the leading research centers for steel. Numerous steel grades, and innovative production processes have been developed by our R&D team. Moreover, our research also flows into supporting our customers and their own product developments.

Last but not least, our modern steels also play a decisive role in lightweight engineering in many industries. I would like to share a little bit about our Precision Tube Group and our activities.

Our annual production capacity in Germany averages about 159,000 tons. In 2016, our total production was about 150,000 tons. We produce both welded and seamless tubing, cold-drawn mechanical tubing, in a size range of one-eighth inch up to 16 inch.

I would like to share with you a breakdown of

where our sales go. In 2016, about 107,452 tons were sold in our home market in Germany, 71.7 percent of our total production. About 32,572 tons were sold to other EU markets. Another 21.7 percent of our total production. Only 2,497 tons were sold to the U.S., a mere 1.7 percent of our total production. 2,426 tons of the USA's sales were sold specifically to automotive customers, over 97 percent of our total sales.

One hundred percent of our sales to automotive industry customers are in European customer applications, specific grades, qualities, and standards. All of the automotive customers that we have are U.S. subsidiaries of European automotive suppliers.

Seventy-five percent of our sales to automotive customers are to one specific customer. All sales to this customer are for a single engineered part. This is part of a global supply contract for special European modified grades of steel in metric sizes. Effectively, 100 percent of our sales to automotive applications are extensions of framing contracts to the European parent companies of the automotive customers.

Thus, our sales are typically part of annual or semi-annual supply chain contracts made in Germany. Our customers have informed us that they are not able to purchase the tubing from U.S. producers based on grade,

quality, size, or quantity parameters.

I would like to share with you some forward viewpoints that we have:

Our home market and regional market in Germany and the UE for precision tubes has been very stable over the last three years. Over the past year, automotive demand in our home and regional market has substantially increased to the point that our mill is sold out well into the fourth quarter of this year.

Our forecast is that our home market will remain--home and regional market--will remain stable at a very healthy level for the foreseeable future.

Thus, our forecast for sales to the U.S. market remain flat and intentionally limited to only the highly specialized applications and customers which we currently serve. We do not have any plans for capital expansion of our tubing mills in Germany.

We choose to limit our sales in the United States based on excellence in quality, innovation, and customer-oriented engineering. We have the distinct global guidelines which include return on shareholder value, excellence in service, and provision of exceptional quality products which exceed the norm.

We sell premium products for specialized applications. In summary, based on the facts of our level

of participation in the U.S. market which truly differentiates Salzgitter from all other Respondents, as well as the Petitioners, we are not injuring nor posing a threat of injury to the U.S. Petitioners. In point of fact, we enjoy amicable relationships with one or more of the Petitioners, including at times working with them to supply them with certain non-tubular feedstock for their operations.

For all these reasons, we respectfully request the Commission to make a negative determination on the matter of injury, or threat of injury, to the UDES industry.

Thank you.

STATEMENT OF KEVIN HORGAN

MR. HORGAN: Good afternoon. I'm Kevin Horgan, counsel to Salzgitter, et al., and I would like to draw the staff's attention to the fact that German import statistics relied upon in the petition include a substantial quantity of non-subject imports. If you look at Petition Exhibit Gen-12, you'll see a chart showing the purported quantity of subject imports from each subject country, along with accumulated imports from the subject country.

A footnote shows the tariff categories used to compile the import statistics. These tariff categories cover tubes that are cold drawn or cold-rolled (cold reduced). The petition and the ITC's investigation covers

cold drawn mechanical tubes. The petition recognizes this is in its scope description. If you look at paragraph 5(b) of the list of industry specifications included in the scope description, you will see European standards EN 10305-1 and 10305-2, 10305-4 and 10305-6.

One of the specifications that the petition properly omitted is EN 10305-3, because this specification covers welded cold sized tubes that have not been cold drawn. Cold sizing in this aspect is not a post-tube production cold finishing operation. This sizing occurs during the tube welding process.

During the POI, one German producer began shipping a lot of welded cold-sized tubes to the United States that meets specification EM 10305-3. These elevated shipments of non-subject cold-sized tubes from Germany continued through 2016 and beyond. Upon importation into the United States, that merchandise was classified under HTS US Category 7306.5030. One of the tariff provisions that Petitioners used to calculate the level of subject imports.

So you're probably wondering whether this is a big deal. It is. If you turn to Petitioner Exhibit Gen-12 and look at the quantity stats, one of the first things you will notice is that there is a big jump in imports from Germany from 2014 to 2015, 8,307 short tons, a 60 percent increase. Using range data, I can say that this entire

increase is attributable to imports of non-subject merchandise, meaning Specification 10305-3.

Eliminating these imports from the German statistics is not just important for Germany. Eliminating these non-subject imports changes the character of the entire case. Instead of cumulated imports surging in 2015 and staying at that elevated level, cumulated subject imports have been flat throughout the POI.

If you remove these non-subject imports from the cumulated import totals for 2015 and 2016, there was no surge in 2015, and the volume of subject imports was essentially unchanged over the POI. It also true that the prices for cold-sized tubes are substantially lower than the prices for cold drawn tubes because of lower production costs. There is no drawing process. Thus, the declining average unit values reported in Petition Exhibit Gen-12 for Germany and for cumulated subject imports are also misleading.

The reductions in AUV are a reflection of a change in the mix of products imported under the HTSUS 7306.50.5030. Those lower prices are up to 30 to 40 percent. So there's a huge difference in prices for cold-sized tubes, versus cold drawn tubes. We are in the process of documenting the volume and value of non-subject imports included in HTS US 7306.50.5030, and we'll report that

information to the Commission with our post-hearing brief.

But at this time, at least with respect to Germany, I would strongly urge the Commission staff to rely on questionnaire data rather than import statistics in compiling trade data for this investigation, or adjust the published data to remove non-subject merchandise. Thank you.

MR. PERRY: My name is William Perry from the law firm of Harris Bricken. Before I introduce my witnesses, I'd like to make a short statement for my client, Good Luck India. Goodluck India will cooperate with both the ITC and the Commerce Department. As indicated in its questionnaire response, Good Luck exports to numerous countries other than the U.S. including the U.K., Italy, Poland, Germany, Australia, Malaysia and Spain.

Goodluck also has a substantial customer base for its tubes because it is located very close to India's automotive industry. Goodluck also believes that its exports are not a threat of material injury to the U.S. industry because it specializes in exporting tubes to a segment of the U.S. market which U.S. producers appear not to be interested in supplying. Now I would like to ask Sidd Saran of Salem Steel to speak.

STATEMENT OF SIDD SARAN

MR. SARAN: Good afternoon. My name is Sidd

Saran. I'm the president of Salem Steel. We import precision mechanical steel tubes and distribute them through our distribution channels to customers located all over the U.S. in a diverse range of end markets.

In our business, there are key criteria to success above and beyond offering a competitive price. Such factors include product quality, timeliness of deliveries, good service and the ability to meet our customers' needs. Stated simply, these customers show up elsewhere when there are significant gaps left open by domestic mills.

So for example, we can go to international mills and place orders for small minimum quantities for a wide range of sizes as frequently as we need despite our small size. This in turn enables us to service our customers more effectively. Consistency is fundamental to success in our line of business. In times past, supply from domestic mills has been inconsistent. For example, from 2005 to mid-2014, the price of oil was about $80 per barrel, and there was high demand from the energy industry.

During those years, it was profitable to service the energy industry. Other industries were neglected. For the past couple of years, demand from energy has been low. This has compelled certain U.S. producers to reach into other markets and refocus on small and medium-sized businesses. What will happen when industries

which are in a cyclical downturn, such as energy and agriculture, make a revival? Is there sufficient capacity in the U.S. to meet everyone's demands, or will some customers become less favorable than others, especially when supply is constrained with duties that need to be put in place.

Providing our customers with the appropriate product mix is also essential. Yet certain sizes are quick to fall out of favor. Manufacturing tubes of such sizes requires a multiple passes on the draw bench, rather than just one. These additional passes increase manufacturing costs. Smaller diameter tubes too are often less in favor because contribution margins on them are lower. Less tonnage means lower revenue.

In low demand times, mills want to produce everything. In high demand times, customers, all friends who need such tubes fall in the back of the line. Imports have reliably and consistently met demand across a range of sizes. Again, what will happen to supply when cyclical end markets are back generating high demand? Who will fall to the back of the line then?

While Petitioners have squarely blamed imports for the causes of their alleged injury, there may be other reasons for the Petitioners' problems, concentration of end markets. Some petitioners have made business decisions to

focus on highly cyclical end markets, including oil and gas, mining, construction and agriculture. These end markets have been in a cyclical downturn.

Those companies with a high percentage of their revenue exposed to these end markets have experienced reduced revenues. Imports are not to blame.

High debt burdens. Some petitioners and their owners have decided to operate with high levels of debt. Much of their free cash flows has been used to service the high debt burdens, so there is less cash left for investments in technology and productivity and saving for a rainy day. Some have defaulted on their commitments to their lenders. Other companies are rated as highly speculative, with high credit risk by rating agencies such as Moody's and S&P. Are imports to blame?

Economies of scale. Some petitioners have high economies of scale, while others do not. Economies of scale are an important criterion in keeping production costs low and having a competitive advantage. Another factor to consider, impact on downstream industries. Our small and medium-sized customers located across the U.S. are facing a stark choice. Competition for their finished products is severe, especially on quality, price and service.

Over the years, they've been forced to become more lean, increase their productivity and efficiency. They

have stood up to the challenge of global competition. Sourcing raw material at globally competitive prices, however, is a matter of life and death for their companies. If their raw material prices go up, their end customers will simply source the finished product from abroad.

Where will such small and medium-sized businesses go? Where will their American employees go? This scenario has happened before. One widely quoted study by Dr. Joseph Francois and Laura Baughman of Trade Partnership Worldwide, LLC showed that as a result of Section 201 investigation brought at the behest of the U.S. steel industry, 200,000 Americans lost their jobs to higher steel prices in 2002.

More Americans lost their jobs to higher steel prices in 2002 than the total number employed by the entire steel industry itself in the U.S. Every U.S. state experienced employment losses from higher steel costs, with the highest losses occurring in California, Texas, Ohio, Michigan, Illinois, Pennsylvania, New York and Florida.

In summary, I would urge the Commission to examine factors other than just price that are important to the industry participants, the business decisions of the petitioners and of the consequences of duties on U.S. manufacturing holistically. Thank you.

MR. PERRY: Now I would like to ask Julie

Ellis of Tube Fabrication Industries to peak.

STATEMENT OF JULIE ELLIS

MS. ELLIS: Hello. My name's Julie Ellis, president of Tube Fabrication Industries, located in Levinsport, Indiana, which employs approximately 50 individuals, many of which are represented by the United Steelworkers.

TFI is primarily a Tier 2-Tier 3 automotive component supplier, with the bulk of our products going to the anti-vibration market, including motor mounts, bushings, control alarms, shock absorbers and other products. The company was sold in 2006 following financial hardships created during the 2004-2005 U.S. steel prices, much like the potential crisis being created today by this case.

The 2004-2005 crisis led to a nearly 50 percent rise in the cost of tube. The price increases were massive and the auto manufacturers' initial unwillingness to accept the increases was devastating to many suppliers like TFI. We closed a manufacturing facility in Tennessee in 2005, displacing nearly 100 employees. We suffered significant losses and were forced into bankruptcy in January of 2006, and were subsequently sold.

It has not been an easy feat to maintaining a U.S. manufacturing operation. Following those massive price increases, the market began to shift. Automotive began to

more aggressively look for global options to procure products and reduce costs. Our customer's complete components were now being sourced from offshore companies. We began to lose market share, along with our customers.

Many of our customers opened locations in low cost countries in order to supply both the markets and retain market share. TFI had to aggressively streamline our operation and make capital improvements to our process in order to remain competitive. TFI's imports are strictly for our internal manufacturing process.

It is extremely critical for us to maintain a competitive supply base in order to compete in a global basis. Continued production operations in the USA can compete with a large number of component distribution companies that have appeared over the past decade and with new business. TFI is representative of many similar companies that supply components to the automotive industry.

In addition to being the direct importer of some foreign products, we are also a domestic producer of precision cut tubes as described in the scope of the merchandise in this case, and like many of our competitors possibly hundreds of them in our market and various other markets such as agriculture aerospace and industrial consumer products.

Upon TFI being awarded a new program, we have an industry mandated production approval process that we must undergo for our products to be certified and approved. This a pre-approval of the raw materials used to produce the parts. Our customers operate under stringent just-in-time requirements, and we must have products that meet strict specifications that undergo rigorous testing for product approval.

Once approved, no changes are permitted in the manufacturing process for the life of the component, which is typically about five years. Pre-approval and revalidation would equate to the extremely large cost that could potentially run into millions of dollars within the market.

Whenever possible, TFI has historically sourced in the USA, provided we can purchase a quality product with timely deliveries at a fair price. One of the petitioners, PTC Alliance, has refused to sell to Tube Fabrication since just after our sale in 2006, despite multiple requests. Our last request was in 2013, when one of their salesmen stopped in. We later received a response back in a written email stating "My apologies, but our management is not interested in re-establishing your account at this time. Please know that I do not understand the decision, but it is out of my hands."

They have the capability to produce many of the thicker-sized tubes and were typically the most competitively priced in those size ranges in the USA. Since PTC refuses to sell to us, this further creates constraints on our ability to compete. There are also certain sizes that domestic mills have a difficult time producing efficiently.

In many instances, we require smaller run sizes which domestic mills do not typically want to produce. Both situations negatively impact our competitiveness in the downstream automotive market. Capacity issues have historically been a problem, with the Petitioners having the capability to supply those thicker wall tubes.

When oil and gas business was booming, domestic tube mills preferred its larger volumes, higher tonnage and standard sizes, utilizing the equipment to run oil and gas and mechanical tubing, which created capacity issues. When oil and gas demand increases, the limited market capacity would once again make our more complex customer-specific tubing less attractive put is in an unmanageable situation with the lead times.

The impact of this case on downstream manufacturing operations will result in the loss of thousands of jobs, maybe even more jobs than those saved by the case. If we are unable to provide our customers with

tube components
at a competitive global price, they will be forced to move production from the United States to other countries.

Most of our customer case already has global operations in place and has the ability to divert the production away from the U.S. locations to remain competitive. The loss of business would not only impact businesses like TFI, but coating facilities, plating operations, heat treating, tool and die shops, machine shops, testing facilities, transportation companies, along with our customers' U.S. facilities, and further downstream manufacturing.

In other words, in response to this petition, we fear that U.S. automotive companies will simply shift and procure the final parts with the tubes in them from multiple overseas operations. From our point of view, this case will not result in any more tubes being switched to U.S. producers. Instead, it will simply be a lose-lose situation.

TFI is representative of many U.S. producers at a comparable level of U.S. production. The inability of Tube Fabrication and other companies in similar situations to remain competitive will result in a tremendous loss of jobs in the U.S. downstream manufacturing sector. We will be forced to either move portions of our operations to

Mexico, where we currently ship 20 percent of the components that we manufacture in the United States and/or cut USW jobs and benefits. Thank you.

MR. PERRY: Now I'd like to ask Andrew Ball of voestalpine Rotec to speak.

STATEMENT OF ANDREW BALL

MR. BALL: Good afternoon. My name is Andrew Ball and I am the President of voestalpine Rotec, based in Lafayette, Indiana. I moved to the United Kingdom 17 years ago to establish a Greenfield manufacturing facility on behalf of the previous private owner, whose focus was on following the growing needs of his international customer base.

In the late 90's, at the time with our small U.S. customer base, they had grown tired of the non-responsive, technologically outdated and no forward thinking supply base in the U.S. So they started to search the world for market-oriented solutions to their problems. As the Big Three and other auto manufacturers started to better coordinate the global and manufacturing footprint, so too did their suppliers.

What they found in the rest of the world were profitable, lean organizations with a focus on listening to customer needs, differentiation from the competitors, training and development of their associates and investment

in cutting edge technologies. Needless to say, when we established our facility in 2000 with only seven employees, it was clear that so long as we stayed true to our customer-centric business model, that we would grow.

For 17 years now, we have been providing our customers with flexible just in time manufacturing services, and have grown to 140-strong team, commanding a top three position in an aftermarket as the leading supplier of automotive tubular components. We do not buy commodity tubes, period. The petitioners today will talk about automotive business, what they refer to as large volume standard drive shaft and axle tubes.

Today in our organization we have over 200 unique tube sizes, each one specifically purchased to the needs of our customers' engineering specifications, and again each one is destined for one of 200 unique part numbers that we supply into the global market. Our customers demand that we procure from the best of the best, providing a long-term cost competitiveness, zero defect and just in time service.

In many cases, customers demand that we select suitable suppliers to service the needs of their made to order product at all of their global sites. This means that in some cases we can have the same supplier shipping tubes to our operations in North America, Europe, Asia for exactly

the same end use application. Market forces drive us to remove cost from our products annually to support to our contractual customer givebacks.

This means that we place huge importance in controlling our input material cost. Since the early 2000's, we have established pricing matrices with all of our key suppliers, to ensure that the margin they receive for converting steel to tube remains constant.

We do this by tracking global steel indexes and exchange rates to ensure that our supply partners are financially protected from shifts up and down in the commodity markets, while also ensuring that we are not gouged when the markets might be more favorable for them.

For over 13 years, the only market to break this partnership-driven approach is the United States, which has been unable to deviate from the age-old practice of profiteering and running a short-sighted business strategy. Today, we are part of a large multinational group of companies that has a similar vision to our former private owner. Follow the customer, differentiate from your competition and invest in the best people and equipment.

Today, over 50 percent of the business manufactured in Lafayette to the unique needs of our customers are exported primarily to Canada and Mexico, although we also ship to Thailand, China, Romania and Japan.

We have become the leading supplier of highly engineered tubular components for the automotive safety restraint market, supplying safety-critical components comes with hundreds of thousands of dollars of testing and approval from various U.S. agencies.

Our customers will not allow a change in the supply base, and this material is absolutely not available from these U.S. producers, thus making the decision to move equipment to other countries or procuring the completed components from our other global facilities in Austria, the United Kingdom, France, Spain and Poland a likely outcome.

With so much discussion surrounding trade imbalance, it is ironic that because of this case, we as a U.S. manufacturer will be forced to relocate millions of dollars of manufacturing equipment with significant loss of U.S. jobs for specialty high value, highly engineered components because several commodity U.S. producers are determined to ignore market realities.

I can say with a high degree of certainty that none of the petitioners will see one extra pound, not one single foot of material as a result of this action. I am certain, however, that companies like ours and our customers will accelerate the relocation of domestic manufacturing to other countries, and all this business will flow in NAFTA region as semi-finished components, thus avoiding the

dumping duty altogether.

I agree with the recent comments of Mr. Buffet that no one in America should become roadkill of international trade, especially not the hard-working men and women of the U.S. But when the management of these organizations position themselves in the middle of the road and stop in a beaten up old car, can we really expect the U.S. government to step in and place traffic light signs to slow or halt the nicer-looking, more efficient international automobile?

I would like to underline that I feel responsible for my entire workforce, all associates at my U.S. plant, and I have a commitment to investment and production in the United States. The facility in Lafayette is my baby. With these strong support of the most fantastic team I would ever have hoped for, we have raised one heck of a young adult.

Nevertheless, I simply cannot ignore the reality that the automotive industry waits for no one and for nothing. To highlight this point, in 2013 our facility took a direct hit from an F-3 tornado, obliterating 30 percent of our manufacturing capacity. Within 48 hours, we had the rest of the facility fully operational and with the help of our international partners and domestic competition, we had the balance of our business sourced and supplying

parts to assembly facilities throughout the world within four days.

Not one single production line was affected as a result. To underscore our commitment to U.S. manufacturing, all of the insurance proceeds were reinvested in Lafayette, when we could have just as easily invested the funds in Mexico to support our already-existing demand.

That was a natural disaster. This one is man-made, and I can assure you that in 45 days if this case is not dismissed, these actions will accelerate the market forces already working against our U.S. manufacturing base and will either force our hand or the hand of our customers to move business overseas in many places closer to the customer locations in Mexico, to ensure the continuity of cost, quality and service, resulting in the loss of precious U.S. manufacturing jobs, future investment and all but killing the chances of fixing the trade imbalance. Thank you.

STATEMENT OF ALEXANDER H. SCHAEFER

MR. SCHAFER: Mr. Anderson, members of the staff, good afternoon. My name is Alex Schafer from Crowell & Moring on behalf of Metalfer. I am acutely mindful that I am among the final impediments to your lunch, and Mr. Planert will attest, I think, that my stomach is speaking in complete phrases, so I am going to try and be as relatively

brief as I can and raise just a couple of points for your consideration.

If I could refer you to our little handout, which has my cover page on it, there are just a couple of items that I was hopeful to go through.

There are two points I want to raise. One is in my capacity as a humble truth seeker, and the other is in my capacity as a shameless advocate. So let me do the truth-seeking bit first.

If you go to the first page after the cover page, you will see page 10 of the Petition. And at the bottom I have circled the piece. The Petitioners have listed a number of Tariff codes, and then they go on to say this product may also be entered under HTS US Subheadings, and there are a couple there. The one that I have circled is 7306.3010.

If you go then to their import volume exhibit, though, at the bottom--and this has been brought up by a number of witnesses--at the bottom by the asterisk, it lists the tariff provisions that were used to furnish these data, and 7306.3010 isn't in there.

Now we were a little puzzled by that. This morning Mr. Luberda shed some light on that when he allowed as how there's likely some merchandise in that heading, but the data aren't clean. And so the data that Petitioners

have supplied you were the cleanest that were available to them.

And I think we understand that, but our concern is the possibility that that cleanliness is coming at the expense of accuracy. And if you move on to the next page, you will see what I mean. Here is a report from the International Trade Commission's Import Database on imports in 7306.301000. It's fairly striking for a number of reasons.

First, you've got to go all the way down to country number four before you get to any of the subject merchandise. And second, the volumes from Canada and Mexico are really quite startlingly large.

Now we are working to suss out what proportion of this might be subject merchandise, but if it's any sort of meaningful proportion that could have some quite profound implications for the Commission's underselling analysis, for the import volume trends, for negligibility, for Bratsk, and a number of other factors that the Commission needs to take into consideration. So we are hopeful that the Commission will consider the extent to which imports in this category and in the tariff category and the following couple of pages, which we have reason to believe also may include subject merchandise, may be within the scope of the Petition.

So that's wearing my truth-seeker hat. Here's the sick shameless advocacy:

If you look at Metalfer's Foreign Producer Questionnaire response--I obviously don't want to stray into APO territory here, but there are a couple of things that I think kind of jump out.

One is the proportion of overall Italian imports that it represents. It's quite high, and never more so than in the most recent period, in 2016.

Now we heard from Mr. Hart this morning that nobody in the room can tell you where the products ultimately will go, or what the end-use application will be--or at least they can't tell you all the time.

I don't know whether that's true for the industry at large. I'm a little skeptical of that claim. But I do know with certainty that it's not true for Metalfer. They know exactly to whom their product is going, and they know exactly for what it's being used.

We are going to provide more detail on this in our post-hearing brief because a lot of it, as you can imagine, is confidential, but suffice it to say it is a proprietary alloy that is sold to a single customer and used for a single end-use application.

That customer does not, and insists that it cannot, procure that product from the domestic industry, nor

does it buy it from any of the other subject producers. This is fairly significant for a number of reasons.

First of all, what we have is archetypal attenuation, right? We've got Metalfer playing in a commercial space that none of the other domestic or subject producers occupy. Now that is significant for the Commission's injury analysis generally, but it is also quite significant for cumulation specifically.

When you have a supplier operating in a different commercial space than everybody else, that is when you decumulate. And so we urge the Commission to consider whether in fact imports from Italy really are operating in the same commercial space as the other imports and as the domestically produced merchandise. We submit, respectfully, that they are not.

And as a result, the Italian merchandise should not be cumulated together with the merchandise from the other subject countries.

That is everything I wanted to get to today, and I am pleased to take any of your questions. Thank you, very much.

MS. MENDOZA: That concludes our presentation.

MR. ANDERSON: Thank you very much to counsel and for our witnesses for being here, especially those who have traveled quite far. We appreciate your testimony.

We would like to start with questions from staff now and we will start with Ms. Martinez.

MS. MARTINEZ: Good afternoon. Thank you for being here today.

I feel like you have covered a lot of issues, so I apologize in advance if I am jumping around quite a bit, or try to make connections. Where do I start? Okay, so in terms of the HTS number, the 7306.5030, you were saying that all of the imports coming in under that HTS number you consider to be nonsubject?

MR. HORGAN: This is Kevin Horgan. No, that's not correct.

MS. MARTINEZ: Okay.

MR. HORGAN: We think there is a substantial quantity of nonsubject within that tariff category. So we're not suggesting that that tariff category was wrongly included in the Petition, because it does cover subject merchandise.

MS. MARTINEZ: So then what makes the nonsubject?

MR. HORGAN: It's the fact that there's no cold-drawing process. You've heard a lot of testimony this morning about how you have this draw bench. So you take the tube, and after the tube is made, then you put it in this other machine, and give a mandril, and pull it and grab it and pull it through. None of that happens with respect to

this product.

This is a cold size product, and I'll let Joerg talk to this more technically, but basically this cold sizing, that term that they used, refers to something that happens during the tube production process, not a post-tube production cold-finishing operation.

Joerg?

MR. TILLY: Yes, good afternoon. My name is Joerg Tilly with Salzgitter Management. As Kevin explained, also just over the weekend it was brought to our attention that one of the other German importers obviously brought in this product under the European specification EN10305-3, which is the so-called welded and sized tube, considered being a weld tube in technical understanding. Whereas, we heard many times this morning that a true cold-drawn tube is actually a two-step process where you produce your mother tube, your hollow, or either in the welded or the seamless process, and you bring that to your draw bench where that tube is being cold-drawn over a mandril die.

In this other welded process, one-step process, a tube is formed out of sheet metal into a tube, welded, and it's the same process through rollers, that are rolling at different speeds. It's finally sized, but it's neither going through a die nor it's being cold-rolled over a mandril, and you also don't achieve mechanical properties --

(microphone went out briefly) that you would want to achieve through a cold-drawn process with this process. The main reason why you would use this process of welding and sizing is pretty much so you can limit the variety of your input material, where you need only a certain thickness of hot-rolled or cold-rolled coil, and you can size it then to a more final size.

And there's no overlap in the end-use applications. So you would not be able for pretty much all end-use applications where you would need cold-rolled tube that you could use a welded and sized tube because you still have to weld seam in that tube, and that is one of the biggest reasons why you have the cold-rolling process anyhow is that you could form that tube in a way that the weld seam is not an issue anymore in your further production process.

So for instance a hydraulic cylinder. You could not make a hydraulic cylinder out of a plain welded tube. You have to cold-roll it.

MS. MARTINEZ: So you mentioned that there is a U.S. importer that imports this product from Germany. And did they supply a questionnaire response to the Commission?

MR. HORGAN: Yes, they did. So I think if you look at the questionnaire data--and that's one of the methods we suggest you use to avoid this problem, or correct it, is just to rely on the questionnaire data to determine

the imports from Germany, rather than using--and I think you've got pretty good coverage on Germany. I think all the four major suppliers have supplied questionnaire responses.

MS. MARTINEZ: So this issue of the HTS number you're saying is specific to Germany? Or--

MR. HORGAN: Yes, it's specific to Germany and just to one company. And we're going to document that in our post-hearing brief. So you can approach it two different ways. And maybe this was a mistake. You know, maybe this should have been classified somewhere else. But this in fact is where it was classified.

So that being the case, we're going to document and demonstrate that the quantity that was imported and where it was classified upon importation, so you can either adjust the import stats or, in lieu of that, you can just use the questionnaire data. But this will explain why it is appropriate to rely on questionnaire data rather than the import stats.

And that's just for Germany. So this is an isolated problem as far as I know.

MS. MARTINEZ: Okay. Thank you.

MR. MORGAN: Ms. Martinez, if I could just raise one point because it's on Petitioner's slide three, the public version, the second bullet point is quite clear. I know there was a little bit of a change in position after we

raised the issue, but they state in express terms: Cold-drawn mechanical tubing is not interchangeable with non-drawn tubing products.

That's the only concluding point I wanted to make on that.

MS. MARTINEZ: So in the Product Scope, it says: Subject cold-drawn mechanical tubing that has been cold-drawn or otherwise cold finished. So cold finished is something different than what you're describing, that you just described, right?

MR. TILLY: Yes. This is Joerg Tilly with Salzgitter Management again. Yes, welding and sizing is not a cold forming process.

MS. MARTINEZ: Okay. Thank you.

So with respect to the cold-drawn hydraulic fluid line product that you're saying is different than--it's a different like product, can you--so the domestic industry this morning said that it's the same thing and it's interchangeable. Can you go into that a little bit?

MR. PLANERT: Yes. This is Will Planert from Morris, Manning. Before I let the industry people in, I want to try and clean this up a little bit because the terminology "hydraulic" is what's throwing us off. Okay?

One of the first things that Mr. Luberda said today is he said, look, this is a mechanical tubing product.

Mechanical tubing is essentially a structural tubing. One of the other witnesses on the panel this morning said that, you know, mechanical tubing essentially does work. It lifts. It pushes. It pulls. All of that is I think correct and none of that is at all inconsistent with what we're saying.

The product that we are suggesting is a separate like product is a cold-drawn hydraulic fluid line pressure tubing product. It's SAE-J524 and 525 is the spec. It was explicitly--it was included in the Petition, so it is within the scope. However, unlike virtually--no, everything else that we understand to be in the scope, it is not a mechanical tube. It is not a mechanical tubing product. It is a pressure tubing product.

The other thing that Mr. Luberda said, he said other types of product, other types of tubes are used to convey fluids and gases and whatever. Well that's what this does. This conveys fluids and gases under pressure.

There is another product that has the word "hydraulic" in it, which is hydraulic cylinder tubing. And when they answered back, that's what they described. We agree that's a mechanical tubing. That is not the product we're talking about. So we are talking about a very specific product that, unlike everything else in the scope of this case, is not a mechanical tubing product.

In fact, as James mentioned in his testimony, there is a similar product that's a boiler tubing product called A-179, that they specifically excluded from the scope of the case. And yet this product is sometimes used as a substitute for that one in certain circumstances.

So we think it's a bit of an anomaly that it's in the scope of the case, but it's there and therefore we think it needs to be considered a separate like product. As James also said earlier, the U.S. production is very limited of this product. It exists, but it's very limited.

The physical characteristics are very different. The chemistry, the mechanical properties, are all very different. The end uses are very distinct, and the members of the industry producing the product we think are very differently.

MS. MENDOZA: Julie Mendoza. I would also just add that in response to Ms. Taylor's question about boiler tubing being excluded, they walked through all of the reasons why boiler tube was excluded. And I'll suggest to you that if you look at most of the things that they said, or many of the things that they said and why they said there was no overlap, it also applies to the A-524. And in fact, as Mr. Planert said, 524 can be used in place of this boiler tube pipe.

And the reason is because of the basic

characteristics of the product. In other words, there is in this world, right, there is a difference between mechanical tubing and pressure tubing. And it's one that every company respects in their websites if you go to them and look at them.

So this isn't something that we're making up. This is something that's confirmed by all of their websites. And in fact confirmed, as Mr. Planert said, by the testimony of the domestic industry witnesses.

MS. MARTINEZ: Thank you. I suspect maybe Mr. Soiset will have more questions, but for now if you could just include in your post-conference brief a thorough analysis using the Commission's factors, that would be very helpful.

You also talked about the components--I think Ms. Ellis talked about the components. Is this related to--but you also mentioned about issues with the smaller diameter and how that's also not--what is the smaller diameter? Is it related to the pressure tubing issue? Or is it the components? Or is it a complete separate issue?

MR. SARAN: This is Sidd Saran from Salem Steel. The small diameter is related to the fact that contribution margins on that could potentially be low because there is less tonnage associated with smaller tubes. And so they are priced differently.

Often they are less favorable than other tubes. And they could be--you can see that less favorable indication based on the pricing.

MR. MORGAN: Ms. Martinez, this is Frank Morgan. If I may just add, the legal part of that is that in our view there appears to be three segments to this market where competition occurs somewhat differently based on the size of the tube in question.

And so that's the point we'll be making. It's not a like product, but it appears that there are different market segments based on the sizes as delineated by those three different groups.

MS. MARTINEZ: Do we know how much of the stuff is being imported into the U.S., the smaller diameter?

MR. MORGAN: The questionnaires didn't collect data based on size. It's our view that the imports are focused in Group 1, but we don't have a data point to give you on that based on what's been collected so far

MS. MENDOZA: This is Julie Mendoza. I would just add that I think one of the things we're trying to suggest is that the Commission should collect data on that in the very unlikely event that you go to a final phase.

MR. BALL: Ma. Mendoza, this is Andrew Ball from Voestalpine. Maybe just to explain some of the technicalities in the industry. So with regards to the

automotive components that perhaps suit the heavier walled, more standard size applications, like I mentioned, axles, drive shafts, where typically I guess if you're not a mechanic you can look at a vehicle and see that tubing. It becomes very apparent.

The products that we are involved in, our self and fabrications, are really based around the very high end noise and vehicle harshness, safety restraint markets. Typically that's driven by very lightweight applications where the customers are looking for high material properties, and they're driving out weight. And that is an engineered component. Hence the reason why we have so many different size ranges covering all of the different products that we buy.

So I can't go to a distributor and buy a size for something. Whereas the markets, for example in agriculture and mining, typically that industry is a standard size that you go to. So we don't compete in that market because we don't bring any engineering prowess. So it's basically a standard product.

MS. MARTINEZ: So at what point does a cold-drawn mechanical tube become a component? Because, you know, in the product description it talks about how minor workings are still subject merchandise.

MR. BALL: So maybe, to be clear, so we also have

cutting operations. I take a completely different stance with one of the Petitioners this morning when they talked about it being a non-expensive industry to get into. I mean we have tens of millions of dollars of investment.

The equipment that he described hasn't been used since the Second World War. None of the facilities in the modern world are using the cutting equipment that he described. So when I buy a machine, I'm spending one-and-a-half million dollars on a machine.

We have 16 machines like this only doing tube cutting. Most of our business is surrounding further value-added products, all of which take mechanical tubing as the starting product in 17- to 20-foot lengths.

So if you ask when it becomes a component, I guess at the end of our production lines is when it officially becomes a component and ceases to be a mechanical tube.

MR. PERRY: One thing I would add is, I am concerned because when he says "tube cutting," if you look at the scope--William Perry from the Law Firm Harris Bricken --- if you look at the scope, the cut tubes appear to be in. Now he says I'll go to Commerce and I'll talk to them, but circumvention.

And what do I mean by this? I can see this becoming another aluminum extrusions case where they go to

the Commission and say look at this little industry here. And then they go to Commerce and they expand it to cover everything. And the ITC's injury determination should cover every product within the scope.

So that means if tube cuts are in, all tube cutting companies here in the United States get a questionnaire. If they're out, then they're truly out. But you've got to have one covering the scope. I mean that's required.

And I don't know, I used to work here at the ITC and later Commerce, but I can tell you I've never seen an animal like aluminum extrusions, which has turned out now to cover curtain wall, the sides of buildings. We're talking like skyscrapers are now covered by the aluminum extrusions case. And this is expanding beyond any conception I think the Commission ever had when it had the injury in this. So I'm calling it up now.

MR. MORGAN: This is Frank Morgan, just to maybe add to that. Again for purposes of the preliminary, we're talking the domestic industry as Petitioners have stated today. It does not include cutters. That's going to be the basis on which we argue that the flat volume of imports has not injured the domestic industry, as Petitioners have told you today what it is. We will fight the battle at Commerce over the scope, and if we need to come back to a final and

fight about the domestic industry we will be better enlightened by the wisdom of Commerce on what the scope is.

Thank you.

MS. MARTINEZ: I asked the domestic industry panel to provide in their post-conference brief a value-added analysis on the cutting operations. If you could also do the same, that would be really helpful.

MR. PERRY: We will do so.

MR. BALL: This is Andrew Ball. I guess from my perspective I want to be clear that it's not just "cutting." So we make some--

MS. MARTINEZ: It's separate, right? So you have some cutting to length operations, and then the components' operations.

MR. BALL: That's correct. So would you like to see the value add analysis for all of the product lines using mechanical tubing?

MS. MARTINEZ: I think for now just the cutting to length part. If my colleagues want a fuller analysis, they can say so.

MS. ELLIS: I would like to add something. This is Julie Ellis, Tube Fabrication. When you say "cut to length," that implies you're just literally cutting a tube and that's it. You have a cut length. But our cut-to-length, and we call them "components," because we

start with an initial cut to a blank length. Then it goes through an end finishing, some type of machine that actually faces it to a final length, very precision final length, maybe five to eight thousandths total length tolerance.

It has specific champers that have to be put on it, that have to be very consistent in order to not create issues with our customers' process. So at the end of all this, there is sometimes additional coatings and different things that go to it. Those are our components.

So what you may call a "cut tube" is our "component." They're not just a rudimentary quick cut piece of steel.

MS. MARTINEZ: But I think what we were discussing with the domestic industry was probably the more what some of them are involved in, the cutting to length, and the minor workings that are described in the description.

MS. ELLIS: And where we're included there I guess.

MR. BALL: Sorry. Andrew again from Voestaipine. Just to clarify because the value stream, and I think it's being talked about by some of our importers as well, the value we bring isn't necessarily in the conversion. I believe the Petitioners have said it's a low value add activity. We agree with that. It's an extremely competitive market, hence the reason why we spend millions

of dollars on equipment in order to be extremely efficient at it.

Maybe because you're not in the industry, but for us it's 60 million components a year from 180 different tube sizes just for our one facility. So I wanted to put it into scale. So the value we provide is the value of servicing the customers in these industries, zero defect, on time every time, not making large batches and shoving it into a warehouse. It's not a commodity product.

So I know you don't live in the space like we do, so I think it's worthwhile sort of explaining a little bit so you get a feel for that value chain. And the value is not necessarily in the engineering prowess, but a conversion on cutting, it is definitely on the service and what our customers expect from us. Which is, if they pick up the phone today they expect to have an order tomorrow. That's the value we bring.

MR. PERRY: I mean one thing that we --- when you talk--and this is Bill Perry, William Perry at Harris Bricken again --- when you talk about the domestics, they always talk about lead time. One week lead time. Two weeks lead time. When you get the order to when you produce the product. There is no lead time for these guys. They will get the order, and they may have to produce it the same day.

So there's no lead time here. That's the

difference.

MS. MARTINEZ: Thank you. I wanted to talk about, so just going back to the HTS numbers, I think Mr. Morgan talked about--or, no, Mr. Schafer talked about these other two HTS numbers that are not included in Petitioner's import data that they submitted to us.

So I just wanted to make sure. Your concern is that there is most likely a lot of subject merchandise in those HTS numbers? I was under the impression that they were--it's kind of a catchall category. So the likelihood of there being a lot of subject product in those HTS numbers was low?

MR. SCHAEFER: I think our concern is that we really don't know. We don't have much of a basis on which to draw conclusions about the proportion of subject merchandise that's in there. It depends a lot on the vagaries of the way people sort of classify stuff, but I mean I think that even petitioners conceded that there are certainly some in the category where those imports from Canada and Mexico were so large.

And we're just reluctant to kind of shrug and say, "Well, we really can't quantify it, so we'll just have to sort of let it slide and move on with what we do have." We think that the analysis would do well to be a little more refined than that.

MS. MARTINEZ: Thank you.

MR. MORGAN: Ms. Martinez, can I just add -- in the importer questionnaires though, the Commission has asked the importers to report, to the extent it doesn't fall in one of those categories, so you will have the data in the importer questionnaires. I think the issue really stems more from nonsubject countries, Canada and Mexico is what we're really talking about when, or where the concern may lie.

And so to that extent, we're not talking about the countries you're gonna be getting the importer questionnaires from. And again, this would be an issue which we don't believe is necessary to resolve at the preliminary phase, but if it becomes necessary to go to final, we want to reserve the right to address it then.

MS. MARTINEZ: All right, thank you. Going back to Mr. Sekar's testimony regarding the welded versus seamless. The domestic industry testified, saying that they were completely interchangeable for an end-user. Are you saying that just in the production process, it's a slightly different production process?

Like, they're different production lines, and of course, the welded is gonna go down one production line, and then the seamless in another. It would be costly to switch one production line? But is that just where you're drawing

the differences from? Or is it after, for the end-user, is it seen as a different product? Because it's contradictory to what the domestic industry said this morning.

MR. SEKAR: It's completely a different product in all perspectives, starting from manufacturing angle, technical specification, the equipment used to produce these tubes. Seamless is produced from ingot, pierced we produce a hot finished to seamless, and then cold-draw it. ERW tube, the mechanical tubing, welded tube is produced from that flat coil and then they are cyclical and roll-formed in that tube mill, and then cold-drawn.

The manufacturing process itself is structurally different, and the technical specifications is also completely different. The way we should have, for example, in the production itself, in the petition they mentioned, they have ASTM A513, and also ASTM A519. This 513 is for welded tube. 519 is for seamless tube.

Because things there are completely different product by nature. That is the way the ASTM is having different standards. If you have to say, both are in touch and able, and both are of similar product in nature, then we should have only one specification. Why we should have two specification? And that's what the product character suggest to add to my point. Like damage to the properties, the metallurgical properties, and the mechanical

consistencies, purity of the steel.

When I say purity of the steel, that's like inclusions. That is the quality of the steel. It's all totally different when compared to a seamless product and a welded product. This welded product is much speedier because of the advancement of steel making technology, but as the input material for the seamless process is totally different.

The fault, you end up having a lot of recarbonization in the material, having inclusion rating in the material, which are detrimental to the application requirement. Therefore, they are not compatible product.

MS. MARTINEZ: There are the days in the cold-drawing process, what defines it? Whether or not it's made from the welded or the seamless? Once you cold-draw it, it just becomes cold-drawn mechanical tubing, and there's no differentiation.

MR. SEKAR: Yeah. I would not agree to that statement, just because the input material is different. The cold-drawing just manipulates the dimension, like diameter and thickness. It won't change the basic metallurgical characteristics of the steel. The metallurgical characteristic of the steel is already in-built. That is from the input material, so what the cold-drawing does is, it changes the shape, that's it.

MR. PLANERT: I'm sorry. I wanted to point out one thing specifically to your question. You're right that at one point in your testimony when they were asked, is it, oh, yeah, completely interchangeable, but there was an earlier point in their testimony where they conceded that there is a range of products within which you can use welded.

And there's whole other products that you just have to use seamless. So I think you need to look at the transcript. You know, when they were discussing sort of the evolution of the U.S. industry and how it's different, they pretty much admitted that there's not complete interchangeability.

There are applications where you need a seamless tube. Now, maybe it's theoretically true. I don't know that, for an application where you can use a welded, you could probably use a seamless, too, although whether that would make any economic sense is a different matter, but I don't think their testimony, when you look at it as a whole was quite that categorical.

You know, once it's cold-formed, it's just all the same stuff. I don't think that's really what they said, and I certainly, as Mr. Sekar is saying, I don't think that that's correct.

MR. TILLY: I would like to clarify on that

point. There is a significant difference in the welded and redrawn and seamless and redrawn product. And that has actually a lot to do with the end-user application, and there's a finer tolerances of the tube. Welded and redrawn tube has much, much tighter tolerance as in a seamless and redrawn tube.

And there is a reason why the welded and redrawn tube, especially in the North American market, is the preferred product for the hydraulic cylinder industry, which is also the biggest segment in this cold-drawn mechanical market on the welded side.

A seamless tube, you would typically only choose because of the not-so-good tolerances, for an application where either the specification requires a seamless tube because of history or because it is somewhat a pressure application, coming back here in our arena, which is again, pretty much only the automotive industry.

It would be, for example, an airbag inflator tube that has to be seamless, because there's an explosive in it which -- it cannot be a welded tube. But coming back to hydraulic cylinder tubing, the product of choice is a welded and redrawn tube, just because of the tighter tolerances, because every, almost, most hydraulic cylinder tubes will be processed on the ID, through a holding process in order to make them even more precise and bring the

surface quality to a certain level that you need for the cylinder piston and it will be just inefficient using a seamless tube for that because you have to take off much more material.

That's also the reason why the industry is quite differentiated. In the U.S., the product of choice for hydraulic cylinder is welded and redrawn tube. In Europe it's because of the history, it's a seamless country. It's seamless and cold-drawn, but therefore also the processing for the hydraulic cylinder is different.

In the U.S. it's a honing process, and in Europe, it's a so-called skife and roller burnish process. In order to take more material out at the same time. And so my point is this. There's a significant difference in the end-use application. Why? A processor, fabricator, manufacturer would choose a welded and redrawn tube over a seamless tube.

MR. KARAYANNIDES: I'd like to make a comment regarding the difference between a seamless tube and a welded tube, cold-drawn. A seamless tube can do any size that a welded drawn tube can do. Tolerances may be a bit different. A welded and drawn tube cannot do all the sizes that a seamless tube can do.

I pointed out earlier in my testimony a diesel injection tube. There's no way that you can produce a

diesel injection tube as a welded drawn tube. It has to be produced seamless. Because of the tolerances, the seamless tube has the ability to create very heavy-walled thicknesses with small diameter roundness. This is something that the DOM welded drawn tube, the technology's not there for them to do it yet.

MS. MARTINEZ: Thank you. That concludes my questions for now.

MR. ANDERSON: Thank you, Ms. Martinez. Mr. Soiset?

MR. SOISET: Thank you. And I also want to thank all of you for being in attendance today. Your help is always extremely useful in our investigations and we just thank you for your time and energy.

I think some of my questions might be directed more at counsel today, than some of the witnesses. Starting out, negligibility. I'm not hearing any parties here contesting negligible imports, so I just wonder from counsel, if you could each confirm, is this an issue that you plan to contest? Or do you concede that imports are above negligible levels?

MR. SCHAEFER: We're sort of putting a pin in negligibility, because we're not convinced that, as we've discussed, given the various sorts of fluid concerns floating around about what's in different tariff provisions

and what's not. We're not convinced that the record is perfectly accurate as to import volumes yet.

Italy -- if you accept the volumes that are in the petition, certainly the material from Italy is above the threshold for negligibility, but to the extent that those end up being wrong or different, and morphing over time, we reserve the right to make an argument about that, based on whatever the math shows when we get that far.

MR. SOISET: All right. Anybody else?

MS. MENDOZA: We do not intend to make any arguments with respect to negligibility.

MR. HORGAN: That's true also for the Germans.

MR. PERRY: True for us, too.

MR. MORGAN: Also for us.

MR. SOISET: Okay. I think that's everybody. Thank you. Now, I'm trying to wrap my head around some of the arguments we've got here. It seems like, between the different parties and different firms, we have some groups arguing for different domestic like products, some arguing for attenuated competition. And so I just wanted to be clear.

For the parties arguing for distinct domestic like products, that maybe in your post-conference briefs you address our six-factor analysis on this, really specifying within that context why you think the product you are

arguing for is a distinct domestic like product, as well as identifying a domestically produced equivalent to that. And also to the degree you can talk about if it comes in different HTS numbers or anything else regarding imports of that product.

And that also goes -- I'm not really clear about this discussion of seamless versus welded. It's not clear to me. Are we arguing that these are different domestic like products? Or simply these products compete differently? And there's attenuated competition between them. And to a degree that you believe any imports from subject countries specialize in one or the other and therefore have attenuated competition with domestic like product, if they focus on one or the other, if you could specify that as well. And if anybody has something to say on that now, I'm happy to hear.

MS. MENDOZA: My understanding is that, and I can be corrected by co-counsel, is that the only like product argument being made here is with respect to this hydraulic pressure tubing, which we're saying, is this separate like product when we walk through the physical characteristics, the production facility, the end-users, customer perceptions, and price, which were your factors. And we'll do it in greater detail in our brief.

MR. SOISET: And identify domestic equivalent.

MS. MENDOZA: Yes. I think that --

MR. PLANERT: Well, for a starting point, I think that there is some domestic production of this actual product. I think, as James testified, it's limited and it's only one U.S. producer that we know of. To the extent that the domestic like product included anything beyond that, we'll look at that and do that in the post-hearing.

MR. BALL: Not a legal topic here, but only one for clarifications. One of our larger uses of seamless material is exactly for the application that you're mentioned, which is airbag tubing, and it's much less related to the sizing operations and the mechanical properties as it is due to the work that takes place after the tube is been made, which is a quench and temper operation. And that quenching and tempering is an absolute requirement of Nitzer.

Most of the reason, if you follow the Takata airbag recall, this particular topic is extremely important to us, and we cannot procure those material in the United States. Our customers have visited many of the producers here. None of them have been willing to make the investment, so if this petition moves forward, then this is a complete block to this very specific application.

MR. SOISET: Thank you. Yeah, it seems like this is a theme emerging from several groups that you make

very specialized products that you believe the domestic industry does not/cannot make. And so I'm wondering if, here, or if you think this is proprietary, this can be a follow-up in post-conference briefs, what is distinct about these products that differentiates them from the domestically produced products?

And I know that might be a little bit different for each of you, and probably gets into some proprietary information, but the more we have on that, it would be helpful. And also a clarification is that domestic producers generally don't want to produce this, or they cannot produce this.

MR. PERRY: One of the points I was listening this morning was at least these guys know specifically, in detail, what the end use is, and therefore has to tailor their product to meet the end use in the automotive industry. They said, in some cases, "We don't even know what the end use is."

MR. TILLY: I would like to skip in here. And that is exactly the case as we pointed out in our presentation. 97% of our products are clearly for the automotive industry. We know every customer. We know every end-use application, and we even know our customers and final customer, to some degree, even all the way into what vehicle this part, at the end of the day, will be built in.

MR. BALL: Only to explain a little bit further that I can't answer whether they can't produce, because none of the petitioners who've knocked on our door, even though they know that we are large consumers, and many of them have sold to us in the past, so I guess I don't really understand facing such hardship as to why they wouldn't be calling on us to try to do it.

Certainly on some of the sizes, they can, as you heard earlier today that one of the petitioners openly admitted that they have to import the material in order to do the very low value-add drawing operation. So the specialty in that case is in the pre-material.

One of the petitioners here today has been sent inquiries to us for some of our higher value-add, much higher volume business that we thought would suit the U.S. producers, and they had to acquire that material from overseas from the same source that we currently use today for our pre-material, and therefore, of course, there's a financial disadvantage. Therefore, they were not competitive in doing that.

So, it's not that we don't try. We try all the time, it's just simply there is this huge gap in the market that's not being fulfilled by the domestic producers.

MR. SOISET: Thank you. And moving on to domestic industry, I believe that Ms. Ellis, Mr. Ball, that

it seems like you're arguing that your manufacturing operations in the United States make you a part of this U.S. industry, and I know Ms. Martinez is also speaking with you about giving us more details about those operations.

I would encourage you to really just -- whatever manufacturing operations are in the U.S. cutting whatever else, that you do give us information about that. And are sufficient production-related activities framework, Mr. Perry.

But that the more you can provide on that, would be the better for us in my view so that we can have an understanding of the scope of the work that you're doing here. The value it adds, the expertise, and capital investments involved in that. I think it would help us for our analysis to figure out, what are the boundaries?

Because I think we don't necessarily know if cutting is the line between, you know, a distinct industry and something else. So I think the more we have about what you're doing, it would help us. I think that's all for me at this time.

MR. ANDERSON: Thank you, Mr. Soiset. Ms. Gamache?

MS. GAMACHE: I would like to join my colleagues in thanking you for coming today. Your information, your testimonies have been very helpful. I think my remaining

questions are mostly going to go after the purchasers' perspectives and the different sort of characteristics that they consider when making their purchasing decisions.

So Mr. Perry had spoken earlier about very short lead times. Could you clarify the order day of, is that from the importers? Imported to their customer, there's like a day turnaround?

MR. ELLIS: I can speak to that some. Again, Andrew has also -- we're automotive suppliers. So every single long-length tube that we buy is for a specific application, and we work on a contractual basis. So once we work through the PPAP process to determine the material spec, the grade, everything about it, what mill it's coming from, we're locked into that for the life of the part.

So it's not like quarter to quarter or year to year, we can change raw material suppliers. We're locked into that supplier for the life of the part unless we get preapproval from our customer all the way down to the vehicle that it goes on.

So with that, we operate typically under scheduling agreements. So we may get maybe four weeks of fabrication or two weeks of fabrication, a few weeks of material authorization and some forecast, usually not quite enough.

From that though, those numbers fluctuate

several times a week. I may owe 10,000 pieces today for a truck that's picking up tomorrow, and tomorrow morning they may change that and say, "I need 20,000 components to go on that truck," so we have to plan on materials, usually at least thirty days ahead to have enough there for the flexibility and to offer that service to the customer because their numbers change with the automotive companies.

There's not much lag in the supply line between us, our customers, their customers, or if it's direct to automotive. So most of them are going into, at least my components go into companies that are making various bushings, the rubber to metal bonding and we've got coatings and things in between there. But anytime we miss -- if we miss a delivery, we quickly would shut an automotive line down very quickly. And that's what we're concerned about here today.

MR. BALL: Just to point out the significance of that is that during the tornado, one thing that perhaps remained or was salvageable was the pre-material, and it was extremely important to our customers that the pre-material be moved so Tube Fabrication actually supported us during that time to take some of the cutting business.

But the requirement was that they used all supply chains. So we remained in charge of the supply chains, and then of course the customers came down, they

were on site to Tube Fabrication, doing all of this PPAP approval process extremely quickly. But the one thing that couldn't change was the supply base.

MS. GAMACHE: Thank you. Are there other firms here that work outside of the automotive industry? And if so, do you have the same sort of experience with lead times? Do you have a little bit more flexibility?

MR. SARAN: We supply to customers, many of them are distributors, some of them are OEMs, and they cater diverse range of industries. Automotive industry, but also agriculture, also oil and gas, also mining, so first answer to your question, yes.

Second answer with regards to lead times, lead times are important, so often a customer calls us and they want their material the next day or within two days, or certainly within a week, and so we have to manage our inventories appropriately to meet that. That is very important for them. To some extent, they are doing just-in-time production.

We are doing just in time to meet that. We also try to anticipate demand. And for that, we purchase products and have them in our inventory, such that when the call comes, we have those products available. The lead times that we have to work with are obviously much longer because it takes three or four months' time to ship products

from elsewhere. So lead times generally are very important.

MR. HORGAN: Excuse me. I'd like to take this opportunity just to -- I'm gonna actually ask Joerg to talk about this, but there was some testimony this morning that seemed to indicate that you shouldn't really think about oil and gas, the oil and gas demand or industry, because this was not OCTG. And I think Joerg could explain a little bit about why mechanical tubing is still important in the OCTG industry, and how oil and gas demand affects the mechanical tubing industry.

MR. TILLY: As I mentioned just a few minutes ago, the biggest market segment was in the cold-drawn mechanical market. It's certainly the hydraulic cylinder business, the second largest and probably the automotive, but not much smaller is certainly a section of the oil and gas industry, which is of course not a separate product, Oil Country Tubular Goods.

We are talking here about the oil and gas accessory market, where there's a huge demand for mechanical tubing, especially since 2009, 2010, with the beginning of the fracking industry, where due to the specifics of the fracking process, which really took off here in the U.S. There's a much, much bigger demand for so-called oil-tooled or oil and gas accessories, which can be drilling more

towards -- so-called perforating guns, which are actually perforating the shale formations in order to allow the fracking process.

And there certainly are a number of at least fifty to a hundred different accessories where there's a need for mechanical tubing and of that, also cold-drawn and which really skyrocketed from 2010 until 2014, and then with the oil drama we all experienced worldwide due to OPEC and all of that with the crash of the oil products and the pressure of the North American fracking industry. That brought additional pressure to the mechanical tube market.

MS. ELLIS: I would like to add to that. During that 2010 time, I believe that was when we were here the last time to be specifically excluded from the pipe case, to have mechanical tubing excluded, and it was during that time when that gas and oil business--I may have referred to it--to the Oil Country, but it's that support business or the business around that industry.

And I know some of the domestic manufacturers' lead times -- we were quoted at nearly a year. We tried to place one order in September. We got a delivery date of the next June. Automotive, you don't have that kind of time. So they were extremely busy in those years after 2010, prior to where things slowed down for them, apparently in 2014, but products that we placed business on after that time,

those are long-term contracts for the life of a vehicle production, and wherever those were placed, they stay there through the course of the life of the vehicle, unless there's a conditional allowance from automotive to make some kind of a change.

MR. BALL: I guess if you can picture a tube that's being shoved into the ground, then picture the size and the wall thickness that that material might have to be, then think of the equipment that would be used to produce such a tube. Now think of very light-weight vehicle applications, and you can see immediately that the equipment used for the production of our tubes is likely to be completely different to that that's being used for the oil and gas downstream applications.

We heard this morning as well that further investment had been made. I suspect that those investment decisions were based upon a very big, booming industry at that point in time. We see this across the world. People live in the belief that these types of situations are going to continue and so I guess it would be interesting to understand what type of draw benches were being invested in during this period of time, that are today sitting idle. My guess would be that it's better suited to the oil and gas industry.

MR. SARAN: The last thing that I would add over

here is that tubes are used in the energy industry. If we simply look at statements that the petitioners have made when explaining their results to their investors. They talk about fall in their revenue, attributed to the decline in the energy industry.

So my point simply is, the fluctuations in demand in energy affect the fortunes of those who are manufacturing mechanical tubes.

MS. GAMACHE: Thank you very much. My last question will be factors other than price that are important to purchasers. I think I've heard a little bit about flexibility to request smaller orders and the ability to fill gaps and to have quick lead times. Are there other characteristics aside from price that you've found that purchasers value?

MR. SARAN: Yeah, the factors other than price, obviously product quality -- that's a given. You know, you have to be good quality. Timeliness of deliveries, that's important. Lead times are very, very important. Service, of course, is important. Small minimum quantities are generally important. There's a big difference to saying, yes, the minimum quantity you have to order for this is fifty tons, or three hundred tons versus, let's say, ten tons. You know.

We find that these are some of the key criteria

for our customers other than price. In fact, they'll pay up on price if you deliver on these other aspects.

MR. MOORE: This is Bob Moore with Salzgitter Mannesmann. And I'd like to just add to the comments here that quality and engineering capability from both the middle and the end user part rank exceptionally high on what drives the purchase of material. And as we put in our presentation, virtually the nearly 100 percent of what we sell in this country goes to one customer for one part application. We'll address that further in our post hearing brief, but the key point of that is there has been exhaustive engineering research done both by that customer in Germany, in concert with our research and development team in Germany. Price is not a driver of this issue. This is 100 percent a quality and engineering specialty driver on this decision.

MR. BALL: This is -- sorry. This is Andrew Ball from voestalpine. So just to follow on that from that, we've heard today that one of the primary markets is cylinder tube applications, hydraulic cylinder tube applications, limited size ranges, heavy wall, large amounts of tonnage driven primarily by mining, construction, agriculture, all of which don't exist today certainly not at the levels that they did prior to this -- the period of review here.

We've also heard oil and gas, same type of thing. Limited size ranges. Very large quantities, extremely large quantities.

Then we come to automotive. And automotive is a very big user of tube, but it's extremely tailored to the applications. So to give an idea of the 200 size ranges I talked about today, we have probably 30 percent of that volume is less than 10 tons per year. 10 tons is nothing that's going to get any of these producers excited. But if we don't service our customers with that, then we miss the opportunities on the other items. So we have to be able to procure those smaller batches.

The domestic mills have a different requirement that's triple what we can find overseas in terms of minimum batch sizes. That's a huge factor when it comes to service and being able to procure the material.

So I guess I would just say that the domestic producers, some of which we've purchased from, PTC for example was a very large supplier to us in the early 2000s. And I remember sitting in the room with Cary Hart and he saying love the business, love automotive, but man, it's just so complicated. All these different tube sizes. All these different references. All these different small production runs.

We also purchased from metal firm Marcegalia or

all of the other producers as well prior to this period. Exactly the same comment. The tube producers are interested in large volume, easy to make products for specific applications. And everything else gets pushed to the back of the line until of course we face a situation like this.

MR. PERRY: And let me say when it gets pushed to the back of the line, understand what that could mean. Closure of auto production lines. That's the problem because it's just in time manufacturing. If you can't get the raw material, you can't produce it, the auto line closes.

MR. TILLY: If I might get in one more time. Joerg Tilly, Salzgitter Mannesmann. My colleague Bob just mentioned this one specific part, which is, am I correct, it's 70 percent of our overall sales here in the U.S., which is a part that is not even taking a piece out of the pie. It's development without naming the product, but it's purely automotive. It's a development where we are replacing actually different part, which has not been a tube before. And it's purely a substitution. And I just wanted to point that out.

MR. KARAYANIDES: James Karayannides, Karay Metals. One of the things that we do as a distributor is that we cover the shortfalls in deliveries of the domestic mills. And many a time, we have brought product to the

market when domestic mills were delayed in their production.

MR. SARAN: This is Sid Saran from Salem Steel. The last point that I would add with regards to this up factors other than price. I made this point in my statement, but consistency is very important. So saying something like, well, three years ago, we didn't love you, but we love you today, that doesn't quite work. And customers reward loyalty. Customers reward consistency, regardless of what's happening in other end markets.

And so, you know, we have some business today because when times were rough in other end markets, we were still servicing our customer. Consistency matters.

MS GAMACHE: Thank you. And I'll make one request that I made of petitioners earlier today. If you could either here or in your post conference brief try to provide an estimate of the share of market that's devoted to auto versus agriculture versus oil and gas, or the other sectors involved, that would be really helpful.

MR. MORGAN: This is Frank Morgan. Just a quick clarification on that. I suppose you want that for 2014, 2015, and 2016? Because the idea being, well, if you show what it is now, it doesn't show what it was in 2014. And that's kind of --

MS GAMACHE: If possible, that would be great.

MR. MORGAN: Okay. Great, thank you.

MS GAMACHE: And that concludes my questions. Thank you.

MR. ANDERSON: Okay, thank you, Ms. Taylor, your turn.

MS. TAYLOR: Karen Taylor, Office of Industries. I would like to thank all of the witnesses for their testimony today. It's been extremely helpful.

I'd like to direct this question to Mr. Schaefer. You referred to I think it was 2 HTS codes under which cold-drawn mechanical tubing can enter the United States, but those codes also include other materials and therefore at least with the petitioner's use of official stats, they did not include any material coming to the United States covered by those two codes.

If I understand your argument, you're saying that if we do that, if we use official statistics but not include those two codes, we may be omitting significant substantial amounts of cold-drawn mechanical tubing especially from Canada and Mexico. Am I understanding you correctly?

MR. SCHAEFER: That's right, Ms. Taylor.

MS. TAYLOR: Okay. Thank you. I'd like to direct my next question to witnesses with Mannesmann. In your discussion of material coming in under HTS code 7306-55030, which you said includes as you term it, cold

sized tubes, which are -- should not be considered part of or are not considered part of the scope --product scope of these investigations; is that correct?

MR. HORGAN: That's correct.

MS. TAYLOR: You said it may also include material that is covered under the product scope of these investigations; is that correct?

MR. HORGAN: That's also correct.

MS. TAYLOR: All right. In your post conference brief, could you touch on that? What production processes would be considered part of the scope and which would not be just concerning this particular HTS code?

MR. HORGAN: Yes we can do that, but the important distinction here is there's no cold-drawing process for the product.

MS. TAYLOR: That's understood.

MR. HORGAN: So we'll discuss it further.

MS. TAYLOR: All right, thank you. And that's all the questions that I have.

MR. ANDERSON: Okay, thank you, Ms. Taylor. I'm going to look at my colleagues to see if they have any follow up questions. Okay, great.

I just had one follow up question just to add. And again, thank you for answering all our questions. We've heard your arguments about import volumes during the period

of investigation, some of the issues with the potential data and which data would be better to use and not.

But I would be curious now in post conference briefs, you hear a lot about specialized products and attenuated competition. The Commission has to look at the pricing data that we gather. So I'd invite you there now to comment particularly in the context of a market that's been declining, why the trend in prices are downward and particularly the questionnaire data that will reveal the trend in import prices. I'd invite you to comment on that. I know that might be confidential, but I'd invite you to comment on that. So if you want to say anything now or in a post conference brief, I know a lot of it is probably confidential, so I'd invite that discussion.

MR. BALL: This is Andrew from voestalpine. So without divulging any confident -- confidential information, I can say as I said in my statement is that we wish for our suppliers, our partners. And they really are our partners. You can see we're nothing without them to be financially sound. So we recognize that they need to err on a certain portion, a certain cost if you like for converting whether it's a billeted material or whether it's a welding material into the final product.

What we can't accept is gouging when markets suit them. And so, we absolutely as part of our contract

with these vendors have a clear agreement that we manage that value add conversion cost. So we pay them a fair price regardless of what's going on in the market.

With regards to the price, let's say in recent months, I think everybody that is tracking the steel industry will see that until recently, the trend at least through 2016 was down. So we also saw some benefit. One thing we didn't see was a change in the margin that we're paying our suppliers for the conversion of that product. That hadn't been the case with other producers.

MR. SARAN: Yes, this is Sidd Saran from Salem Steel. One of the -- you were talking about why have prices changed and why have they declined et cetera. What I would point to is the critical raw material for the production of tubes, which is steel. So 67 to 70 percent of the cost of the raw material is steel. If you look at the change of prices of the input material is steel, that will correlate to the change of prices of the tubes as well.

MS. ELLIS: This is Julie Ellis, Tube Fabrication. Also, as Andrew was saying is it -- as far as index pricing, I purchased a substantial amount of domestic material also, probably about a third of my material comes from domestic producers, just not the domestic producers here.

But they also operate on the same basis of

indexing. So we follow steel indexes the same as we do on our other global suppliers. And when they're up, they're up. And they're down. And the correlation has been the same in both domestic prices were down at the same time the offshore prices were down. And they both come up together. So it all runs on indexing. So the -- it seemed fairly consistent with the ups and downs of the market.

MR. TILLY: Joerg Tilly with Salzgitter Mannesmann again. I can of course only refer to our specific industry, the automotive industry again. But the nature of the automotive industry is that we typically have pricing contracts, frame agreements that typically run for a term of a year with the majority of the material that was imported into the U.S. that was also part of frame contract to a bigger piece of the pie, where the frame contract is globally. It was that headquarter, typically European automotive, Tier 1 or Tier 2 supplier, that is being invoiced in Euros.

And if at the end of the day a certain portion of this whole frame contract, let's say 20 percent is going to the U.S., they're invoiced in Euros. And they're paying in Euros. If we have a situation like over the last few years where the Euro, of course, is gaining in value, if you convert it here, it of course seems like a price drop. But for us, it's a global pricing.

MR. ANDERSON: Okay, thank you to the witnesses for that helpful insights. With that, on behalf of the staff here, I want to thank you all for your testimony. Thank you for answering our questions and thank you very much for being here. I think we'll take about a two to three minute break and let parties prepare for closing arguments.

(Break)

MS. BELLAMY: Will the room please come to order?

MR. ANDERSON: Mr. Rosenthal, please proceed.

CLOSING REMARKS OF PAUL C. ROSENTHAL

MR. ROSENTHAL: On behalf of the domestic industry, I'll provide the closing remarks. I noted that the respondents today did not at one or any point claim that the domestic industry wasn't being injured. Their entire case was about what was the cause of the injury to the domestic industry. So from their point of view, this is a causation case and not an injury case. And I think they've conceded that.

I want to get rid of a couple of what I regard as minor points. And before I get to the key questions concerning causation concerning scope, and like product -- German producer witnesses argue that cold sizing doesn't necessarily mean cold-drawing, but our scope clearly covers

the cold finished product. And their product is included in that. We'll get into that in more detail in our post conference brief.

Mr. Moore's testimony that he's importing products as part of an affiliated supply chain is very similar to the arguments we've heard in other carbon flat rolled cases, claiming that because there's some kind of affiliation, somehow those imports are exempt or not injurious to the domestic industry. The Commission rejected that in the flat wall carbon cases. And there's simply no exemption for affiliated imported sales. And it doesn't make the

-- the affiliation doesn't make those imported sales any less injurious.

The notion that the petitioners are shying away from producing high end high cost products and seeding those, the imports, has no basis in fact. It's ridiculous in fact. What we're seeing is that the petitioners are competing against the imports at a high end of the price scale, but they're being offered by the respondents by the importers at prices that don't reflect the true costs and are in fact highly discounted from where they should be.

So even at the high end, they're -- the domestic producers are getting undercut by low priced imports. The petitioners can and want to compete at every segment of the

market here. And they have the capability. The only reason why they're not getting sales at the -- either end or any place in this spectrum of sales is because of the low priced import competition.

There are no specifications that cannot be met by the domestic industry. Claims to the contrary simply are not true and we'll go into that in more detail in our post conference brief.

In fact, the respondents imply or suggest that the domestic industry has withdrawn from the small diameter area of the market and can't meet demand there, but Sharon Tube, for example, had an entire small diameter cold-drawing facility in Sharon, Pennsylvania that they were forced to close due to the low priced import competition they faced. They can open that up and supply the market and that small diameter product in a reasonably short amount of time. So there's no lack of interest or capability.

What's interesting is that in this initial statement, and as acknowledged by respondents throughout, Mr. Morgan claimed that the respondent sales were focused on the auto industry, but he acknowledged and the rest of the witnesses acknowledge as well that the imports were sold throughout the entire spectrum of the marketplace. It's not just automobiles. It's transportation. It's energy and the like. So the notion that there's concentration and focus

only on automotive sales by the respondents is not correct. And they've admitted to that.

There's a little bit of confusion about sales to distributors versus end users. There's a question that was asked, well, how do we know which markets are up or down when it came to demand. And the domestic industry witness essentially said, look, we can't tell you that with any accuracy because we sell a lot of our products at distribution. Maybe half of it. Obviously, they know what the -- what they sell to the end users but if you want a total picture, you can't get that total picture when that much product goes to distribution.

To the extent that the respondents claim that, oh, we know where our product goes all the time, I have -- I suggest you take that with a big grain of salt because all the product they sell at distribution has the same lack of transparency as the product the U.S. sells at distribution. They don't know any more about their end users for distribution than the domestic industry does.

One of the interesting questions and responses that we've heard just a little while ago had to do with Mr. Salem, who testified that he imports and puts a lot of product in inventory. And his service, too, his customer is providing that product on a timely basis.

He is acting just like any distributor. The

difference is he happens to sourcing his product from foreign countries. He's essentially able to do that because he's getting that product at extremely low prices. So low, in fact, he can afford to import the product, put it on the ground, spend a lot of time and money in building up those inventories and then selling it still at lower prices than the domestic producers can sell, even though they're located here.

By the way, he's acting no differently than any other distributor. And he can easily buy their product from the domestic producers. The reason why he's not doing it is simple, price.

And let's now turn more specifically to the importance of price here. The witnesses by the respondent's time after time testimony to the -- testified to the importance of price in this marketplace. They give you all sorts of arguments about nonprice reasons why customers might want to select the foreign product over the U.S. product, but they all lack merit. What they admitted to was price.

Mr. Cary at the beginning said, "Powerful customers demand lower price." That's what he said. And he's talking about the auto industry. And then I believe it was the Salem witness who talked about the importance of globally sourced low prices in order for smaller companies

and medium sized companies to be able to stay in business and not go out of business here.

Big companies, small companies all need the lowest possible prices to compete. We're not contesting that. All we're saying is that it tells you why price is the innermost important factor in making sales in this industry. And they admitted it.

Indeed much of their testimony was based on veiled threats that they would leave the country if they had to pay fair prices for their product. They're basically saying if we can't compete against prices, we can't have our low prices now, and we can't compete in global with global producers for our end use customers, then we'll leave. That's, by the way, probably not the best argument to make from my point of view, but that's all about price.

The threats aside, I think that the -- it's important to forget what you heard from these folks who are mainly not producers. They're importers. They make their money on bringing imports at a low price and reselling them here.

If you look at what the purchasers said, and I tell you if nothing else, you may want to burn in your retinas slides 12 and 13 of Mr. Luberda's testimony today. If you look at what the U.S. producers reported in their response, they basically say that they purchased imports for

lower price. And they told you, and we'll give you the figures here, you have it, but take a look at slide number 12. Take a look at slide number 13. Invariably, they bought imports because of price, not because of lack of capability. Not because they didn't have the right size. Not because they didn't have the right technology. It's because of price.

And if you take a look at the volume, a significant amount of volume was admitted to by purchasers have been testified, having admitted that they were buying low priced imports and a significant volume.

You have a lot of arguments about whether the import statistics are right, whether imports are going up or down. But in a down market, the purchasers admitted to buying lots of tons of product based on price. That is all you need to know about this case for now. This alone deserves an affirmative determination by this Commission. And I would urge you to ignore the parade of horribles presented by respondents about what will happen if you force the importers and the customers to pay a fair price here.

And remind them as well, no one's stopping the product from coming in. All this case will do is restore fair pricing to the market if you reach an affirmative determination. There's no ban and there's no restriction.

All you have to do is stop dumping and stop subsidizing and pay a fair price and the marketplace will be restored to fairness and the domestic industry will stop being injured by the imports. Thank you.

MR. ANDERSON: Thank you, Mr. Rosenthal.

CLOSING REMARKS OF KEVIN HORGAN

MR. HORGAN: Good afternoon, this is Kevin Horgan again. First of all, I'd like to thank the staff for their time and attention. This has gone longer than I thought it would. And I think that's a good thing.

First, the issue is the correction of the German import figures. You know, we're talking about a product that was built to a certain specification that the petitioners deliberately left out of the petition and for good reason. It's a cold sized product. It's not a cold finished product. It's not a drawn product. So it's not part of the cold-drawn mechanical case.

It was mistakenly included in a tariff category that they're relying on. And we're going to provide you with the data to correct that mistake. That's all we're asking you to do. We're not asking you to change the scope. This is clearly outside the scope. We're just asking you to rely on accurate data.

And that's just the kind of thing that ought to be fixed at the preliminary stage of an investigation. You

don't want to launch this whole investigation here and at the Commerce Department based on data we know is wrong. And here and you know, it's our obligation to show you that it is. And we're going to do that on our post conference brief.

So -- and we'll give you the ability to quantify that mistake that correct it. So we're asking you to do that here or to rely on the questionnaire data as reported. And that will give you a much more accurate picture of what's going on in the market than what has been reported in the petition.

And that's important because when you make that correction, imports are flat. Total subject imports are flat. There was no surge from 2014 to 2015. There was no growth really in the imports, subject imports, during the period of investigation.

So I think the remaining question that you have to ask, well, okay, so if imports are flat, and demand is down, why aren't total subject imports down as well? And the answer to that question is that the drop in demand was not even across all sectors. They talked -- you heard a lot of testimony about agriculture being down, construction and mining being down, heavy equipment being down, oil and gas demand being down significantly. And all that would lead to this drop in demand that you see in the petition and that

you see and you'll see in your data.

What they never said was that automotive demand is not down. Automotive demand throughout the period of the investigation has been strong and steady. And that's where the imports are concentrated. You've heard testimony pretty much that almost 100 percent of German and Swiss imports are for automotive. Now I don't know exactly how the automotive breakdown is in some of the other countries, but we can try to address that in our post hearing brief.

So when you see this flat figure, you've got to keep in mind that subject imports, the big producers, are shipping a lot of automotive parts. And that demand has not dropped. So that would be the reason explaining why total subject imports have remained flat notwithstanding the fact that U.S. demand is down it's because imports are serving a market that is not down. Imports are serving that automotive market.

And you know, it's a shame that the, you know they're complaining about these increased imports of tube for the automotive market when all these foreign suppliers have done is to follow their customers to the United States. They said they weren't here 10 or 15 years ago because there were no imports. But what's happened is Mercedes has moved to Alabama. BMW has moved to South Carolina. VW has moved to Tennessee. And they brought their supply chain with

them. They didn't abandon their suppliers just because they opened a plant in the United States.

So this was a new opportunity for U.S. This was good for the United States. This was big industrial production in the United States. And those automakers have established relationships with these suppliers. They weren't going to abandon their suppliers just because they moved to the United States. So all these suppliers have done is to follow their customer to the United States.

Just like Boeing would insist that its customers follow it to South Carolina, so did BMW, so did Mercedes. So you have to recognize that this was really a new opportunity for U.S. tube producers. And but if they want to compete for those prices, if they want to compete for sales to those customers, they have to go to Europe to do it. They can't do it here. These auto companies negotiate worldwide frame contracts as has been discussed multiple times.

The supplier agrees to supply a part or a tube at a price worldwide. Wherever it goes, they agree to supply VW with a part or to a supplier to VW for a particular part. That part can go anywhere in the world, wherever VW has a plant that makes cars. And those decisions are being made in Europe. So you can't sit here in the United States complaining about the fact that VW in

Europe made a decision that's going to, you know, where they weren't even in the game. They didn't even try that make that sale to VW.

I've also heard a strong -- or strong growth in the airbag market. And that's, you know, those downloaded stories. We have multiplying airbags in cars. You now have 16 airbags in the car instead of one or two.

And also, a lot of them are being replaced because of the recalls. So there's strong demand. And that seamless tube we've heard talking about here, and a lot of that is being supplied from overseas. So because they are stronger in that segment, that product segment.

And I think this is born out. And I think somebody asked a question about, well, why are Chinese products down? It's because they're serving the Ag market or there's construction and mining work. They're not serving the auto industry. So their imports, if you look percentage wise, their imports have dropped about in line with U.S. demand. Compare the percentage drop in demand and the percentage drop in Chinese imports and you'll see that they're pretty close in terms of what's been happening in the U.S. market. I think that's the most important thing.

And I think, you know, these preliminary proceedings go fast. The bar is pretty low in terms of going forward, but I think we've got a clear instance of

incorrect data. And we're not blaming this on petitioners. They didn't manipulate the data. They're not misusing. They're not identifying bad tariff categories. There was just a mistake made when one importer or one foreign producer shipped this merchandise to the United States which is clearly outside the scope, but happened to land in this tariff category. So we're going to give you the means to fix that and we think now's the time to do that. Thank you.

MR. ANDERSON: Thank you, Ms. Horgan -- Mr. Horgan. So on behalf of the Commission and staff, I would like to thank all our witnesses and our counsel for appearing here today and helping us gain a better understanding of this industry and the mechanical cold-draw and mechanical tubing product.

Before concluding, let me just state a few key dates in the investigation to keep in mind. The deadline for submission of correction to the transcript and for submission of post conference briefs is Monday, May 15th. If briefs contain business proprietary information, a public version is due on Tuesday, May -- correction here sorry, 16th. And the Commission has tentatively scheduled its vote on these investigations for Friday, June 2nd. And we'll report our determinations to the Secretary of Department Commerce on Monday, June 5th. And finally,

Commissioner's opinions will be issued on Monday, June 12th. And for that again, I thank all the witnesses and counsel for being here today. And this conference is adjourned.

(Whereupon the hearing was adjourned at 2:25 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Cold-Drawn Mechanical Tubing from China, Germany, India, Italy, Korea, and Switzerland

INVESTIGATION NOS.: 701-TA-576-577 and 731-TA-1362-1367

HEARING DATE: 5-10-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 5-10-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine
Court Reporter