

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No:
STEEL CONCRETE REINFORCING) 731-TA-745 (Review)
BAR FROM TURKEY)

Pages: 1 through 142
Place: Washington, D.C
Date: December 12, 2002

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
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Thursday,
 December 12, 2002
 Room 101
 U. S. International
 Trade Commission
 500 E St., SW
 Washington, D.C.

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

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On behalf of the International Trade Commission:Commissioners:

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ROBERT MUHLHAN, Vice President, Procurement Logistics
Gerdau AmeriSteel Corporation

RON COLELLA, Controller
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P R O C E E D I N G S

(9:30 a.m.)

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2
3 CHAIRMAN OKUN: On behalf of the United States
4 International Trade Commission, I welcome you to this
5 hearing on Investigation No. 731-TA-745 (Review)
6 involving Steel Concrete Reinforcing Bars from Turkey. The
7 purpose of this five-year review is to determine whether
8 revocation of the antidumping duty order covering steel
9 concrete reinforcing bar from Turkey will be likely to lead
10 to continuation or recurrence of material injury to the
11 industry in the United States within a reasonably
12 foreseeable time.

13 Schedules setting forth the presentation of this
14 hearing and testimony of witnesses are available at the
15 secretary's desk. I understand the parties are aware of the
16 time allocations. Any questions regarding time allocations
17 should be directed to the secretary.

18 As all written material will be entered in full
19 into the record, it need not be read to us at this time.
20 All witnesses must be sworn in by the secretary before
21 presenting testimony.

22 Finally, if you will be submitting documents that
23 contain information you wish classified as business
24 confidential, your request should comply with Commission
25 Rule 201.6.

1 Mr. Secretary, are there any preliminary matters.

2 MR. SECRETARY: No, Madame Chairman.

3 CHAIRMAN OKUN: Very well then, let's proceed with
4 opening remarks.

5 MR. SECRETARY: Opening remarks on behalf of
6 domestic interested parties will be given by
7 Damon E. Xenopoulos, Brickfield Burchette Ritts & Stone, PC
8 The witness has been sworn.

9 CHAIRMAN OKUN: Thank you.

10 MR. XENOPOULOS: Good morning, Madame Chairman and
11 members of the Commission. As you know the Department of
12 Commerce has already determined that revocation of the
13 antidumping order against Turkish Rebar will likely lead to
14 a continuation or recurrence of dumping. That dumping, the
15 Department concluded, would be at weighted average margins,
16 ranging from 9.8 percent to 41.8 percent for specific
17 producers and 16 percent for all others.

18 Before this Commission is the single question of
19 whether revocation of the order is likely, in the
20 foreseeable future, to lead to a continuation or recurrence
21 of material injury to the regional industry. When the
22 Commission considers the record and the testimony provided
23 today, we believe it should conclude that, not only is
24 material injury likely to continue to recur by virtue of
25 revocation, but that such continuation or recurrence is

1 certain.

2 The evidence indicates that the antidumping order
3 on Turkish rebar has worked to reduce the volume of unfairly
4 traded Turkish imports. The regional rebar industry is
5 vulnerable and Turkish producers are all too ready and likely
6 to continue and/or resume their injurious trade practices if
7 the order is revoked. This would undoubtedly depress
8 regional prices and further injure regional producers. For
9 these reasons, the Commission should conclude that the order
10 should continue.

11 There is no dispute that above all other factors,
12 price is what sells rebar, a commodity product. Rebar is
13 interchangeable and indistinguishable regardless of its
14 source. There is simply no reason, beyond price, why a
15 person would buy domestic rebar over Turkish rebar. The
16 order has been effective. The impact of the antidumping
17 order in issue is evident from the import statistics.

18 In 1994 and 1995, the years the immediately
19 preceding the 1996 filing of the antidumping petition, U.S.
20 imports of rebar from Turkey amounted to 202,000 and 286,000
21 tons, respectively. When the antidumping petition was
22 filing during 1996, U.S. imports fell to 131,000 tons. The
23 antidumping order was published in 1997 and entries fell
24 even further to less than 84,000. The lowest volume of
25 imports occurred in 1998, the first full year during which

1 the antidumping order was in place.

2 In 1998, imports amounted to a mere 9000 tons. In
3 1999, the year in which the U.S. published final results of
4 the first administrative review, including a de minimis
5 margin for one producer, Turkish imports grew to 42,000
6 tons. In 2000, the first full year in which a de minimis
7 margin was in effect for that producer, U.S. imports grew to
8 191,000 tons and in 2001, another year in which the
9 de minimis margin was in effect, imports amounted to 215,000
10 tons.

11 After the publication of the antidumping order in
12 issue here, the Canadian International Trade Tribunal wrote
13 "After the U.S. market was effectively closed to Turkish
14 rebar after a injury determination by the U.S. ITC and the
15 consequent imposition of antidumping duties in 1997, the
16 Turkish exporters began seeking alternative export markets
17 and turned their attention to the Canadian market. The
18 vast majority of the subject goods imported during the
19 Canada Customs and Revenue agencies period of investigation
20 were dumped."

21 Revocation of the antidumping order would mean
22 that Turkish producers would be free to resume dumping rebar
23 in the United States with impunity. Revoking the order can
24 only mean a reduction in the price and/or an increase in the
25 volume of Turkish rebar entering the U.S. This would

1 trigger falling prices, reduced production and shrinking
2 profits for regional producers.

3 Turkish producers are ready, willing and able to
4 increase their exports to the U.S. market. The story of
5 antidumping measures against Turkish rebar does not begin in
6 the United States. It begins in the Republic of Singapore
7 in 1995. After Singaporean trade authorities issued an
8 antidumping order covering Turkish rebar in 1995, Turkish
9 producers showed increased interest in the U.S. market and
10 Turkish rebar imports reached their record 293,000 tons.

11 It is important to recognize that global trade in
12 the commodity product, such as rebar is fluid. It responds
13 directly to price pressures. It follows gravity by flowing
14 to the markets of least resistance. How these price
15 pressures effect trade in rebar is clearly evident in this
16 case. Turkish producers interest in the Canadian market was
17 sparked when a U.S. investigation was initiated and the
18 order was issued.

19 In April 1997 the U.S. antidumping order was
20 published. In that same year imports to Canada jumped 587
21 percent. This frightening increase continued the following
22 year and the Canadian imports of Turkish rebar in 1998 were
23 more than 15 times those of 1996. In June of 1999, the
24 Canadian Trade Authority initiated an antidumping
25 investigation and soon in 2000, issued an antidumping order.

1 Similar events occurred in Egypt, where an investigation
2 initiated in February 1999 resulted in a final antidumping
3 order in October 1999.

4 At this stage, I request permission to continue my
5 opening statement at the beginning of our presentation.

6 Thank you.

7 CHAIRMAN OKUN: That will be fine, Mr. Xenopoulos.
8 Did the respondents wish to make opening remarks?

9 MR. Sailer: Madame Chair, Francis Sailer,
10 Lafave & Sailer on behalf of the Turkish respondents.
11 Rather than interrupt Mr. Xenopoulos, I had actually
12 suggested before we started that he might want to do this.
13 It would be fine with us if they'd like to do their
14 presentation and then we will do ours.

15 CHAIRMAN OKUN: You're aware how the time
16 allocation works. I mean, there's five minutes for opening
17 remarks. There are five minutes for both sides. At that
18 point, this panel does its presentation. You don't get an
19 extra five minutes.

20 MR. Sailer: I understand.

21 CHAIRMAN OKUN: Okay, that's fine, as long as you
22 understand the time allocations. Very well, Mr. Secretary,
23 I see that the first panel is seated.

24 MR. SECRETARY: Yes, Madame Chairman. The first
25 panel, those in opposition of the revocation of the

1 antidumping duties, have been seated, and all witnesses have
2 been sworn.

3 CHAIRMAN OKUN: Very well, then, you may proceed.

4 MR. Xenopoulos: Thank you, and thank you,
5 Mr. Sailer. With these restraints, it is little wonder that
6 imports of rebar to the U.S. increased by 354 percent
7 between 1999 and 2000. On top of these antidumping orders,
8 redirecting Turkish imports towards the U.S. are the more
9 recent Canadian safeguard tariffs issued in August in 2000,
10 and the European Union safeguard tariffs issued in September
11 of 2002.

12 These actions provide further reasons for Turkish
13 producers to direct their imports to the United States. In
14 light of their past, and the third-country trade remedies,
15 all indications are that if the antidumping order were
16 revoked, Turkish producers would increase their dumping in
17 the United States. While the antidumping order has been
18 successful in chilling unfair imports from Turkey, Turkish
19 producers have continued to dump, notwithstanding the order,
20 and would certainly do so with more vigor and volume absent
21 the order.

22 The regional industry is vulnerable. The third
23 element that supports retaining the order is an examination
24 of the domestic industry's vulnerability to injury if the
25 order were revoked. Not only has the recent economic

1 slowdown depressed demands for rebar, but the past several
2 years have dramatically altered the landscape of the
3 domestic industry. During the past five years, Nucor Steel
4 acquired a weak Auburn Steel, and Birmingham Steel, the
5 largest regional producer of rebar was forced into
6 bankruptcy.

7 By revoking this order, the Commission would be
8 allowing an even greater tide of Turkish imports to further
9 injure an already debilitated domestic industry. As the
10 regional producers have disclosed, revocation of the Turkish
11 rebar order will result in aggravated dumping, that in turn,
12 will erode the domestic industry's market share, outputs and
13 revenues. As prices are squeezed lower and lower by these
14 dumped imports, domestic producers will see production,
15 cash flow and profits fall.

16 In conclusion, Turkish rebar producers are
17 export-oriented. Couple this with restrictions on Turkish
18 imports of rebar in other markets around the world, the weak
19 Turkish home market, the Department of Commerce's
20 determination in this review, and one must conclude that
21 revocation of the order would lead to continuation and
22 intensification of material injury. The Commission should
23 not revoke the order. Thank you.

24 Our first witness this morning is Jim Fritsch.
25 Mr. Fritsch is executive vice president of the

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1 Commercial Metals Company Steel Group.

2 MR. FRITSCH: Good morning, Madame Commissioner,
3 Commissioners. Our company operates four modern, long-
4 product mini-mills in the United States. Our newest, most
5 efficient and productive mill producing reinforcement bars
6 in the region. The Steel Group is a vertically integrated
7 group of companies, and in addition to our four mini-mills,
8 we operate 83 other related businesses, including scrap
9 yards, rebar fabricating shops, and concrete-related product
10 distribution centers.

11 Construction is a seasonal industry and during the
12 period of 1997 and the early part of 2002, construction was
13 booming in the region, and so was the demand for rebar.
14 Rebar prices, historically, have followed an increase in
15 demand in construction. However, that was not the case
16 during this period. The Steel Group saw declining metal
17 margins, prices and profits at our mills dropped, due to a
18 large volumes of dumped rebar imports. When we should have
19 been making at better than average return on investment, our
20 metal margins fell lower and lower.

21 The performance of our rebar operations dropped
22 dramatically and the returns were poor at all of our mills.
23 Our mills, which typically run at full capacity, were forced
24 to reduce schedules and production during the period. Given
25 the current state of the U.S. economy, the decline in our

1 construction market, and the corresponding decline in the
2 demand for rebar, dumped Turkish rebar in larger volumes,
3 and possibly lower prices, would have a dramatic effect on
4 our eroding our customer base and our rebar operations.

5 Turkey captured market share throughout the region
6 by aggressive and predatory pricing during the period. Low
7 price imports from Turkey depressed prices in the United
8 States. The larger the volume, the greater their impact.
9 As our revenues decline, so goes our metal margins and our
10 profits. The metal margin in reinforcing bars is small, and
11 a larger volume of dumped Turkish rebar threatens to
12 eliminate it totally.

13 While some may argue that the 201 relief
14 adequately buffers the regional industry from material
15 injury by Turkish rebar, not so. Compared to the dumping
16 margins in this case, which the Department of Commerce found
17 to be in the range of 10 to 41 percent, the 201 duties on
18 Turkish rebar are only 15 percent in the first year,
19 dropping to 12 percent in the second year, and 9 percent in
20 the third year. And these duties were adopted to remedy
21 serious import injury on top of the pre-existing
22 anti-dumping orders, which were then in place.

23 Dumping is a separate problem and its only
24 solution is the elimination of unlawful and unfair trade,
25 and the 201 remedy has nothing to do with this goal. Dumped

1 Turkish imports have and continue to rob us of market share,
2 squeeze the metal margin, and generally, cause material
3 injure to regional producers. We know. We've been there
4 and we've had first-hand experience with it.

5 This chain of events leads to job reduction,
6 tax-base erosion and all the other multiple artifacts that
7 naturally follow. Our new and most efficient mill in the
8 region has been devastated by unfairly traded rebar. In
9 1999, our board of directors approved \$125 million
10 investment for a new state-of-the-art rolling mill in Casey,
11 South Carolina. That was based on our anticipated growth
12 and demand for rebar in the region. This decision was made
13 after extensive customer and market research that
14 demonstrated the demand for more rebar production.

15 The market conditions at that time showed that the
16 investment was justified. We had an outstanding start-up
17 operationally, at the new mill, but low-priced imports
18 prevented that mill from realizing an adequate return on
19 investment. As we sit here today, we're in the process of
20 reducing the workforce, reducing terms, and preparing to
21 shut the facility down for about two weeks during the month
22 of December to balance inventory. Unfairly traded imports
23 were not, are not and will not be needed to satisfy the
24 demand for reinforcement bar in the United States. There is
25 adequate capacity in the U.S., and particularly, in the

1 region to meet demand.

2 If the order is revoked, our prices will be
3 further depressed, due to a large volume of even lower
4 prices of dumped Turkish imports. Renewed dumping of
5 Turkish rebar in the context in a weaker construction
6 market, especially, in view of the fact that the industry's
7 profitability has been depressed during the construction
8 boom, it would be a disaster for U.S. rebar producers.

9 Let me clarify the role of our fabricator
10 assemblies owned by rebar producers in this country. The
11 Commercial Metals Group, our company, and Gerdau AmeriSteel
12 are the only producers that have significant fabrication
13 operations. Owning a fabrication operation does not
14 insulate us from injury caused by dumped imports. Our rebar
15 fabricating plants are independent profit centers. They pay
16 the same price for their reinforcing bar as do affiliated
17 companies.

18 We have the capacity to supply these affiliated
19 fabricators with their rebar, but as more and more subject
20 imports come into our market, and lower and lower prices,
21 even our affiliated companies purchased imports. They
22 purchase less from our mills, and they purchase more from
23 other subject imports. They must buy the cheap imports in
24 order to compete with the independent fabricators who buy
25 and use imported steel.

1 Buy American requirements don't insulate us. We
2 charge the same price for rebar, regardless of the eventual
3 application because at the time of purchase we don't know
4 whether a fabricator will use it in a Buy American project
5 or not. As our result, our prices have got to be priced
6 competitively with imports or we simply don't get the order.
7 In addition, Buy American requirements only cover a limited
8 part of the market, and there are exceptions to it.

9 Years ago, integrated steel producers had
10 inaccurate returns and they were unable to make investments
11 to keep their mills competitive. U.S. mini-mills have made
12 investments in state-of-the-art equipment and we have highly
13 motivate workforces. The rebar mini-mill industry, even
14 with our state-of-the-art equipment, faces a fate that will
15 start to mirror that of the integrated producers if the
16 Commission lifts the order on Turkish rebar. Without the
17 order, material injury to our industry is not only likely,
18 but certainly will continue into the foreseeable future.
19 Thank you.

20 MR. XENOPOULOS: Our second industry
21 representative this morning is Bob Mohan, vice president of
22 Procurement Logistics of Gerdau AmeriSteel.

23 MR. MUHLHAN: Good morning, Madame Chairman and
24 Commissioners. Our company, Gerdau AmeriSteel, has six
25 rebar plants located in the region, in Florida, Tennessee,

1 North Carolina, and New Jersey. Dumped imports of Turkish
2 rebar, despite imposition of antidumping duties and last
3 spring's 201 tariffs, continue to debilitate our margins as
4 a result of continuing high volumes of dumped product.

5 Over the past several years, the dumped rebar
6 imports have repeatedly necessitated domestic price cuts, so
7 as to stay competitive and maintain our customers. A case
8 in point is this year's Florida rebar market. In early
9 2002, following a pricing bottom which resulted from
10 prolonged import surges, the market showed some signs of
11 recovery, and our customers generally indicated acceptance
12 of a \$20 per ton price increase.

13 We announced our new pricing, and almost
14 immediately, dumped rebar deluged to both Miami and Tampa.
15 In fact, for the first nine months of 2002, roughly 20
16 percent of Turkish rebar imports entered via Florida ports.
17 The onslaught of predatory import volume caused us to
18 rescind our badly needed pricing initiative.

19 Now preliminary figures for October show Turkish
20 products clearing customs at \$202 per short ton. It is
21 impossible for any producer in the world to turn a profit
22 when selling rebar at barely above \$200 per ton delivered to
23 coastal Florida.

24 As scrap prices increased in 2002, our metal
25 margins were squeezed even farther. The rising scrap prices

1 was not limited to the U.S. It was, and continues to be, a
2 global trend. We shifted some of our shipments from our
3 Jacksonville, Florida plant out of the state and into the
4 neighboring area, but imports continued to move further
5 inland through New Orleans and the river network. Finding
6 little opportunity to sell our products outside their
7 natural market, we were forced to return to the Florida
8 market, despite depressed prices. Over the first nine
9 months of this year, another 20 percent of Turkish imports
10 entered via New Orleans, ultimately reaching ports, well
11 north, via the river system.

12 One point that deserves to be clarified regards
13 shipments into Puerto Rico. Turkish producers claim that
14 U.S. companies have no interest in shipping rebar to Puerto
15 Rico. This is true only as a result of the damage to that
16 business caused by dumped Turkish product. Prior to the
17 initial wave of damage from dumped Turkish material, our
18 company shipped substantial quantities of rebar to the
19 island. The onslaught of dumped rebar during the late '90s,
20 primarily from Turkey, decimated that business by reducing
21 prices to values that were often below our costs to produce
22 and deliver.

23 We believe that there were other U.S. producers
24 who met the same fate. Nevertheless, we did continue to
25 participate in a share of the Puerto Rican market, through

1 two trading companies. In 2001 and 2002, we sent roughly
2 15,000 and 13,000 net tons, respectively, into that market
3 via that route.

4 The tons did not show as shipments to Puerto Rico
5 in our data submission because we sold the product FOB
6 Florida ports. Nevertheless, we did participate, albeit, in
7 a limited way in the Puerto Rican market through these
8 channels. It is simply not true that the rebar market in
9 Puerto Rico is beyond our commercial interest or our ability
10 to supply on a fairly traded basis.

11 Throughout the initial case against Turkey, and
12 again, during the hearings regarding the president's 201
13 initiative, we repeatedly appeared before you to tell this
14 same troubling story. There is excess capacity for rebar in
15 Turkey. Turkish producers, eager to protect prices, in
16 their home market, eager to scrape up a little hard
17 currency, and understandably eager to maintain employment,
18 continue to use the U.S. market as a target of opportunity.

19 Even though the duties imposed have not
20 appreciably slowed the continuing flow of dumped product or
21 resulted in fair prices, there is no doubt that the
22 situation would be worse without the order. The volume of
23 dumped Turkish rebar would be greater and domestic prices
24 would be driven even lower.

25 Because of the high level of dumped imports, the

1 Gerdau AmeriSteel has been forced to curtail operations on
2 multiple occasions. Our mills will be shuttered over the
3 last two weeks of this month to reduce inventories. It just
4 doesn't make sense to maintain high production levels and to
5 erode our asset base while losing money on our sales.

6 The costs of these outages is significant in terms
7 of loss wages to our capable and productive employees, and
8 in under-utilization of world class productive capacity.

9 Despite a workforce and productive assets
10 rivaling those of any competitor anywhere in the world,
11 dumped imports are making the business of domestic rebar
12 production commercially unsustainable. Depressed margins
13 and low return on capital have drastically shifted our
14 investment away from rebar production and toward downstream
15 manufacturing, rebar fabrication and other business lines
16 within our company.

17 Our reduce capital spending in rebar reflects the
18 depressed return expectations that have resulted from the
19 damages caused by unlawfully dumped imports. A capital-
20 intensive industry like ours requires constant investment in
21 order to remain competitive and satisfy our customers
22 requirements. It is, perhaps, worst of all that so much of
23 this damage has happened during what were the best two years
24 ever of construction growth and demand for rebar in 2000 and
25 2001.

1 Despite this favorable climate, regional rebar
2 producers were kept from fully participating in the positive
3 part of our business cycle by the impact of dumped rebar.
4 Instead, we have seen profit margins for rebar decline to
5 levels incapable of sustaining for long-term survival of our
6 industry.

7 The initial usage of rebar this year, through
8 September 2002, are down a total of 11 percent from last
9 year and continuing to decline. There is little on the
10 horizon to suggest a growing market for rebar in the U.S. or
11 the eastern tier region so. Enabling increased dumping of
12 Turkish rebar in a weaker construction market environment,
13 especially one in which the domestic rebar industry is
14 debilitated as a result of a anemic profitability during the
15 last construction boom will be a disaster for regional rebar
16 producers.

17 There is no doubt that without continuation of the
18 existing order, we will again be facing a downward price
19 spiral, beginning from today's already depressed levels
20 brought on by additional or far more aggressively dumped
21 Turkish imports. Thank you.

22 CHAIRMAN OKUN: Thank you.

23 MR WEXLER: Good morning. I'm Andrew Wexler. I'm
24 the managing director LACD, an international consulting firm
25 specializing in economics and finance. I have two decades

1 of experience as a professional economist applying economic
2 analysis to antidumping investigations in steel products.
3 My resume will be furnished with the published hearing
4 brief.

5 I appeared as a witness for Petitioners in the
6 original antidumping investigation of concrete reinforcing
7 bars from Turkey, which resulted in the order now under
8 review. Since the reviews are instituted to eliminate
9 ineffective or unnecessary antidumping orders, however, it
10 is my belief that the record in this review indicates that
11 this order has been effective, that dumped imports remain a
12 serious threat, and that material injury from subject
13 Turkish rebar imports would resume were the order to be
14 revoked.

15 In the original investigation the Commission
16 confronted significant dumping by Turkish producers. Less
17 than fair value imports from Turkey were gaining market
18 share and pressuring regional producers. These imports were
19 a significant source of material injury to the regional
20 industry.

21 The regional industry's net sales volume in value
22 were not keeping pace with apparent consumption. Prices
23 were suppressed and depressed. The level of underselling
24 was, in the words of the Commission "consistent and
25 significant, especially, in the market segments that compete

1 most directly with imports." Regional producers could not
2 raise prices to keep pace with rising costs. Operating
3 income and capital expenditures had declined, inventories
4 were rising and regional mills had closed. Two domestic
5 firms had filed for bankruptcy. The industry, in short, was
6 in terrible shape and the Commission appropriately provided
7 antidumping relief from dumped Turkish rebar.

8 This antidumping order has been effective. The
9 regional industry improved substantially after the
10 imposition of the order. Average annual imports from Turkey
11 during the three years after the order declined by 74
12 percent compared to the average of imports during the
13 original period of investigation. Without the flood of
14 Turkish imports in the market, the regional industry began
15 to recover. The body of information now before the
16 Commission include narrative responses in the questionnaires
17 and data on capital expenditures.

18 They will establish a direct link between the
19 reduced presence of Turkish imports and the financial
20 performance of the regional industry. The basic conditions
21 of competition have not changed since the original order.
22 Rebar production is a mature industry, and there have been
23 no significant changes in the product since the original
24 investigation. It is a commodity for which quality is a
25 given. Competition is driven by price. This conclusion has

1 been confirmed by responses to the Commissioner's purchasers
2 questionnaires and by the new staff report.

3 Domestic and Turkish rebar meet ASTM
4 specifications and all producers, domestic and foreign, have
5 access to similar technology. As a result, imported and
6 domestic rebar, as the Commission found in the original
7 investigation, are "generally, interchangeable when used in
8 the same application." The staff report in this review has
9 again correctly reached the same conclusion.

10 The implications to regional producers of price
11 sensitivity and fungibility are stark. Low-priced imports
12 force regional producers to reduce their prices, but overall
13 demands for rebar does not increase when price is declined
14 in any significant way. Significant levels of dumping
15 depress prices and revenues and wreak havoc on the bottom
16 line of the domestic industry.

17 Turkish producers have both the capability and the
18 need to increase their exports to the United States. The
19 Turkish industry is highly export-dependent and has enough
20 excess capacity, even under current circumstances, and
21 enough inventory, to make further inroads into the U.S.
22 market, if given the opportunity. As detailed in the
23 Petitioner's pre-hearing brief, the need to export to the
24 U.S. market has grown since the late 1990s. Consumption in
25 Turkey's home market has been weak at best. The country

1 macro-economic struggle in recent years is no secret, and
2 its economic malaise, if anything, is increasing.

3 We can be sympathetic to that plight, but the
4 solution is not to allow resumed dumping of rebar in the
5 U.S. market. Also, the inveterate dumping of Turkish rebar
6 exports has been confirmed since the original investigation
7 by more recent antidumping remedies applied in Egypt and
8 Canada. Furthermore, Respondent now face safeguard actions
9 in the European Union, and Canada as well.

10 In this environment, revocation of the existing
11 U.S. order would create an additional incentive and
12 opportunity for the Turks to increase their U.S.-bound
13 exports. As soft as the U.S. market is, it remains stronger
14 than the other export markets to which Turkey has shipped
15 rebar since the original order. Revocation would open the
16 door to diversion of Turkish third-county exports to the
17 U.S. market. The Department of Commerce's findings that
18 substantial margins of dumping are likely to occur, if the
19 order were to be revoked, makes clear that post-revocation
20 exports from Turkey to the U.S. would be dumped.

21 Even in good economic times, U.S. rebar producers
22 are vulnerable to dumping. They offer a commodity product.
23 The choice of supplier is extremely sensitive to price, but
24 overall demand is very inelastic, meaning that when prices
25 decline there is very little mitigating response in terms of

1 the quantity sold. Lower-priced imports thus translate into
2 lower regional prices. Census data and our client's data
3 indicate that Turkish average unit values for rebar are
4 substantially lower than those of U.S. producers.

5 The data before the Commission show that Turkish
6 rebar frequently under sells eastern tier rebar, and that
7 Turkish rebar prices strongly influence the prices charged
8 by regional producers. And with the global economy still
9 tepid, the U.S. market has become even more relatively
10 attractive. Turkey has been increasing its rebar exports to
11 the United States sharply in recent years as third country
12 trade remedies have limited Turkish access to other markets.

13 Consider the pre-hearing statement by Respondents
14 that Turkish imports ballooned in an attempt to beat the
15 anticipated Section 201 case completed at the start of this
16 year. This seems little more than an admission by
17 Respondent counsel that these savvy exporters respond
18 rapidly to trade remedy changes. Now they want the United
19 States to open the doors to an unimpeded flow of renewed
20 dumped imports. Even with the 201 remedy temporarily in
21 place in the United States, these are hardly good times for
22 eastern tier rebar producers, as your confidential data
23 show.

24 Though, consumption has been rising while costs
25 were falling, prices have been declining, nevertheless,

1 according to the staff report. Indeed, steel costs have
2 started to rise again, and further squeezing of rebar metal
3 margins are underway. Even with reasonably favorable
4 construction demand, eastern tier producers have continued
5 to post extremely low operating income margins.

6 As the public staff report and other sources show,
7 domestic capacity utilization is low, and capital investment
8 is dropping. One major producer has already entered
9 bankruptcy, bringing into the picture the full pattern the
10 Commission saw in the original investigation. This industry
11 is clearly vulnerable to further injury if the order on
12 Turkey is revoked.

13 The impact of revocation on the industry is
14 foreseeable without a crystal ball. Rebar imports from
15 Turkey would increase, further suppressing and depressing
16 rebar prices in the eastern tier, but there would not be any
17 mitigating increases in demand due to these lower prices, so
18 the regional industries output would fall and regional
19 producers small profit margins would quickly disappear. The
20 industry's ability to fund additional capital investments
21 would erode even further. Employment levels would decline
22 and this industry would slide into the red.

23 Respondent's brief does make some interesting
24 arguments, but upon deeper consideration, they're either
25 irrelevant to this revocation hearing or they support

1 continuation of the order. I'll cover a few of them.
2 Respondent's argue that Turkey's market share gains were at
3 the expense of other import sources, in particular, those
4 countries subject to antidumping orders in May 2001. But 70
5 percent of Turkey's surging Year 2000 exports to the U.S.
6 had already arrived before the July 18th initiation of those
7 investigations.

8 Respondents claim that there is no correlation
9 between U.S. producers market share and Turkish market
10 share. While it is true that both Turkish and eastern tier
11 producers market shares rose in the impact of the aftermath
12 of these new orders, it is obvious that the sharp rise in
13 the Turkish imports in the year 2000 and a continued high
14 level prevented domestic market share gains from being even
15 greater, and they had a reasonable right to expect that
16 improvement in their market from the additional antidumping
17 order. They were denied it.

18 Had there been no order on Turkish imports, the
19 regional industry's share in pricing would have been lower
20 yet; thus, the order continues to restrain material injury
21 from Turkish imports. Respondents cite the strength of the
22 Turkish domestic market. However, current Turkish pleas
23 regarding our prospective war with Iraq are based on the
24 current economic weakness, not strength of the Turkish
25 internal market.

1 Respondents cite the strengths of Turkish third
2 country export markets, but absent the order, South America,
3 Asia and other markets would revert to being less attractive
4 destinations than is the United States. Respondents cite
5 U.S. orders subsequently placed on imports from Belarus,
6 China, Indonesia, Korea, Latvia, Moldova, Poland and the
7 Ukraine, but these determinations have only confirmed that
8 the conditions of competition in rebar remain extremely
9 conducive to dumping injury, even during the strongest
10 economy present in these investigations were conducted and
11 the orders were applied. The U.S. economy has since become
12 softer and rebar pricing remains weak.

13 In summary, Respondents seek removal of the
14 Turkish order to improve their access to the U.S. market, a
15 market in which they, and others, have already caused
16 material injury with dumping when economic conditions were
17 far more favorable than they now are. Revocation is likely
18 to bring renewed dumping, as found by the
19 Commerce Department, and increased volumes in lower prices
20 to regional producers. Thank you very much.

21 MR. Xenopoulos: We have one more expert witness
22 this morning, Mr. Ron Colella. Mr. Colella is controller of
23 Nucor Steel Auburn. Mr. Colella?

24 MR. COLELLA: Good morning, Madame Chairman,
25 Commissioners. My name is Ron Colella. I'm the former

1 assistant to the chief financial officer at Auburn Steel
2 Company. Today, I am controller of the Nucor Auburn Steel
3 Mill in Auburn, New York.

4 In 2001 Auburn Steel Company had two rebar plants.
5 One located in Auburn, New York and the other in Lemont,
6 Illinois. I agreed to appear here today because I want you
7 to understand the devastating impact that dumped rebar had
8 on our company. In December 2000, right before Christmas,
9 we had to do the toughest thing we've ever had to do. We
10 had to tell 255 loyal employees at our Lemont, Illinois
11 plant that they were being terminated because the plant was
12 being permanently closed. Dumped rebar imports relentlessly
13 undercut our prices and slaughtered the company's bottom
14 line.

15 Despite peak demand in the U.S. market, our prices
16 eroded. The company could not remain commercially viable at
17 these low prices. So in December of 2000, our owners made
18 the difficult decision to close the doors at Lemont. They
19 felt that they were left with no other options. The
20 facility ceased operations on February 28, 2001. I want to
21 tell you that this devastation happened despite a
22 significant commitment to the Lemont mill and its people.

23 Back in 1995 we decided to make substantial
24 investments in the facility. We made this decision because
25 we expected to realize solid profits based on the strength

1 of the market. Construction and demand were on the upswing
2 and interest rates were low. Between 1996 and 1999, we
3 invested over \$50 million in the Lemont facility. This was,
4 obviously, a huge long-term commitment for our company, and
5 we believed we would better serve the market and our
6 employees if we invested in this way.

7 With strong growth and demand, the Lemont,
8 Illinois facility was perfectly poised to meet our customers
9 needs at fair prices and to make a profit. Instead, what
10 happened was devastating. Lemont struggled to stay afloat
11 with foreign fighter discounts and other measures, but the
12 dumped rebar imports made it impossible to recoup the
13 massive investment we had made. Our huge investment sale,
14 our cash flow was hemorrhaging and our owners concluded that
15 it was time to cut our losses and move on.

16 I'm one of the so-called fortunate ones. I don't
17 share the fate of the Lemont, Illinois facility and its
18 terminated employees. Nucor Steel purchased our Auburn, New
19 York facility in April of 2001. Nucor was billing a joist
20 facility near our Auburn plant and needed a supplier of
21 merchant shapes. Fortunately, the Auburn facility also
22 produces merchant shapes, and is able to supply that
23 facility.

24 As I mentioned earlier, I now serve as the
25 controller at Nucor Steel-Auburn. If not for the production

1 synergy I just described, the Auburn mill may have suffered
2 the same fate as the Lemont mill. Nucor Steel-Auburn is a
3 well-managed, modern and efficient production facility,
4 manufacturing rebar, merchant and special bar quality
5 products. Dumped Turkish rebar in larger volumes or at
6 lower prices than those present today will erode our
7 customer base and our rebar operations.

8 Turkey captured market shares throughout the
9 region via aggressive and predatory pricing. Dumped imports
10 from Turkey entering the region put downward pressure on
11 rebar pricing. The metal margin in rebar is small, and
12 revoking the order covering Turkish rebar threatens to
13 eliminate it. If not for the antidumping order on rebar,
14 regional prices would have eroded even more. Typically,
15 when you lose sales to dumped imports, they lead to an even
16 smaller or non-existence metal margin, the end result is
17 material injury to regional producers.

18 It is not as if dumped Turkish rebar is needed to
19 supply demand in the region. There is more than enough
20 capacity to supply regional demand. If the order is
21 revoked, our prices will be further depressed, due to a
22 larger volume of dumped Turkish imports, or even more
23 aggressively priced Turkish imports.

24 Unfortunately, Turkish producers have proven
25 themselves willing to sell at dumped prices in order to

1 increase their sales volumes. Dumped Turkish imports are,
2 have been and will continue to be a real and imminent threat
3 to our operations. We would request that the Commission
4 continue the antidumping order covering Turkish rebar.
5 Thank you.

6 CHAIRMAN OKUN: Thank you.

7 MR. Xenopoulos: Thank you. That concludes our
8 presentation.

9 CHAIRMAN OKUN: Very well, before we begin our
10 questioning, let me thank this panel of witnesses for their
11 presentation today, particularly, to the industry witnesses
12 who are able to be with us and for traveling here today. We
13 very much appreciate your participation, the testimony
14 you've given and your willingness to answer questions. And
15 we will start our questions this morning with co-chairman
16 Hillman.

17 COMMISSIONER HILLMAN: Thank you, Madame Chairman,
18 and I would join her in welcoming you. We very much
19 appreciate your taking the time to be with us this morning.

20 I guess if I can start with, perhaps, with a
21 question to counsel, although, I think that's best where it
22 goes, and that concerns the issue of data we may or may not
23 be getting from Birmingham. It's my understanding, from
24 looking at your pre-hearing brief, and from the data we
25 have, is that Birmingham has not submitted a questionnaire

1 response. Your brief indicates that they're in bankruptcy
2 and therefore, unable to submit a response. However, we
3 know that, notwithstanding the fact that they're in Chapter
4 11, they're still operating and producing rebar and they
5 have been involved in a sale to Nucor.

6 So I guess my initial question to you is, when can
7 we expect to receive a questionnaire response from
8 Birmingham?

9 MR. Xenopoulos: Thank you. In fact, Birmingham
10 Steel is no longer. As of December 9th, Birmingham Steel
11 became a part of Nucor, and it is my understanding that
12 Nucor is in the process of assembling the data although the
13 sale has just closed. Obviously, there is a lot of
14 disruption associated with their closing. We will get
15 responses to the Commission as soon as possible, at least,
16 that's our intent.

17 COMMISSIONER HILLMAN: I certainly would want to
18 underscore that. For a producer the size of Birmingham, now
19 Nucor, I think it is essential that the Commission get that
20 data and get it as quickly as possible. I would just tell
21 you that we've, obviously, seen a lot of steel companies
22 that been continuing to operate under Chapter 11 and we
23 receive questionnaire responses from them routinely. So I
24 do not think that you should expect to assume that simply by
25 virtue of the fact that there was a bankruptcy, and/or a

1 sale in any way takes away our sense that the Commission
2 must receive a timely and complete questionnaire response on
3 behalf of those facilities. So I would underscore that it
4 is critical that, that be done and done as quickly as
5 possible.

6 MR. Xenopoulos: Thank you. We understand and I
7 would just like to add, based on the information available
8 to me, it's difficult to imagine that, that data will show
9 anything but a company that was in dire straits. Thank you.

10 COMMISSIONER HILLMAN: Again, in the absence of
11 having the data, you leave the Commission in a position of
12 having to think about whether we need to draw adverse
13 inferences to the contrary of what you just said. I simply
14 note that is very important that we get that data complete
15 and as quickly as possible.

16 MR. Xenopoulos: Thank you.

17 COMMISSIONER HILLMAN: If I can then move on to a
18 threshold, sort of legal issue, and that concerns whether or
19 not this case should be viewed as a regional industry case.
20 As I'm sure you are aware, in the most recent case involving
21 rebar imports, same product, same scope, I, along with two
22 other Commissioners made the determination that it was not a
23 regional industry case.

24 And we, obviously, wrote opinion focusing on
25 whether or not rebar was being sold in an isolated market in

1 the way that industry provision is laid out, and whether or
2 not the various factors with respect to all or almost all of
3 the sales being within the region, imports being
4 concentrated within the region, isolation of the market.
5 And in that decision came down on the side of, no, it is not
6 a sufficiently isolated market.

7 Again, there's differences in fact between that
8 opinion and this one, but my question to you is twofold.
9 One should the test for whether or not we should continue to
10 look at this case as a regional industry case be different
11 in this instance, given that this is a Sunset Review and
12 that it was looked at on a regional basis originally, and if
13 so, why and how?

14 And then, secondly, if you go down these factors
15 of isolated market, shipments within the region, degree of
16 concentration of import, the demand supplied by those in the
17 region versus those outside the region, if you look at
18 what's the legal tests are, you've obviously seen some
19 change in the facts in the original investigation to now.
20 We've seen a decrease in the portion of shipments by the
21 domestic industry within the region. Again, so my question
22 is, do you think you still meet the criteria for being a
23 regional industry, and if so, why?

24 MR. Xenopoulos: I would like to defer answers to
25 that question to our post-hearing submission.

1 COMMISSIONER HILLMAN: All right.

2 MR. Xenopoulos: Those questions more preferably,
3 thank you.

4 COMMISSIONER HILLMAN: Again, I would ask you to,
5 in doing so, look at not only what has changed between this
6 review and now, but also to look at the opinion in the
7 May 2001 final determination and look at the factors we
8 examined in terms of coming to a decision not to treat
9 rebar, in that instance, as a regional industry case, but
10 instead, to look at it on a national basis. And to do
11 whatever distinguishing you would care to do from the facts
12 presented in the Sunset Review. I'd appreciate it.

13 I guess if I could go next, a number of you have
14 touched on this, Mr. Wexler touched on it, you touched on
15 it, on the effectiveness of the order and whether or not the
16 order was effective. And I have to say when I look at the
17 data, we obviously saw a significant increase in Turkish
18 imports in 2000 as well as 2001. So while the order is in
19 place, we're seeing a significant increase in imports from
20 Turkey. I'm trying to understand the juxtaposition between
21 your saying that the order has been effective, and on the
22 other hand, seeing this significant increase in Turkish
23 imports in 2000 and 2001. Partly, I'm needing some further
24 explanation from the industry folks why did we see such a
25 large increase in Turkish imports in 2000 and is that

1 consistent with your statement that the order has, in fact,
2 been effective?

3 MALE SPEAKER: While we're waiting to see if there
4 are any industry responses, I would like to mention a few
5 factors. First of all, unfortunately, the Commission,
6 particularly, in Sunset Reviews always has to ask these
7 questions in a "but for" context. So the effectiveness of
8 the order is not measured by the increase of the Turkish
9 imports, but the order in place. It's measured against what
10 would have occurred absent the order.

11 The second point that I think the Commission
12 should consider is the fact that duties have been collected
13 on many of those imports. So in fact, while they entered
14 the country, Turkish producers have paid some dumping
15 duties. So even though there was a disincentive to dump in
16 place, which the industry requested and was very grateful it
17 was there, as far as they were concerned, they didn't
18 receive the dumping duties. The dumping duties were paid to
19 the U.S. Treasury, and those imports in the U.S. market,
20 many of them, were dumped.

21 Now we don't remedy dumping, other than by
22 applying dumping duties, but the fact is that
23 Turkish dumping continued during the period in which orders
24 were in place.

25 The third point we'd like to make on that is that

1 we're looking at a situation in which the market, during
2 this period, was significantly stronger than it now is. So
3 the ability of the producers to sustain that increased
4 competition from Turkish imports, without material injury,
5 would be increased in two ways, if the order were to
6 revoked. One is, they're in a more vulnerable state anyway,
7 and the second is that one would expect the removal of the
8 impediment of paying dumping duties to increase the freedom
9 of Turkish exporters to price, even more competitively than
10 it had in a post-order environment. So those are the three
11 things that I would look at.

12 COMMISSIONER HILLMAN: Mr. Muhlhan, what would be
13 your sense of why so many Turkish imports were drawn into
14 the market in 2000/2001, notwithstanding the fact that there
15 was antidumping order on them?

16 MR. MUHLHAN: You know, we pay these guys to talk
17 this way. We think that Turkish producers are going to ship
18 as many tons as they possibly can into the U.S. market
19 because they want to operate at the highest levels possible
20 and because we believe that there's a motivation for U.S.
21 dollars. So I guess my personal view of what we think we're
22 seeing here is that the duties that are in place only
23 condition the level of sales, but don't eliminate the very
24 strong desire of Turkish producers to sell into the U.S.
25 market for whatever their marketing reasons are.

1 So we believe that the duties have been helpful in
2 keeping these levels to the most favorable scenario there
3 could be, given the outcome of our case. But nevertheless,
4 the Turkish market is oriented towards selling here, and we
5 think they're going to continue to do so for quite some time
6 at a loss, if necessary.

7 CHAIRMAN OKUN: Commissioner Miller?

8 COMMISSIONER MILLER: Thank you, Madame Chairman.
9 Thank you as well to the panel for being back with us here
10 today to take a look at what's been happening since the
11 Turkish order went into effect. Let me first join with
12 Vice Chairman Hillman and her comments, both on Birmingham,
13 and also, in her request that you analyze the regional issue
14 in light of the decision we made in the 2001 case. So I'll
15 be interested in your response in your post-hearing
16 submission on that point.

17 Let me first begin with a kind of a little bit of
18 an opportunity to find out what's been going on in the
19 industry, obviously, not just since the Turkish order, but
20 I'll take advantage of the moment, both with respect to the
21 other order and the 201 case. We have a lot of data in our
22 record, through 2001 and the beginning of 2002, but I guess
23 I would like to hear just a little bit more from the
24 industry witnesses about what's been going on in 2002. I
25 heard a little bit of it in your initial statements, but I

1 just wanted to see if I could get you to amplify a little
2 bit more on what's happened in 2002 with the orders on the
3 other countries in place and the 201 duties in place, and I
4 ask that question probably because I see the import data
5 that basically tells me a lot of imports are still coming
6 in, they're just coming in from different countries. I just
7 see a kind of a lot of shifting around. I'm not sure I see
8 much of a decline, basically, in the import data, even in
9 2002, but then, I only have data -- well, I have data
10 through September. There has been somewhat of a decline,
11 but given all the tariffs in place, maybe not as much as one
12 might have expected, it's a little bit more on the question
13 that Vice Chairman Hillman just asked you about Turkey
14 specifically, but I just want to get a sense more broadly.
15 And also, in that context, are prices improving at all? I
16 see some improvement in the bottom line for national
17 performance, but I'm not sure what that's due to, whether
18 it's due to reductions in costs or increases in prices? So
19 a big question, why don't each one of you sort of go
20 through, from your perspective how 2002 looks, and what
21 things look like -- you know Sunset cases make us pretend we
22 have crystal balls anyway, so you might as well tell me what
23 you see in the future. Mr. Fritsch, would you like to
24 start?

25 MR. FRITSCH: Sure, I'd be happy to, Commissioner.

1 2002 has been an interesting period. Obviously, the
2 September 11th event put a dramatic halt on capital spending
3 and new construction going forward. So what we've seen as
4 we came into 2002 was a rather dramatic dry up of new work
5 being available. Projects on the boards continued, but new
6 work has been slow in coming out. So the construction
7 market has naturally, or particularly, has hit a brick wall
8 in late summer of this year.

9 Coupled with that we have seen, through September,
10 a continuing volume of imports coming in. Two factors, I
11 guess, number one, the original rebar case which was brought
12 against eight countries, if you notice the imports from
13 those countries, they dropped down dramatically as a result
14 of the duties that were imposed. But rebar producers, it's
15 kind of like a balloon. You push in on one, and it pops out
16 someplace else. And as you're seeing, there were a number
17 of countries that surged with rebar after that first order
18 went in place.

19 As a matter of fact, today, there are two cert
20 petitions moving forward against four countries who have
21 grown dramatically with respect to their imports that are
22 coming in. Those are like the 201 finding for reinforcing
23 bar. And two, I guess I would also add that in the 201
24 finding on reinforcing bar, although, we argued that all
25 products produced on the same mill should have the same duty

1 because the reinforcing bar duty went a little bit lower
2 than the industry would have liked at 15 percent for the
3 first year.

4 Given the strength of the U.S. dollar, and the
5 fact that the economy had been strong up until this summer,
6 for reinforcing bar, the U.S. market have still appeared to
7 be very attractive to foreign producers. The dichotomy of
8 that is certain countries like Turkey who buy scrap in this
9 country, ship it to Turkey, manufacture it into rebar and
10 then ship back and sell it at very low prices cannot be
11 making a profit. So I think the underlying factor is some
12 of the countries seek to keep employment going as opposed to
13 actually making a profit like producers in this country do.

14 MR. FRITSCH: We've also seen a surge produced on
15 imports on imports on bar and merchant products. But, that
16 was expected and it is occurring. Nevertheless, rebar
17 imports have come in, in very large quantities and at lower
18 and lower prices.

19 With respect to the price increase for rebar, I
20 believe Mr. Muhlhan mentioned that the industry tried to put
21 a \$20 price increase in and conditions appeared to be right.
22 But, the surge of reinforcing bar from offshore countries
23 coming in at very low prices undercut that.

24 Sheet products, on the other hand, which had a
25 higher margin on their products in 201, earned significant

1 relief on the price side due to the 201 margins.

2 So, in short, we're still seeing the same
3 conditions that exist and we have not seen any price relief
4 on reinforcing bar, to speak of.

5 COMMISSIONER MILLER: What you just mentioned
6 about the sheet product being more price relief -- the price
7 relief after the 201, do you attribute that namely to the
8 difference in the -- or other market conditions.

9 MR. FRITSCH: Well, I'm not an expert in sheets,
10 but I think there are two factors. Number one, there was a
11 shift in domestic supply, because the number comes from
12 bankrupt and cease production for a short period of time.
13 But, those companies, in general, are coming back up now
14 into operation and there is some moderation in sheet prices
15 in the United States. But, I have to say that a significant
16 portion of, because of the relief provided under 201.

17 COMMISSIONER MILLER: Okay, thank you. Mr.
18 Colella, do you want to add anything to that?

19 MR. COLELLA: Just to reinforce a couple of things
20 that Jim said. The imports from the other countries have
21 increased. The balloon effect, as he mentioned, is a good
22 way to describe it. And on the price side, we tried to get
23 some price increases in rebar and we just haven't been able
24 to sustain it.

25 I think the main point is, in all of this, is

1 things would have been -- we're not painting a very bright
2 picture right now, but the picture would be even less
3 brighter, if we didn't get those ordered five years ago. I
4 think what would have happened without this versus trying to
5 figure out the effectiveness of how effective it really was,
6 you have to look at with or without it is really the way to
7 compare, as I think Andrew mentioned in his statements.

8 COMMISSIONER MILLER: I appreciate that. Mr.
9 Muhlhan?

10 MR. MUHLHAN: I guess I have to agree with both of
11 these guys. I think what you guys and the administration
12 did for us was sort of run out in the street and push us out
13 of the way of the oncoming bus. The traffic is still pretty
14 heavy out there and we're still having an awful lot of
15 trouble with imported product.

16 The burden of bringing these cases and of dealing
17 with these situations, where we have countries, who move a
18 couple of boats at a time, disappear for a couple of months,
19 and then come back, but at an aggregate are still putting an
20 awful lot of product into our market. It's one that we
21 can't overcome.

22 The U.S. market is a target of opportunity. The
23 tariffs that apply under the 201 to a limited number of
24 shippers aren't sufficient to bridge the gap between their
25 desire for sales and the prices they can turn up. And there

1 are plenty of triggers in the system, who are eager and
2 willing to encourage some of that kind of incremental
3 business. So, we just have this continuing onslaught.

4 The decline in the economy this year was a huge, I
5 think, unfortunate surprise for us. I think we expected
6 that the business level, itself, was going to be somewhat
7 higher. And as our economist pointed out, rebar is a pretty
8 price elastic commodity; so if the business starts out
9 declining and there's plenty of competition, fair or
10 otherwise, we end up simply getting squeezed.

11 You know, everything we said in our antidumping
12 cases and in the 201 is coming true. If there's any room in
13 the system for material to come in, it will, and it will
14 come in from different producers on different days. But,
15 there's too much magnetism in this market.

16 As to what's going to happen next year, I think
17 it's up to you folks and the administration. This review is
18 going to be important, whether or not on the anniversary of
19 the dumping orders that were put in place this year. There
20 are going to be challenges, changes, reductions, it's hard
21 to tell. But, it won't be at all surprising if at least
22 some of the countries, who were pushed out, show up looking
23 for a way to get the door cracked.

24 And there's increasing political pressure on the
25 201 tariffs. So, collectively, you guys are going to have a

1 hand, along with the administration, in determining whether
2 we're here in a couple of years to talk to you about these
3 problems.

4 MR. WECHSLER: If I might quickly add, you may
5 have noticed in my testimony a surprising absence of
6 predictions for the construction demands for this product,
7 and that's basically because I've looked at what's out there
8 and I don't see any credible basis for choosing between
9 those, who predict a continued strong construction demand,
10 versus those, who predict that it's going to sag, even if
11 the rest of the economy picks up. What we can be certain
12 about is that the pricing problems in rebar are persistent
13 through what has been over the last five years, in general,
14 an extremely strong market for the downstream products and
15 commercial and residential construction that do use rebar.

16 And so, we have a fundamental pricing problem.
17 The trade bars aren't perfectly attuned to dealing with the
18 revolving door approach of a product like rebar, in which
19 there are many, many foreign producers, who can produce it.
20 All we can do is -- all the producers like those at this
21 table can do is selectively attack the problems that become
22 most pronounced, hopefully get a response, and then deal
23 with the next series as tomorrow's problem. And that's been
24 the way they've been doing.

25 But, if you revoke this order, you're also

1 signaling where the Commission stands on attempts to apply
2 the dumping law to products, in which there are 40 to 50
3 potential suppliers, and it's simply infeasible to bring a
4 case against that many at one time.

5 COMMISSIONER MILLER: Okay. I appreciate all of
6 your answers. Thank you, very much.

7 COMMISSIONER OKUN: Commissioner Koplan?

8 COMMISSIONER KOPLAN: Thank you, Madam Chairman.
9 I, too, want to thank you all for the presentation and your
10 answers to these questions thus far this morning. First, I
11 would like to join with Vice Chairman Hillman in the request
12 that we get the questionnaire data regarding Birmingham.
13 That is, also, of great significance to me, as well, and I
14 join with her in the emphasis she put on it to get that as
15 quickly as possible.

16 MR. XENOPOULOS: Thank you.

17 COMMISSIONER KOPLAN: Secondly, although I am one
18 of three commissioners, who recently found this to be a
19 regional industry, I am also interested in your post-hearing
20 submission, with regard to her request on that issue. So,
21 although I've recently come to a different conclusion, I am
22 very interested in what you have to say.

23 MR. XENOPOULOS: Right.

24 COMMISSIONER KOPLAN: A December 5, 2002 article
25 in American Metal Markets, entitled, "bigger bar players are

1 leaving less tie for others," by Scott Robinson, discusses
2 at some length the recent consolidation of the rebar and
3 merchant bar producers in the United States. It states, and
4 I quote, "for those to be able to achieve it, consolidation
5 can bring about operating synergies, reduced costs, more
6 efficient production, and enhanced buying power. It, also,
7 can create the -- to significantly alter the market
8 landscapes. That appears to be a case in most of the mini-
9 mall sector, particularly in the markets of merchant bar and
10 rebar. Those two markets this year have witnessed the
11 mergers of several companies, resulting in the top three
12 merchant market mills controlling between 75 and 80 percent
13 of the U.S. market." Now, that's just a small piece of the
14 article.

15 The consolidation of the rebar producers, both
16 inside and outside the region, is a significant change in
17 the conditions of competition in the rebar market since the
18 time of the original determination. I'd like the industry
19 witnesses to discuss the impact of this consolidation that
20 it's had on the rebar market.

21 And I note that on Monday, Nucor completed its
22 purchases of Birmingham Steel Corporation. It's been
23 reported in the American Metal Markets and elsewhere for
24 \$615 million in cash. And I noted that in the AMM article,
25 Mr. Dimico was quoted as saying, "the addition of these

1 assets will support our bar products strategy, to broaden
2 our basic customers and build profitable market share."
3 That's a portion of his quote.

4 So, I'd be interested in hearing from you all, as
5 to the impact, and I know that this has been touched on,
6 that this consolidation has had on the rebar market, from
7 the industry witnesses, themselves. Excuse me, I understand
8 that additional consolidations will be taking place, as
9 well.

10 MR. FRITSCH: Well, perhaps. One of the things
11 that is important to note, while there is some
12 consolidation, there's not rationalization, and one of the
13 key things the industry needs is a better balance of supply
14 and demand. So, in all due deference to Mr. Dimico's
15 article, part of that is speculation that he's talking
16 about.

17 But, nevertheless, there's a feeling, I think, in
18 the mini-mill industry, particularly in some merchant
19 products, that there are too many producers fighting for
20 market share and that has had an impact on the profitability
21 industry. However, Mr. Dimico obviously doesn't feel so,
22 because his acquisition he spoke in the article indicates he
23 hopes to be a profitable business. I think it would also be
24 fair to say that when Mr. Dimico was here on many occasions,
25 he indicated that normally we don't participate in filing

1 trade cases. But, the facts are that the price level from
2 imports in all products, including the enforcing bar, has
3 been so low that it's physically impossible for companies to
4 earn an adequate return on investment, even through
5 acquisitions. So, I believe Mr. Dimico is hoping about what
6 he thinks will occur, perhaps by keeping the Turkish duties
7 in place, as well as other actions that have been taken by
8 this group.

9 The other thing about some of the issues that
10 arise from that article, for example, like concentration of
11 purchasing power, 50 percent of the cost of producing the
12 enforcing bar basically is scrap, as scrap is a regional
13 market. You have a mill in Seattle, Washington. It
14 absolutely has no impact on the scrap market of your buying
15 power in Tampa, Florida, for example. So, you have to
16 eliminate 50 percent of the cost from that article. And,
17 perhaps, there are some commodities, such as hard hats or
18 safety glasses, where a national firm can do leverage some
19 consolidations.

20 The other component of cost is labor and the labor
21 market varies across the country, and so there is no
22 purchasing power associated with hiring capable people to
23 run your mills. So, when you come down to the point about
24 synergy from purchasing, I think there is some, but it's
25 rather modest in relationship to the total cost of producing

1 reinforcing bar.

2 The industry consolidation is taking place and the
3 reason it's taking place is because so many companies are in
4 bankruptcy, due to the onslaught of imported steel and
5 unfairly price levels in the last few years. If it were not
6 for that, I don't believe you would see the type of
7 consolidation that's taking place. Certainly, the 35 steel
8 companies that are in bankruptcy right now, there are very
9 few alternatives for them, other than try to sell their
10 assets or go into liquidation. So, it certainly is the
11 driving force behind the consolidation that you're seeing in
12 the industry right now.

13 Since our company hasn't participated to date in
14 many of those consolidations, perhaps I should turn over the
15 microphone to the other two companies that have, and they
16 can add some information.

17 COMMISSIONER KOPLAN: Mr. Colella, do you agree
18 with all of that?

19 MR. COLELLA: Yes. As far as the plan for the
20 Birmingham acquisition and the affect of the sales,
21 marketing, I really can't respond to that, at this point.
22 The sales affect of this transaction really were not
23 discussed until the deal was finalized this week. So, I'm
24 not privileged to any of that, any specific marketing
25 strategies that's associated with this acquisition.

1 As far as the volume purchasing, I totally agree
2 with Jim's remarks. As he said, scrap is about half of our
3 costs. And I, personally, have been involved in a Nucor
4 initiative for volume purchasing of various items and it is
5 extremely difficult to obtain discounts throughout the
6 country for your various facilities. Pretty much the
7 vendors know they've got the capital market already and
8 they're just not going to give you a discount, because now
9 you're one voice instead of three. So, it's very difficult
10 to get any major savings from that side.

11 And, again, on the sales, I can't really comment
12 on the sales side.

13 COMMISSIONER KOPLAN: Thank you. Mr. Muhlhan?

14 MR. MUHLHAN: When you look at a lot of the
15 consolidation that's going on in long products --

16 COMMISSIONER KOPLAN: Could you move that just a
17 little bit closer to you, the microphone?

18 MR. MUHLHAN: Yes. When you look at what's going
19 on in the consolidation of long products, I think what's
20 really being reduced is the vice presidents and directors
21 return to steel. Basically, what these tend to be about for
22 now is the elimination of as much overhead as possible, in
23 an environment where every penny counts. So, you've got
24 industries, that standalone, will likely wither and die,
25 not because they're not capable, don't have good equipment,

1 don't have good people, but because the world is such a
2 tough place.

3 The ability to put together, string together a
4 number of plants across the broad geographic area enables
5 you to reduce overhead by having a unitary sales activity,
6 unitary management, and it, also, can save you a little bit
7 of money in distribution costs, because the character of the
8 market, the need to move your product fairly long distances,
9 in order to place as much as possible in the current
10 environment, can be helped along a little bit by having your
11 capacity a little better disbursed geographically.

12 That doesn't change the total amount of productive
13 capacity. It doesn't change the size of the market. The
14 problems of competition are going to continue to be the
15 same. There are just going to be fewer people dealing with
16 them.

17 COMMISSIONER KOPLAN: Thank you. I see my time is
18 about to expire, so I'll save the balance of my questions.
19 Thank you, Madam Chairman.

20 COMMISSIONER OKUN: Thank you. And, again, thank
21 you for your testimony and your answers today. So, it's
22 crystal clear, I will join my colleagues in saying that I,
23 also, am very interested in seeing the data for Birmingham
24 submitted, and several points have been made several times,
25 that they should put in their interest --. So, I think that

1 covers that.

2 I would also be interested in looking at the
3 regional analysis. Again, I join Commissioner Koplan in how
4 he looked at the region issue the last time around. But,
5 there are some things about this case that I, also, think we
6 have to look at, even in the sunset concept. So, I will
7 look for that in your post-hearing, as well.

8 I think I will just follow up a little bit on the
9 question that Commissioner Koplan was asking about the
10 consolidation and, again, in the sunset, where we are
11 looking at the reasonably foreseeable future, what impact it
12 has. And I understand how you've laid it out. And I think,
13 Mr. Muhlhan, the last thing you were saying was the question
14 that I am most interested in, which is, is there any
15 anticipation that it's going to impact capacity, lowering or
16 increasing capacity? And by the way, particularly for Nucor
17 and others, if there is any confidential information that
18 you could share with us post-hearing, I'd appreciate that.
19 And, you know, if you're not comfortable speaking here, I
20 understand that, as well. But, Mr. Muhlhan, if you could?

21 MR. MUHLHAN: None of the consolidations or
22 accommodations that have been announced in our industry have
23 suggested any benefits that are going to come from
24 rationalization. I think, though, that one could predict
25 that because this business is so difficult and because there

1 is worldwide over capacity in the long product area, that
2 it's likely that there will be some reduction in capacity,
3 as we go forward. Just the reality of the market, I think,
4 will force some of that, even if there aren't some
5 agreements among countries and among trading partners to
6 work on that explicitly.

7 That process, I think, will be made a bit easier,
8 as a result of consolidation, because larger, more cost-
9 effective entities are probably going to be a little better
10 able to sustain taking what's going to be a smaller hit in
11 cutting some production. No one has done that yet and it
12 wouldn't surprise me if there are any plans in place, given
13 the nature of our business and the problems that we're
14 having. But, it's just sort of commonsense that when you've
15 got three million tons of capacity, it's a little easier to
16 shave a couple of thousands, than when your company relies
17 on a half of million for its business.

18 COMMISSIONER OKUN: I appreciate those comments.
19 Mr. Colella or Mr. Fritsch, any comments on the capacity
20 side of consolidation?

21 MR. FRITSCH: Commissioner, the last time around
22 in the antidumping case in reinforcement bar, one of the
23 questions was asked, is there adequate capacity in the
24 United States to meet the demand. So, one of the things
25 that we look at, when we consider rationalization, at least

1 in our company, is supply, demand in the regions where our
2 mills are located. Market knows in general, we ship a very
3 tight circle around them. As a matter of fact, that's
4 what's kind of surprising about the bar of imports coming
5 into the country. Usually, low margin products like
6 reinforcing bar do not ship very well, so you serve a
7 customer base close around the mills.

8 As we look at our mills, we've spent considerable
9 money over the years investing in them, to keep them modern
10 and low cost. So, in the mini-mill industry, in general,
11 there's not a lot of what we call inefficient high cost
12 capacity. Normally, that -- I mean, it's a derogatory way,
13 but the integrated mills have not been earning that return
14 and have not been able to invest the type of money necessary
15 to compete on a world class basis on cost. So, when we talk
16 about rationalization in general, most of it is non-mini-
17 mill capacity, at least the way I understand the pressure
18 that's going on in the industry and particularly those talks
19 that are occurring right now.

20 Having said that, though, there are certain
21 facilities that have been rationalized recently. JNL is a
22 merchant bar structure producer in Pittsburgh that was shut
23 down and has been liquidated, and that is what we call a
24 "mini-mill," if you will, although they did not produce
25 steel, they just rolled it. So, it varies particularly by

1 product line; it varies by region; and it varies by
2 investment that's made in the facilities, to keep them
3 efficient.

4 Prudent decisions are normally made by businessmen
5 and if you have a high cost of something where you're not
6 covering your cost of capital, it will be rationalized.
7 There's no doubt about it. As Mr. Muhlhan said, if you only
8 have one mill, it's pretty tough to rationalize it, because
9 you're out of business. But, if you have multiple
10 facilities, where you can do selective pruning in order to
11 eliminate high cost facilities, where there is adequate
12 market supply, those decisions will be made and take place.

13 COMMISSIONER OKUN: I appreciate all of those
14 comments and look forward to anything additional in a post-
15 hearing, as well.

16 Let me turn for a moment, and I think Mr. Fritsch,
17 I'll just stay with you, although a couple of you mentioned,
18 and that has to do with the raw material cost and for this
19 product, in particular, where scrap is, I think you used the
20 50 percent figure today, such a high percentage of the cost
21 of the product. Tell me, if you could, if you could
22 describe for each of your companies how you viewed the
23 period we're looking at, the period of investigation, the
24 relationship of what's been going on with raw material cost
25 scrap and your average unit revenue.

1 MR. FRITSCH: For commercial metals, the scrap
2 market is very dynamic. What we see ourselves in today is
3 what we call the bias and that is the selling value is being
4 compressed and the price of scrap is rising and the spread
5 in between is being compressed to the point where it's very
6 difficult to earn adequate return.

7 Scrap is also dependent upon all steel products in
8 the production. Demand for sheet products has been fairly
9 strong and there is some capacity coming back on, which is
10 scrap based. So, in certain regional areas, such as the one
11 we're talking about, the price of scrap has shown an
12 increase in trend.

13 Scrap is a pure commodity product. It's bought on
14 the spot basis. There are not long-term contracts on scrap,
15 so it just depends on what occurs -- pardon me, it depends
16 on the market conditions at the time you need to buy. Mills
17 such as ours are buying on a regular basis. Occasionally,
18 when the market starts turning down, like it is right now,
19 we will back out of the market, because we have adequate
20 inventories and are trying to manage the cost and the
21 working capital.

22 Mr. Muhlhan is in charge of buying scrap for one
23 of his many duties and he can probably give you a more
24 informed answer than I can.

25 COMMISSIONER OKUN: Okay, Mr. Muhlhan?

1 MR. MUHLHAN: Probably one of the worst things
2 that happened to the long products guys last year were the
3 30 percent tariffs on flat-rolled, because suddenly you had
4 capacity that was turned on and run full and needed scrap.
5 Increasingly, flat-rolled has been converting to the mini-
6 mill model and the scrap requirement per ton of output is
7 increasing in flat-rolled product, unlike long products,
8 which have been and continue to be uniformly produced from
9 scrap. So, we have an environment last year, where flat-
10 rolled demand for scrap was driving prices upward, at the
11 same time that our prices were reasonably stagnant or, in
12 some cases, declining, because of both the market and
13 imports. So, we've been squeezed pretty good. And right
14 now, it appears that scrap prices are likely going to be
15 turning a bit higher, unless the economy really takes a
16 slide. Worldwide scrap prices, foreign prices, which do
17 influence U.S. numbers have been up significantly over the
18 last couple of weeks or a month and Turkey, itself, is
19 actually paying higher prices at U.S. ports for scrap to be
20 shipped into their mills than many of our mills are paying
21 on a delivered basis on average for the scrap that they're
22 buying. So, there is an effect right now that's going on
23 that's driving scrap prices higher on the coast, as a result
24 of foreign demand, and that's going to have negative impacts
25 gradually on the mills that are interior to the country.

1 COMMISSIONER OKUN: Okay. The figures in our
2 staff report are confidential. But, I guess, I'm trying to
3 make sure, what I'm hearing from you is a description of
4 rising scrap prices over the period that caused the price
5 squeeze for your product; is that what I'm hearing?

6 MR. MUHLHAN: They actually fluctuated a bit. Let
7 me try to get my years right. Now, we had extraordinarily
8 low scrap prices in 2001, and the market was reasonably
9 depressed, as it trended into the last half of 2000, as
10 well. Some would argue that scrap prices got to
11 unacceptably high levels. I don't know how much insight you
12 get into the scrap market, but there's a lot more in the
13 scrap market that's going on than supply and demand. It's a
14 very unique commodity in a lot of ways.

15 But, we enjoyed very favorable scrap prices,
16 relative to historic averages, in 2001. The only problem
17 was our prices were so depressed, partly as a result, you
18 would likely argue, that didn't do us an awful lot of good.
19 Now, we're on the unfortunate side of that equation, where
20 raw material prices are rising and our prices have never
21 been more important to us. Hence, our appearance here and
22 our interest in these issues.

23 COMMISSIONER OKUN: Okay. I appreciate your
24 further elaboration on that. My red light has come on, so I
25 will turn to Vice Chairman Hillman.

1 VICE CHAIRMAN HILLMAN: First let me start with
2 Mr. Colella. You looked like you also had a response to
3 this question and I would be curious to hear your answer, as
4 well.

5 MR. COLELLA: Sure. Well, just to add a little
6 bit to what Bob was saying. One of the terms that we use in
7 our industry is metal margin, which is really the key to all
8 of this. It's the difference between the selling price and
9 the scrap price. Back in, I'd say, the 1970s or maybe the
10 early 1980s, there actually seemed to be some relationship
11 between those two numbers; that when one would go up, the
12 other one would sort of trail it, and they seemed to have
13 some relationship. That pretty much as gone away over the
14 last 10 years or whatever, and this metal market number,
15 which is really the key for our business to be successful.

16 I know at our facility in Oregon, that number has
17 dropped probably about \$60 a ton over the last four to five
18 years, as scrap prices have either gone up or stayed the
19 same and the selling price has dropped. So, you really have
20 to look at the -- the relationship of those two is really
21 the key.

22 VICE CHAIRMAN HILLMAN: Okay. Just help me
23 understand. Again, I'm looking at the same data that
24 Chairman Okun is looking at and, obviously, we would have it
25 showing what has happened to your raw material cost. And it

1 has shown a pretty consistent decline over our POI; but,
2 obviously, that data ends in a certain midyear 2002. When
3 did you start to see the big increase in scrap prices?

4 MR. MUHLHAN: This is where accountants, like Ron,
5 gets some of us more market-oriented guys a little bit
6 confused sometimes, and I suspect that the same thing is
7 coming through to you. Ordinarily, in many of the numbers
8 that you look at, you're going to see accounting results of
9 materials that are taken to cost for that period.
10 Ordinarily, scrap is purchased, brought into a mill over a
11 period of time. The prices are set monthly, sort of as a
12 general rule. The material, then, that gets bought in that
13 month, comes into the plant over the next couple of months.
14 And very oftentimes, the accounting is done in a manner,
15 which withdraws the scrap melted from inventory, which is a
16 function of prior period costs. So, there's a lag between
17 the changes in the scrap market and what ends up being take
18 to cost in period against product sold.

19 So, what happened in the market was a price
20 increase situation that occurred earlier in the year and
21 probably took time to come through the accounting. So,
22 basically, we had something of a drop in 2001. And then as
23 we came out of 2001, we had a relatively steady increase in
24 prices, in terms of average scrap costs, all the way up
25 until a couple of months ago.

1 VICE CHAIRMAN HILLMAN: So, you're saying scrap
2 prices began increasing beginning of 2002?

3 MR. MUHLHAN: That's correct.

4 VICE CHAIRMAN HILLMAN: It continues up and then
5 more recently, started to come back down again?

6 MR. MUHLHAN: They fell off a little bit with the
7 decline in production that the industry has incurred over
8 the past couple of months. There started to be a better --
9 because demand was less and right now, what's happened, is
10 the market is in a transition period and is beginning to
11 turn upward again on reduced supply, in response to those
12 somewhat depressed prices and the effects of world demand on
13 iron units.

14 VICE CHAIRMAN HILLMAN: Okay. Help me understand
15 from a price perspective, do your purchasers follow the
16 scrap market? And, again, this is getting back to this
17 whether there is a metal margin --

18 MR. MUHLHAN: No.

19 VICE CHAIRMAN HILLMAN: -- and what's happened to
20 it. I mean, are your purchasers aware when scrap prices
21 come down, that they're coming to you, saying, you need to
22 reduce your prices, because we know you are getting scrap at
23 a lower price? Or is there, from your purchaser's
24 perspective, do they correlate what they should be paying
25 you for rebar?

1 MR. MUHLHAN: Our purchasers accept absolutely any
2 excuse to come to us for a lower price. And it might be
3 scrap prices that they're buying in the American metal
4 market. It might be the offer they got from Turkey
5 yesterday. It might be what they heard one of Jim's plant
6 is selling product for to some buy down the street. There
7 is no real firm relationship between scrap prices and steel
8 prices, in the sense that prices are set with any of our
9 customers on that basis. There's a market price for any
10 steel product and there's a market price for scrap and they
11 don't talk to one another, but they do tend to have some
12 correlation over time.

13 Most people believe, because they're reflected of
14 the overall state of the economy, when demand is there,
15 prices can rise; when prices rise, there's more demand for
16 scrap and more demand for scrap requires more collection,
17 because scrap is, also, somewhat inelastic, in terms of the
18 total amount of scrap that's available. And so, there
19 really is no firm relationship on a transaction basis
20 between raw material costs and steel prices, but rather they
21 influence one another in other ways.

22 VICE CHAIRMAN HILLMAN: Okay. That's very
23 helpful. I guess if I can turn to another issue and that's
24 the situation in terms of Turkish exports potentially going
25 into third country markets, besides the United States.

1 First, I want to make sure I understand exactly the
2 situation, in terms of third country duties that are
3 actually being imposed. I understand there's a lot of
4 things out there, but, at least, I want to make sure I
5 understand it. From your judgment, you're indicating that
6 the Canadians are currently accepting antidumping duty and
7 the Canadians are, also, currently accepting safeguard
8 duties or not?

9 MR. MUHLHAN: That's true.

10 VICE CHAIRMAN HILLMAN: See, I understand they had
11 a safeguard action, but I didn't know if they were actually
12 imposing safeguard duties on Turkish imports.

13 MR. XENOPOULOS: It's my understanding, subject to
14 check, which we will include in the post-hearing brief, that
15 they are, in fact, currently applying safeguard duties.

16 VICE CHAIRMAN HILLMAN: Okay. And then the
17 European Union, I just want to make sure I understand it.
18 You had referenced both antidumping duties and their most
19 recent safeguard action. My understanding is the most
20 recent safeguard action is the TRQ, where actual applied
21 duties don't kick in until the level of trade exceeds a
22 certain amount, though, again, I'm trying to make sure I
23 understand. Are there actual duties being imposed on
24 Turkish rebar going into the European Union now?

25 MR. XENOPOULOS: Again, subject to check, I don't

1 believe that there are. The antidumping investigation is
2 being continued and will be concluded within the next few
3 months.

4 VICE CHAIRMAN HILLMAN: So, there's no antidumping
5 duties in Europe currently?

6 MR. XENOPOULOS: That's correct.

7 VICE CHAIRMAN HILLMAN: Okay. But, there's
8 potentially provisional safeguard duties subject to a tariff
9 rate quota, such that an amount would come in without paying
10 an additional duty and it's only imports in excess of that
11 amount that would be subject to the 14.7 whatever percentage
12 duty it is?

13 MR. XENOPOULOS: That is our understanding.

14 VICE CHAIRMAN HILLMAN: Okay. But, it's your
15 understanding that they have not yet reached the quota
16 amount? I mean, again, I'm trying to get a sense of are
17 there actual duties being paid?

18 MR. XENOPOULOS: We will check into that in our
19 post-hearing.

20 VICE CHAIRMAN HILLMAN: And Egypt, my
21 understanding is the WTO panel has indicated things were
22 properly done, but others were not, and they fundamentally
23 told the Egyptians that they must bring their order into
24 compliance. Do we know whether that decision is being
25 appealed or whether there's been any indications from the

1 Egyptians on how they're going to respond to that panel?

2 MR. XENOPOULOS: We have no information in that
3 regard.

4 VICE CHAIRMAN HILLMAN: Okay. I guess, then, the
5 other issue for me was to try to understand, and I think,
6 Mr. Wechsler, you did, to some degree, touch on this, but
7 the issue is prices in third country markets. I mean, all
8 of your testimony has obviously indicated that you think the
9 United States is the market of choice, if this order were to
10 be revoke. Then, obviously, it may not be true, depending
11 on what's going on in terms of prices in third country
12 markets. Do you have information -- do you all export to
13 other markets? Do you have any sense of helping us
14 understand what would Turkish rebar command in other
15 markets, in Asia, in Europe, in its other markets?

16 MR. XENOPOULOS: The U.S., by large, doesn't have
17 any exports to speak of, so we're not privy to that
18 information either. We, again, can attempt to get that
19 information and include it in the post-hearing brief.

20 VICE CHAIRMAN HILLMAN: If there is anything that
21 could help us understand. Again, I'm looking for what
22 support you have for the notion that the U.S. is this very
23 attractive market. So, if there is data out there that
24 would suggest what prices are in third country markets that
25 would let us understand why it is you think the U.S. remains

1 the most attractive market from a price perspective, I think
2 that would be very helpful information.

3 MR. XENOPOULOS: Certainly, the U.S. -- one of the
4 factors would be the hard currency available from sales to
5 the U.S.

6 VICE CHAIRMAN HILLMAN: Okay. And, obviously, we
7 do have information in our staff report on both the nominal
8 and the real exchange rates between the U.S. dollars and the
9 Turkish dollars.

10 MR. XENOPOULOS: Right.

11 VICE CHAIRMAN HILLMAN: That, I don't need, but
12 it's more this issue of third country pricing that I think
13 would be very helpful.

14 MR. XENOPOULOS: Right, understood.

15 VICE CHAIRMAN HILLMAN: With that, I appreciate
16 those answers. Thank you, very much.

17 MR. XENOPOULOS: Thank you.

18 COMMISSIONER OKUN: Commissioner Miller?

19 COMMISSIONER MILLER: Thank you, Madam Chairman.
20 I don't have a lot more, but just when you think you've done
21 enough steel cases, there's always surprises in cases, even
22 when you've done a lot of them. But, some of these
23 exchanges about the scrap market has kind of intrigued me,
24 frankly.

25 First to start with, is U.S. a major exporter of

1 steel scrap? You've talked about Turkey buying U.S. scrap.

2 MR. MUHLHAN: The U.S. typically consumes about
3 60,000 tons roughly of iron and steel scrap a year. In
4 typical times, it's been a big difference over the past few
5 years, but it's not unusual for us to export from eight to
6 10 million tons. There is a very active worldwide market
7 for iron units of every kind, out of the U.S., out of the
8 U.K., out of a number of countries, who have an excess of
9 steel scrap.

10 COMMISSIONER MILLER: Interesting. All right.
11 You learn something new in every case, even a steel case.

12 The only other issue that I wanted to go back to,
13 if I could for a minute, Mr. Muhlhan, you referenced, in
14 your initial statement, the fact that you have sold to
15 Puerto Rico, but just through trading companies, I guess, is
16 what you were saying. Our record, I guess, you helped
17 clarify this element, because our record would have
18 suggested that U.S. producers were not selling into Puerto
19 Rico. I had wanted to ask you to talk a little bit about
20 this issue. You did in your initial statement. I guess I
21 would ask if any other producer is selling there and we just
22 don't have it in our record, because of something similar to
23 your company's situation. I think it would be it would be
24 helpful to us to have that information, because I think this
25 case, as respondents have raised, does raise some issues

1 abut Puerto Rico, if U.S. producers were not selling there,
2 that at least suggests that we should give some
3 consideration to whether or not Puerto Rico should be part
4 of the region.

5 I don't know, if anybody else wants to address
6 their experience with Puerto Rico. Is the story pretty
7 similar to what Mr. Muhlhan expressed in his initial
8 testimony?

9 MR. FRITSCH: Sure. Commissioner, when we got our
10 new mini-mill in Columbia, South Caroline, Puerto Rico was
11 one of the markets where there was an indication of strong
12 demand. We've sent, on four separate occasions, a marketing
13 blitz, if you will, a team of people to Puerto Rico, in
14 order to develop relationships with the buyers and
15 distributors in that market. When it came back and the
16 price levels that were necessary to do business in that
17 area, it was economically unfeasible to go forward.

18 We did do one small transaction and the same way.
19 What we did is sell to an exporter, who took delivery to
20 port and shipped over. But, it was an attempt to show we
21 could deliver quality product into Puerto Rico in a timely
22 matter, but it was at a loss, because of the price level in
23 Puerto Rico, due to the surge of what would be called fairly
24 priced import material.

25 VICE CHAIRMAN HILLMAN: And the efforts you've

1 just described, the four marketing blitzes or whatever that
2 you described, were those since the order took effect or
3 were those back before the Turkish order took effect?

4 MR. FRITSCH: Well, our new mill started rolling
5 in 1999.

6 VICE CHAIRMAN HILLMAN: Okay, they were recent?

7 MR. FRITSCH: Yes, it was. And we continue to
8 keep track of the Puerto Rican market. It's just the price
9 level is so low that it -- you know, to put -- we're always
10 saying, if you want to put a \$40 bill on a ton of steel and
11 ship it over there and sell it, you can do that; but, it
12 doesn't make economic sense, because it's below our cost of
13 production.

14 COMMISSIONER MILLER: To the extent you can put
15 those efforts down in a post-hearing submission, so that we
16 have for our record the efforts the companies have made to
17 sell there and some specifics, I think that would be useful.

18 MR. XENOPOULOS: We'd be happy to.

19 COMMISSIONER MILLER: I have no further questions,
20 at this point. I appreciate all of your answers and your
21 testimony today.

22 COMMISSIONER OKUN: Commissioner Koplan?

23 COMMISSIONER KOPLAN: Thank you, Madam Chairman.
24 And I thank the witnesses, again, for their responses. Let
25 me come back, if I could, to the 201 decision that we had

1 recently. In the recently completed cold-rolled steel
2 antidumping investigations covered by countries, the
3 Commission found the relief provided by the President on the
4 Section 201 investigation was a significant condition of
5 competition in that industry. We devoted several pages of
6 discussion to that issue. You didn't actually deal with
7 that in your pre-hearing brief, although it's been certainly
8 touched on this morning.

9 Those in support of revocation argued in their
10 pre-hearing that the safeguard remedies are a significant
11 condition of competition in the rebar market. And they
12 state at page eight of their brief, and I quote, "indeed,
13 the safeguard action has provided the U.S. industry with
14 protective higher, not only than the remedy recommended by
15 this Commission to the President; but, also, more than half
16 again higher than any actual antidumping rate imposed on any
17 respondent, as a result of the original antidumping
18 investigation. Moreover, because a number of other countries
19 were excluded from the safeguard remedy imposed by the
20 President, those import sources have a competitive advantage
21 over Turkish imports, further reducing the likely ability of
22 the Turks to engage in pricing activity that could lead to a
23 continuation or recurrence of injury to the U.S. industry."

24 What I'd like to hear from you is, how should the
25 Commission consider this condition of competition in its

1 analysis of the likelihood that imports from Turkey will
2 lead to a continuation or recurrence of material injury to
3 the domestic industry? If you want to do that post-hearing,
4 you can. If you can respond to it, in part, now, I'd
5 appreciate it. I'm sure I'll be hearing from them this
6 afternoon on this point.

7 MR. XENOPOULOS: Right. Thank you, Commissioner.
8 We'll address it briefly, in part, and we'll follow up in
9 our post-hearing submission. The 201 was aimed at
10 containing import surges, as we heard earlier today, and,
11 basically, the antidumping order, in effect, here is end at
12 remedying dumping; two separate issues.

13 Second of all, the duties that are being applied
14 pursuant to the 201 are 15 percent, 12 percent, and nine
15 percent, respectively over the three-year term, a relatively
16 low and certainly much lower than the dumping margin that
17 the Commerce Department, in this sunset review, found were
18 likely to be the margins, in which Turkish producers would
19 dump, in the even of revocation, those being between 10 and
20 42 percent.

21 And the final point I'll make now, and then I'll
22 defer to Mr. Wechsler, if he has anything else to say on
23 this pre-post-hearing brief, is that the first year of
24 relief that was provided by the 201 remedy end in March
25 2003, which is literally just around the corner. And so,

1 you're effectively looking at two years of 201 duties, 2003
2 and 2004 being 12 percent and nine percent, respectfully.
3 Thank you.

4 COMMISSIONER KOPLAN: Thank you.

5 MR. WECHSLER: Yes. The controversial decision of
6 the Commission and the larger underpinning is not an area
7 for me to comment at all on. In the cold-rolled case, what
8 I do think is important to point out is the matter of logic
9 and timing, that there's a vast difference between having a
10 duty in place, an antidumping order in place, as is true in
11 this case, and wasn't true in that case, and then
12 considering whether the additional imposition of a safeguard
13 remedy is a significant change in competition. That's the
14 question. And the safeguard determination in rebar was made
15 with the Turkish antidumping remedy already in place. So,
16 one has to presume that the President, in his wisdom, did
17 not double remedy a problem that was already remedied.

18 The remedy is put forward as a solution to a
19 serious injury caused by rapidly increasing imports, if the
20 dumping duty already in place, removing the presumed
21 material injury effect of dumped Turkish imports. And,
22 therefore, I would suggest as a matter of logic and timing,
23 that change in environment does not go to removing injury
24 that would resume, if the Turkish duty, ADO, was removed.

25 COMMISSIONER KOPLAN: Thank you, Mr. Wechsler.

1 I'd like to follow up on Vice Chairman Hillman's discussion
2 with you all about cases in other countries against Turkey.
3 You argue at page 19 of your pre-hearing brief, "that
4 because Turkish rebar is subject to antidumping duty orders
5 in Egypt and Canada, in addition to the Singaporean
6 antidumping duty order, provisional tariffs in the European
7 Union, the safeguard tariffs in Canada, revocation of the
8 existing antidumping duty order in the United States would
9 create a significant incentive for Turkish producers to
10 export to the United States."

11 In your post-hearing submission, if you could also
12 quantify the effect of these orders that they had on exports
13 of rebar from Turkey to those countries that are subject.
14 For example, in your post-hearing brief, could you supply
15 data showing the quantity of imports of rebar into each of
16 these countries from Turkey, prior to and following the
17 imposition of each of the orders and/or safeguard actions?
18 I'd be asking or making a similar request this afternoon,
19 obviously. But, I would appreciate anything in that kind of
20 detail that you could give me.

21 MR. XENOPOULOS: Will do.

22 COMMISSIONER KOPLAN: Thank you. I have two
23 requests for your post-hearing brief. First, in your post-
24 hearing brief, would you please redo figure two on page 14
25 of your pre-hearing brief and present that figure using

1 monthly import data, as opposed to the annual data that you
2 show in your pre-hearing brief?

3 Second, in your post-hearing brief, would you redo
4 figure three on page 22 of your pre-hearing brief and
5 present this figure, also, including the volume of U.S.
6 producers, U.S. shipments in the region. Include all U.S.
7 producer shipments into the region, whether or not the U.S.
8 producer is located in the region. Could you state your
9 response for the record?

10 MR. XENOPOULOS: Will do.

11 COMMISSIONER KOPLAN: Thank you, very much. If I
12 could come back to the issue of Puerto Rico, again. I'm
13 trying to understand, do regional producers market to Puerto
14 Rico? What grades of rebar are shipped by regional
15 producers to Puerto Rico? If these questions involve
16 business proprietary information, I'd like you to include
17 that information in your post-hearing brief. If it doesn't,
18 I'd be happy to hear from you now. I understand what you
19 said, Mr. Muhlhan, but I'm looking for more detail here.

20 MR. XENOPOULOS: Along the lines of Mr. Muhlhan's
21 description on the shipments and how those transpire, we'll
22 be glad to get you more information, submitted in our post-
23 hearing brief.

24 COMMISSIONER KOPLAN: What grades specified?

25 MR. XENOPOULOS: That's correct.

1 COMMISSIONER KOPLAN: Thank you, very much, and I
2 thank you for all of your responses to my questions. I have
3 nothing further, Madam Chairman.

4 COMMISSIONER OKUN: Thank you. Let me turn just
5 for a moment to product shifting. In the pre-hearing brief,
6 you had noted that you thought the potential for product
7 shifting in Turkey is "significant" and you noted the
8 production of wire rods, merchant, SC-2 bars, and shape.
9 And I wondered, if you could comment here today on what you
10 think the impact on the product shifting in Turkey is with
11 the number of other things that are going on, which include,
12 number one, U.S. safeguard action on hot-rolled bar, which
13 excludes Turkey, and the antidumping and countervailing
14 duties on wire rods from a number of countries other than
15 Turkey. Why wouldn't that mitigate them shifting to those
16 products, as opposed to staying with rebar? I don't know
17 who is the best person to take that question, but do you
18 want to comment? And maybe as part of that, the industry
19 folks could talk about how they make decisions along those
20 product lines, if they do.

21 MR. MUHLHAN: I don't know enough about the
22 specific production capacity of any of the Turkish mills.
23 We have a mix of products, which are capabilities of various
24 mills, that have to deal with the kind of equipment that we
25 have and, also, the size range the specific mill handles.

1 Without having a lot more information about those
2 facilities, I'm not sure how to respond.

3 In general, if your mini-mill can make the size
4 and maintain the tolerance, in the case of wire rods, you've
5 got some additional equipment that can take the steel that
6 way at some point in the rolling process. Then, basically,
7 you can, with a reasonable change in some tooling on the
8 mill, you can make any of these long products. It's much
9 more unusual to see wire rod as a component of a typical
10 long products mill; but without knowing more about specific
11 plants in Turkey, I don't have any more than that.

12 MR. XENOPOULOS: I don't think we're in a position
13 to add to that, Commissioner.

14 COMMISSIONER OKUN: Okay. Well, if you want to
15 continue making a statement, that the potential of product
16 shifting is significant, then perhaps you can find some
17 other information that might help back that up.

18 MR. XENOPOULOS: Thank you.

19 COMMISSIONER OKUN: Okay, thank you. Another
20 question, just looking at the record, I notice that the
21 regional producers transfer substantial volumes of their
22 rebar production to related firms. And I wondered if you
23 could comment on that, including the nature of the transfers
24 and what are the related firms source rebar competitively?
25 If you could answer that?

1 MR. FRITSCH: Commissioner, you're talking about
2 what we sell rebar to, to our affiliated rebar fabricators?

3 COMMISSIONER OKUN: Right.

4 MR. FRITSCH: Our rebar fabricating shops are
5 independent profit centers. The manager is responsible for
6 buying and selling product and returning an adequate profit
7 on that transaction. They buy from anyone, so our mill has
8 to be competitive on price. That's the basis on which that
9 transaction takes place.

10 COMMISSIONER OKUN: Okay. Mr. Muhlhan or Mr. --

11 MR. MUHLHAN: That's the same for Gerdau
12 AmeriSteel, as well. We have a substantial rebar
13 fabrication business and, in order to manage that business
14 appropriately and to ensure that it competes in its
15 business, all of the steel that we transfer to it is
16 transferred at market price.

17 COMMISSIONER OKUN: Is it a similar situation
18 where they can also buy from other purchasers?

19 MR. MUHLHAN: Yes, they can and do.

20 COMMISSIONER OKUN: And do. Can I ask you, do
21 they purchase imported rebar?

22 MR. MUHLHAN: Our fabrication division does not.

23 COMMISSIONER OKUN: Mr. Fritsch, how about you?

24 MR. FRITSCH: Yes. Our fabricating divisions do
25 purchase foreign bar where it's necessary, when the market

1 price of raw material has dropped to a level where they
2 can't buy it from our mills and make an adequate return.

3 COMMISSIONER OKUN: Okay. Do you think if there
4 was a revocation of the current antidumping order on Turkey,
5 that that would impact how much you transfer to your --

6 MR. FRITSCH: Absolutely. If you look at the bar
7 of Turkish imports coming in this year and you look at the
8 201, plus the antidumping that is on top of it, it hasn't
9 slowed down at all. So, if you remove the antidumping duty,
10 I think it's a pretty logical assumption that it could
11 increase. One could come in at very low prices. It would
12 further depress the market for fabricating reinforcing bar
13 in the United States and our mills would be forced to
14 curtail production, because of the lower cost of production
15 to supply them.

16 COMMISSIONER OKUN: Okay. I appreciate those
17 comments. Mr. Wechsler had commented earlier that he had
18 not included demand projections in his chart, that it's hard
19 to predict. But I'm wondering if the industry
20 representatives could talk about what you are basing and if
21 you have any internal demand forecasts from your company
22 that you could submit post-hearing, I'd be interested in
23 those, as well. But, what do you see looking ahead, in
24 terms of demand?

25 MR. FRITSCH: Well, we forecast about as far as

1 our noses right now. The dynamic events that have occurred
2 in the marketplace make it very challenging for us. We
3 often say those in the forecast using a crystal ball end up
4 eating glass pretty soon. And right now, the market has
5 really slowed dramatically. Our backlog is diminishing.
6 New sizeable projects out there are just nonexistent right
7 now. The states for matching highway funds are running
8 short and are in a deficit, based on declining tax base.
9 And so, it's a very uncertain period.

10 Several economic forecasting groups we talk with
11 indicate they do not see a turnaround any time soon. And
12 the most optimistic, they talk about maybe six to 12 months
13 for a recovery in the construction market and rebar
14 fabrication, in particular. That's not the gospel, but
15 that's what they're telling us.

16 COMMISSIONER OKUN: Mr. Colella?

17 MR. COLELLA: Yes. We, also, hear the same thing,
18 six months the earliest. But, the people, that are using
19 the six-month number, seem to be going down, as the time
20 passes. And you're probably not going to see any major
21 increase in demand for our product until sometime late next
22 year.

23 COMMISSIONER OKUN: Okay. Mr. Muhlhan?

24 MR. MUHLHAN: Virtually all rebar is sold out of
25 inventory. And I think the fact that commercial metals and

1 Gerdau AmeriSteel are telling you today that we're going to
2 be shutting down for the back half of December, should be a
3 pretty good indication of our expectation to what business
4 is going to be like over the first six months of the year.
5 Like everyone else, we just don't know, but we will submit
6 our forecasts to Damon and let you take a look at what we
7 expect. It would be surprising for rebar sales volumes in
8 aggregate, based on everybody's prediction about the
9 construction market for next year, to be at this year's
10 levels.

11 COMMISSIONER OKUN: Okay. I appreciate your
12 comments and any additional information you can provide.
13 Mr. Fritsch, your comment about being in the crystal ball
14 being covered with shattered glass, it reminds me of the
15 context we are asked to do that, as I think Commissioner
16 Miller commented earlier. So, we are obviously just trying
17 to figure out what other people's crystal ball looks like,
18 as well.

19 I think my final question, in the original
20 investigation, the Commission had found that an estimated 64
21 percent of rebar sales were for use in public works. I
22 wanted to know, from the industry's perspective, whether you
23 believe that figure has changed much in this period?

24 MR. FRITSCH: Did I understand you correctly to
25 say that 64 percent of rebar --

1 COMMISSIONER OKUN: Rebar sales were for use in
2 public works.

3 MR. FRITSCH: If you look at the construction
4 market in general, 50 percent of the total dollars spent in
5 construction goes to residential construction, which would
6 not be considered public works. The other 50 percent -- or
7 52 percent goes into what we call non-residential. While
8 that's not directly correlated with reinforcing bar, the 64
9 percent in public works would appear high to me.

10 COMMISSIONER OKUN: Okay. Comments from any of
11 the other industry?

12 MR. MUHLHAN: I wouldn't be surprised, but we
13 haven't tried calculating a current number. It is the case
14 that residential construction tends to have a bit less rebar
15 per unit of however you want to measure it, dollars put in
16 the ground. So, I wouldn't be surprised, but we'd have to
17 do a number.

18 COMMISSIONER OKUN: Okay. Well, if there are any
19 figures available from the industry, that would be helpful.
20 And with that, I have no further questions. And being no
21 further questions up here, I will turn to staff, to see if
22 staff has questions of this panel.

23 MS. NOREEN: Bonnie Noreen with the Office of
24 Investigation. Staff has no questions.

25 COMMISSIONER OKUN: Thank you, very much, Ms.

1 Noreen. And thank you, again, to the panel for your
2 appearance here today and for the testimony -- oh, I'm
3 sorry. Do respondents have questions for this panel?

4 MR. SAILER: Thank you, Madam Chairman. No, we do
5 not.

6 COMMISSIONER OKUN: Thank you. And thank you,
7 Vice Chairman Hillman, for reminding me of that. I then
8 think what we should do is go ahead and let this panel go
9 and call up the next panel of witnesses.

10 (Panel excused.)

1 CHAIRMAN OKUN: Mr. Sailer, you may proceed.

2 MR. SAILER: Thank you, Madame Chairman.

3 Madame Chairman, Members of the Commission and
4 Commission Staff, good morning. My name is Francis J.
5 Sailer of the law firm of Lafave & Sailer. I appear today
6 on behalf of the following five members of the Istanbul
7 Minerals and Metals Exporters Association or IMIB, all of
8 which are Turkish exporters and/or producers of rebar:
9 Colakoglu Metalurji A.S., Diler Dis Ticaret A.S., Icdas
10 Celik Enerji Tersane ve Ulasim Sanayi A.S., Habas Sinai ve
11 Tibbi Gazlar Istihsal Endustrisi A.S., and Izmir Demir Celik
12 Sanayi A.S.

13 While I've pretty much mastered at least how to say
14 those names, for ease of reference I will simply refer to
15 these companies for the remainder of this day anyway as the
16 Turkish Respondents.

17 CHAIRMAN OKUN: You can be sure that we will be calling
18 them that as well.

19 MR. SAILER: It took me six years to figure all those
20 out.

21 As noted in our letter filed with the Commission
22 yesterday, while my firm does represent IMIB we are
23 appearing today only on behalf of the companies I've just
24 identified.

25 With me today is Mr. Ugur Dalbeler of Colakoglu

1 Metalurji and as you know we appear in opposition to the
2 continuation of the antidumping duty order covering rebar
3 from Turkey.

4 Mr. Dalbeler has come all the way from Istanbul to have
5 this opportunity to address the Commission so I will keep my
6 remarks brief and allow you to hear from the person you no
7 doubt want most to hear from.

8 I would also note at the outset the fairly liberate
9 redaction that has befallen the pre-hearing staff report in
10 this case, necessarily requiring that we be somewhat
11 circumspect in providing our comments in this hearing.

12 The sunset statute requires the Commission to determine
13 whether revocation of the order would be likely to lead to
14 continuation or recurrence of material injury within a
15 reasonably foreseeable time, and in doing so to consider the
16 likely volume, price effect and impact of the imports on the
17 U.S. industry if the order were to be revoked.

18 In evaluating the volume element, the Commission is to
19 consider any likely increase in production capacity or
20 unused existing capacity. As Mr. Dalbeler's testimony will
21 show, since the original investigation Turkish Respondents
22 have become committed to other markets in far greater
23 volumes than even any increase in capacity that the industry
24 in Turkey may have experienced. This is particularly true
25 with respect to Europe. And now that the Asian crisis has

1 finally abated, the Turkish Respondents have returned to
2 that historical and again very active market also.

3 The staff report correctly notes that capacity
4 utilization in Turkey is very high and there is not likely
5 to be any effect on volumes from Turkey if the order is
6 revoked. As the staff report notes, and I quote, "The
7 ability of foreign producers to expand exports of rebar to
8 the U.S. market as a result of eliminating dumping duties
9 depends upon such factors as capacity utilization rates,
10 planned expansions in capacity, current inventory levels,
11 current levels of both home market sales and exports to
12 markets other than the United States and differences in the
13 products sold to different markets. While the data suggests
14 that producers in Turkey appear to have some potential for
15 increasing exports to the United States, this potential may
16 be limited due to the relatively high capacity utilization
17 rates of the industry."

18 The proprietary nature of some of the data relating to
19 some of these issues obviously cannot be discussed here
20 today. Mr. Dalbeler, however, will explain how the current
21 and anticipated levels of home market and third country
22 markets support the conclusion that the potential for the
23 Turkish industry to expand exports to the U.S. market is
24 very limited indeed.

25 With respect to volume, it is also interesting to note

1 that a healthy portion of Turkish imports go into the Puerto
2 Rican market. Conversely as the Commission Staff report
3 notes, only one U.S. producer until we heard Mr. Muhlhan's
4 comment of this morning, only one U.S. producer has ever
5 sold rebar into Puerto Rico in the last five years.

6 It is further interesting to note that the U.S.
7 producers made clear that they are not interested in export
8 sales.

9 The staff report cites that, quote, "When asked whether
10 they could easily shift sales from the U.S. market to
11 exports, none of the producers reported that this would be
12 feasible. Some firms stated that they are not
13 geographically located in a place where they could easily
14 export" and others "simply stated that they have never
15 considered exports to be an option." I believe that Mr.
16 Xenopoulos reinforced that point in his testimony.

17 I would submit that Puerto Rico in effect constitutes
18 an export market for the U.S. producers in that sales to
19 Puerto Rico require delivery to a port for shipment that
20 would likely be the same port for an actual export shipment.
21 And I believe Mr. Fritsch pointed out that that shipment to
22 Puerto Rico would have to go with a 40 dollar bill attached
23 to it. I assume he's referring to the Jones Act which
24 increases significantly the transportation cost for
25 intercoastal or within the United States shipping.

1 In other words, the U.S. industry does not view the
2 Puerto Rican market as an option. This lack of competitive
3 overlap further detracts from the volume effects of Turkish
4 imports, a good portion of which are destined for the Puerto
5 Rican market.

6 Mr. Muhlhan's indication that his company had made
7 sales to a trader who found interest in the Puerto Rican
8 market suggests nothing more to me than that the Commission
9 should seek not only the information you requested of Mr.
10 Muhlhan but also the details of those transactions with
11 respect both to Gerdau and the trader.

12 The Commission is also to evaluate the existence of
13 barriers to the importation of Turkish rebar into other
14 countries. Petitioners we believe more than just a little
15 incorrectly identify at least three such barriers: an
16 Egyptian antidumping order now subject to Turkish challenge
17 in the WTO dispute settlement body, a Canadian antidumping
18 case and the safeguard action, and a safeguard action by the
19 European Union.

20 Mr. Dalbeler who has lived through these events
21 firsthand will also address why these alleged barriers are
22 not of the sort that will divert sales to the U.S. market in
23 the future. Mr. Dalbeler will also discuss the lack of a
24 real potential for product shifting.

25 As for pricing effects and in spite of the Commerce

1 Department's rote recitation of the antidumping duty rates
2 found in the original antidumping investigation of five
3 years ago, it bears noting and repeating and remembering
4 that there are currently four Turkish producers, one of whom
5 has now gone out of business, that have recently been
6 assigned deminimum antidumping rights, and no Turkish
7 company that has ever seriously participated in the U.S.
8 market has a margin greater than 5.3 percent.

9 Moreover, the staff report acknowledges that margins of
10 underselling were found for the three pricing products in
11 only 60 percent of the quarters analyzed whereas overselling
12 occurred in fully 40 percent of the analyzed quarters. Thus
13 there is at best a mixed record of underselling by the
14 Turkish imports. This cannot support a finding that price
15 underselling by imports in the future is likely.

16 In fact the Turkish companies are not the price
17 leaders, although I have a reference in my notes to a
18 December 9th article. I believe it is the same article that
19 Commissioner Koplán referred to earlier in the American
20 Metal Market discussing the consolidation of producers in
21 the U.S. bar market and their increasing battles for market
22 share. That article suggests that Nucor has long been and
23 continues to be now with the increased pressure not from
24 imports but from Gerdau AmeriSteel, the player who "was seen
25 by most as the undisputed market leader. If they led a

1 price increase everyone had to follow it and if they cut
2 prices, everyone had to follow that too."

3 I found it a little curious in Mr. Wechsler's
4 testimony, I believe I heard him correctly in saying that
5 during the 1999 to 2000 period the domestic industry was
6 doing very well, thank you very much. But I find that a
7 little bit curious in view of the fact that it was during
8 this period that imports from the eight countries that in
9 2000 became the subject of the other rebar case were
10 absolutely astoundingly increasing the level of their
11 exports into the United States. Exports or imports into the
12 United States that ultimately were found to be dumped at a
13 general range between 40 and 70 percent, and some as high as
14 more than 230 percent.

15 With respect to the impact on the industry as a result
16 of revocation, here my comments are necessarily abbreviated
17 by the desert of white paper in the staff report. So I will
18 simply point out the few morsels that are available on the
19 public record.

20 First, sales volumes of the U.S. producers increased
21 during 1997 to 2001, resulting in year-to-year increases in
22 sales revenue while average unit cost of goods sold also
23 declined.

24 Second, despite the decline in average unit revenue,
25 unit gross profit increased in interim 2002 somewhat

1 compared to the previous period. And while interim 2002
2 sales volume was marginally lower than interim 2001, total
3 operating income was higher.

4 Clearly these are not indicators of a vulnerable
5 industry.

6 As noted earlier, the wide swath of print that has been
7 removed from the staff report limits my ability to comment
8 more fully, particularly with respect to these indicators.
9 We will do so in more detail in our post-hearing brief.

10 For now, let me turn the microphone over to Mr.
11 Dalbeler of Colakoglu to discuss some of these issues.

12 MR. DALBELER: Good morning. My name is Ugur Dalbeler
13 and I am the Trade and Finance Coordinator of Colakoglu
14 Metalurji. Colakoglu is a Turkish producer of reinforcing
15 bar and wire rod. Colakoglu exports to many countries
16 including United States.

17 Colakoglu was involved in the original investigation
18 and has participated in several interviews during the five
19 years since the antidumping order was issued by the Commerce
20 Department in '97. I appear here without several of my
21 colleagues from other Turkish companies who had hoped to
22 appear but who were unable to do so for a variety of
23 reasons. Nonetheless as a member of the Istanbul Mineral
24 and Metals Exporters Association, Colakoglu is well
25 situation to speak on behalf of the Turkish rebar industry.

1 I have been in the steel business for about 16 years.
2 During those years I have spent the bulk of my time engaged
3 in trading activities for Colakoglu in virtually every one
4 of the many foreign markets to which Colakoglu sells for
5 export. Consequently I am very familiar with the world
6 market for rebar, the competitive forces involved in rebar
7 trade, and the particulars of the American rebar market.

8 My purpose in being here is quite simple. We do not
9 understand why the antidumping duty order in this case makes
10 sense and why it should continue. So I am here to asks you
11 that you revoke the order to eliminate the nuisance it
12 presents to our customers and to our company.

13 The order is serving no useful purpose.

14 Over the several years my company has been involved in
15 the process we have maintained certain of our U.S.
16 customers, particularly in Puerto Rico where we offer
17 smaller size products not really of interest to U.S.
18 producers. While our dumping margin in the original
19 investigation was more than nine percent, it came down
20 slightly from that point for a few years, and now has
21 dropped to less than 5.5 percent. Several of the Turkish
22 mills now have zero margins and so are almost completely
23 unaffected by the order. In fact of the four main Turkish
24 players in the U.S. market during either the original
25 investigation or since the original investigation, two of

1 them, Habas and Icdas have zero dumping margins now in
2 effect. The third main player, Ikingular, has ceased all
3 operations and is not likely to reopen. My country has less
4 than 5.5 percent margin and we hope that margin will go down
5 in the current ongoing review at the Commerce Department.
6 Additionally another company, Deiler, has a zero margin
7 currently in effect.

8 The antidumping duty order has not really had an
9 appreciable impact on Turkish exports to the United States.
10 We and other Turkish mills continue to sell to historical
11 customers that have come to rely on us for timely delivery
12 of quality products in desirable size mixes.

13 This is particularly true in Puerto Rico where we face
14 virtually no competition from U.S. mills. There is a slight
15 difference in the production cost of smaller, that is
16 thinner, sizes of rebar on one hand and larger sizes on the
17 other hand. The Puerto Rican market is characterized by a
18 demand for smaller sizes because many residences that are of
19 concrete construction and there are smaller-scale building
20 projects in Puerto Rico as compared with cities in the
21 United States, permitting the use of smaller size rebar.

22 Unlike here in the United States, in Puerto Rico there
23 is less lumber used in construction projects and more rebar.

24 We rarely hear of competition from the U.S. mills in
25 Puerto Rico. In fact what we always heard is that the U.S.

1 mills actually avoid Puerto Rico because they are not
2 interested in producing the smaller sizes of rebar. The
3 competition we've faced in Puerto Rico has always been from
4 other import sources.

5 We also see demand for coiled rebar in Puerto Rico, a
6 somewhat unusual circumstance since coiled rebar is
7 generally of the smaller sizes and does not have the same
8 level of strength imparted by straight-length rebar. I have
9 been surprised, but we do continue to get requests for
10 coiled from Puerto Rican customers who indicate to us that
11 there is no availability of products.

12 Having said that, the antidumping order has had no real
13 impact on our ability to sell into the U.S. market. I
14 cannot say the same for the imposition of the safeguard
15 measures imposed earlier this year. While the antidumping
16 duties have been quite low, the imposition of a 15 percent
17 duty on our exports to the United States market has had a
18 very large negative effect on our ability to sell to the
19 United States. Several of our customers expressed concern
20 at the impending imposition of some penalty duty as a result
21 of this case. So we experienced the relatively brief and
22 temporary period where our sales to these customers picked
23 up a bit, apparently to avoid the duty if and when it was
24 imposed.

25 My company, however, has had relatively few sales to

1 the United States since the imposition of the safeguard
2 duties. I believe a part of the reason for the continued
3 interest in our product even after the safeguard measures
4 were imposed here in the United States was due to the huge
5 shortfall in supply resulting from the antidumping
6 investigation during 2000-2001 of rebar from several
7 countries whose dumping margins were quite high, basically
8 taking them out of the market altogether.

9 I understand that the Commission has recognized that
10 the Turkish mills are currently and have been for several
11 years operating at fairly high levels of capacity
12 utilization. We have been very fortunate in this regard
13 largely because the domestic market has been stronger in
14 recent years than it had been prior to the issuance of the
15 U.S. antidumping order.

16 Additionally, we have continued to enjoy very good
17 business relations with our customers in many other markets,
18 markets that have always been more important for us than the
19 U.S. market.

20 The European Union is a perfect example of the value of
21 Turkey's other markets. The EU was for Turkey a relatively
22 minor market in 1996 when the original U.S. antidumping
23 investigation got started. Turkey's total exports to the EU
24 were approximately 60,000 tons. By 1999 Turkey's exports to
25 the EU were nearly one million tons.

1 This volume had dropped to 500,000 tons in 2000 but
2 increased again to 800,000 tons in 2001. Turkey is now a
3 steady supplier of approximately 50 percent of the EU's
4 rebar requirements.

5 There is a safeguard action in the EU that included
6 rebar. That action was instituted in March 2002 and for the
7 six month period, March to September. The EU established
8 provisional quota of 737,000 tons for purposes of monitoring
9 import volumes to determine whether there was any diversion
10 of rebar to the EU as a consequence of the U.S. safeguard
11 action.

12 The idea was that only when this quota was exceeded
13 would an additional duty of 14.9 percent apply. Because
14 during the six month period the provisional quota was not
15 exceeded, the EU decided to continue to monitor rebar import
16 volumes for an additional six month period from October 2000
17 to March 2003. No additional duties have ever been imposed
18 on rebar imports.

19 Many of the steel products have already been subjected
20 to the substantial safeguard tariff rate quotas with
21 eventual duties from 15 to 26 percent. The EU noted that
22 because the provisional quota was not exceeded, there was no
23 diversion of rebar imports into the EU as a result of the
24 U.S. safeguard action and remedies imposed on steel products
25 by that action.

1 We assume that if the provisional quota is not exceeded
2 in this new period that the safeguard action against rebar
3 will be dismissed. Even this provisional quota is not
4 allocated to particular countries or regions. Consequently,
5 the EU action has not affected our exports to the EU and we
6 anticipate that it will not.

7 Our Asian markets have also remained strong over the
8 last view years. After the Asian crisis in 1997 and '98 the
9 Asian economies have revived and are very strong. This is
10 true for China, Hong Kong, Korea, Taiwan, Thailand and
11 Vietnam where the construction demand is very heavy. This
12 phenomenon has also appeared in Indonesia, Malaysia and
13 Singapore.

14 Not only are our traditional export markets strong, we
15 have experienced strong demand in the domestic market too.
16 The economic troubles in 2000 did not have nearly the
17 negative effect we expected and our sales continued to be
18 good in the home market. In fact we are gaining confidence
19 now as a new political party elected in Turkey in early
20 November begins to formulate its policies that the domestic
21 demand will be strong. Mr. Ardlon, who preceded me to
22 Washington by only a few days and for matters of course of
23 much greater urgency than this, has indicated that his
24 economic plan is to increase construction of new housing at
25 ten public projects to help stimulate the Turkish economy.

1 Additionally, as I believe you know, one major Turkish
2 producer, Ikingular, recently ceased all of its production
3 and is essentially in bankruptcy, in addition to some others
4 namely Metas, Civas, Ikingular, who also ceased rebar
5 production over the last ten years. This opened up
6 opportunities for other Turkish mills. The Ikingular owners
7 attempted to sell the mill over a several month period and
8 there was no one who was even interested and no bank,
9 Turkish or foreign, would finance any kind of attempt to
10 revive the production facility in spite of Ikingular efforts
11 to revive the facility.

12 The reason is because the facility was quite old and
13 had little if any value. The fact that Ikingular has exited
14 the Turkish market has created a void in regional supply in
15 the southern domestic market. This has also further opened
16 up certain Middle Eastern markets, both of which have lost a
17 major supplier by virtue of Ikingular's problems.

18 Ikingular's mill was located in Iskander which is a
19 city in the middle south of Turkey, well situated to serve
20 several Middle Eastern markets.

21 My company sells to several Middle Eastern countries
22 like United Arab Emirates on a continuing basis to fulfill
23 their construction requirements in the absence of sufficient
24 local production capacity. Ikingular's absence from the
25 market has strengthened our position in those markets also.

1 There is substantial new construction of major projects
2 being undertaken in several Middle Eastern countries and our
3 historical presence has remained strong.

4 In short, my company and several other Turkish mills
5 have developed reputations as reliable and reputable
6 suppliers to several major markets in the EU, Asia, the
7 Middle East and also in South America. As a consequence we
8 are quite busy in those markets. It would be foolish to
9 turn our backs on those customers that we have taken such
10 care to develop in return for a relatively insignificant
11 U.S. market.

12 I understand that the argument has also been made that
13 the Turkish mills could redirect capacity that is currently
14 dedicated to other long products such as wire rod or other
15 bar products to change those facilities in order to
16 manufacture rebar. That is, I suppose, theoretically
17 possible. Practically speaking, however, it's not feasible.

18 All of the Turkish rebar producers that I am aware of
19 produce either rebar or rebar and wire rod. No company that
20 I am aware of currently produces rebar and also produces any
21 other products on the same equipment.

22 The reality is that no producer with wire rod capacity
23 or capacity to produce any of the products identified by
24 Petitioners as pertinent to this issue including merchant
25 buyers and other higher value products would shift such

1 production capacity from such a high value-added product to
2 rebar capacity. And we are certainly not interested in
3 giving up the wire rod markets we have developed to produce
4 rebar for a U.S. market that is only marginally attractive
5 to us.

6 If a Turkish mill were going to consider capital
7 investment in its production facilities at this point, it is
8 much more likely that the purpose of such investment would
9 be to develop the production of flat products, imitating
10 Nucor's development of a long product mini-mill into a major
11 steel producer using electric arc furnace technology.
12 Colakoglu and at least one other Turkish mill actually
13 considered such a plan but because of economic pressures had
14 to put this idea on hold.

15 I also understand that U.S. petitioners have argued
16 that the Turkish mills are the price leaders, driving prices
17 down. This is really not the case at all. There seems to
18 be an increasing intensity of competition between several of
19 the big U.S. players. We have seen that the big U.S.
20 companies involved in bar production, particularly Nucor and
21 AmeriSteel which is now a part of Gerdau and has recently
22 acquired another producer, have basically consolidated
23 several companies and are fighting each other for market
24 share. It is this pricing that is driving our prices down.

25 I simply do not see how one could reach the conclusion

1 that the revocation of antidumping order on rebar for Turkey
2 could conceivably lead to the likelihood that injury of the
3 U.S. industry would continue or recur.

4 Thank you.

5 CHAIRMAN OKUN: Thank you.

6 MR. SAILER: Madame Chairman, that concludes our
7 presentation.

8 CHAIRMAN OKUN: Thank both of you for testifying today.
9 Mr. Dalbeler, in particular, to you for traveling a great
10 distance to be with us today. We appreciate your effort and
11 your willingness to provide testimony and answer questions.

12 We will begin our questioning this afternoon now with
13 Commissioner Miller.

14 COMMISSIONER MILLER: Thank you, Madame Chairman, and
15 let me also thank you for being here, Mr. Dalbeler in
16 particular, for traveling to be in Washington to help us
17 with this hearing. We appreciate it.

18 Let me just begin by sort of -- I understand the
19 testimony I've heard from you and yet the history of the
20 import levels from Turkey in the last couple of years tell
21 me that no matter the other markets, no matter whether --
22 It's not even an issue of whether you're going to shift to
23 the United States from other markets. What I basically see
24 is that Turkish exports of rebar to the United States in the
25 last couple of years have really increased, even with the

1 201 order, even with the antidumping duty order.

2 Basically it's hard for me to understand given the
3 history of the imports that I see in recent years would show
4 how easy it is for you to increase your exports here, how
5 you can argue that that wouldn't continue in the absence of
6 the order.

7 MR. DALBELER: Simply because after each review that
8 we've gone through there was one producer that has
9 eliminated its margin. So we're able to [seri start] his
10 exports to the United States, and this has increased, now
11 there are three companies with zero margins, and as my
12 company we've gone down to 5.5 and we are hoping that it
13 will even be further down after the current review that we
14 are going through.

15 COMMISSIONER MILLER: That I understand. Essentially
16 you're saying that the order has no impact because the duty
17 deposit rate because Mr. Sailer is so effective at the
18 Commerce Department and your duty deposit rates are so low.
19 That's essentially what you're saying. And yet, Mr. Sailer,
20 as you know the Commerce Department has provided us the
21 margins that they would anticipate in the absence of the
22 antidumping duty order and those aren't 000 and the less
23 than 5.5 percent.

24 I guess I then am caught with the question, are you
25 asking that we look not at the margins that the Commerce

1 Department has provided us but the duty deposit rates
2 instead? And can I do that legally?

3 MR. SAILER: I'll address this in more detail in our
4 post-hearing brief, but I believe the answer is that you can
5 and should. The fact of the matter is, the reality is that
6 the pricing that the Turkish mills are engaging in right now
7 is yielding non-dumped prices. That's true with respect to
8 four of the companies who have historically supplied the
9 U.S. market from Turkey.

10 COMMISSIONER MILLER: But I believe the Commerce
11 Department is telling us that dumping will occur.

12 You're welcome to address it in your post-hearing
13 submission because it's -- We've struggled with the issue in
14 the past.

15 MR. SAILER: Part of the answer to that is that if the
16 order were removed, these are the levels of the prices that
17 they would be at. We'll address it in the post-hearing
18 brief.

19 COMMISSIONER MILLER: You can address it. We've had
20 debates occasionally in the past about whether dumping
21 orders and the existence of orders themselves have an effect
22 on the pricing behavior of companies. I personally take the
23 view that they do. The fact that they're going through
24 annual reviews at the Commerce Department has to have an
25 impact on companies. So you can take the position that it

1 makes no difference, but --

2 MR. SAILER: I think what those zero margins and the
3 very low margins that are in effect right now also
4 demonstrates is that the order really isn't having any
5 impact.

6 COMMISSIONER MILLER: Okay. I'll look to what you
7 provide us in your post-hearing submission.

8 One other issue, Mr. Dalbeler, that you mentioned, you
9 argue that the 201 duties have had an impact for your
10 company. Again, the data would show us that imports from
11 Turkey in 2002 after the imposition of those duties, have
12 increased significantly, way significantly. They've gone
13 way up in 2002.

14 I really actually kind of wonder how that is. How or
15 why it is that imports from Turkey have increased so much,
16 even though the 201 duties which you've said yourself you
17 consider to be a barrier are in place.

18 MR. DALBELER: Of course there was another reason that
19 the Turkish imports have increased because of the dumping
20 order against other eight big exporting countries in 2000-
21 2001 created a certain space in the market for Turkey to
22 come back in.

23 In 2002 I think the main portion of the arrival of the
24 goods were just before March, before the initiation of the
25 safeguard --

1 COMMISSIONER MILLER: I don't think the data actually
2 jives with that. It would suggest that a lot of the
3 increase has come after June, rather than before. I don't
4 know.

5 Mr. Sailer, obviously Mr. Dalbeler only is representing
6 his company. Do you have any comments on that?

7 MR. SAILER: Commissioner Miller, I think what we
8 expect that might be the result of is first, as Mr. Dalbeler
9 indicated, there were people who had historically had
10 Turkish suppliers who were looking to avoid the payment of
11 the duty that they realized could become a reality when
12 President Bush sent you the 201 case in March of 2002. And
13 as a result of the antidumping order against the other eight
14 countries there was a huge vacuum in the U.S. market.

15 If you look at the import statistics for those eight
16 countries, I think in one year it was over two million tons.
17 Certainly it was 1.8 million tons in two of the years
18 immediately before the case was filed, and now in 2001 or
19 2002, that number is literally zero. I think it's 24,000
20 tons. It might as well be zero.

21 COMMISSIONER MILLER: Right.

22 MR. SAILER: There's a huge gap in the market. Mr.
23 Dalbeler has also pointed out the unique nature of the
24 Puerto Rican market. That's where a lot of the Turkish
25 rebar goes. And people there are almost in a situation

1 where to get enough of the small sized rebar to do what they
2 need to do they've got to pay a price premium.

3 COMMISSIONER MILLER: Is there a price premium on --

4 MR. SAILER: The 15 percent 201 duty. They've got to
5 pay that 15 percent safeguard duty.

6 COMMISSIONER MILLER: And yet I heard earlier from the
7 domestic producers that the reason they can't sell into
8 Puerto Rico is that the price levels there are too low to
9 justify sales into Puerto Rico. So that doesn't suggest to
10 me that the price levels in Puerto Rico are higher than they
11 are in the United States.

12 MR. DALBELER: Puerto Rico's always been an import
13 market because they had no chance of getting their supply
14 from U.S.. They had no chance but to import from third
15 countries no matter what happened.

16 COMMISSIONER MILLER: Mr. Sailer, I know you referenced
17 a moment ago the cost associated with shipping. Is that
18 what you attribute that to?

19 MR. DALBELER: Yes, that's one of the reasons, cost of
20 shipping. The other reason is because they require more
21 smaller sizes which doesn't attract the U.S. producers. So
22 when you make a deal in Puerto Rico you have to have a
23 bigger portion of the thinner gages on your rebar mix which
24 doesn't attract U.S. producers.

25 Plus on top of that, the shipping cost is too expensive

1 and they are not interested in exporting and making all the
2 hassle, taking their cargo to the port and loading on a ship
3 and then bringing it to Puerto Rico. That's the reason that
4 Puerto Ricans always had to bring the material from third
5 countries rather than U.S..

6 MR. SAILER: The shipping cost, if it is \$40 as I think
7 Mr. Fritsch threw out, is literally twice what the shipping
8 rate is from Turkey. In that neighborhood. Twice.

9 COMMISSIONER MILLER: Okay.

10 The yellow light's on. I'll see if I have any further
11 questions for you for a second round. Thank you. I
12 appreciate your answers.

13 CHAIRMAN OKUN: Commissioner Koplan?

14 COMMISSIONER KOPLAN: Thank you Madame Chairman.

15 Mr. Dalbeler, I also want to thank you for coming this
16 great distance to appear before us and not only testify but
17 respond to our questions. We appreciate it.

18 Let me come back if I could to the issue of cases in
19 other countries involving Turkey. You touched on it this
20 morning in your direct testimony, Mr. Dalbeler, with regard
21 to the European Union's provisional remedy.

22 It's not discussed, these matters are not discussed in
23 your pre-hearing brief I don't believe Mr. Sailer, so I
24 appreciate starting to get into it today with you. I raised
25 this with the other side this morning. Those in support of

1 continuation of the order argue in their brief at pages 18
2 and 19 that and I quote from page 19, "because Turkish rebar
3 is subject to antidumping duty orders in Egypt and Canada
4 in addition to the Singaporean antidumping duty order,
5 provisional tariffs in the European Union" which you've
6 testified about, Mr. Dalbeler, "and safeguard tariffs in
7 Canada, revocation of the existing antidumping duty order in
8 the United States will create a significant incentive for
9 Turkish producers to export to the United States."

10 What I would like to get in detail in the post-hearing
11 submission is data showing the quantity of imports of rebar
12 into each of the countries cited in those in support of
13 continuation, in their brief, showing the quantity of
14 imports into each of those countries from Turkey prior to
15 and following the imposition of each of the orders and/or
16 safeguard actions that they cite in their brief.

17 So if I could get as much detail as possible on this
18 issue that goes to the question of whether there would be an
19 incentive for product to be shifted to this country, that
20 would be very helpful. From what I understand from your
21 direct presentation, your firm represents each of the
22 Turkish producers.

23 MR. SAILER: We do, Commissioner Koplán. And as a
24 matter of fact we also represent the government of Turkey
25 with respect to the Egyptian case. I can tell you that the

1 Turkish government was not happy with the outcome in the
2 dispute settlement body and while I can't disclose exactly
3 what the status of our internal deliberations with respect
4 to appeal are, I can tell you that it is under
5 consideration.

6 So the Egyptian case is seen as a bit of an aberration.

7 The Singapore case, and Mr. Dalbeler who deals with
8 these things every day can correct me if I'm wrong, but I
9 believe that the Singapore antidumping order was revoked
10 some time ago.

11 With respect to the Canadian antidumping order, my
12 understanding is that the way Canada does it, they set a
13 normal value and as long as you exceed that normal value in
14 your sale there's no dumping duty imposed. That in fact is
15 what is occurring right now. The companies at least who are
16 active in the Canadian market continue to sell into Canada
17 without any interruption in their volumes comparing pre and
18 post periods.

19 COMMISSIONER KOPLAN: I appreciate everything you're
20 saying. Because I'm looking at a specific window of time
21 here, it would be helpful for me to be walked through what
22 happened with each of these cases from inception to where we
23 are today with them.

24 MR. SAILER: Sure.

25 COMMISSIONER KOPLAN: With quantities of imports, and

1 for that matter the specific product --

2 MR. SAILER: There is one I think that I did not
3 address specifically, and that was the Canadian safeguard
4 action. And my understanding there, you asked what the
5 status of that was. My understanding is that that has not
6 gone to a final. There is no duty being imposed at this
7 time or any kind of a remedy cases in process.

8 COMMISSIONER KOPLAN: I appreciate that and I would
9 appreciate understanding the status of each of them, but I
10 still come back to also wanting to know how much are we
11 talking about that's going into these places at the time
12 that these matters were filed and what's the level of
13 Turkish exports to those countries now as well.

14 MR. SAILER: I understand.

15 COMMISSIONER KOPLAN: I thank you for that.

16 I don't have any additional questions but I do look
17 forward to that information in your post-hearing.

18 Thank you. Thank you, Madame Chairman.

19 CHAIRMAN OKUN: Thank you.

20 I also was going to ask the question about if there was
21 export data available, and I think that would be helpful to
22 see for those third country orders. I appreciated Mr.
23 Dalbeler in your testimony your clarification of what the EU
24 order was. So anything for post-hearing clarification of
25 the status of the orders and shipments would be very useful.

1 Let me also ask you, you had raised, Mr. Dalbeler, in
2 your testimony the closure of Ikingular -- I'm not sure if I
3 have the pronunciation correct. But do you know what the
4 capacity was of that mill?

5 MR. DALBELER: They had about 700,000 tons of annual
6 capacity.

7 CHAIRMAN OKUN: How does that compare to the other four
8 that are shipping to the U.S. currently?

9 MR. DALBELER: It's more or less the same.

10 CHAIRMAN OKUN: So they were about the same.

11 MR. DALBELER: Yeah.

12 CHAIRMAN OKUN: I think I understood from your
13 testimony and I just wanted to clarify, that none of the
14 production assets were purchased.

15 MR. DALBELER: No.

16 CHAIRMAN OKUN: Do you know whether inventory was
17 purchased?

18 MR. DALBELER: No.

19 CHAIRMAN OKUN: It was not to the best of your
20 knowledge.

21 MR. DALBELER: No.

22 CHAIRMAN OKUN: Okay, great. Thank you very much for
23 that clarification on that.

24 The other question I had, you talked in response to
25 Commissioner Miller's question about what accounts for the

1 increase in volume in the post-1999 period and I followed
2 that conversation. But one thing that I also noticed there,
3 and you talked a lot about Puerto Rico there.

4 There's also been, as I see the data, an expansion of
5 sales from rebar beyond this region and especially
6 increasing volumes through Houston. I wonder if you can
7 comment on that particular effect.

8 MR. DALBELER: Texas you mean?

9 CHAIRMAN OKUN: Yes.

10 MR. DALBELER: Yes, but even on the original
11 investigation in 1996 we had a certain portion of our
12 shipments to Texas which was excluded from the region that
13 was described. We still do have those historical customers
14 that we serve. So there is still -- Texas follows the same
15 trend as the other place like Puerto Rico.

16 CHAIRMAN OKUN: So from your perspective it's still on
17 the historical trend. You're servicing the same customers -
18 -

19 MR. DALBELER: Yes.

20 CHAIRMAN OKUN: Okay. I'll take a look at that data,
21 but I'm curious about that.

22 The other question, and I guess this is more of a legal
23 question for you, Mr. Sailer, is I've heard the discussion
24 about Puerto Rico and a number of the questions that I had
25 wanted to ask have been covered, but I'm still curious

1 whether you are making a regional argument about Puerto
2 Rico. Do you believe the Commission should not be including
3 Puerto Rico in the region, or do you think it's more
4 relevant to competition between Turkish and U.S. imports?

5 MR. SAILER: We argued very strongly in the original
6 investigation before this Commission that Puerto Rico did
7 not belong in this region.

8 Do we think that it belongs in the region now? No.
9 The way we have presented the argument in our brief is more
10 in terms of conditions of competition, however, and that is
11 that there is no overlap of competition in Puerto Rico and
12 so for your analysis you really ought to take those exports
13 out.

14 I guess in effect that's a back door way of saying you
15 should eliminate them from the region.

16 CHAIRMAN OKUN: For post-hearing if you want to make
17 that argument I would invite you to do so as well as
18 addressing the other regional issues, regional versus
19 national issues that are presented with this case that were
20 raised with the first panel by Vice Chairman Hillman. I
21 think that would also be useful to see in your brief on how
22 you would treat it.

23 And keep in mind that Commission precedent has looked
24 at marketing efforts in Puerto Rico. So to the extent, and
25 you've already covered this a little in your testimony, what

1 efforts or what the Turkish, whether the Turkish companies
2 have seen these efforts in Puerto Rico or anything that you
3 could provide on that would be helpful as well.

4 MR. SAILER: Okay.

5 CHAIRMAN OKUN: Mr. Dalbeler, I wonder whether you had
6 any comments on where you see demand in the U.S. market.
7 When you look around, and you talked about you're still in
8 the EU and Asia seems to be recovering, where do you see the
9 U.S. going in the near term? Reasonably foreseeable future,
10 for our purposes.

11 MR. DALBELER: I guess it looks more stable. We see
12 more of an increase in other areas, especially in the Far
13 East driven by China, but we see more stable demand in the
14 U.S. and EU. But third countries are showing great increase
15 in their demand and growth.

16 So we expect that 2003 is going to be as good as it was
17 in 2002.

18 CHAIRMAN OKUN: And can you talk a little more, you
19 talked in your testimony about not seeing Turkey as a price
20 leader and you talked about kind of the impact you've seen
21 and consolidation in the U.S. industry and Nucor's role
22 prior to that.

23 But I wondered if you could tell me a little bit more
24 about how you set your prices in the U.S. and whether you
25 use any benchmarks or anything else that you look to when

1 you're setting your prices currently.

2 MR. DALBELER: We're exporting average 35, 40 different
3 countries every year and we have to maintain our market
4 shares in those areas. We have to keep our clients.

5 We always prefer having as many clients in our hands
6 rather than limiting our sales into certain regions or
7 certain customers.

8 So when we determine our prices the first thing is if
9 it's profitable, if it makes sense to sell, if we're making
10 money out of this.

11 The second, what are the options we have?

12 And of course the third, you have to obey the market
13 rules. I mean depending on what the market is giving. So
14 there might be differences from market to market, but the
15 first two things you have to get in the first place.

16 So it has to be profitable, it has to be reasonable, it
17 has to be above your normal value. Then with certain
18 elements we are still trying to continue our relation with
19 our clients because the markets change from day to day.
20 It's not day to day, but you never know when the next period
21 of which market is going to be more attractive or less
22 attractive. So we're trying to maintain our relation with
23 all the clients.

24 CHAIRMAN OKUN: And when you are talking with your
25 clients -- Mr. Sailer if you had something else you wanted

1 to add you can do that, but when you're talking to your
2 clients are they giving you other import prices? You've
3 talked about the other countries who were participating in
4 the U.S. market who were subject to the antidumping order.
5 Do you hear about other countries' prices, do you hear about
6 U.S. mills' prices?

7 MR. DALBELER: No, it's mainly the U.S. mill prices
8 because for the client it's important how or what are the
9 options in his hands. So he makes his calculation and he
10 determines which cost or which price he can purchase. Then
11 we make our calculation. If it makes sense we make the
12 deal.

13 CHAIRMAN OKUN: Is that different in Puerto Rico than
14 in the rest of the --

15 MR. DALBELER: Of course in Puerto Rico we don't see
16 much of the, we don't see any prices from U.S. domestic
17 mills. But we compare our prices with other import sources
18 like the Brazilians, like Dominican Republic recently
19 because of the dumping order there not any Maldivians or
20 Ukrainians, but recently we have as I said Dominicans,
21 Brazilians. So we compare with their prices.

22 CHAIRMAN OKUN: And are the prices, I know there's been
23 a question about third country prices, but also just, given
24 the discussion about Puerto Rico. Do you see the prices in
25 Puerto Rico as lower than the prices in which you were

1 selling into other ports in the United States?

2 MR. DALBELER: No.

3 CHAIRMAN OKUN: You see them as --

4 MR. DALBELER: Similar price. You might have
5 differences in between, up and down with a certain margin,
6 but we cannot generalize that it's lower or higher.

7 CHAIRMAN OKUN: Okay. I'm not sure right now what the
8 record contains. If there's any information you can provide
9 on that for the record if you have not already done so I'd
10 be interested in looking at that just to determine what
11 pricing levels are and whether there is a distinction there.

12

13 END TAPE 9

1 CHAIRMAN OKUN: I have just another question that
2 I've been curious about that you hadn't raised, and it may
3 not have been that much of an issue.

4 But I know there was an earthquake in Turkey in
5 1999 that led to significant damage and reconstruction
6 efforts. Can you tell me anything about what happened with
7 Turkish capacity in response to that earthquake?

8 MR. DALBELER: Of course, that brings some
9 construction activity in the earthquake area. But on the
10 other hand, unfortunately, we had economic trouble in 2001.
11 So we were struggling with the general economy. But on the
12 other hand, there's reconstruction activity still continuing
13 in the earthquake area. They are still trying to restruct
14 all the damage that occurred.

15 We are now positive for the years coming with the
16 new government. Because what we were missing for years is
17 the political stability, because of coalitions in power.
18 Now it's a one party government, so it's strong enough to
19 take necessary decisions.

20 And they've got some promising notes, showing that
21 we might have a good market. All of Turkey had a negative
22 growth in construction between 1998 until, say, 2000. It
23 went down, and now it started picking up since the second
24 half of 2000 and 2001. We've seen growth, and we are
25 expecting more growth to come in 2003 and 2004.

1 CHAIRMAN OKUN: Okay, thank you very much for
2 those comments.

3 Vice Chairman Hillman?

4 VICE CHAIRMAN HILLMAN: Thank you very much, and
5 I, too, would join my colleagues in welcoming you and
6 thanking you for taking the time to travel to be with us.

7 First, Mr. Sailer, I have just a question on the
8 legal issues. I would invite you to address the same
9 questions on the regional industry issue that I asked of the
10 Petitioners.

11 And I'm particularly looking at this issue of
12 whether or not patterns of trade or other things have
13 changed significantly enough since the original
14 determination that would cause the Commission to want to
15 revisit the issue of whether we should be treating this as a
16 regional industry case.

17 Then obviously, secondly, how appropriate is that
18 in a sunset context, where you do have the market, in that
19 sense, distorted by the imposition of the order, itself?

20 Obviously, one of the factors that has changed
21 over the period of investigation is the percentage of
22 imports going into the region. With it starting out at a
23 very high number, it has now come significantly down. So
24 the imports are currently not as concentrated in this
25 eastern region as they were during the time of the original

1 investigation. I'm curious what we should make of it, as a
2 legal matter.

3 Then, I guess, more to you, Mr. Dalbeler, I guess
4 I wondered, you responded to some extent to Commissioner
5 Okun's question. But I'm curious, I mean, we have seen a
6 fairly relatively significant change in terms of whether
7 Turkish imports are going in the United States, with it
8 starting out at a fairly high percentage in 1997, coming
9 down fairly significantly to the point where a fairly higher
10 percentage of your imports now are going outside of this
11 eastern region.

12 I wondered if you could tell me why do you think
13 that has happened. Has the order, itself, had any effect on
14 that, or is that just a change in the customer base that you
15 have or in demand within the U.S. market?

16 MR. DALBELER: I don't really think that the order
17 has any effect in changing the areas that Turkey is
18 exporting. First, I believe Puerto Rico remains the same.
19 So we still continue, no matter what the order is, since the
20 customer in Puerto Rico has not really many options, as an
21 alternative to their supply. But I believe it's generally
22 the market condition that has brought this new set.

23 VICE CHAIRMAN HILLMAN: Okay, if you then look at
24 your product mix, you mentioned that in Puerto Rico, there
25 is significant demand for the smaller sizes for, you know,

1 pools and that type of construction. Is that the same in
2 the rest of the U.S. market? Would you say that your
3 product mix, going into Puerto Rico, is different than it is
4 in the rest of the United States?

5 MR. DALBELER: Yes, but in a way also that
6 applies, I believe, in the U.S. The U.S. mills are not very
7 keen to produce thinner sizes. This also makes Turkey
8 attractive on these customers that we serve.

9 VICE CHAIRMAN HILLMAN: Okay.

10 MR. DALBELER: So I cannot make a real
11 distinguishment between Puerto Rico and the U.S.

12 VICE CHAIRMAN HILLMAN: Fair enough; then I guess
13 one other issue is, has the issue of Buy America been a
14 barrier for you? Are you ever trying to make sales where
15 the response is no, we need U.S. made product, as a result
16 of our Buy America laws?

17 MR. DALBELER: It's hard for me to say, because
18 the people that we're dealing with are the retailers or the
19 stockholders. They are the ones who are at the end, I
20 believe, struggling on that issue. So that's difficult for
21 me to comment on it.

22 VICE CHAIRMAN HILLMAN: Okay, fair enough; the
23 other issue that I had raised also was this issue of third
24 country prices; and you had commented in response to Okun
25 that, you know, prices through various of your customer

1 bases changed over time.

2 But can you tell me right now, if you were to
3 compare European prices, versus the United States, versus
4 some of the Asian prices, or you mentioned that you're going
5 into the EAE -- are there other parts of the Gulf, GCC
6 states, that would be -- I'm trying to get a sense of
7 relatively where our price is among those markets.

8 MR. DALBELER: I can say the Middle East is, as
9 far as the rebar market is concerned, one of the most
10 attractive areas, because of the new projects that just came
11 up.

12 On the other hand, they are also investing in
13 production capacities. But despite all these investments
14 have recently been done on rebar production, the demand is
15 still much greater. So that makes this area very, very
16 attractive. I can say, as of today, it's more attractive
17 than what the U.S. pays.

18 As far as Europe is concerned, it's more less in
19 line with U.S. On the other hand, the Far East now started
20 picking up, and it's becoming more and more attractive, day
21 by day, again because of the new products that they have
22 started.

23 VICE CHAIRMAN HILLMAN: Okay, and prices in Asia
24 would be where, compared to U.S. prices?

25 MR. DALBELER: Today, it is at the same level, but

1 our expectation is that it might go further up.

2 VICE CHAIRMAN HILLMAN: Okay, that's very helpful.
3 Are the small products, the thinner products that you
4 product, do they tend to be less expensive or more
5 expensive?

6 MR. DALBELER: More expensive.

7 VICE CHAIRMAN HILLMAN: More expensive per ton,
8 for the thinner products?

9 MR. DALBELER: But you know, it's a matter of
10 pricing. You either price it separately, or you just
11 negotiate on the mix of the total quantity that you
12 negotiate. So everybody has a different way of doing it.

13 For example, in Algeria, they fix a base price,
14 and then they negotiate on the product mix; or in some
15 countries, they have premium for the thinner gauges.

16 In Europe, for example, they had these famous
17 Brussels extras, that they have given an extra for each
18 size, and they had the base price, and then they used to
19 apply these extras on each size to determine the price of
20 each gauge. So it's very hard.

21 VICE CHAIRMAN HILLMAN: Okay, it's the price per
22 ton, and then these extras are for the smaller sizes.

23 MR. DALBELER: Yes.

24 VICE CHAIRMAN HILLMAN: And then it's a certain
25 amount per ton.

1 MR. DALBELER: Per ton, yes.

2 VICE CHAIRMAN HILLMAN: Okay, all right, I guess
3 the last question I wanted to get at, if we look at our
4 data, we see an increase in the volume of Turkish imports,
5 at a time in which we see a decrease in the amount of
6 imports from other countries, many of whom were subject to
7 the 2001 investigation, but some of whom were not.

8 To me, it may suggest that there is more
9 competition between your product and these other imported
10 products. Yet, in response to Chairman Okun's questions,
11 you're suggesting that, in fact, you think that the majority
12 of your competition, particularly on price is with the
13 domestic mills.

14 MR. DALBELER: Yes.

15 VICE CHAIRMAN HILLMAN: Yet, if I look at where
16 the market share ended up, it appears that you are more
17 taking market share from other imports than you are taking
18 it, if you will, from the domestic producers.

19 MR. DALBELER: True, I mean, I agree. Because
20 after the 2001 dumping order that was on these other
21 countries, which created a certain possibility for us to
22 start selling -- but as far as pricing is concerned, we
23 always competed with domestic prices in the U.S.

24 Because this is how the customer negotiated with
25 us. They bring the domestic prices as an alternative. Then

1 we decide whether that makes sense for us to sell or not.

2 VICE CHAIRMAN HILLMAN: Okay, and you are not
3 usually confronted with other import prices -- oh, I could
4 get it for "x" from Muldover, Russia, or somewhere, so you
5 need to meet that price. You're saying it's almost only a
6 domestic price that you're competing with.

7 MR. DALBELER: Yes, I mean, we were not able to
8 sell that much before those other import countries that were
9 more active in the U.S. That also proves, you know, we were
10 not really able to compete with other countries who are now
11 subject to the order.

12 VICE CHAIRMAN HILLMAN: Okay, I appreciate that.
13 Is there generally considered a certain amount of premium
14 that the domestic mills get, given that they're more local;
15 presumably, they can deliver faster in the sense that
16 they're just simply closer to their customers?

17 Has there been a premium that's sort of standard,
18 and if so, what is it and has it changed over time?

19 MR. DALBELER: Various things -- I mean, first,
20 when you buy domestically, you buy in much smaller volumes.
21 That means you can arrange your cash flow accordingly.

22 The second is, the lead time is, of course, much
23 shorter, when you buy domestic, you can order for next week,
24 and you can get it in the truckloads. But when you buy
25 imports, you have to order way in advance -- maybe sometimes

1 two or three months.

2 Then you have to wait at least about a month for
3 cargo to be loaded and shipped to your stockyard, because it
4 needs to be transported, it has to be discharged, and from
5 discharging, it has to be trucked to your inventory. So
6 because of this, the domestic purchase has always a premium
7 over the imports.

8 VICE CHAIRMAN HILLMAN: How much?

9 MR. DALBELER: It's very hard -- it all depends on
10 the economic environment of the market. In Turkey, it might
11 look like much, because the interest rates are high. In
12 Japan, it might be much less, because basically there's no
13 interest rate. So it's hard to guess.

14 VICE CHAIRMAN HILLMAN: And would you say that
15 premium has changed over time?

16 MR. DALBELER: It's hard for me to comment,
17 because I really don't know how much that premium is, over
18 the domestic mills.

19 VICE CHAIRMAN HILLMAN: I appreciate very much
20 your answers; thank you.

21 CHAIRMAN OKUN: Commissioner Miller?

22 COMMISSIONER MILLER: I want to clarify one thing.
23 I don't really have more questions, because to the extent I
24 had some questions about regional industry and the legal
25 issues there, Vice Chairman Hillman asked you to address it

1 in post-hearing, and I appreciate that. You've also already
2 had some questions about prices in third markets, which I
3 was also interested in.

4 We do have in our record information on average
5 unit values for Turkish exports to the United States, to
6 other markets. I guess the one question I would want to ask
7 is whether you think average -- in rebar, as a general
8 matter, are average unit values fairly use to us? I mean,
9 it's not a highly differentiated product.

10 It strikes me, as products go, as being one where
11 AVs actually -- we can look at those and consider them to be
12 informative. But I just want to make sure if you agree with
13 that, or tell me if I'm wrong about that.

14 MR. DALBELER: The average price, if it's in the
15 same period of time, yes, it makes sense. But, of course,
16 it highly has been a price-driven commodity. So depending
17 on time to time, it might go up and down. So if you take an
18 average of a certain long period, then it might mislead you.

19 COMMISSIONER MILLER: Okay, but because it's a
20 fairly uniform product --

21 MR. DALBELER: It's uniform, yes.

22 COMMISSIONER MILLER: -- there's not a lot of
23 product mix issues, if you're looking at an average unit
24 value.

25 MR. DALBELER: It's not a very high valued product

1 in the steel business, I should say.

2 COMMISSIONER MILLER: Right.

3 MR. DALBELER: So it's directly related with the
4 cost of scrap, which we also see quite a bit of fluctuation
5 in, over time.

6 COMMISSIONER MILLER: Okay, all right, I just
7 wanted to make sure that you agreed that the average unit
8 values -- we could learn something from them, at least.

9 MR. DALBELER: For a month, yes; but for a year,
10 it might not make too much sense.

11 COMMISSIONER MILLER: Right, okay, I appreciate
12 it, thank you. I have no further questions. My colleagues
13 have explored all the issues I was interested in.

14 CHAIRMAN OKUN: Vice Chairman Hillman?

15 VICE CHAIRMAN HILLMAN: I have just one question,
16 and that is on this issue of product shifting. Obviously,
17 the Petitioners have made an argument that if we were to
18 revoke the order on Turkey, then obviously, we would still
19 have the orders in place on all the countries in 2001; and
20 that there would be a tremendous incentive for Turkey, to
21 the extent that it can, to shift out of hot bar, cold
22 finished bar, other products and, you know, shift into
23 rebar. Because you would be less restrained than some of
24 the other countries that have typically come into our
25 market.

1 I wondered if you could comment on what you think
2 the incentives or dis-incentives are. There's obviously a
3 lot of other trade remedies that affect some of these other
4 products: hot bar, cold finished bar, and other things.

5 I wondered, from your perspective, what do you
6 think the incentives or dis-incentives are, in terms of
7 shifting into rebar; if you did not have this anti-dumping
8 order, how much of a difference would it make, in terms of
9 moving product out of something else into rebar?

10 MR. DALBELER: I mean, among the names that you've
11 just given on product, rebar, I believe, is the least valued
12 product. So it doesn't really make sense shifting your
13 highly valued product into rebar manufacturing. That's one
14 of the points.

15 The second, for a rebar mill, you have to be big
16 in quantity to be competitive. But that doesn't apply for
17 hot bright bars or hot rolled bars or, you know, sort of
18 merchant bars. Their volume is much less.

19 So, again, converting a merchant bar mill into a
20 rebar doesn't make too much sense. Because size-wise,
21 maybe, they are 10 percent of what usual rebar mills are or,
22 say, 20 percent. So there's such a big difference in
23 between.

24 And third, you also have to make a certain
25 investment to convert such bar mill into rebar mill --

1 packing-wise, cooling-wise, depending on your size mix that
2 you're aiming for the rebar production. So it needs a
3 certain capital investment, which is not small.

4 So I don't really think that there's any
5 possibility converting such product mill to enter rebar
6 mill. Wire rod, for example, has always been at least like
7 \$10 above the rebar prices. So that also doesn't make sense
8 for us to stop using rebar on the wire rod mill.

9 VICE CHAIRMAN HILLMAN: Okay, and none of these
10 actions, in terms of other countries or other products would
11 really be significant enough that it would change that?

12 MR. DALBELER: No.

13 VICE CHAIRMAN HILLMAN: Okay, I think I have no
14 further questions, so tesha curra dettum to you.

15 MR. DALBELER: Thank you.

16 CHAIRMAN OKUN: Let me turn to the staff and see
17 if staff has any questions.

18 MS. NOREEN: Bonnie Noreen with the Office of
19 Investigations -- Mr. Dalbeler, you sell to Texas, you said,
20 as well as into the region. Your sales to Texas, are they
21 covered also by the dumping order, and is there deposit that
22 has to be made, and a duty that has to be paid?

23 MR. DALBELER: Sure.

24 MS. NOREEN: So it doesn't make any difference
25 whether it's into the region or outside the region, in term

1 of the remedy?

2 MR. DALBELER: No, I guess not.

3 MS. NOREEN: Okay, thank you very much; no more
4 questions.

5 CHAIRMAN OKUN: Very well, do those in opposition
6 to revocation to the order have questions for this panel?

7 MR. XENOPOULOS: We have no questions, thank you.

8 CHAIRMAN OKUN: Okay, well, then, again, thank
9 you, Mr. Sailor and Mr. Dalbeler, for your testimony today.
10 Let me just go through the time remaining.

11 Those in opposition to revocation have 24 minutes,
12 plus five minutes for rebuttal or closing, for a total of 29
13 minutes remaining. Those in support of revocation have a
14 total of 37 minutes, including their five minutes for
15 rebuttal and closing

16 I would now turn to those in opposition to
17 revocation, to see how they will proceed. Mr. Xenopoulos is
18 now here. Usually you're in opposition, that's right. But
19 in this case, it's the opposition to revocation.

20 MR. XENOPOULOS: Thank you; could we take 10 of
21 our minutes to think about our rebuttal?

22 CHAIRMAN OKUN: Not 10.

23 MR. XENOPOULOS: Five minutes?

24 CHAIRMAN OKUN: You may have five minutes.

25 MR. XENOPOULOS: Thank you very much.

1 CHAIRMAN OKUN: It will come out of your time.

2 MR. XENOPOULOS: Thank you.

3 (Whereupon, a brief recess was taken.)

4 MR. BISHOP: If the parties could please take
5 their seats, we're ready to begin.

6 CHAIRMAN OKUN: Are you prepared to proceed?

7 MR. XENOPOULOS: Yes, we are; thank you.

8 On behalf of domestic producers and supporters of
9 continuation of the order, we have the following comments.
10 We believe that the order has been effective, and we are
11 here today seeking continuation of the order.

12 Ironically, the Respondents believe that the order
13 has been ineffective, but they are here today, asking that
14 the order be revoked.

15 We also note that counsel for the Respondents made
16 a comment at the beginning of their presentation, related to
17 the extent of their representation here today, insofar as
18 the Turkish industry is concerned.

19 We understand, we believe, correctly, that that
20 representation was to the effect and at bottom, that they
21 represent less than the complete Turkish industry, and we
22 believe that the comments made here today need to be taken
23 in that vein.

24 To the extent that there are Turkish producers
25 that were not represented here today, that information may

1 not be on the record.

2 Insofar as various comments made by Respondents
3 are concerned, there is no question but that domestic and
4 regional U.S. producers are interested in Puerto Rico, and
5 have made attempts to sell in Puerto Rico. Domestic
6 producers do, in fact, manufacture small sizes. Small sizes
7 of rebar are considered by them to be part of the production
8 line.

9 Sales to Puerto Rico are not exports. Puerto Rico
10 is part of the United States. Puerto is part of this
11 region.

12 The Respondents commented that basically they set
13 prices based on a number of factors. It's particularly
14 interesting that one of the benchmarks that they used, as I
15 understood and we understood, is normal value.

16 We believe that there would be no normal value in
17 effect, were the order revoked, which they would need to use
18 as a benchmark to price their product.

19 We also believe that this Commission is, in fact,
20 required to use the margins that were presented by the
21 Department of Commerce as being the margins that would
22 likely reflect the extent of dumping, if the order was
23 revoked. We have no knowledge of any other sunset
24 proceedings in which the Commission has used any other
25 margins.

1 As discussed earlier, we are attempting to look
2 into our crystal ball and assess what would happen but for
3 the anti-dumping order; and the Commerce Department has done
4 that. The Commerce Department has, from a dumping
5 perspective.

6 The Commerce Department has a record, including a
7 confidential record, that this Commission is not privy to.
8 We believe, again, that this Commission has found fit to use
9 the margins presented to it by the Commerce Department in
10 all other sunset reviews, and not any other deposit rates,
11 in lieu of those margins.

12 We also found interesting a comment made during
13 the earlier presentation by the Respondents that Turkish
14 exports to the U.S. increased in response to the anti-
15 dumping order on the seven other countries: Belarus,
16 Muldova, et cetera, based on the fact that that order
17 created space in the market, I believe, to quote the
18 industry representative.

19 Implicit in that statement are two facts; number
20 one, that the other anti-dumping order has been effective.
21 It's curious that that anti-dumping order would be
22 effective, but this anti-dumping order would not be.

23 Second of all, we also think it's interesting that
24 a comment would be made that Turkish exports would respond
25 to a space in the market, by exporting to the U.S., to the

1 region, in greater volumes and potentially at lower prices.
2 We believe that that's what likely would occur if, in fact,
3 this order were to be revoked.

4 Our assertions have been, and continue to be, that
5 Turkish exports to the United States respond, both in terms
6 of prices and volumes, to various factors within the U.S.,
7 and they have shown and proven to respond to the anti-
8 dumping order. Again, that revocation would, in fact,
9 eliminate the incentive to engage in fairer trade that has
10 been in place for the past five years.

11 Clarifying, too, one of our industry experts
12 referred to a \$40 bill being on sales to Puerto Rico. He
13 was not referring to the Jones Act; but he was referring to
14 the fact that, in fact, the Puerto Rican market has been
15 devastated by dumped Turkish exports; and that in order to
16 sell in that market, one would basically have to sell at a
17 loss. He was not referring to a lack of interest, by any
18 stretch of the imagination, on the part of domestic
19 producers.

20 I'd like to again, take up the point of
21 Birmingham, and show you that we have worked hard. We did
22 work hard to get responses from Birmingham Steel
23 Corporation.

24 We were unfortunately unable to do so, and have
25 been unable to do so, to this point. But we believe that we

1 will be able to get responses in the relatively new future
2 from the current Nucor personnel and orders.

3 That concludes my rebuttal; thank you.

4 CHAIRMAN OKUN: Thank you very much, Mr.
5 Xenopoulos. You understand, that's your rebuttal and your
6 closing?

7 MR. XENOPOULOS: Yes, that is; I appreciate it,
8 thank you.

9 CHAIRMAN OKUN: All right, I just wanted to make
10 sure; thank you.

11 Mr. Sailer?

12 MR. SAILER: Thank you, Madam Chairman.

13 The one thing that strikes me, and it brings me
14 back to the brief colloquy that I had with Commissioner
15 Miller, is what dumping margin you're looking at here.

16 And regardless of what the law says, I can't
17 imagine being one of the Turkish companies, perhaps other
18 than Dalbeler's, whose company right now has a five percent
19 margin, which is not significant.

20 But to have sat here and to have been one of the
21 other producers, the Hobas or the Icdas or the Dilar, and
22 to have the U.S. industry continually say that these volumes
23 of product are still coming into the United States, and
24 they're still being dumped -- that just ain't so, no matter
25 what the Commerce Department has said about what the

1 potential dumping duty might be if the order were revoked.

2 Right now, the merchandise that's coming into the
3 United States is at a zero deposit rate, and a good quantity
4 has been determined not to have been dumped and no dumping
5 duties were imposed on those imports.

6 At least one of the witnesses made the assertion,
7 and I don't know what it's based upon, that capacity
8 utilization in Turkey is not high.

9 I think the Commission knows better. You have the
10 questionnaire responses of, I think, the entire Turkish
11 industry, and they show exactly what the staff report
12 concludes. That is that over the course of the last three
13 to four years, the capacity utilization rate in Turkey has
14 been extremely high.

15 And Mr. Dalbeler has given you chapter and verse
16 on the huge other lucrative markets, markets that they have
17 historically and continued to supply, and he's demonstrated
18 to you, I think, a responsible commitment of a producer to
19 its customers in those markets. They're not going to turn
20 their back on good, strong customers in these markets that
21 they've been serving for so long.

22 I think it's interesting to note that Mr.
23 Dalbeler's testimony pointed out that in 1996, Turkish
24 exports to the European Union were only 60,000 tons. That's
25 at the time of the original investigation here in the United

1 States; and that those imports which grew to almost a
2 million tons in one year in the interim, are now steadily at
3 800,000 tons.

4 Clearly, clearly, the Turkish capacity is
5 committed and is unavailable for huge volumes to be diverted
6 to the United States. Sure, some of the volumes have
7 increased in the last two years. But I think that we have
8 explained what perhaps are the market dynamics that have led
9 to that result.

10 I think that Mr. Xenopoulos chose wisely not to
11 say definitively what the results of some of these other
12 trade remedies were. But it's clear that he was mis-guided
13 in his understanding of what the status of many of those
14 was.

15 We look forward to having the opportunity in our
16 post-hearing brief, in response to Commissioner Koplan and
17 the other Commissioners, to address exactly in numeric
18 values, what the status of our pre- and post-remedy volumes
19 into each of those markets was.

20 I think really with that, I would close. Mr.
21 Dalbeler has come a long way, and he's got a long way to go
22 back. But on his behalf and on behalf of the entire Turkish
23 industry, we really implore you to search carefully through
24 this record, before you make a determination.

25 We think that you will come to the conclusion that

1 revocation of the order will not likely lead to a
2 continuation or reoccurrence of injury to the U.S. industry.
3 Thank you very much.

4 CHAIRMAN OKUN: Thank you.

5 Post-hearing briefs, statements responsive to
6 questions, requests to the Commissions, and corrections to
7 the transcript must be filed by December 19th, 2002.
8 Closing of the record and final release of data to the
9 parties in January 31, 2003. Final comments are due
10 February 4th, 2003. With that, this hearing is adjourned.

11 (Whereupon, at 1:03 p.m., the proceeding was
12 adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Steel Concrete Reinforcing Bar from Turkey

INVESTIGATION NO.: 731-TA-745

HEARING DATE: December 12, 2002

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: December 12, 2002

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Rosenstein
Signature of Court Reporter