

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 )  
STAINLESS STEEL WIRE ROD ) Investigation Nos.:  
 ) 701-TA-373 and  
FROM ITALY, JAPAN, KOREA, ) 731-TA-770-775 (Review)  
SPAIN, SWEDEN, AND TAIWAN )

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 SPAIN, SWEDEN, AND TAIWAN )

Tuesday,  
 May 18, 2004

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

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

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I N D E X

	PAGE
OPENING STATEMENT OF DAVID A. HARTQUIST, ESQUIRE, COLLIER, SHANNON, SCOTT, PLLC	7
OPENING STATEMENT OF WILLIAM SILVERMAN, ESQUIRE, HUNTON & WILLIAMS, LLP	11
TESTIMONY OF DAVID A. HARTQUIST, ESQUIRE, COLLIER, SHANNON SCOTT, PLLC	15
TESTIMONY OF ED BLOT, PRESIDENT, ED BLOT AND ASSOCIATES	16
TESTIMONY OF TONI M. BRUGGER, VICE PRESIDENT, COIL BUSINESS UNIT, CARPENTER TECHNOLOGY CORPORATION	30
TESTIMONY OF CHARLES MELLOWES, VICE PRESIDENT AND GENERAL MANAGER, CHARTER SPECIALTY STEEL	36
TESTIMONY OF JIM GUGINO, PRODUCT MANAGER, DUNKIRK SPECIALTY STEEL, LLC	41
TESTIMONY OF BRAD HUDGENS, ECONOMIST, GEORGETOWN ECONOMIC SERVICES, LLC	44
TESTIMONY OF WILLIAM PENDLETON, REPRESENTATIVE, SPECIALTY STEEL INDUSTRY OF NORTH AMERICA	56
TESTIMONY OF WILLIAM A. WELLOCK, MANAGER, CONSOLIDATED PLANNING, CARPENTER TECHNOLOGY CORPORATION	80
TESTIMONY OF MARY T. STALEY, ESQUIRE, COLLIER, SHANNON SCOTT, PLLC	137
TESTIMONY OF LAURENCE J. LASOFF, ESQUIRE, COLLIER, SHANNON SCOTT, PLLC	155
TESTIMONY OF RICHARD P. FERRIN, ESQUIRE, HUNTON & WILLIAMS, LLP	159
TESTIMONY OF FREDERICK P. WAITE, ESQUIRE, VORYS, SATER, SEYMOUR AND PEASE, LLP	167

I N D E X

	PAGE
TESTIMONY OF GREGG JENKINS, VICE PRESIDENT, OPERATIONS, HANDY & HARMAN SPECIALTY WIRE GROUP (MARYLAND SPECIALTY WIRE)	168
TESTIMONY OF JOHN ROBINSON, VICE PRESIDENT, SALES AND MARKETING, TECHALLOY COMPANY, INC.	174
TESTIMONY OF MONICA PIROVANO, MANAGING DIRECTOR, CSA	183
TESTIMONY OF WENDY E. KAMENSHINE, ESQUIRE, AKIN GUMP STRAUSS HAUSER & FELD, LLP	189
TESTIMONY OF BRUCE MALASHEVICH, ECONOMIST, ECONOMIC CONSULTING SERVICES, LLC	192
TESTIMONY OF WILLIAM SILVERMAN, ESQUIRE, HUNTON & WILLIAMS, LLP	230
CLOSING STATEMENT OF DAVID A. HARTQUIST, ESQUIRE, COLLIER, SHANNON, SCOTT, PLLC	279
CLOSING STATEMENT OF WILLIAM SILVERMAN, ESQUIRE, HUNTON & WILLIAMS, LLP	284

P R O C E E D I N G S

(9:32 a.m.)

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2  
3 CHAIRMAN OKUN: Good morning. On behalf of  
4 the United States International Trade Commission, I  
5 welcome you to this hearing on Investigation Nos.  
6 701-TA-373 and 731-TA-770-775 (Review) involving  
7 Stainless Steel Wire Rod from Italy, Japan, Korea,  
8 Spain, Sweden and Taiwan.

9 The purpose of these five-year review  
10 investigations is to determine whether the revocation  
11 of the antidumping and countervailing duty orders  
12 covering stainless steel wire rod from Italy, Japan,  
13 Korea, Spain, Sweden and Taiwan would be likely to  
14 lead to continuance or recurrence of material injury  
15 to an industry in the United States within a  
16 reasonably foreseeable time.

17 Notice of investigation for this hearing,  
18 list of witnesses and transcript order forms are  
19 available at the Secretary's desk. Transcript order  
20 forms are also located in the wall rack outside the  
21 Secretary's office.

22 I understand the parties are aware of the  
23 time allocations. Any questions regarding time  
24 allocations should be directed to the Secretary. As  
25 all written material will be entered in full into the

1 record, it need not be read to us at this time.

2 The parties are reminded to give any  
3 prepared non-confidential testimony and exhibits to  
4 the Secretary. Do not place any non-confidential  
5 testimony or exhibits directly on the public  
6 distribution table. All witnesses must be sworn in by  
7 the Secretary before presenting testimony.

8 Finally, if you will be submitting documents  
9 that contain information you wish classified as  
10 business confidential, your requests should comply  
11 with Commission Rule 201.6.

12 Madam Secretary, are there any preliminary  
13 matters?

14 MS. ABBOTT: No, Madam Chairman.

15 CHAIRMAN OKUN: Very well. Let's proceed  
16 with our opening remarks.

17 MS. ABBOTT: Opening remarks in support of  
18 continuation of orders will be by David A. Hartquist,  
19 Collier Shannon Scott.

20 CHAIRMAN OKUN: Good morning, Mr. Hartquist.

21 MR. HARTQUIST: Good morning, Madam  
22 Chairman, members of the Commission and staff. I'm  
23 David A. Hartquist of the law firm of Collier Shannon  
24 Scott representing the Petitioners in this case.

25 The U.S. stainless steel wire rod industry



1 is in some respects the same, but in other respect  
2 quite different from the industry that appeared before  
3 the Commission back in 1997. Since the time of the  
4 original investigation, Carpenter has acquired the  
5 facilities of Talley; Universal Specialty acquired the  
6 wire rod facilities in Dunkirk, New York; Charter  
7 Specialty Steel began production of stainless steel  
8 rod in 2001; and Allegheny's Allvac facility is  
9 rolling rod for Outokumpu. Lastly, North American  
10 Stainless has just recently begun producing stainless  
11 steel rod.

12 These changes spell great potential for the  
13 domestic industry. All of these producers anticipate  
14 that the market for stainless steel rod will grow.  
15 They also anticipate that prices will be at levels  
16 which will allow an adequate return on these new  
17 investments.

18 There seems little question that the market  
19 can grow and an adequate level of return is  
20 attainable, but this potential is hanging in the  
21 balance. While the current conditions of the  
22 marketplace are improving, the industry remains in an  
23 extremely vulnerable state.

24 While there's been change in the industry,  
25 other things have remained the same. Stainless wire

1 rod is still the same product it was in 1997 as a  
2 fungible commodity. The product can be produced all  
3 over the world. As in 1997, there remains substantial  
4 capacity to produce this product in all six countries  
5 subject to the orders.

6 The efforts to curb the injurious impact of  
7 imports through the imposition of the antidumping and  
8 countervailing duty orders initially had positive  
9 effects. For example, Carpenter made substantial  
10 investment, such as the purchase of Talley, and  
11 Charter, a leading carbon steel producer, made a  
12 significant investment in stainless steel production  
13 in Wisconsin entering the business. Yet, as these  
14 investments were made, a new flood of imports hit the  
15 United States, and the market declined substantially.  
16 By 2003, imports of stainless steel rod had dropped  
17 significantly.

18 Now, depending upon how you view the world,  
19 the glass is either half empty or half full. U.S.  
20 producers can now supply domestic demand, not just in  
21 terms of volume, but also in terms of grade and coil  
22 size. You'll remember those issues back a few years  
23 ago.

24 All the producers have substantially  
25 increased their productivity in a constant effort to

1 reduce their cost. The economy seems to be on the  
2 mend, and demand is likely to improve. Prices are  
3 expected to increase. The glass is half full.

4 The glass is also half empty. Pricing  
5 levels are still at an all-time low, and the United  
6 States producers are certainly not driving  
7 financially. They're not operating at anywhere near  
8 their full capacity, and raw material costs, as you  
9 know, have risen substantially. Again, the potential  
10 is great, but so are the risks.

11 The principal risk is a very real  
12 possibility that imports will once again flood the  
13 market with dumped product. As the Commission staff  
14 report makes very clear, the foreign producers in the  
15 six countries subject to these orders have maintained  
16 substantial capacity. Lifting the orders on the heels  
17 of the removal of the 201 duties would empty the class  
18 for U.S. producers.

19 Producers in the six countries have  
20 demonstrated a remarkable ability to ramp up exports  
21 and dump their rod into the United States. Removing  
22 the duties would lift the floodgates. The investments  
23 that domestic producers have made in this industry  
24 would be in jeopardy, and future investment would be  
25 endangered.

1           The industry can succeed, but the  
2 maintenance of these orders is critical to that  
3 success, and we respectfully urge the Commission to  
4 continue these orders in place. Thank you.

5           CHAIRMAN OKUN: Thank you.

6           MS. ABBOTT: Opening remarks in support of  
7 revocation of orders will be by William Silverman,  
8 Hunton & Williams.

9           CHAIRMAN OKUN: Good morning, Mr. Silverman.

10          MR. SILVERMAN: Good morning. I'm William  
11 Silverman with the law firm of Hunton & Williams. I'm  
12 here on behalf of Respondents in this proceeding.

13          Madam Chairman, this Commission has heard  
14 this domestic industry request import relief many  
15 times over many years, going back into the mid 1970s.  
16 Today we have a new, larger, stronger and more  
17 efficient domestic industry than ever before because  
18 of the new entrants, which Mr. Hartquist has listed  
19 for you, who have invested substantial amounts in  
20 modernizing and expanding the domestic industry.

21          These investments are the mark of a strong  
22 industry, not a vulnerable one. These investments,  
23 it's important to note, were based on business  
24 considerations and economic considerations, not on  
25 political considerations or legal considerations here

1 in Washington.

2 By that I mean that major corporations  
3 simply do not make large capital expenditures. NAS,  
4 for example, is one of the largest stainless steel  
5 companies in the world. They simply don't make those  
6 kind of investments based on an ITC vote several years  
7 after they make the investment.

8 Investments, as we talked about in our  
9 brief, were planned and made some time ago. Do you  
10 really think those investments were premised on an ITC  
11 vote in the summer of 2004? In fact, if you look at  
12 the record in this case, try to find some proof that  
13 those investments were ever premised on an ITC vote  
14 involving imports from Italy or the other subject  
15 countries in the summer of 2004.

16 Of course, all through today we'll hear time  
17 and time again that the sky is falling. The sky is  
18 falling, and it's going to fall even worse. Mr.  
19 Hartquist used the magic word we all learned in law  
20 school, floodgates are here.

21 You've heard this same kind of plea time and  
22 time again in 1993, in 1997, in 2000, in 2002, by the  
23 same people in the domestic industry when they came  
24 before you asking for relief. If you look to see what  
25 they predicted in each of those proceedings and

1 compare it to actually what happened, you'll see that  
2 their sky is falling mantra is simply incorrect.

3 Time and time again they seem to claim that  
4 all downturns, all bumps in the road, are somehow  
5 causally linked to those particular imports that are  
6 involved in that particular investigation. In fact,  
7 the record shows that other economic forces shape the  
8 financial health of this industry, as we'll hear in  
9 the testimony later today.

10 As the record shows, despite various levels  
11 of imports during the period of investigation in fact  
12 going back to 1975-1976 when we first came here, the  
13 domestic industry never seems to improve. They ask  
14 for medicine, and they don't seem to improve. That's  
15 because there are these other economic factors, which  
16 we'll discuss.

17 I say to you in this case please beware of  
18 the fifth set of these predictable pleas that the sky  
19 is falling or will soon fall and that all those  
20 problems, of course, are caused by imports.

21 Now, as to Italy in particular, the legal  
22 standard of no discernable adverse impact applies.  
23 Substantial evidence on the record shows that there's  
24 no correlation between changes in levels of Italian  
25 imports on the one hand and the economic health of the

1 industry on the other.

2 If there's no such correlation, there can be  
3 no causation. Think about it. Even if there were no  
4 imports from Italy, assuming arguendo, would the  
5 economic health of the domestic industry be any  
6 different?

7 For example, if there were no imports from  
8 Italy would NAS, a major investor in this industry,  
9 have invested more in their expansion and  
10 modernization of the domestic industry? Of course  
11 not. They were totally unaffected by it in their  
12 decision making. If there were no imports from Italy,  
13 would we see a different pricing pattern by NAS and  
14 any of these other domestic producers? Of course not.

15 Substantial evidence on the record shows  
16 that imports from Italy are not likely to increase to  
17 any discernable degree if the orders were revoked.  
18 First of all, capacity utilization in Italy is very  
19 high. As you'll hear the testimony today, it's  
20 limited by the reheat furnaces. They can't produce  
21 more.

22 Italian producers have established sales  
23 channels and customers in growing markets in Europe  
24 and Asia. If they ship more here, they have to walk  
25 away from existing commercial relationships.

1           The EU market has recently expanded with the  
2           accession of 10 countries, and the economic incentives  
3           to produce high value downstream products continues.  
4           They lack the capacity to switch from bar to rod.

5           These facts are substantial evidence on the  
6           record, and I hope you will weigh them more heavily  
7           than vague predictions about Italy. Thank you.

8           CHAIRMAN OKUN: Thank you, Mr. Silverman.

9           MS. ABBOTT: The first panel in support of  
10          the continuation of orders should please come forward  
11          and be seated. The witnesses have been sworn.

12          (Witnesses sworn.)

13          CHAIRMAN OKUN: Thank you.

14          Good morning again, Mr. Hartquist. It looks  
15          like all members of your panel have been seated. You  
16          may begin.

17          MR. HARTQUIST: Thank you, Madam Chairman.  
18          I will introduce the members of our panel to you. On  
19          my left is Toni Brugger, who is vice president of the  
20          Coil Business Unit of Carpenter Technology  
21          Corporation.

22          On my right, Charles Mellowes, vice  
23          president and general manager of Charter Specialty  
24          Steel. Next to him is Ed Blot, president of Ed Blot  
25          and Associates and a consultant to the industry with



1 many years of experience.

2 In the corner on the left is Bill Pendleton,  
3 who has appeared before you many times, a consultant  
4 to Carpenter Technology, retired, and a representative  
5 of the Specialty Steel Industry of the United States;  
6 Jim Gugino, who is the product manager of Dunkirk  
7 Specialty Steel, also with many, many years of  
8 experience in this product.

9 Larry Lasoff, Collier Shannon Scott; Bill  
10 Wellock, manager of Consolidated Planning for  
11 Carpenter Technology Corporation; Brad Hudgens,  
12 Georgetown Economic Services; and Mary Staley of  
13 Collier Shannon Scott.

14 With that, we'll begin this morning with  
15 Toni Brugger. I'm sorry. With Ed Blot.

16 MR. BLOT: Good morning, Madam Chairman

17 MR. BLOT: Good morning, Madam Chairman and  
18 members of the Commission. My name is Edward Blot,  
19 and I'm president of Ed Blot and Associates. My  
20 company provides consulting services to North American  
21 producers, service centers and consumers of stainless  
22 and nickel alloy products.

23 This morning I will address three principal  
24 topics supporting the industry's position that the  
25 current orders on stainless rod from Italy, Japan,

1 Korea, Spain, Sweden and Taiwan should not be revoked.

2 First, I will discuss the product that is  
3 the subject of this sunset review. Second, I will  
4 discuss the U.S. stainless rod market, review its  
5 history and present my forecast for the next few  
6 years. Lastly, I will comment on some of the  
7 statements made in the Respondents' prehearing briefs.

8 To understand the market for stainless rod  
9 and to understand the effects that unfairly traded  
10 imports have had on the U.S. industry and are likely  
11 to have in the future, it's important to have some  
12 basic familiarity with the product itself.

13 I'd like to emphasize that stainless rod is  
14 a semi-finished product. This feature is very  
15 important. As a semi-finished product, stainless rod  
16 is a commodity product that must be further processed  
17 by end users to produce a wide variety of finished  
18 goods like springs, fasteners, filters, nails, welding  
19 electrodes and automotive parts. It is a product that  
20 is sold in coil form, making it suitable for end users  
21 that require continuous feeding of input material like  
22 the production of stainless wire and fasteners.

23 Another important factor to consider is that  
24 the production process for stainless rod is basically  
25 the same worldwide. First, stainless steel is melted,

1 refined and either continuous cast into billets or  
2 rolled from cast ingots into billets. Next, the  
3 billets are hot-rolled and coiled. Third, the steel  
4 is finished, which includes annealing and finishing.  
5 Excuse me. Annealing and descaling.

6 In this industry, the end user customer  
7 determines the particular size and grade of stainless  
8 rod based on the application. General industry  
9 practice is for the customers to place their order by  
10 grade, size, tolerances, surface quality and quantity,  
11 so these requirements must be known by the rod  
12 producer before melting to ensure that the steel  
13 possesses the properties that are required to meet the  
14 customer's specifications.

15 Because these specifications must be set  
16 before the production process begins and because the  
17 production process is basically the same everywhere in  
18 the world, the quality -- I quote, the quality -- in  
19 the rod is a given in this industry. Either the  
20 product meets the customer's specifications or it does  
21 not. If the rod is the grade and the size required by  
22 the customer, then most any rod from any producer can  
23 be used by the end user.

24 I'll focus on these particular  
25 characteristics of stainless rod because they have a

1 direct correlation to the demand and supply conditions  
2 in the market. May I now direct your attention to  
3 Chart R-1, which is on the overhead? I also believe  
4 you have it in front of you.

5 As you can see from this chart, consumption  
6 for stainless rod generally increased over the past  
7 decade as more products required the corrosion  
8 resistant qualities of stainless steel. As you can  
9 further see from the chart, the demand trend  
10 significantly decreased during the past three years.

11 There were two principal reasons for this  
12 drop in demand. First and foremost was the  
13 manufacturing recession that began in 2001. This drop  
14 in demand was compounded by the end user customers  
15 reducing their inventories.

16 Second, when the Section 201 relief was  
17 initiated, some offshore rod producers shipped  
18 processed wire to the same end user customer  
19 purchasing rod. Now, processed wire is a rod that's  
20 been drawn slightly to a slightly smaller size. Why  
21 this product shift? Well, the wire tariffs were about  
22 50 percent of the rod tariffs, and there were no  
23 antidumping orders on wire.

24 As an example, in 2002 Korean rod shipments  
25 were down approximately 50 percent from 2000, while

1 their wire shipments increased about 30 percent during  
2 the same period of time. As the demand for stainless  
3 rod grew during the last decade, so has the  
4 competition, and the competitive nature of this  
5 industry is again tied directly to the physical  
6 characteristics of the product.

7 As I mentioned earlier, so long as the  
8 product specifications are met, which are primarily  
9 the grade and the size, customers can basically source  
10 this product from any stainless producer. If a  
11 purchaser can buy the same product from any producer,  
12 it comes as no surprise that the number one or very  
13 important factor influencing the purchasing decision  
14 is price as reported in the ITC staff report. This is  
15 where low-priced, unfairly traded imports fit the  
16 picture.

17 As Chart R-1 shows, imports began to flood  
18 the market beginning in 1992. This increase was  
19 primarily from unfairly traded imports from France,  
20 Brazil and India. As the chart reveals, with the  
21 surge of these low-priced imports U.S. producer  
22 shipments and market share dropped significantly.

23 As I've been emphasizing, it came as no  
24 surprise to the industry that the switch could take  
25 place so quickly. If a customer can buy stainless rod

1 for less money, the commodity nature of the product  
2 allows the customers to switch its suppliers easily  
3 and quickly.

4 After the 1994 antidumping orders were  
5 imposed, as the chart shows, U.S. producers were able  
6 to regain some shipments in market share, but the  
7 benefit of these orders quickly diminished as the next  
8 onslaught of unfairly traded imports followed.

9 Again, this trend is depicted in the chart,  
10 which shows the increasing volumes of imports in 1995,  
11 1996 and 1997 and the steady decline in U.S. shipments  
12 and market share during the same time period, so while  
13 the French, Indian and Brazilian producers exited the  
14 market, the Italians, Japanese, Koreans, Spaniards,  
15 Swedes and Taiwanese were able to fill this gap by  
16 underselling the U.S. producers.

17 Again, it all boiled down to price. The  
18 stainless rod coming from these other six countries  
19 was the same semi-finished commodity product, but it  
20 was being sold at a lower price. As the chart shows,  
21 while demand was growing steadily in the market, U.S.  
22 producers were unable to capitalize on this growth  
23 because of the increasing volume of unfairly traded  
24 imports from these six countries.

25 Now, once the new orders were put into place

1 in 1998, as the chart shows, imports dropped at the  
2 same time demand in the U.S. dropped. There were  
3 three reasons for this drop in demand following the  
4 imposition of the 1998 orders. First, the drop in  
5 demand reflects the fact that customers were using up  
6 inventories purchased when the petitions were filed.

7 Second, several U.S. customers who purchased  
8 stainless rod for manufacturing into small bar, they  
9 discontinued buying this product. Instead, these U.S.  
10 customers switched to purchasing stainless bar, in  
11 many cases from the same import countries that  
12 supplied them the rod.

13 Third, there was a ripple effect in overall  
14 demand due to the Asian crisis that began late 1997.  
15 This led to the flood of rod imports as offshore  
16 producers shipped their excess capacity to end users  
17 in the U.S. market.

18 As you can see from my second chart, R-2,  
19 import penetration increased to new historic levels in  
20 2000 and 2001, approaching almost 80 percent, and only  
21 started to decrease once the Section 201 relief  
22 tariffs were initiated. These tariffs provided some  
23 relief and prevented further deterioration.

24 With the retention of the subject orders,  
25 the domestic industry is now positioned to take

1 advantage of an improving market. This market review  
2 brings us up to the present.

3 If you can refer back to my Chart R-1, my  
4 forecast is that demand for stainless rod will  
5 increase steadily over the next five years as the  
6 manufacturing recession is basically over. My  
7 forecast does account for the fact that some  
8 manufacturing will remain offshore, principally in  
9 developing countries like China and India. The real  
10 question is who will supply the rod demand. The  
11 answer to that question turns, of course, in large  
12 part to the outcome of this proceeding.

13 If the current orders are revoked, I don't  
14 think it will take very long before low-priced imports  
15 from all six countries will quickly come in and supply  
16 the market. The reason I took you down memory lane  
17 was to show you the pattern of offshore producers  
18 shipping excess rod capacity to the U.S. market at  
19 unfairly traded prices.

20 At this point I also want to emphasize that  
21 after publication of the orders in 1998, the producers  
22 found to be trading unfairly did not stop production  
23 of stainless products in their home markets, and they  
24 didn't disappear from the marketplace. To the  
25 contrary, producers in all six countries have remained



1 in the business of producing stainless steel.

2 When the orders on rod were put into place,  
3 producers in these countries shifted their imports to  
4 stainless bar, a product that is made on the same  
5 production lines as rod. In fact, the Italians and  
6 Taiwanese remain two of the largest, most prominent  
7 players in the market for stainless bar products and  
8 continue to have a significant interest in the U.S.  
9 market.

10 As you can see from Chart R-1, I have  
11 forecasted apparent domestic consumption through 2008,  
12 but have not forecasted separate domestic and import  
13 trends beyond last year. If these orders are  
14 continued, my forecast would show that as demand  
15 increases both U.S. producers and foreign producers  
16 would share in this growth.

17 U.S. producers have waited long for this  
18 opportunity and have recently been making investments  
19 so that they can participate in the growth. You will  
20 hear from Charter Specialty Steel and Universal  
21 regarding their entry into the stainless rod market.  
22 The ITC staff report and especially the Respondents'  
23 briefs also state the entry of NAS, North American  
24 Stainless, and future entry of Outo Kumpu into the  
25 stainless rod market.

1           There's no question that the U.S. industry  
2           has the ability to supply this increase in demand for  
3           stainless rod. If, however, the orders are revoked  
4           the historical pattern of unfairly traded imports will  
5           likely repeat itself. Without the discipline of these  
6           orders, the producers in these six countries will  
7           return to their unfair trading practices and will  
8           regain market share and record shipments.

9           The final part of my testimony will focus on  
10          some of the issues raised in the Respondents' briefs.  
11          The Korean brief states that there is no likelihood  
12          that injury would occur if the orders were revoked and  
13          that their exports would not likely increase because  
14          of demand conditions in other Asian countries, in  
15          other Asian markets.

16          There's no question that demand has been  
17          strong in those markets, especially China, but as has  
18          been reported in various articles the growth is being  
19          tempered and is not expected to continue at the  
20          current pace.

21          As discussed earlier in my testimony, the  
22          Koreans did not abandon the U.S. market, but really  
23          shifted production to processed wire. One of my  
24          market sources tells me that Korea is aggressively  
25          quoting stainless rod for second half 2004 delivery.

1                   Why is this happening if they do not intend  
2                   to increase shipments? Could it be that since Section  
3                   201 relief has ended stainless rod versus processed  
4                   wire is more attractive? Could it be the leveling of  
5                   demand in China will equate to excess capacity for  
6                   shipment elsewhere like the U.S. market?

7                   Cogne. They state in their prehearing brief  
8                   that the European and Asian markets are strong, and  
9                   combined with the dollar devaluation they would not  
10                  likely increase their stainless rod shipments to the  
11                  U.S.

12                  As mentioned previously, the Asian market is  
13                  starting to take a breather. Also, the euro has  
14                  gained some strength versus the dollar in recent  
15                  months. While it's nice to say there's currently no  
16                  reason to increase shipments to the U.S., I suggest  
17                  history will repeat itself if the orders are revoked.

18                  The Italians further argue that their rod  
19                  mix is different than products supplied by the U.S.  
20                  producers and other import countries and, therefore,  
21                  should not be cumulated. While it's true that the  
22                  current mix from Italy includes a greater percent of  
23                  ferritic and martensitic grades than some of the other  
24                  grades, but their historic pattern prior to the orders  
25                  and Section 201 relief included a heavier mix of

1 austenitic grades.

2 The domestic industry produces the ferritic  
3 and martensitic grades. The domestic industry has the  
4 capacity to supply the demand, but, as an example, we  
5 have been seeing prices on a ferritic grade used for  
6 automotive exhaust hangers decline over 20 percent due  
7 to aggressive Italian pricing.

8 Other countries have also become more  
9 aggressive. My market sources tell me that Swedish  
10 producers have reduced their pricing on a popular  
11 automotive grade over 10 percent immediately after the  
12 Section 201 relief ended. Again, the pattern repeats.

13 Regarding the AWPA prehearing brief, during  
14 all the hearings for the 1994 orders, the 1998 orders,  
15 the 2000 sunset reviews, other 1994 orders and the  
16 Section 201 relief, they testified as to the need for  
17 offshore supply because of quality, core weights and  
18 limited domestic suppliers.

19 Besides Carpenter as a traditional domestic  
20 supplier, they now have three other domestic suppliers  
21 and another potential in Outo Kumpu later this year.  
22 No longer are we hearing about small coil weights, but  
23 rather the new domestic producers are being asked to  
24 cut their 4,000 pound production coil weights in half  
25 by some of the redrawers who cannot handle the big

1 coils. What a role reversal.

2 The redrawers have every reason to be  
3 excited about the new domestic entrants into the  
4 marketplace. They want low domestic prices, and if  
5 the orders on unfairly traded imports are revoked they  
6 know that as the current Asian demand flows lower  
7 offshore prices will be available. Such a deal we can  
8 all understand.

9 The redrawers cite NAS as a price leader,  
10 referring to them in published articles as a "600  
11 pound gorilla." All those published articles are  
12 referencing stainless flat-rolled products where, by  
13 the way, NAS has announced several base price  
14 increases this year totaling 12 percent.

15 The AWPA prehearing brief provides a price  
16 announcement stating that NAS will increase  
17 transactional prices of stainless rod by four percent,  
18 but not until July 2004 shipments. So why is a 600  
19 pound gorilla not flexing its muscle in rod the way  
20 it's doing in flat-rolled? They understand that  
21 import prices remain depressed even in the current  
22 marketplace, and that's why NAS fully supports the  
23 continuation of these orders.

24 As stated in various press releases, in mid  
25 2003 NAS began U.S. market production in long

1 products, which includes value added bar and angle, as  
2 well as the semi-finished rod to internally produce  
3 bar. NAS will also sell rod in the marketplace to end  
4 users, but I am certain that this semi-finished  
5 product was not the major justification for the  
6 rolling mill.

7           The AWPA brief includes announced  
8 investments by Outokumpu. If any of the wire  
9 redrawers were to visit Outokumpu in Richburg, South  
10 Carolina, all they would see is new finishing  
11 equipment for stainless steel bar, some of which will  
12 require a rod feedstock.

13           Now, the joint investment by Outokumpu in  
14 the Allegheny Technology rolling mill includes  
15 revamping the roughing stands to accommodate a two  
16 metric ton billet and revamping the rod finishing  
17 stands for flexibility in sizes that finish into bar.  
18 Now, since Outokumpu currently sells rod to the  
19 redrawers from the mill in the U.K., it would make  
20 sense for them to go ahead and produce that product  
21 domestically.

22           To summarize my comments, stainless rod is a  
23 fungible product where quality is a given and prices  
24 change. Historical shipment practices by the offshore  
25 producers would indicate that as the Asians and

1 European demand levels, excess rod capacity will flood  
2 the U.S. market just as demand here is increasing.

3 Each new domestic rod entrant has a  
4 different reason for being in the rod market, and the  
5 end user customers should be thankful for this  
6 increased supply. Trade relief has imposed a level of  
7 pricing discipline in the market, and now the U.S.  
8 producers must receive an adequate return on their  
9 investment.

10 Thank you. I will answer your questions at  
11 the appropriate time.

12 MR. HARTQUIST: Now we'll turn to Toni  
13 Brugger.

14 MS. BRUGGER: Good morning. My name is Toni  
15 Brugger. I am vice president of the Coil Products  
16 Business Group of Carpenter Technology Corporation, a  
17 major U.S. producer of specialty metals and other high  
18 performance materials.

19 Our headquarters are located in Redding,  
20 Pennsylvania, and we have stainless rod production  
21 facilities located both in Redding and in Hartsville,  
22 South Carolina. I have been in the steel industry for  
23 over 20 years, the past 10 years at Carpenter. While  
24 at Carpenter, I have been involved in materials  
25 engineering, sales, marketing, production and general

1 management with a substantial involvement in stainless  
2 steel wire rod operations.

3 This morning I would like to discuss how the  
4 countervailing and antidumping orders on stainless  
5 steel wire rod have helped my company deal with an  
6 extremely price competitive market and why those  
7 orders should be maintained.

8 Steel, particularly stainless steel  
9 manufacturing, is a very capital intensive business.  
10 It requires significant investment in plants and  
11 equipment. Even after those are put in place, it  
12 requires considerable spending to maintain and improve  
13 the facilities.

14 Carpenter purchased Talley's facilities in  
15 Hartsville in 1998, for example, in an effort to  
16 improve our competitiveness. Additionally, between  
17 1996 and 2001, Carpenter made substantial investments  
18 totaling more than \$500 million in an effort to  
19 compete effectively. Over half of those dollars went  
20 into our key stainless products. If our industry does  
21 not realize sufficient return on its investments,  
22 however, we cannot continue to make the regular  
23 capital investments that are absolutely necessary to  
24 stay competitive.

25 Before the specialty steel producers brought



1 the countervailing and antidumping cases on stainless  
2 rod imported from Italy, Japan, Korea, Spain, Sweden  
3 and Taiwan in 1998, imports from these countries had  
4 surged tremendously, having increased by more than 50  
5 percent from their 1995 volumes.

6 At the time we brought the unfair trade  
7 cases, imports from these six countries accounted for  
8 more than 57,000 tons of stainless wire rod. This  
9 equates to virtually 100 percent of the total imports  
10 brought into the United States in 1995.

11 With the imposition of the orders in 1998,  
12 imports from those countries dropped to 35,000 tons of  
13 total imports by the end of that year, which equates  
14 to 57 percent of the total imports brought into the  
15 United States.

16 With the relief we received from these  
17 antidumping duty orders, Carpenter believed we could  
18 continue with our capital expenditure program to make  
19 our stainless steel wire rod facilities even more  
20 efficient. The program continued, but the return on  
21 those investments has been inadequate.

22 The new orders against imports from these  
23 countries initially had a positive effect in 1998.  
24 Our financial performance was fairly strong.  
25 Unfortunately, two factors, a surge of imports from

1 countries not under order and poor economic  
2 conditions, negatively affected our company's  
3 financial performance during the period of review.

4 At the time we brought the original cases,  
5 we could not have anticipated the impact of these new  
6 imports in the market and the economic recession.  
7 Under these conditions, the domestic industry was  
8 unable to capitalize on their relief from the unfair  
9 trade practices. What should have been banner years  
10 during 1999 and 2000 were offset by a new onslaught of  
11 low-priced imports. As a result of this surge,  
12 Carpenter participated in the Section 201  
13 investigation.

14 As you know from the mid term review of that  
15 investigation, the poor economic conditions of 2001 to  
16 2003 significantly mitigated any import relief during  
17 that period. Consequently, we have been struggling  
18 even with these countervailing and antidumping orders  
19 in place. The hoped for positive effects from these  
20 orders have been dampened by continued low-priced  
21 imports and poor economic conditions.

22 In 2002, imports still controlled 65 percent  
23 of the domestic market for stainless steel wire rod.  
24 Transactional prices fell to new lows, significantly  
25 reducing our revenues and profits in 2001 and 2002.

1 Our prices were in fact about 30 percent lower in 2002  
2 than they were in 1997. Carpenter and the other  
3 domestic producers therefore continued to remain  
4 vulnerable to low-priced imports.

5 Even though we have not been able to fully  
6 reap the intended benefits of these orders, I can  
7 assure you that the conditions in our industry would  
8 be significantly worse had we not received this import  
9 relief. The domestic stainless steel wire rod  
10 producers need the Commission's continued support so  
11 we are not further challenged by revocation of the  
12 orders on the subject stainless rod.

13 As Mr. Blot described, demand for stainless  
14 rod is projected to increase somewhat in the next  
15 several years, but the levels will still be below that  
16 of 1998. The positive outlook for demand will be  
17 negatively impacted by unfair import pricing if these  
18 orders are not continued.

19 As previously demonstrated, as our market  
20 rebounds imports from these countries will surge  
21 without the discipline that the duties impart. It is  
22 our firm belief from watching the effect of these  
23 orders on the U.S. marketplace that the continuation  
24 of the 1997 orders has an important effect in limiting  
25 unfair pricing.

1                   We also believe that price stability in the  
2 U.S. market can be enhanced through the process of  
3 annual reviews of the orders at the Commerce  
4 Department. Conversely, we fear that if these orders  
5 are revoked a pattern of import behavior similar to  
6 what we've seen in the past will emerge.

7                   I want to emphasize also that these orders  
8 on subject imports haven't, with the exception of  
9 Japan, resulted in cessation of shipments. Japan has  
10 decided not to sell in this market presumably because  
11 it cannot do so without dumping.

12                   The other imports continue to come into the  
13 U.S. market, but the important difference from pre  
14 order times is that the orders keep a check on the  
15 amount of dumping. In fact, because exchange rates  
16 had been favorable to imports, they already had a  
17 price advantage over domestic products. One might  
18 think that with those exchange rate advantages the  
19 foreign producers might not have needed to dump to  
20 make sales in the United States, but even with this  
21 advantage we continue to see underselling by foreign  
22 producers.

23                   If the orders are revoked, there will be no  
24 discipline imposed on the foreign producers, and they  
25 will be able to dump to gain market share without

1 concern for whether importers will have to pay dumping  
2 duties on their products.

3 I sincerely appreciate the opportunity to  
4 appear before you today, and I would be happy to  
5 answer any questions you may have.

6 MR. HARTQUIST: Thank you, Toni.

7 Now Charles Mellows of Charter Specialty  
8 Steel.

9 MR. MELLOWES: Good morning. My name is  
10 Charles Mellows. I'm the vice president and general  
11 manager of Charter Specialty Steel. I'd like to begin  
12 this morning by giving you a brief history of our  
13 company and explain our decision to enter the  
14 stainless steel rod market.

15 Charter Specialty Steel is a subsidiary of  
16 Charter Manufacturing Company. Charter has been in  
17 the business of manufacturing carbon steel products,  
18 amongst other things, for many years. In 1997,  
19 Charter commissioned a new, state-of-the-art hot  
20 rolling facility in Saukville, Wisconsin. Although  
21 the principal function for this rolling mill was to  
22 make carbon rod, at the time we were building the  
23 facility we also made some up front investments to  
24 allow for the possibility to produce stainless rod.

25 Although Charter had not previously made

1 stainless products, the production process for making  
2 stainless rod is similar to that of making carbon rod.  
3 Given our proven track record of operating low-cost,  
4 efficient mills, we believed we could use our carbon  
5 expertise to our advantage in the production of  
6 stainless rod.

7 After our Saukville facility was finished,  
8 we continued on with our stainless plans, building a  
9 stainless steel finishing facility in Fond du Lac,  
10 Wisconsin. We began production of stainless steel  
11 wire rod in 2001.

12 We did not enter these substantial  
13 investments with our eyes closed. Charter realized it  
14 would take a substantial monetary investment, as well  
15 as a strong commitment by the company, to successfully  
16 enter the stainless steel rod market, but Charter  
17 would not have made these investments if unfairly  
18 traded goods had continued to saturate the market.

19 Once we were convinced that stainless rod  
20 was going to be fairly traded, we made additional  
21 investments to get into the business. With that  
22 historical framework, I'd like to talk about our  
23 current operations, as well as our production and  
24 concerns about the future of this market.

25 As mentioned earlier, our stainless

1 facilities are modern and state-of-the-art. I'm well  
2 aware that in the past U.S. consumers of stainless  
3 wire rod have been concerned about three things.  
4 Number one, do producers have enough capacity; number  
5 two, whether they were able to produce all types of  
6 products; and, number three, whether they can supply a  
7 large coil size.

8           Simply put, those concerns should no longer  
9 be valid. We at Charter believe that we are capable  
10 of producing all grades of stainless steel wire rod  
11 with our principal emphasis on spring and heating rod.  
12 Our coil size can reach as high as 4,500 pounds, and  
13 we have substantial capacity.

14           While we have made major investments and are  
15 fully capable and committed to supplying our  
16 customers' requirements, the reason I'm here today is  
17 directly related to the same reason that we have  
18 decided to make the investment in this market several  
19 years ago. We believe that the continuation of these  
20 orders is essential to ensuring fairly traded rod and  
21 thus our ability to compete in this market.

22           In considering what lies ahead for us,  
23 considering the market in the past few years, I would  
24 have to say that I disagree with the assessment that I  
25 have read in the briefs by the AWPA, Cogne, Changwon

1 and Dongbang.

2 First, they seem to believe that the  
3 antidumping duties that were put in place in 1998 have  
4 not had any impact whatsoever on the stainless steel  
5 wire rod market. They also predict that demand for  
6 stainless wire rod will decline in the future.

7 Respectfully, I disagree.

8 First, as I mentioned earlier, I believe the  
9 existing orders have been very important. Throughout  
10 the 1990s, this market has been decimated by unfairly  
11 traded imports. Prices were spiraling lower and  
12 lower, and no U.S. company certainly would not have  
13 chosen to make substantial capital investments  
14 necessary to enter this business.

15 With the dumping orders in place, Charter  
16 felt we could successfully participate in a fairly  
17 traded market. With this in mind, I'm optimistic  
18 about the future. I believe that with the general  
19 economic recovery in the U.S., the market for  
20 stainless wire rod is going to grow, and Charter wants  
21 to be part of that growth.

22 Furthermore, as we outlined in our  
23 confidential questionnaire response to the Commission,  
24 we are at this time evaluating whether to make  
25 additional investments in our stainless business that



1 would further increase our competitiveness in this  
2 market.

3           Again, the reason I'm here today is we have  
4 all seen this happen before when the market becomes  
5 flooded with unfairly traded imports. The foreign  
6 producers have substantial overcapacity to produce  
7 stainless steel. To use this capacity, they want to  
8 export it to the United States for a couple reasons;  
9 one, the size of the market, and, two, the ease of  
10 access to this market.

11           Lifting these orders at this critical  
12 juncture when many new producers like Charter are  
13 getting started and we're building a new customer  
14 base, we're building our new product base, would be  
15 devastating. We would almost certainly lose business  
16 to our foreign competitors, who will reenter this  
17 market by unfairly traded stainless rod.

18           In summary, these orders have been and  
19 continue to be very important to Charter. Without the  
20 continuation of the pricing discipline of these  
21 orders, the market will quickly return to conditions  
22 that existed in 1997, and our existing investment and  
23 any future investments would be in jeopardy.

24           We respectfully request that you will  
25 continue these orders as we continue with our venture

1 in this market.

2 MR. HARTQUIST: Thank you, Charles.

3 Our next witness is Jim Gugino of Dunkirk  
4 Specialty Steel.

5 MR. GUGINO: Good morning, Madam Chairman  
6 and members of the Commission. My name is Jim Gugino.  
7 I'm the product manager of Dunkirk Specialty Steel,  
8 Inc., a position I've held since 2002 when Dunkirk was  
9 founded. Prior to that time I was the product manager  
10 for Empire Specialty Steel, Dunkirk's corporate  
11 predecessor.

12 In total, I've spent more than 20 years of  
13 my career in sales and marketing of stainless steel  
14 long products, including stainless steel wire rod.  
15 Dunkirk Specialty's parent company, Universal, has  
16 been in the business of making stainless steel  
17 products since 1994.

18 Prior to the acquisition of Empire,  
19 Universal had not been engaged in the production of  
20 stainless steel long products. In the early 1990s,  
21 Universal would not have considered entering this  
22 market because of the substantial presence of unfairly  
23 traded imports.

24 With the imposition of the orders in 1994  
25 and 1998 and with the imposition of 201 relief

1 covering imports of stainless steel wire rod and with  
2 Universal's experience in making other stainless steel  
3 products, Universal believed that market conditions  
4 would make production of stainless steel wire rod a  
5 viable operation.

6 Accordingly, Universal decided to acquire  
7 the assets of Empire to form Dunkirk Specialty Steel.  
8 Acquisition of these assets would likely not have  
9 occurred, however, if import relief were not in place.

10 As a result of the formation of Dunkirk  
11 Specialty Steel, we were able to hire back many of the  
12 steelworkers that had lost their jobs as a result of  
13 Empire's closure in 2002. Most of Dunkirk's  
14 production is sold to the automotive industry, and we  
15 see demand improving in that sector.

16 If the orders are revoked, it is extremely  
17 likely that the pricing discipline that currently  
18 exists in the market would evaporate completely and  
19 market prices would drop even further. If this were  
20 to occur, U.S. production of stainless steel wire rod  
21 would again become undesirable, and Universal would  
22 likely have to evaluate whether to continue production  
23 of this product.

24 I read in Cogne's brief that Dunkirk is  
25 primarily in the production of commodity grades. I

1 find this argument remarkable. Although Dunkirk  
2 produces high volume grade product to maximize  
3 production, Dunkirk sells these and other grades to  
4 niche markets. Dunkirk does not participate more in  
5 the market for high volume grades because low-priced  
6 imports make it completely unprofitable to do so.

7           Cogne contends that any potential increase  
8 in imports that may occur after revocation will be  
9 relatively small and cannot possibly have an impact on  
10 the domestic industry. This is simply untrue. Even a  
11 small volume of unfairly priced product can affect an  
12 entire market segment because even a small number of  
13 low priced sales often establishes a benchmark price  
14 in the market segment.

15           In summary, these orders have been and  
16 continue to be very important to Dunkirk Specialty.  
17 Without the continuation of the pricing discipline of  
18 these orders, the market will likely worsen, and our  
19 existing investment and any continued investment would  
20 be in jeopardy.

21           We believe that the continuation of these  
22 orders is crucial to the stainless steel wire rod  
23 industry in the United States and urge you to continue  
24 the orders for an additional five years.

25           Thank you. I would be happy to answer any

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1 questions.

2 MR. HARTQUIST: Our last witness this  
3 morning is Brad Hudgens of Georgetown Economic  
4 services.

5 MR. HUDGENS: Good morning. I'm Brad  
6 Hudgens of Georgetown Economic Services. This morning  
7 I would like to discuss the current condition of the  
8 U.S. industry producing stainless steel wire rod and  
9 the likely impact the revocation of the orders under  
10 this review would have on the domestic industry.

11 The Commission and its staff are no stranger  
12 to stainless steel wire rod and the U.S. market for  
13 the product. In 2001, the Commission found that  
14 serious injury warranted the imposition of Section 201  
15 duties on all imports of stainless rod. It is in this  
16 context that the Commission must assess the need for  
17 continuation of the orders on Italy, Japan, Korea,  
18 Spain, Sweden and Taiwan.

19 Almost immediately after the current orders  
20 were imposed in 1998, imports from the six subject  
21 countries dropped by 38.4 percent, and the domestic  
22 industry showed some improvement in its financial  
23 performance. Hence, there was an immediate volume  
24 impact on imports accompanied by an immediate  
25 financial benefit to the domestic industry.

1           As Ms. Brugger described earlier, the orders  
2           were a significant factor in Carpenter's decision to  
3           make capital expenditures that significantly improved  
4           the efficiency of its stainless rod facilities.  
5           Unfortunately, any positive impact on the domestic  
6           industry was short-lived because low-priced imports  
7           from all sources and most particularly non-subject  
8           imports flooded the U.S. market during 1999 to 2000,  
9           resulting in the domestic industry losing significant  
10          market share in 2000 and 2001.

11          As the Commission is aware, these economic  
12          indicators led to the Section 201 investigation and a  
13          unanimous determination that the stainless rod  
14          industry was experiencing serious injury as a result  
15          of the massive onslaught of imports.

16          With the continuing presence of the orders,  
17          coupled with the Section 201 relief in place until the  
18          latter half of 2003, the industry experienced a gain  
19          in market share despite poor economic conditions. As  
20          a result of the imposition of the orders and the  
21          Section 201 relief, the stainless rod industry was  
22          showing some signs of revitalization.

23          Over the last few years, Charter and NAS  
24          have entered the market, while Universal purchased the  
25          Empire stainless long products facility in Dunkirk,

1 New York. This revitalization would not have been  
2 possible but for the existence of import trade relief.  
3 Prior to 1998, unfairly traded imports were decimating  
4 and controlling the market. Trade relief imposed a  
5 level of pricing discipline in the market that made  
6 new investment worthwhile.

7           The Section 201 relief has now been  
8 terminated, but the data indicates that the U.S.  
9 stainless rod industry is not yet out of the woods.  
10 The financial performance of the domestic industry is  
11 still poor. Although the capacity data show that the  
12 industry has the ability to supply the marketplace  
13 with a full range of stainless rod products, this  
14 revitalization will be stopped dead in its tracks if  
15 these orders are revoked.

16           With the lifting of the 201 relief, the  
17 orders remain the only relief in place. Lifting the  
18 orders so soon after the removal of the 201 relief  
19 would cause great chaos in the marketplace, causing  
20 further financial deterioration. Accordingly, to  
21 ensure that the U.S. industry has sufficient time to  
22 achieve necessary return on investments, these orders  
23 should stay in place.

24           In terms of the likely volume of imports  
25 that would enter the U.S. market if the orders were

1       revoked, the producers in Italy, Japan, Korea, Spain,  
2       Sweden and Taiwan each had maintained substantial  
3       production capacity. These producers are primarily  
4       export oriented, and based on past history they would  
5       use their excess capacity to export to the United  
6       States.

7                       Furthermore, producers in these countries  
8       have already shown that they have the ability to  
9       significantly increase their presence in the U.S.  
10      market over a short period of time. A review of the  
11      record of the original investigation shows that the  
12      subject imports substantially increased during the  
13      three year period before the imposition of the orders,  
14      rising by more than 50 percent during 1995 to 1997.

15                      In the original investigation, the  
16      Commission determined "the increases in volume and  
17      market share of the subject imports to be  
18      significant."

19                      U.S. purchasers responded to the  
20      Commission's questionnaires that they would search for  
21      low-priced imports from the subject countries in the  
22      event of a revocation of the orders. These purchasers  
23      generally noted that they would begin purchasing  
24      product from the countries named in this review to  
25      obtain "more competitive pricing."



1                   Consequently, the revocation of the duties  
2                   would likely create a downward pressure on U.S. prices  
3                   and the loss of U.S. producers' market share. The  
4                   subject imports would likely enter the U.S. market at  
5                   low and injurious prices. A review of the  
6                   Commission's records show that there continues to be  
7                   aggressive pricing behavior within the U.S. market by  
8                   the subject imports even with the orders in place.

9                   Price comparisons between the domestic  
10                  product and subject imports show that in the vast  
11                  majority of instances for which comparisons were  
12                  available imports undersold the domestic product.  
13                  Given that this pervasive underselling has occurred  
14                  with the orders in place, the severity of the price  
15                  competition in the event of the revocation of the  
16                  orders would be intensified.

17                  U.S. prices have dropped over the past five  
18                  years primarily because of import competition from  
19                  subject, as well as non-subject, imports and poor  
20                  economic conditions. Because the stainless rod market  
21                  is so price competitive, the U.S. industry is  
22                  operating in a poor financial condition. The  
23                  Commission's variance analysis shows that the decrease  
24                  in the U.S. industry's operating income from 1998 to  
25                  2003 is primarily attributable to significant price

1 declines.

2 In light of the industry's already low  
3 profitability, an increase in the volume of low-priced  
4 subject imports would compound the poor financial  
5 performance already faced by the domestic industry.

6 In the sunset review, the Commission is  
7 presented with an industry that is vulnerable to more  
8 severe injury if the orders are revoked on imports  
9 from the subject countries. Although most of the  
10 trade and financial indicators are confidential, these  
11 data have trended downward over the period of review.  
12 Thus, as the Commission reviews the continued need for  
13 these orders, the industry remains in an extremely  
14 vulnerable position.

15 Respondents incorrectly argue that the U.S.  
16 industry is not vulnerable for several reasons.  
17 First, Respondents argue that the U.S. producers have  
18 gained market share since 2000. These recent market  
19 share increases beginning in 2002, however, were not a  
20 result of natural market conditions, but rather  
21 because of the Section 201 duties that were imposed on  
22 imports of stainless rod during 2002 and 2003. If it  
23 were not for the Section 201 duties, imports certainly  
24 would have captured more market share from the  
25 domestic industry.

1           The Respondents also argue that the capital  
2 investments that have occurred during the period of  
3 review demonstrate a lack of vulnerability. As  
4 described by Mr. Mellows' testimony, these  
5 investments were motivated by the import relief that  
6 the domestic industry had received. These investments  
7 were made largely because the import duties were in  
8 place.

9           Furthermore, to state that the domestic  
10 stainless rod industry is not vulnerable is to ignore  
11 all of the trade and financial indicators of the  
12 domestic industry. As is demonstrated in the  
13 prehearing staff report, all of these indicators are  
14 down during this period of review. The poor financial  
15 performance of the domestic industry is clear evidence  
16 of a vulnerable condition.

17           Respondents also argue that NAS is the price  
18 leader and that U.S. prices have been depressed due to  
19 domestic rather than import competition. However,  
20 NAS' entrance into the U.S. market occurred in the  
21 second half of 2003, thereby affecting only the last  
22 six months of the six year period of review.  
23 Consequently, NAS' entrance in the market cannot  
24 explain the significant price depression that occurred  
25 throughout the POI.

1           The Commission's record clearly shows that  
2           the domestic industry has faced low-priced import  
3           competition throughout the period of investigation.  
4           The prehearing staff report indicates that the subject  
5           imports undersold the domestic product in the vast  
6           majority of comparisons by substantial margins.  
7           Consequently, subject imports have had more of a  
8           depressing impact on prices than the entrance of NAS  
9           to the market.

10           Furthermore, Respondents even cite to  
11           articles that indicate that NAS has imposed price  
12           increases in 2004. As Mr. Blot testified earlier, the  
13           producers in the subject countries started to lower  
14           their prices subsequent to the lifting of the Section  
15           201 duties. If these orders are revoked, foreign  
16           producers will have more leverage to lower prices and  
17           depress U.S. prices even further.

18           In summary, the impact of the revocation of  
19           the orders on the subject countries would be  
20           particularly dire given the U.S. industry's already  
21           vulnerable situation with imports. With all the major  
22           trade and financial indicators already down, the U.S.  
23           producers would certainly suffer if the Commission  
24           were to revoke the orders on the subject countries.

25           U.S. purchasers confirm that U.S. prices

1 would be "more competitive" even in an already  
2 depressed market. Foreign mills are export oriented  
3 with excess unused capacity to expand in the U.S.  
4 market. For these reasons, we ask the Commission to  
5 maintain the orders under review.

6 Thank you for your attention.

7 MR. HARTQUIST: Thank you, Brad.

8 That concludes our affirmative testimony  
9 this morning. We'll be happy to take questions.

10 CHAIRMAN OKUN: Thank you, and thank you to  
11 all the witnesses who testified this morning. We  
12 greatly appreciate your participation in today's  
13 hearing and for the information that you've provided  
14 thus far and your willingness to answer our questions.

15 If I could ask all witnesses when you  
16 respond to questions to just briefly identify yourself  
17 to help our court reporter and help the Commissioners  
18 as well.

19 Commissioner Pearson will begin our  
20 questioning this morning.

21 COMMISSIONER PEARSON: Thank you, Madam  
22 Chairman. I'd like to welcome the panel. Although  
23 some of you have been before the Commission a number  
24 of times to talk about stainless steel wire rod, this  
25 is my first opportunity to hear it, so I'm learning

1 something.

2 Mr. Blot, let me start with you if I could.  
3 Do you have access to the confidential staff report  
4 prepared by the Commission staff?

5 MR. BLOT: No, Commissioner, I do not.

6 COMMISSIONER PEARSON: Okay. Mr. Hartquist,  
7 you will have noted that the charts presented by Mr.  
8 Blot differ significantly from the data that are  
9 compiled in the staff report.

10 Are we able here in this public setting to  
11 discuss the differences in the numbers, why you've  
12 presented things this way when the staff report  
13 presents them rather differently?

14 MR. HUDGENS: Brad Hudgens, Georgetown  
15 Economic Services. Although the absolute data are  
16 different, the trends very closely match what is in  
17 the staff report. We would argue that the trends  
18 would be the predominant manner in which you analyze  
19 the data with those charts.

20 COMMISSIONER PEARSON: There's been a  
21 certain amount of scurrying around going on back here  
22 to try to reconcile the differences between your  
23 charts and the numbers that we're using. For good  
24 order sake and to avoid unnecessary confusion, one  
25 might in the future think of presenting charts more in

1 line with the numbers that we're looking at.

2 Let me raise a specific question. Chart  
3 R-2, Stainless Rod Imports. Am I correct in assuming  
4 that this represents all imports into the United  
5 States of stainless steel wire rod?

6 MR. BLOT: Yes, Commissioner, that's what  
7 that chart is. It's not just the current six  
8 countries. It is all imports.

9 COMMISSIONER PEARSON: Okay. For the  
10 purposes of our analysis, is it more relevant for us  
11 to look at all imports, or should we be looking  
12 instead at the imports from the subject countries?

13 MR. HARTQUIST: Well, I think the purpose of  
14 Mr. Blot's chart was to show what's happening overall  
15 in the marketplace, and the confidential data that you  
16 have, of course, which we can submit as part of the  
17 brief is what you're specifically examining in the  
18 sunset review.

19 Mr. Blot does not have access to that  
20 information, so what he's trying to do is to describe  
21 what's happening in the market generally and the  
22 impact of these orders as well.

23 COMMISSIONER PEARSON: Okay. Perhaps in the  
24 post-hearing if there's some clarification that could  
25 be made or an explanation of why we should prefer or

1 give more weight to the analysis presented in these  
2 charts compared to what we have in the staff report, I  
3 would appreciate that.

4 How does the panel respond to the argument  
5 that stainless steel wire rod overcapacity in the  
6 United States is so substantial that the U.S. industry  
7 in effect is injuring itself? Is that a credible  
8 argument?

9 MR. HARTQUIST: Let me start out with that,  
10 Commissioner. You know, it's interesting when you see  
11 the ebbs and flows in these cases over a period of  
12 years.

13 It wasn't too many years ago when we were  
14 accused of being in a situation of having essentially  
15 a single company monopoly in the United States,  
16 Carpenter Technology, which couldn't supply the  
17 market.

18 Now we have new entrants which have come in  
19 because they're optimistic about the future of the  
20 market and expect that trade will be based upon fair  
21 trade conditions rather than unfair trade conditions  
22 and so the argument is there's too much capacity here  
23 in the United States and you're injuring yourself.

24 The arguments kind of get you coming and  
25 going, but I think the answer here is that what we're



1 facing among domestic competitors is what we would  
2 characterize as fair competition. What we're facing  
3 with respect to subject imports is unfair competition,  
4 which has been shown repeatedly.

5 The industry is now in a position to supply  
6 the market, rebutting the criticism that we had  
7 earlier that it was dominated by a single U.S.  
8 manufacturer essentially. These companies believed  
9 that this market is going to grow and that that excess  
10 capacity at this point, and I'm not sure it's fair to  
11 call it excess capacity at this point, but that  
12 capacity is going to be used and probably be  
13 supplemented by imports in the future as well as has  
14 been characteristic of the market for many years.

15 COMMISSIONER PEARSON: Mr. Pendleton?

16 MR. PENDLETON: Mr. Pendleton. If I could  
17 add to that? In having been here in 1998, almost six  
18 years ago, and I think several of the Commissioners  
19 were here as well. Bob Cartee, our chief executive  
20 officer, had really his work cut out in defending as  
21 the main producer of this product and buying Talley.  
22 There were a lot of questions, as Mr. Hartquist said,  
23 about the ability to supply this market.

24 I was reflecting as we were going through  
25 our testimony today how different things are and how

1 positive things are. It's a lot easier to defend  
2 excess domestic capacity and fair competition because  
3 we've been here quite a bit on a lot of products, and  
4 the fundamental has always been fair competition.

5 We're not asking for protection against fair  
6 competition. That's what we get in the domestic  
7 industry. We do not get that from the foreign  
8 producers who have excess capacity and look to the  
9 United States to dump their product. We're  
10 continually trying to fight that battle.

11 I'm glad you raised that issue. It's a  
12 clear distinction, both the original case and also now  
13 and how positive we are right now.

14 COMMISSIONER PEARSON: My understanding is  
15 that in this sunset investigation the statute gives us  
16 guidance that we need to project ahead, if you will,  
17 and try to understand what conditions might be in the  
18 marketplace in the future, which is always an  
19 interesting exercise. I sometimes have a difficult  
20 time explaining the past, much less projecting the  
21 future.

22 As we do that, how are we to sort out the  
23 potential injury that might be caused by lifting the  
24 dumping orders from the injury that could be caused by  
25 the overcapacity?

1                   Let me just offer a brief comment. I have  
2                   substantial experience in industries that have gone  
3                   through cycles where they have built excess capacity,  
4                   and it's absolutely obliterated any earnings for the  
5                   industry for a period of anywhere from one to eight  
6                   years, so I'm familiar with domestic industries doing  
7                   damage to themselves. It's part of the business  
8                   cycle.

9                   How, looking ahead, should we sort out  
10                  what's happening in the domestic industry versus  
11                  what's happening with imports?

12                 MR. HARTQUIST: Well, the statute permits  
13                 you to consider various causes of injury to a domestic  
14                 industry, both in an initial investigation and in a  
15                 sunset review.

16                 There are a number of factors which we have  
17                 acknowledged in our brief and in our testimony that  
18                 contribute to the financial condition of the industry  
19                 today. One of the factors is that for the last  
20                 several years during the recession demand has been  
21                 substantially down, and imports have pulled back  
22                 during that time because it's been a very poor market.  
23                 Prices have been terrible, and nobody could make any  
24                 money in this market. That's a factor. That's a  
25                 condition of competition.

1           What we're seeing now is an opportunity for  
2 these companies to recover and to begin to generate  
3 profits that they need to support these investments  
4 that they have made, anticipating that the business  
5 cycle was going to turn around and that demand for the  
6 product would increase and, according to Mr. Blot's  
7 projections, increase quite substantially in the years  
8 ahead.

9           What we're asking you to look at, of course,  
10 is the history of dumping and subsidization that this  
11 Commission has found. We're looking at an industry  
12 which not only qualified for material injury under the  
13 antidumping and countervailing duty law, but qualified  
14 for the much more difficult standard of serious injury  
15 in the 201 case, an industry that has been really  
16 clobbered and is now poised with an opportunity as the  
17 market improves to generate some profits and get to  
18 where they ought to be and justify these investments  
19 that they have made.

20           This is what they built their businesses  
21 for. This is the time when they can achieve  
22 profitability that has been lacking for years. Our  
23 argument is you ought to look at their past behavior  
24 and anticipate what their future behavior would be if  
25 these orders were lifted and keep the orders in place.

1                   COMMISSIONER PEARSON: Any other quick  
2 responses?

3                   MR. PENDLETON: If I could add a comment? I  
4 think that Chart R-1 is really dramatic. I know there  
5 is some difference, but the basic trends are there.

6                   When you follow the red line that Mr. Blot  
7 put together for the imports, you see that you have  
8 two peaks during the 1990s in 1997 and 2000. The  
9 imports, and that's basically our argument, through  
10 unfair competition have taken the growth in the  
11 positive cycle of this product. They've stolen it.

12                   It's interesting. Before the 1997 peak, and  
13 you see the red line just follows it perfectly. We  
14 were moving together from 1993 to 1995. That's what  
15 Mr. Blot was talking about. Imports and domestic  
16 producers will share in the future growth that we're  
17 looking at, and that's what they were doing for two  
18 years. Then all of a sudden dumping started  
19 occurring, and we had a surge. Look what happened to  
20 the domestic shipments. The same thing in 2000.

21                   It's a traditional pattern that we see. You  
22 can tell when the dumping is occurring in the  
23 marketplace with the prices that we see and are buying  
24 into the market, are buying into the growth of the  
25 market. That's where the real surges generally come.

1 That's what we're looking at here.

2 We're at a crossroad in that Mr. Blot did  
3 not extend the lines because you're at a decision  
4 point. Which way do we go? Continue the orders, and  
5 we're going to have an orderly growth of imports and  
6 domestic production together. Otherwise it'll follow  
7 the other pattern.

8 COMMISSIONER PEARSON: Thank you, Mr.  
9 Pendleton. My time has expired.

10 CHAIRMAN OKUN: Thank you again to all the  
11 witnesses. We enjoyed listening to your testimony  
12 this morning.

13 Before I begin my questions, I guess I would  
14 note that I share Commissioner Pearson's concern  
15 looking at the chart. I mean, I understand this is a  
16 difficult case because so much of the information in  
17 the staff report is classified and so it's difficult  
18 to come up with a chart that works, but in some cases  
19 it might be better to have no charts than a chart that  
20 isn't reflective necessarily of what's in the staff  
21 report.

22 Other than the forecast that I am interested  
23 in coming back to you on, Mr. Blot, I will look for  
24 additional information post-hearing from you with  
25 regard to the impact of the subject imports we're

1 looking at today to help us with our analysis.

2 Let me start with something you've touched  
3 on both in your opening and in your testimony, which  
4 of course is very relevant to a sunset review, and  
5 that is what changes have taken place in the industry  
6 during this period.

7 I've heard a number of things said about the  
8 new entrants. Mr. Mellowes, I paid particular  
9 attention to what you said about Charter. I wondered  
10 if there was anything else, Mr. Hartquist, you can  
11 tell us about NAS' entry? They don't have a  
12 representative here, but obviously there's been a lot  
13 said about them. You've responded to a few points the  
14 Respondents have made.

15 Again, you have this period where I've heard  
16 Ms. Brugger say that you really didn't get the relief  
17 from these orders or it was very short-lived, and we  
18 can look at the numbers, and yet we have two new  
19 entrants into the market. What does that mean both in  
20 terms of vulnerability and impact of the orders?

21 I guess I'd like to hear a little bit more  
22 about NAS in particular, and then I might come back to  
23 you, Mr. Mellowes. Mr. Blot?

24 MR. BLOT: Yes. I'll go ahead and talk a  
25 little bit about NAS as far as what I do know.

1 They've made these substantial investments, as you've  
2 heard. Those investments are going to more than just  
3 stainless steel wire rod. They're being put in to  
4 produce stainless steel bar. They're being put in to  
5 produce stainless angle.

6 The rod that they do make goes into both  
7 feedstock to make what's called small diameter bar --  
8 you might think something like one inch and smaller --  
9 as well as sell rod into the marketplace, so their  
10 entry into this market is multifold. It's not just  
11 focused on stainless rod.

12 As Commissioner Pearson was asking a  
13 question also about all this excess capacity, it's not  
14 all geared, despite the way it's worded in the  
15 Respondents' brief. It's not all geared towards  
16 stainless rod. It's geared towards a number of  
17 different products.

18 As you heard in testimony from Mr. Mellowes,  
19 you wouldn't enter this market just for rod if you  
20 didn't already have some facilities there to be able  
21 to produce the product. It's just too costly to do it  
22 just for that reason.

23 I don't know whether I've answered your  
24 question or not, but obviously I can't speak directly  
25 for NAS. I'm just trying to give you what my market



1 sources tell me about the product.

2 CHAIRMAN OKUN: Okay. For post-hearing, Mr.  
3 Hartquist, will you be able to get information from  
4 NAS in terms of perhaps what their business  
5 projections were looking forward?

6 I mean, obviously as you said they're only  
7 impacting our market, the pricing data, at a  
8 particular time, but they I assume would have made  
9 projections on what demand they believed they were  
10 coming on line to fill. Could you submit those for  
11 post-hearing?

12 MR. HARTQUIST: We certainly will. We'll  
13 talk with them about getting that information for the  
14 brief. Yes.

15 CHAIRMAN OKUN: Okay. I think as much as  
16 you can do. That will be very helpful.

17 Mr. Mellowes, let me just go back to you  
18 because of a couple of points that you raised in terms  
19 of Charter. Charter was in at least a different part  
20 of the business and then moved into wire rod.

21 You talked about what the domestic industry  
22 was that they were entering and that they now have  
23 this full product line and are producing the big  
24 coils. I think we have quite a bit of information in  
25 the staff report about what the industry is capable of

1 now.

2                   What I wasn't sure is whether that's what  
3 made you come into the market, if you will. In other  
4 words, did you see an industry that wasn't able to  
5 meet the needs of customers and, therefore, you came  
6 in to meet needs that you didn't think Carpenter was  
7 doing and so you were trying to fill a different set  
8 of customers, or is this now just you're all kind of  
9 competing in similar products and similar prices with  
10 what was the already established player in primarily  
11 Carpenter?

12                   If you can just pull a microphone over  
13 there?

14                   MR. MELLOWES: We primarily made an  
15 incremental investment to get into this business. In  
16 other words, just for argument's sake we spent \$80  
17 million to build a carbon hot mill. For the life of  
18 me, it's tough to believe that anyone would spend that  
19 kind of money just to get into the stainless rod  
20 market because it is so small.

21                   What we essentially did was we made some  
22 incremental investments up front and then added a  
23 processing plant which allowed us to participate in  
24 this business. Do we compete with Carpenter? Sure.  
25 Do we compete with imports? Sure.

1           Our opinion of this business and our ability  
2           to produce steel, whether it's carbon or stainless, is  
3           if the steel is fairly traded, if the rod is fairly  
4           traded, we feel we compete with anyone in the world  
5           period.

6           CHAIRMAN OKUN: Okay. And so it's not that  
7           you're looking to fill a different niche in the  
8           domestic market now?

9           MR. MELLOWES: We saw an opportunity. I  
10          think there was an opportunity out there. I think  
11          several people maybe saw the same opportunity. We're  
12          not the only new entrant, you know.

13          CHAIRMAN OKUN: Okay. What about in terms  
14          of the demand forecast your company is looking at?  
15          Mr. Blot has supplied some information in his chart on  
16          demand looking forward. Is that consistent with your  
17          internal projections of what you see happening in this  
18          market?

19          MR. MELLOWES: They're of the same  
20          magnitude, yes. The growth rates are principally of  
21          the same magnitude.

22          CHAIRMAN OKUN: Okay. What drives it in  
23          your mind? What's going to drive it? Manufacturing  
24          coming back out of the recession is the main driver?

25          MR. MELLOWES: I think general economic

1 activity. I think you're starting to see some  
2 products coming back to the United States, being  
3 manufactured back in the United States versus a few  
4 years ago where everything was moving offshore. I  
5 think you're starting to see things move back.

6 CHAIRMAN OKUN: Okay. If your company has  
7 any forecasts for demand going forward that you could  
8 submit for post-hearing, we'd appreciate seeing those  
9 as well.

10 MR. MELLOWES: Certainly.

11 CHAIRMAN OKUN: The answer to my next  
12 question I assume is confidential, but I'll ask it and  
13 then you can submit it, which is when you started in  
14 the market or the company started in the market and  
15 looking forward to know what your projections are for  
16 when a company starts turning around.

17 In other words, Commissioner Pearson talked  
18 a little bit about what happens when a new company  
19 comes in and there's a lot of capacity in the market.  
20 I would be interested in Charter's view of what they  
21 see as that cycle for them.

22 MR. MELLOWES: I'm sorry. I was trying to  
23 get the gist.

24 CHAIRMAN OKUN: Your financial condition as  
25 a new entrant. Do you have projections when you're

1 looking forward and saying --

2 MR. MELLOWES: I can tell you my current  
3 state. I'm not making any money.

4 CHAIRMAN OKUN: When do you think you'll  
5 make some money?

6 MR. MELLOWES: Well, hopefully next year. I  
7 mean, you know, a completely new business, completely  
8 new markets, completely new customers for us.

9 Maybe from my standpoint sort of along the  
10 same lines as our carbon steel business. In 1980, we  
11 got into the carbon steel business, and we weren't  
12 much of a factor at all. Now we are the premiere  
13 player in that. Ultimately we'd like to get to that  
14 same point on the stainless side as well.

15 CHAIRMAN OKUN: Okay. Would any of the  
16 other company representatives like to comment on just  
17 demand projections going forward, what you see  
18 happening in your business, either Ms. Brugger or back  
19 in the back row there? Do you know from Dunkirk? Go  
20 ahead, Ms. Brugger.

21 MS. BRUGGER: I'm sorry. Are you asking for  
22 demand?

23 CHAIRMAN OKUN: Demand projections looking  
24 forward.

25 MS. BRUGGER: We do also agree with Mr.

1 Blot's rate of improvement in the market going  
2 forward. Yes.

3 CHAIRMAN OKUN: Okay.

4 MR. GUGINO: Likewise.

5 CHAIRMAN OKUN: Okay. How about when we're  
6 talking about this period of investigation? In other  
7 words, what's on this chart is apparent consumption,  
8 and sometimes that's not exactly the demand side  
9 because you do see imports in the market in going out.

10 Can you talk a little bit about what you saw  
11 during this period in terms of demand? Ms. Brugger,  
12 you're shaking your head. Why don't I start with you?

13 MS. BRUGGER: Yes. My name is Toni Brugger,  
14 and I think you're exactly correct that this apparent  
15 consumption, these charts, are not really reflective  
16 of what was actually consumed during that period.

17 I don't believe that you really saw -- I  
18 think, in other words, you were building an inventory.  
19 The supply chain we building inventory for a variety  
20 of reasons, and we're indicating that inventory was  
21 built in 1997 domestically because there was an  
22 anticipation of duties and so there was a flood of  
23 imports.

24 Essentially the same thing happened in 2000.  
25 We saw exactly what is reflected here; that then there

1 was no need for rod for a period of time while our  
2 customer base was working that inventory off for some  
3 extended periods of time actually.

4 CHAIRMAN OKUN: Okay. My red light is on,  
5 but, Mr. Gugino, just for sake of completing the  
6 record. Anything that you want to add on looking back  
7 consistent with what Ms. Brugger said, but that you  
8 also were building inventory during that time? I'm  
9 sorry.

10 MR. GUGINO: Yes. We really were not in the  
11 industry at that time.

12 CHAIRMAN OKUN: That's right. That's right.  
13 Dunkirk. I'm sorry. I apologize. I've heard from  
14 everyone.

15 MS. BRUGGER: I just want to make sure that  
16 you understand, Madam Commissioner, that we were not  
17 building inventory, but the imports built inventory in  
18 our customers' supply chains.

19 CHAIRMAN OKUN: Okay.

20 MS. BRUGGER: So then, therefore, they  
21 required less demand from us. I'm sorry.

22 CHAIRMAN OKUN: Right. Okay. Thank you  
23 very much for all those answers.

24 Vice Chairman Hillman?

25 VICE CHAIRMAN HILLMAN: Thank you. I would

1 join my colleagues in thanking all of you for being  
2 here this morning. We very much appreciate it. It's  
3 a welcome back for most of you, so we appreciate it.

4 Mr. Hartquist, just following a little bit  
5 along on Commissioner Pearson's and Chairman Okun's  
6 question on this issue of the difference between the  
7 data presented here versus what's in our staff report.

8 As I read the numbers, the primary  
9 difference is what you've put here is commercial  
10 shipments, and what we always look at in the staff  
11 report is total shipments, which would include  
12 internal shipments as well.

13 I'm just trying to make sure I understand  
14 that the reason this chart was presented was more  
15 about the access to the data, as opposed to are you  
16 trying to tell me that there was something different  
17 going on vis-a-vis internal shipments, as opposed to  
18 commercial shipments that somehow is affecting how we  
19 should be looking at what was going on in this market?

20 MR. HARTQUIST: Yes. It was based upon the  
21 confidentiality.

22 VICE CHAIRMAN HILLMAN: Okay.

23 MR. HARTQUIST: We can resubmit the  
24 information, you know, using the data with respect to  
25 subject imports and so forth that's confidential if



1 you would like us to do that.

2 VICE CHAIRMAN HILLMAN: Well, again I think  
3 it would be helpful. I'm just trying to make sure I  
4 shouldn't be reading something into this in terms of  
5 whether you're suggesting something was occurring in  
6 the market in terms of the relationship between  
7 commercial shipments versus internal shipments that  
8 would be going to make other wire, angle, other  
9 products, as opposed to commercial shipments of rod,  
10 whether there was something about that that you're  
11 trying to tell me I should be looking at.

12 MR. HARTQUIST: No.

13 MR. BLOT: Am I able to answer that?

14 VICE CHAIRMAN HILLMAN: Mr. Hudgens I think  
15 has an answer.

16 MR. BLOT: First off, these are --

17 VICE CHAIRMAN HILLMAN: Mr. Blot, let me let  
18 Mr. Hudgens start here.

19 MR. HUDGENS: Right. The reason that we  
20 used these data was because these data were available  
21 to us from a public source, and they do -- you are  
22 correct. They are the commercial shipments and the  
23 open market shipments for stainless steel wire rod.

24 They do not reflect any differences in our  
25 analysis. In the post-hearing brief we'll do an

1 analysis with the total shipment.

2 VICE CHAIRMAN HILLMAN: Okay. I appreciate  
3 that. I was trying to make sure you weren't  
4 suggesting something different was going on.

5 All right. Maybe if I can come back then on  
6 this issue with you, Mr. Mellowes, a little bit on  
7 this issue of the added capacity because obviously  
8 we're struggling with this issue in part because of  
9 how much capacity has been added. You know, compared  
10 to the size of the subject imports, it's very striking  
11 to us how much additional capacity we're talking  
12 about.

13 You mentioned, Mr. Mellowes, that you  
14 started out on the carbon side. Perhaps it's because  
15 we, quite frankly, don't see I think that many  
16 companies before us that are both in the carbon  
17 business, as well as in the stainless business. Help  
18 me understand that relationship. Are you using the  
19 same melt shop on the stainless side as on the carbon  
20 side?

21 MR. MELLOWES: No. Our business model  
22 currently is we buy a billet in the open market. We  
23 roll it on the same rolling mill as we roll carbon  
24 steel.

25 VICE CHAIRMAN HILLMAN: Okay.

1                   MR. MELLOWES: We built a stainless specific  
2 processing plant.

3                   VICE CHAIRMAN HILLMAN: Okay. When you say  
4 processing, that's taking rod and making what?

5                   MR. MELLOWES: It's annealing and chemically  
6 cleaning the rod.

7                   VICE CHAIRMAN HILLMAN: Okay. But still  
8 producing rod, not going down to wire or angle or  
9 other product?

10                  MR. MELLOWES: No, ma'am. All we produce is  
11 rod.

12                  VICE CHAIRMAN HILLMAN: Okay. All right.  
13 So the common facility would be the rolling?

14                  MR. MELLOWES: Yes.

15                  VICE CHAIRMAN HILLMAN: Okay. Can you  
16 readily switch between rolling a carbon product and  
17 rolling a stainless product?

18                  MR. MELLOWES: We do on a daily basis.

19                  VICE CHAIRMAN HILLMAN: Okay.

20                  MR. MELLOWES: I would say that we're  
21 probably the only people in the world to have done  
22 that. I'm not saying that our equipment is any better  
23 than anybody else's, but we have an atmosphere, if you  
24 will, of being able to adapt, and we do it on a daily  
25 basis.

1                   VICE CHAIRMAN HILLMAN: As between stainless  
2 and carbon, is your business primarily on the carbon  
3 side? Again, I'm trying to get a sense of where your  
4 stainless fits into the mix of what you're producing.

5                   MR. MELLOWES: I would say without revealing  
6 confidential information, I would say on an order of  
7 magnitude our carbon business is 10 to 15 times the  
8 size on a sales basis, on a revenue basis I should  
9 say. Ten to 15 times the size as our carbon steel  
10 business.

11                  VICE CHAIRMAN HILLMAN: Okay. I'm sorry.  
12 Stainless?

13                  MR. MELLOWES: Excuse me. As the stainless  
14 steel.

15                  VICE CHAIRMAN HILLMAN: Carbon is the larger  
16 of the two?

17                  MR. MELLOWES: Yes, ma'am.

18                  VICE CHAIRMAN HILLMAN: Okay. That's what I  
19 needed to hear.

20                  On this issue also of trying to understand  
21 these capacity numbers, because again if we add up all  
22 of the capacity obviously Dunkirk had capacity that  
23 was there under a different name, but nonetheless  
24 capacity.

25                  Ms. Brugger, you talked about the

1 improvements that nonetheless also added to total  
2 capacity. Mr. Mellowes is now in that business.  
3 That's more capacity and, you know, what size gorilla  
4 we refer to it as. NAS has obviously added a  
5 substantial amount of capacity.

6 Add all of that up, you know, and it is  
7 very, very significant either in relationship to the  
8 U.S. market in total, to the relationship of all  
9 imports or any other number.

10 I'm trying to make sure I understand,  
11 though, how this relates in terms of what Mr. Blot was  
12 discussing; that in theory this is not all necessarily  
13 capacity to at the end of the day end up in rod, but  
14 it also could or might end up in other products.

15 Help me understand a little bit about as  
16 people are making a decision whether or not to in your  
17 case, Ms. Brugger, improve the efficiency of your  
18 facilities or you, Mr. Mellowes, go into this  
19 business. You're telling me you went into this  
20 business to be in rod, not something else. Just rod.

21 I'm trying to understand. As companies  
22 think about these added capacities, is it rod that's  
23 driving these decisions, or is it some of these other  
24 products that one can make either from rod or also in  
25 the same facilities that in some way play into these

1 investment decisions?

2 MS. BRUGGER: Toni Brugger. I would say  
3 that you're correct in assuming that the capacity need  
4 for rod in the marketplace is not the only reason why  
5 you would want to make some subsequent investments in  
6 hot-rolling type operations.

7 The fact is, though, that the internal  
8 consumption of what you can hot-roll is not enough to  
9 consume that, so you do very significantly consider  
10 the market for selling rod as part of your estimation  
11 to do this, but there is recognition at least in our  
12 case up front that there's going to be some percentage  
13 of that that we will be using for other products.

14 It's just that at least in our case the  
15 volume of what we would use internally to make wire is  
16 significantly small as in comparison to the volume of  
17 rod that we're producing at the facility and therefore  
18 can sell to the marketplace.

19 VICE CHAIRMAN HILLMAN: Okay. All right. I  
20 don't know whether anyone else wants to comment on  
21 that.

22 Mr. Hudgens, let me go back to you then on  
23 this issue of trying to understand the relationship  
24 between imports as opposed to this added capacity on  
25 the domestic side. You stated in your testimony that

1 the subject imports will have a greater impact on the  
2 price of product than say NAS' entrance into the  
3 market.

4 I'm struggling with how should I know that  
5 to be the case? If I just look at the numbers, the  
6 amount of added capacity in the U.S. industry dwarfs  
7 by any calculation the amount of subject imports. How  
8 am I supposed to assume that this small volume of  
9 subject imports has this big impact on prices where  
10 there's a very big amount of added capacity on the  
11 U.S. side in your view is not having an impact on  
12 prices?

13 MR. HUDGENS: I think if you were to compare  
14 the volume of product that was shipped by NAS during  
15 the period of investigation and compare that to the  
16 volume of the subject imports that the volume of  
17 shipments from NAS would still be smaller than the  
18 subject imports.

19 During the period of investigation, the NAS  
20 did not have a significant impact on pricing. They  
21 were only in the market since the latter half of 2003.  
22 We would argue that, you know, looking forward, as Mr.  
23 Hartquist described, that those would be fairly traded  
24 products. As long as the duties are in place on the  
25 subject products, the subject imports, then they are

1 fairly traded.

2 You know, the imposition of the order is to  
3 ensure that we are having fairly traded imports in the  
4 market.

5 VICE CHAIRMAN HILLMAN: Okay. So with  
6 respect to NAS, it sounds to me more like a timing  
7 argument. They haven't been big yet.

8 MR. HUDGENS: Right. I mean, even if you  
9 look at the pricing data, yes, they really have not  
10 been a significant factor in the data set that you  
11 have before you.

12 VICE CHAIRMAN HILLMAN: Okay.

13 MR. HARTQUIST: If I may supplement that,  
14 Commissioner? You know, it would be interesting.  
15 These sunset hearings are speculative by nature, which  
16 makes them interesting and different.

17 MR. PENDLETON: Bill Pendleton. I've been  
18 involved in these --

19 VICE CHAIRMAN HILLMAN: Mr. Pendleton, just  
20 a minute. Let's let Mr. Hartquist finish his  
21 statement.

22 MR. PENDLETON: Okay. Go ahead.

23 MR. HARTQUIST: If we were to be here a year  
24 from today and if the orders were not in effect, we'd  
25 have a much clearer picture of who the price leader is



1 going to be in the marketplace and whether the product  
2 is fairly or unfairly traded, whether dumping is  
3 recurring. We don't really know that.

4 At this point, I think the expectation is  
5 that these new entrants are going to compete fairly in  
6 this market. I'd also like to comment that, as you  
7 know from many, many investigations, it doesn't take a  
8 lot of volume to have a tremendous impact on prices.

9 These folks who are in the market every day  
10 will tell you that it's not just orders that are  
11 placed that affect prices. It's offers that are  
12 placed in the market that can have a very significant  
13 effect on prices.

14 VICE CHAIRMAN HILLMAN: Okay. Mr.  
15 Pendleton, I will come back to you on this issue.  
16 Thank you.

17 CHAIRMAN OKUN: Commissioner Miller?

18 COMMISSIONER MILLER: Thank you, Madam  
19 Chairman.

20 MR. BLOT: I'll take a stab at it --

21 MR. WELLOCK: William Wellock. Prices are  
22 strong in Europe, it's strong in Asia, and, of course,  
23 it's starting to pick up now in the U.S. The U.S. has  
24 lagged that. We've been in a deeper, longer recession  
25 than I think has occurred in other areas of the world,

1 and plus in some of the Asian countries -- we hear a  
2 lot about China, so it is certainly a big factor --  
3 you know, they are chewing up a lot of product; and,  
4 therefore, there are markets that people are supplying  
5 rod into there. So the world market, I would say, for  
6 the last six months has enjoyed to see a growth, and,  
7 of course, you see that in my chart as far as what I'm  
8 even projecting here for the U.S. Even though it's  
9 lagging, I think some of the growth in Europe and Asia  
10 started certainly early to mid last year as compared  
11 to what it is in the U.S. is coming back today.

12 COMMISSIONER MILLER: Okay. Anybody else  
13 involved enough in the markets or following the market  
14 share globally to help with the question? Yes?

15 MR. WELLOCK: Hi. I'm Bill Wellock with  
16 Carpenter. First of all, I'm glad you asked the  
17 question about demand. We kind of beat up capacity  
18 here for a while. I just want you to keep in mind  
19 about demand and some of the development of new  
20 products that some of this capacity that we all added  
21 is going to consume. Two tangible products to think  
22 about our markets is one is the automotive market,  
23 which in North America, is a high-volume market, and  
24 you're seeing some migration of products like hangers  
25 that support the exhaust system in the cars that we're

1 all driving. Those hangers are transferring to  
2 stainless hangers because they can last a lot longer.  
3 We all have warranties on our cars that are much  
4 longer than they were five or 10 years ago. That is a  
5 high-volume application.

6 The other one to think about and keep in  
7 mind is the stainless rebar market. As Mr. Blot  
8 pointed out, the rod is an intermediary product in all  
9 of our production lines. So especially for Carpenter,  
10 the efficiencies that we've added in our rod  
11 capabilities have allowed us to enhance our ability to  
12 go after a very attractive market in the stainless  
13 rebar market. So I just wanted to make sure you  
14 understood some very tangible products there.

15 COMMISSIONER MILLER: Okay. I appreciate  
16 that.

17 On the stainless rebar market, what is the  
18 market that's being served with that product? What's  
19 stainless rebar? We've done carbon rebar. I don't  
20 think we've done stainless rebar yet, unless I've  
21 forgotten. I'm sorry.

22 MR. WELLOCK: For Carpenter, the market  
23 really is the construction industry in bridges, is a  
24 big market so that bridges last longer. It comes into  
25 the life-cycle costing that the government is looking

1 at.

2 COMMISSIONER MILLER: Okay. Did you want to  
3 add anything on the global question, just the issue of  
4 global market share and global demand? No? Not  
5 particularly? Okay. Anybody else?

6 What about prices, Mr. Blot, U.S. versus  
7 prices in Europe and Asia? You've described those  
8 markets as being fairly strong. Are prices higher in  
9 the other markets than they are in the United States?

10 MR. BLOT: The limited information that I  
11 have would indicate that the prices are a little bit  
12 higher in Europe and in some of the Asian countries,  
13 not all, than they are in the U.S.

14 COMMISSIONER MILLER: Okay. I appreciate  
15 that.

16 Another question I actually wanted ask, Mr.  
17 Wellock, your comment just now reminded me of. This  
18 issue of domestic producers' internal consumption, the  
19 captive consumption within the companies has been  
20 something we've looked at in the past and made sure we  
21 understood. Now, it wasn't clear to me whether the  
22 new entrants are doing the same thing in terms of  
23 internal shipments. Mr. Wellock, you mentioned this  
24 is an important element for Carpenter.

25 Mr. Blot, at one point earlier, I think, in

1 response to another question, you spoke about North  
2 American, some of their capacity for rod going to a  
3 downstream product.

4 MR. BLOT: Yes. Commissioner Miller, any of  
5 the rolling mills, you know, the mass rolling mill has  
6 the capability to roll sizes down to, say, five  
7 millimeter, five and a half millimeter as a rod  
8 product all the way up to about five inches. Okay?  
9 So it's got a long range of what they do on their hot-  
10 rolling mill.

11 So on that mill that was put in, the  
12 investment on that mill is to make bar product all the  
13 way up to five inches, but when you make small bar,  
14 and usually the definition is around one inch. Each  
15 mill is different in terms of where that break-off  
16 point would be, but at about one inch you make the bar  
17 by rolling the rod. It's more efficient to roll a  
18 big, you know, one-, two-ton coil and then process  
19 that to finishing facilities, whether they be cold  
20 drawing or whether they be grinding or a combination  
21 of both, to then make the finished bar.

22 So that same hot-rolling mill would make a  
23 combination of products. So in the case of North  
24 American Stainless, with this \$120 million investment,  
25 they will be making bar up to five inches. They are

1 not up to that size range yet, and they will be making  
2 up to five inches in bar. They will be making angle,  
3 which they started making here, I think, a few months  
4 ago. Of course, they are making small bar, and they  
5 are selling rod into the market, so it's a combination  
6 of things. What their business plan is, I don't know  
7 as far as what they would view the best combination  
8 for them.

9 So all of that capacity is not geared  
10 towards stainless rod, whether it be internal  
11 consumption or external sale. A lot of that is going  
12 to be making sizes that will not even come out of a  
13 rod, and I'm using one inch as the break. I don't  
14 know specifically where they are, but it should be  
15 roughly in that range.

16 COMMISSIONER MILLER: Okay, okay. Mr.  
17 Mellowes, does Charter do the same kind of --

18 MR. MELLOWES: I can speak for Charter. No.  
19 In fact, we only produce rod in coil. We do not make  
20 bar whatsoever, and we have zero internal consumption.  
21 We do not make wire, and we do not make cold-finished  
22 bar.

23 COMMISSIONER MILLER: Could you, but it's  
24 just not in your plan to do so?

25 MR. MELLOWES: We would have to make

1 specific investments to do so.

2 COMMISSIONER MILLER: Okay. All right. One  
3 of the reasons I asked, as Vice Chairman Hillman was  
4 asking, just understanding for the new entrants, if  
5 they were approaching this market in a different way  
6 than companies like Carpenter had approached it. Why  
7 did you choose the way that you have structured your  
8 capacity as opposed to the way other stainless wire  
9 rod producers apparently have done it in this way?  
10 And I'll come back to you, Mr. Gugino, in a minute.  
11 Let Mr. Mellowes finish answering the question, and  
12 then I'll come back to you.

13 MR. MELLOWES: Like I said earlier, I mean,  
14 we are principally a carbon steel business, okay, and  
15 it took some small, incremental investments up front  
16 that would have cost significantly more to do later  
17 on, and really all we had to do after that was build a  
18 processing plant and then learn how to roll this steel  
19 on the same mill as a carbon mill.

20 COMMISSIONER MILLER: So your shifting is of  
21 a different nature. It's between the carbon and the  
22 stainless as opposed to the different stainless --

23 MR. MELLOWES: Exactly. That's how we feel  
24 we're going to get some economies of scale.

25 COMMISSIONER MILLER: Right, right.

1 Mr. Gugino, you wanted to respond as well.

2 MR. GUGINO: I just wanted to add that  
3 Dunkirk Specialty Steel basically follows the same  
4 format that Carpenter would be. We also produce  
5 rebar, stainless rebar, and other bar products as well  
6 as wire products and rod.

7 COMMISSIONER MILLER: Okay, okay. The  
8 yellow light is on. If I go to any other question,  
9 I'm afraid it will take a little too long. So I'll  
10 pause at this point and come back to anything else I  
11 have. I appreciate your answers. Thank you.

12 VICE CHAIRMAN HILLMAN: Commissioner Koplan?

13 COMMISSIONER KOPLAN: Thank you. Let me  
14 come back to you, Mr. Blot, if I could. Can you tell  
15 me when your tables were prepared? When were Tables  
16 R-1 and R-2 prepared?

17 MR. BLOT: Your question is when the tables  
18 were prepared?

19 COMMISSIONER KOPLAN: Yes.

20 MR. BLOT: I put these tables together, I  
21 think, the middle of April.

22 COMMISSIONER KOPLAN: The middle of April.

23 MR. BLOT: Yes. Within the last 30 days.

24 COMMISSIONER KOPLAN: Okay. Just a comment  
25 on my part. It would have been helpful if we had them



1 in advance of the hearing instead of getting them the  
2 first thing this morning.

3 Let me ask you something. You said these  
4 are prepared on the basis of public data as opposed to  
5 confidential data that is included in our materials.  
6 One of your sources is listed as consultants' files on  
7 producers not reporting to AISI. Is that public data?

8 MR. BLOT: No. Those producers -- you know,  
9 I work throughout the marketplace, and there are some  
10 people who just don't report into AISI. I would say  
11 the bulk of the data, though, is reported, --

12 COMMISSIONER KOPLAN: -- but not all of it.

13 MR. BLOT: -- but not all of it. So if you  
14 take an AISI report, you would find my data would be  
15 slightly higher.

16 COMMISSIONER KOPLAN: Then you have a  
17 semicolon that says "imports and exports DOC." Is  
18 that a continuation of an analysis from your files?  
19 What is that? Is that a third category?

20 MR. BLOT: The Department of Commerce, you  
21 know, Census Bureau, I think, puts out the data as far  
22 as imports and exports. So from those files is where  
23 those numbers come from.

24 COMMISSIONER KOPLAN: But a key that you  
25 have down below says "imports," and that's the red

1 line. Is the source of that line netting imports and  
2 exports from DOC? How did you get to that?

3 MR. BLOT: The red line is strictly imports.

4 COMMISSIONER KOPLAN: Strictly imports.

5 MR. BLOT: The consumption line, just so  
6 we're all on the same page here, the consumption is  
7 the combination of the domestic shipments plus the  
8 imports less any exports, and exports come two ways.  
9 One is the domestic mills ship an exported rod, but  
10 also they will sell rod into the country, and some of  
11 these people will actually export it again. They will  
12 find out they don't need it in their operation in the  
13 U.S., and they export it to Mexico or Canada or  
14 something.

15 COMMISSIONER KOPLAN: Do you happen to be an  
16 economist?

17 MR. BLOT: I'm sorry?

18 COMMISSIONER KOPLAN: Do you happen to be an  
19 economist?

20 MR. BLOT: Do I happen to be a --

21 COMMISSIONER KOPLAN: -- an economist.

22 MR. BLOT: In the carbon steel?

23 COMMISSIONER KOPLAN: An economist. I'm  
24 sorry. I'm from Massachusetts. Let me try again.  
25 Economist.

1                   MR. BLOT: I'm from Virginia, so we  
2 understand. No, I'm not an economist.

3                   COMMISSIONER KOPLAN: Okay. I would  
4 appreciate, for purposes of the post-hearing, could  
5 you submit the inputs that went into the makeup of  
6 this chart? That would be the domestic shipments  
7 AISI, the consultants' files on producers not  
8 reporting to AISI, et cetera. In other words, if you  
9 could submit that, and since part of that information  
10 is not public, I'm happy to get it as a business-  
11 proprietary submission, but it would be useful for us  
12 to have the background so that I can see exactly how  
13 you got there.

14                   MR. BLOT: I would be happy to do that, and  
15 we'll do that in the post-hearing brief.

16                   COMMISSIONER KOPLAN: You'll do that for the  
17 post-hearing? Thank you.

18                   I'm just curious. Mr. Hudgens, you do have  
19 access, APO access. Right? Is there any reason why  
20 you couldn't have taken our materials, Table C-1, and  
21 in Chapter 3 of the staff report, Tables 3-6 and 3-7,  
22 that you could have taken an approach here that would  
23 dovetail with the information that we have? Could you  
24 have done that? I'm not really clear what the  
25 advantage was in your doing it this way.

1                   MR. HUDGENS: Well, those data are  
2 confidential, so --

3                   COMMISSIONER KOPLAN: Right, but you could  
4 have put that together as a confidential submission,  
5 could you not?

6                   MR. HUDGENS: Right, right. And we'll do  
7 that for the post-hearing brief.

8                   COMMISSIONER KOPLAN: Thank you.

9                   Now, turning to R-2, if I could, there is no  
10 source listed on the bottom of R-2. Is that the same  
11 as your -- I don't know how to describe it, but your  
12 red-line imports from the first one, from R-1?

13                   MR. BLOT: Yes, Commissioner. If you take  
14 the red-line imports, and we'll give you the specific  
15 year-by-year data, and take that number as the  
16 numerator and take the denominator as the consumption,  
17 and that's how you get the import penetration.

18                   COMMISSIONER KOPLAN: And your source for  
19 that?

20                   MR. BLOT: Well, the imports are coming from  
21 DOC, and the consumption numbers, again, are the AISI  
22 plus my data files on people who don't produce. So  
23 when I give you everything, I'll also give you the  
24 import penetration percentages, how they are  
25 calculated.

1                   COMMISSIONER KOPLAN: Thanks, and when you  
2 do that, if you could perhaps include a little bit of  
3 a narrative explanation that walks me through it, that  
4 would be helpful to me.

5                   MR. BLOT: I would be happy to do that.

6                   COMMISSIONER KOPLAN: Thank you.

7                   Now, if I could pick up on a question that  
8 Chairman Okun asked initially, but, first, let me just  
9 ask a quick question. Mr. Pendleton, I understood  
10 this morning that you're a consultant to Carpenter. I  
11 think you were introduced that way.

12                   MR. PENDLETON: Well, actually, my position  
13 here is as a specialty steel representative rather  
14 than a consultant to Carpenter. That's a very minor  
15 arrangement.

16                   COMMISSIONER KOPLAN: Is that an  
17 association? What is Specialty Steel Industry of  
18 North America?

19                   MR. PENDLETON: That is the main specialty  
20 steel industry trade association, and all of us are  
21 members of that organization.

22                   COMMISSIONER KOPLAN: Is NAS a member of  
23 that association?

24                   MR. PENDLETON: Who is?

25                   COMMISSIONER KOPLAN: NAS. Is that a member

1 of the association?

2 MR. PENDLETON: NAS, yes, yes.

3 COMMISSIONER KOPLAN: Okay. Thank you.

4 Mr. Mellowes, the Cogne prehearing brief  
5 states on page 43 that, and I quote, "importantly, in  
6 the most recent five-year review of SSWR covering the  
7 orders on Brazil, France, India, and Spain, the  
8 Commission properly rejected the vulnerability  
9 arguments of the petitioners and determined that the  
10 industry was not in a vulnerable condition at that  
11 time in 2000."

12 Since that review in July of 2000, Charter  
13 and NAS have entered the domestic, stainless steel,  
14 wire rod market. Does the emergence of Charter in  
15 2001 and NAS in 2003 in the domestic market and the  
16 capacity expansions of certain domestic producers mean  
17 that the domestic industry continues to improve  
18 dramatically, as Cogne argues, and thus is able to  
19 make needed capital improvements? In other words, did  
20 these investments in the industry on behalf of Charter  
21 and NAS; were they made because there was a belief  
22 that this industry was on the rebound? Mr. Mellowes?

23 MR. MELLOWES: Well, first and foremost, I  
24 cannot speak for --

25 COMMISSIONER KOPLAN: -- NAS.

1                   MR. MELLOWES: -- North American. It was  
2                   our belief, and I'll say it once, and I'll say it  
3                   again, if this rod is fairly traded in North America,  
4                   we believe we can be competitive with anybody. As a  
5                   result of that, we think we can make a business. It's  
6                   a simple as that.

7                   COMMISSIONER KOPLAN: Are you saying that  
8                   you made these investments based on the gamble of how  
9                   this case would turn out? Were you speculative at the  
10                  time?

11                  MR. MELLOWES: We put some up-front  
12                  investments into our carbon-rolling mill. Okay? We  
13                  spent \$80 million on a rolling mill, and we put some  
14                  up-front investments, call it a couple of million  
15                  bucks, in the building of that rolling mill in the  
16                  late nineties.

17                  COMMISSIONER KOPLAN: Would there be a  
18                  business plan that you had at the time that you could  
19                  submit as business-proprietary documentation for your  
20                  business strategy at that time?

21                  MR. MELLOWES: For the carbon steel  
22                  business? For the stainless steel business?

23                  COMMISSIONER KOPLAN: Yes.

24                  MR. MELLOWES: Certainly, certainly.

25                  COMMISSIONER KOPLAN: I would appreciate

1 that.

2 If I could, I think I can get this one quick  
3 question in to Mr. Hartquist before my red light goes  
4 off. Your prehearing brief, at pages 30 to 32, argues  
5 that the domestic industry is in a vulnerable  
6 condition. I would like to know how you reconcile  
7 that argument with the July 26, 2000, sunset review  
8 regarding stainless steel wire rod quoted by Cogne as  
9 concluding that, and I quote, "given this mixed  
10 picture on indicators of the industry's condition and  
11 the generally positive level of profitability, we do  
12 not find the industry to be in a vulnerable state."  
13 That's a quote from our 2000 review.

14 You did not address that review in the  
15 context of your argument at pages 30 to 32, and I  
16 wonder if you could do that for me in the post-  
17 hearing. Your microphone wasn't on. If you could do  
18 it for the record.

19 MR. HARTQUIST: Certainly. We'll be happy  
20 to, Commissioner.

21 COMMISSIONER KOPLAN: Thank you, Mr.  
22 Hartquist.

23 Thank you, Madam Chairman.

24 CHAIRMAN OKUN: Commissioner Lane?

25 COMMISSIONER LANE: Thank you for appearing



1 here today. I would like to start off with some  
2 general questions.

3 Several of you have testified as to capital  
4 investment in the industry. I would like to know if  
5 the industry as a whole has target numbers that it  
6 expects or would like to see as a return on its  
7 investment and whether or not you have target numbers  
8 for what you would like to see for your overall  
9 operating income.

10 MR. HARTQUIST: Well, as a whole, of course,  
11 not, because the companies can't talk to each other  
12 about these issues under the antitrust laws. If  
13 you're asking for specific --

14 COMMISSIONER LANE: No. I'm talking about  
15 generally. Do you have ball park figures that you  
16 sort of use in the back of your mind that you would  
17 like to see the industry reach?

18 MR. HARTQUIST: I would have to let the  
19 individual companies answer because certainly there is  
20 no general answer for the industry at large.

21 COMMISSIONER LANE: Okay. Mr. Mellowes?

22 MR. MELLOWES: I can answer for Charter. We  
23 certainly have some internal capital-return numbers  
24 that we would like to achieve.

25 COMMISSIONER LANE: And are those business

1 proprietary?

2 MR. MELLOWES: Yes, ma'am.

3 COMMISSIONER LANE: Could you provide those  
4 post-hearing?

5 MR. MELLOWES: Certainly.

6 COMMISSIONER LANE: Okay. Go ahead. Finish  
7 your answer.

8 What about any of the other companies?

9 MS. BRUGGER: We can do the same, provide  
10 something in a post-hearing brief from Carpenter as  
11 well.

12 COMMISSIONER LANE: Okay. Thank you.

13 MR. GUGINO: Jim Gugino, Dunkirk Specialty.  
14 I personally am not in a position to provide that. I  
15 can research that and provide it.

16 COMMISSIONER LANE: Okay. Thank you.

17 MR. HARTQUIST: Let me be clear,  
18 Commissioner, if I can. What you're seeking is, from  
19 each company, their targeted return-on-investment  
20 numbers.

21 COMMISSIONER LANE: Well, it seems to me,  
22 and maybe I don't know what I'm talking about, but it  
23 seems to me that several of the companies have talked  
24 about capital investments, and I would assume that  
25 those capital investments are made with some sort of

1 an idea as to what sort of return on that investment  
2 they would like, how long they expect to have payback  
3 on the investment, and generally the overall  
4 projections of where you expect this investment to go.

5 MR. HARTQUIST: Okay. We will be happy to  
6 do that. Thank you.

7 COMMISSIONER LANE: Okay. Thank you.

8 Now, I realize that Mr. Hudgens addressed  
9 the U.S. steel safeguard actions covering, among other  
10 things, stainless steel wire rod. However, I am  
11 interested in hearing from the rest of you on this  
12 topic. Specifically, could you describe for me the  
13 impact the safeguard action had on your individual  
14 companies between March 2002 and December 2003?

15 MS. BRUGGER: Toni Brugger from Carpenter.  
16 I just wanted to confirm, when you said "safeguard,"  
17 you were referring to the Section 201.

18 COMMISSIONER LANE: Yes.

19 MS. BRUGGER: Yes. I think the impact that  
20 the Section 201 had on Carpenter's business was that  
21 was a period of economic -- we were moving into an  
22 economic recession, and Section 201 clearly helped  
23 conditions not get any worse from what they were at  
24 the time.

25 COMMISSIONER LANE: Okay.

1                   MR. HARTQUIST: Let me comment generally,  
2                   and then perhaps other companies will want to comment,  
3                   too. When we appeared before the Commission when  
4                   there was consideration of scrapping the Section 201  
5                   duties, essentially the argument that we made before  
6                   the Commission at that time was that the 201 duties  
7                   had not significantly helped the industry during that  
8                   period, even though for this product the duties were  
9                   quite significant. And the reason that they didn't  
10                  help was that we were in the bottom of a business  
11                  cycle. Demand was terrible. Pricing was terrible.

12                  Nobody was making any money, I don't think,  
13                  domestically, and I would speculate that probably many  
14                  of the foreign producers were not making money then  
15                  either because of recession conditions around the  
16                  world, but it was very tough in the United States.  
17                  And if we hadn't had those duties, things would have  
18                  been much worse, and some of the companies who are  
19                  here today might not be here. The industry was really  
20                  struggling.

21                  So we encouraged the administration to keep  
22                  those duties in effect, arguing that unlike the carbon  
23                  steel industry, which had seen a significant favorable  
24                  impact from the 201 duties, we were at the wrong end  
25                  of our business cycle to really take advantage of

1 that, and we argued that as we hoped we would be  
2 coming out of the business cycle about now or earlier,  
3 that, at that time, those duties would really begin to  
4 have a real impact, and the profitability that the  
5 companies had been trying to achieve would happen.  
6 That's essentially the story on 201.

7 COMMISSIONER LANE: Okay. Thank you.

8 As you know, the period examined in this  
9 case ended in December 2003. What trends, if any,  
10 have developed between the end of 2003 and today, and  
11 what effect have these trends had on the domestic,  
12 stainless steel, wire rod industry and prices for the  
13 industry?

14 MS. BRUGGER: Since January of '04, from  
15 Carpenter's perspective, we have seen some price  
16 increases since that time for the last four or five  
17 months. Much of that has been related to raw material  
18 price increases, and we have seen that publicized from  
19 virtually all of the domestic producers of stainless  
20 wire rod. And I think, if I may comment back,  
21 Commissioner Pearson, to your first question about the  
22 overcapacity here in the United States or what is  
23 "perceived" as maybe an overcapacity, that's the  
24 historical that we feel confident with versus the  
25 historical trend of foreign producers, which is really

1 offering the lowest price just go gain a share,  
2 whereas the domestic producers have shown a history,  
3 and also here more recently, of trying to get a fair  
4 price for the product, and we expect that trend to  
5 continue.

6 MR. HARTQUIST: So much of the publicized  
7 price increases that have occurred in the industry  
8 have really been driven by very substantial increases  
9 in the cost of scrap, stainless steel scrap, and  
10 carbon steel scrap, interestingly, -- this industry  
11 uses a lot of carbon steel scrap in its mix, and  
12 you've heard a lot about that in the press and  
13 otherwise -- and also very significant increases in  
14 other input materials, such as nickel and chrome. And  
15 so much of what's been going on in the marketplace has  
16 simply been an attempt to recoup some of the very  
17 significant increases in costs that have occurred,  
18 much of it in just the last few months, and the price  
19 increases essentially have not -- I should let the  
20 producers speak to this, but it's my understanding  
21 that those price increases have not contributed  
22 significantly to profitability, but it's been an  
23 attempt to simply try to make up for substantial  
24 increases in their raw material costs during this  
25 period.

1                   MR. MELLOWES: I can speak for Charter. I  
2 can assure you that any price increases that have  
3 occurred in the market have been far outstripped by  
4 the cost increases incurred by the producers because  
5 of the raw material, whether it's nickel chrome, moly,  
6 manganese, carbon scrap, you name it, natural gas.

7                   COMMISSIONER LANE: So are you telling me  
8 that even though the prices have gone up in 2004, your  
9 profitability has not?

10                  MR. MELLOWES: On a per-ton basis, that's  
11 correct.

12                  COMMISSIONER LANE: Does anyone else have  
13 any comment on that question?

14                  (No response.)

15                  COMMISSIONER LANE: Okay. Thank you. I'll  
16 wait until my next round of questions, then.

17                  CHAIRMAN OKUN: Commissioner Pearson?

18                  COMMISSIONER PEARSON: At the conclusion of  
19 my time previously, I had asked a question about how  
20 we sort out the differences between injury caused by  
21 subject imports and injury that might be self-  
22 inflicted by the domestic industry. You were focusing  
23 on the two surges in imports in 1997 and 2000, as  
24 indicated in Mr. Blot's Chart, R-1. I recognize there  
25 are those two peaks in imports there, but explain to

1 me, isn't the peak in 2000, which is after the time  
2 that the orders went into effect, isn't that surge in  
3 imports then going to be from fairly traded imports,  
4 and if so, how do we work that into our analysis?

5 MR. PENDLETON: Others can answer the  
6 details on that, but we can't assume they are fairly  
7 traded. It's just that we did not file a case against  
8 the third wave. You've had three waves of imports  
9 during the nineties. In the first wave, we filed  
10 against three countries, -- Brazil, India, and France  
11 -- and then we had a sunset review of that, and that  
12 was continued, and then we had the second wave  
13 involving actually seven countries. Germany at that  
14 time was below the 3 percent threshold and was voted  
15 not to have caused the injury. So then came the third  
16 wave at the time. Just when the effects of the second  
17 wave and the effects of the dumping orders were  
18 beginning to take effect, we then had the third wave  
19 of imports, and, I believe, Germany and several other  
20 countries were part of that.

21 It's open to question whether they were  
22 fairly or unfairly traded. It's just that we did not  
23 file a case at that time. Trying to deal with all of  
24 the unfair trading that is endemic to this product --  
25 I've been involved for 30 years, and we have seen an



1 untold amount of unfair trade. In fact, Commissioner  
2 Hillman kind of put a perspective on this. We've had  
3 an ebb and flow of the size of the industry over the  
4 years. We've had capacity into this industry  
5 comparable to what we have now, but the real driving  
6 thrust has always been the foreign price, at least in  
7 our experience, in terms of driving the price down,  
8 the domestic price down. That's why we welcome the  
9 fair competition.

10 But I think that's what we have here is a  
11 third wave of several countries, and then, at the same  
12 time, it surged so much, then the 201 came along, and  
13 that became a paramount trade action at the time. Who  
14 knows? We may have filed another dumping action at  
15 that point to deal with it. But I think what I was  
16 really addressing was a trend. I think you see an  
17 interesting comparability here of the peaks of the  
18 apparent consumption with the import levels, and the  
19 past is prologue, and you can see the same thing  
20 happening now with a new peak. We think the new peak  
21 is coming.

22 The question now is really in your hands as  
23 to whether we continue this dumping order. If we do  
24 not continue, then the half-empty glass that Mr.  
25 Hartquist talked about probably could become empty.

1 If you allow these orders to continue, there is a very  
2 good chance that the glass will become full. The sky  
3 will not fall in, as was mentioned earlier by the  
4 other side.

5 So that's kind of the perspective that I  
6 think you try to forecast ahead, and the trend over a  
7 10-to-15-year period really sets a prologue for the  
8 future.

9 COMMISSIONER PEARSON: Okay. Thank you for  
10 that explanation and clarification.

11 There have been some previous questions  
12 regarding the global steel market. I would like to go  
13 back to that topic. I don't pretend to be terribly  
14 familiar with steel, and yet I read in the news, just  
15 in the regular press and occasionally in newsletters -  
16 - there is one that specifically deals with metals  
17 market share that occasionally I see -- from them I've  
18 gotten the impression that demand for steel globally  
19 right now is quite strong, that China has been buying  
20 up every piece of scrap that isn't welded down, and  
21 even then maybe you take an oxyacetylene torch and cut  
22 it off and send it to China. So it's been a time of  
23 robust demand in which most steel manufacturers  
24 probably are making money. I don't know the details  
25 there.

1           At a time when the global steel business  
2           seems to be going well, what's going on in SSWR? If  
3           we were to look around the world, are more stainless  
4           steel, wire rod producers making money?

5           MR. BLOT: I'll try to answer that from the  
6           standpoint that there are some stainless steel wire  
7           producers worldwide making money. I'm sure that's the  
8           case. I've been told of a few, but obviously I don't  
9           have access to their information. You mentioned  
10          China, which is gobbling up because we're talking  
11          stainless rod. One of the producers in China is an  
12          outfit called Dalliane, if I've got it pronounced  
13          correctly. They are importing rod into the U.S. If  
14          they need all of that excess capacity there, they  
15          should be chewing it up internally. There is still an  
16          open market here in the U.S., and the prices are,  
17          quite frankly, below the domestic pricing. They are  
18          not under any orders or anything. They were under  
19          Section 201 up until last December, as you may recall.

20          So the world market is picking up, including  
21          stainless and including stainless rod. It's just that  
22          we, in the U.S., have lagged some of that, the timing  
23          factor on that.

24          COMMISSIONER PEARSON: Ms. Brugger?

25          MS. BRUGGER: I'm with you. I don't

1 necessarily say that I completely understand because  
2 you do read about tremendous consumption or need of  
3 stainless product in China, and possibly it just looks  
4 so very big because it was so very small before. I  
5 struggle with that myself.

6           What I can comment on is that in the last  
7 two to three years, there has been something like 38  
8 steel companies who have filed for bankruptcy, so I  
9 don't think that the "increased demand for China" is  
10 really reflective of the global health of the steel  
11 industry. I think more the fact that there's been so,  
12 so many companies shutting their doors and filing for  
13 bankruptcy is really much more of a sign of what's  
14 been going on in the stainless steel industry for a  
15 number of years now, a couple of years now, I would  
16 say. That's been in at least the last 24 to 36 months  
17 that we've had all of those bankruptcies filed.

18           COMMISSIONER PEARSON: Are we in a situation  
19 where most of the global steel industry is doing  
20 pretty well now, and for a variety of reasons, the  
21 stainless steel, wire rod industry is not? Is that a  
22 correct characterization?

23           MS. BRUGGER: I think, from our perspective,  
24 the important thing is that we're optimistic because  
25 we do see the economy turning around not only here in

1 the United States but for some products, and it really  
2 depends whether it's for various applications, but we  
3 do see that the now where stainless companies are  
4 doing better is very recent. It is in the very short  
5 history here, the last quarter or two, and really not  
6 something that we could say even this time of last  
7 year.

8 COMMISSIONER PEARSON: I appreciate that.  
9 It obviously has been quite a recent phenomenon and a  
10 sharp shock to the global market, if that's the right  
11 way to say it.

12 MS. BRUGGER: Yes. I think that's true, and  
13 that's why we're very optimistic at this point about  
14 the capabilities financially of our business and of  
15 this business moving forward.

16 MR. HARTQUIST: And it is often true,  
17 Commissioner, that the business cycles for carbon and  
18 stainless steel products will be different, and, in  
19 fact, the business cycles for stainless, flat-rolled  
20 products will be different from stainless long  
21 products, depending upon whether they are serving the  
22 construction market, whether that's up or down;  
23 automotive, whether that's up or down; consumer  
24 appliances, whether that's up or down. These don't  
25 necessarily move in tandem with the general economy,

1 and there are lead times and lag times. So you may  
2 find segments of an industry that are doing pretty  
3 well and other segments that are doing very poorly at  
4 any particular period in time.

5 MR. WELLOCK: Commissioner Pearson, my name  
6 is Bill Wellock with Carpenter. Just a little  
7 background and education as relates to steel.

8 In North America, when we hear of steel in  
9 terms of consumption, carbon steel, in terms of volume  
10 that's consumed in the United States, accounts for  
11 approximately 98 percent of the total volume.  
12 Stainless steel accounts for 2 percent. Where we  
13 account for 2 percent of the volume, it's about 10  
14 percent of the revenue, so I thought that background  
15 would be helpful.

16 COMMISSIONER PEARSON: Thank you. I could  
17 clarify, too. I made the comment earlier about  
18 cutting scrap with an oxyacetylene torch, and that  
19 would apply more easily to carbon than to some grades  
20 of stainless. I appreciate that no one jumped up and  
21 said, you're wrong. I made too general a statement.  
22 Any other comments?

23 MR. BLOT: I was just going to add one more  
24 comment, that the stainless long products market is  
25 more geared towards capital goods rather than consumer

1 goods, and a lot of the carbon steel, as well as a lot  
2 of the stainless steel flat rolled is more geared  
3 towards consumer goods, and that always picks up, no  
4 matter what country you're in, it picks up before the  
5 capital goods. In other words, you've got to be  
6 buying a product before people can justify going ahead  
7 and reinvesting in their facilities. So that's part  
8 of the lag issue that you see.

9 MR. PENDLETON: Just to quickly add to that,  
10 it's interesting, in the carbon side, I think the pipe  
11 and tube sector is having some difficulties and is  
12 slow to recover, and that's more capital goods  
13 oriented as well. So it's not a honeymoon completely  
14 on the carbon side.

15 COMMISSIONER PEARSON: Thank you.

16 CHAIRMAN OKUN: I want to continue along the  
17 lines of what's going on in the global market and,  
18 more specifically, where these subject producers are  
19 selling their product right now and what's likely to  
20 happen in the future. I'll probably come back to  
21 Asia. Let me ask Mr. Blot, Mr. Pendleton, or maybe  
22 the industry experts, who could talk about the EU a  
23 little bit in terms of what might be going on going  
24 forward.

25 I've heard the responses, which are you have

1 good demand. You have good demand in the EU. You now  
2 have EU expansion, another group coming in. Does  
3 anyone know whether the countries coming in are wire  
4 rod producers? In other words, do we think the flow  
5 of trade in the EU will change so that our Italian or  
6 Swedish producers will have more or less incentive to  
7 sell here vis-a-vis the European Union? Mr. Blot?

8 MR. BLOT: I'll just make one comment. I'll  
9 just use Sweden as your example. I would have thought  
10 that the only mill there with a strong market in  
11 Europe would start to back away from the U.S. market,  
12 especially with the Section 201 in and especially with  
13 the orders in, but we haven't seen that. They have  
14 not withdrawn from the market, and, again, as I  
15 reported in my testimony, as soon as 201 came off in  
16 December, they lowered the price on one of the  
17 automotive grades that was coming in by about 10  
18 percent. I can't answer for them as to why that  
19 happened; I can only say that it did happen.

20 So I guess it's just the conditions that  
21 people said that, hey, maybe it's not as strong there,  
22 or they are anticipating it's not going to be as  
23 strong long term. You go through these bubbles that  
24 will grow, but the trends are starting to subside a  
25 little bit. You're hearing about that in China, and



1 that's also happening in Europe. It's not as strong  
2 as it was six months ago.

3 MR. PENDLETON: Commissioner, Madam  
4 Chairman, I guess what I would add here is that over  
5 the years, and I've been involved for 30 years, I've  
6 seen, particularly in this product, which is very  
7 price sensitive and is basically a commodity product -  
8 - it's highly vulnerable to dumping type of unfair  
9 trade actions and pricing in the marketplace, and it's  
10 where the bar market overall slows down a little bit,  
11 they have a little excess rod abroad, and they will  
12 say, let's unload it. We want to keep people busy  
13 making the product. You have that trend in a down  
14 market, but more importantly, in an up market  
15 generally the foreign producers either expand their  
16 product line or they just take any excess rod capacity  
17 and ship it over here.

18 Traditionally, over the years, it's been  
19 difficult, and that's why we've had so many changes in  
20 the composition of this industry and people going out  
21 of this industry in the past, is because they cannot  
22 make money where you have unfair trade, and they take  
23 the peak out of the cycle. They take the peak  
24 profits, the profits that should accrue to the company  
25 to pay for the investments that need to be made over

1 the whole cycle. You make the heavy dollars profits  
2 in the up cycle.

3 What we see here -- you could project that  
4 back, I'm sure, and see a similar type of  
5 comparability where imports have risen during the peak  
6 cycle. And that's why it's so important right now  
7 that we're looking at, hopefully, another peak where  
8 our companies need to make their money to continue to  
9 make the investments to be competitive. This is the  
10 time to do it. They lost in the last two peaks, and  
11 unfair trade is the wild card in this whole thing that  
12 will determine whether the glass is half full --

13 CHAIRMAN OKUN: I understand your point, Mr.  
14 Pendleton, but what I'm trying to get for this round  
15 is what's going on in the European Union and in Asia.  
16 Where is the incentive for these producers who have  
17 shifted, in many cases, not all, and obviously there  
18 are individual producers. They will come back into  
19 this market. One of the things, and, Mr. Hartquist, I  
20 will frame it this way for you to think about post-  
21 hearing, which is, obviously, this is kind of our  
22 second round going back through these sunset reviews  
23 and a fair amount of litigation, a fair amount of  
24 courts looking over these remand determinations, and I  
25 think we've had some sent back that we've looked for

1 additional information.

2 One of the issues I'm very concerned about  
3 is what kind of information we have about what's going  
4 on in the European Union and in Asia and what record  
5 evidence we have that we can point to in terms of what  
6 the subject producers are likely to do. So that's  
7 what my question is. You have EU expansion. What do  
8 we know about the expansion and what impact that might  
9 have? What do we know about what these guys are doing  
10 generally?

11 The next question would be, in this staff  
12 report in Chapter 4, we have collected questionnaire  
13 data, and, obviously, it's confidential in this case.  
14 It included the subject producers' shipments AUV data  
15 to Asia, to the European Union. I wonder, Mr.  
16 Hartquist, if you could comment on how you think we  
17 should consider that in the context of this case.

18 MR. HARTQUIST: We'll be happy to submit  
19 information in the brief on that.

20 What I would say is that, for the most part,  
21 we have not seen substantial imports from, I think  
22 it's fair to say, any of the new entrants into the  
23 European Union in this product to date. Whether that  
24 will change in the future, I don't know, but they have  
25 not been major players in the U.S. market. And as far

1 as Asia is concerned, everybody is looking at China  
2 and what's going to happen when what I think is a  
3 house of cards in China falls, and they will be  
4 looking to export, whereas now they have been building  
5 primarily for domestic consumption.

6 I'll just tell you anecdotally. I said to  
7 one of the folks in the stainless industry the other  
8 day that I've been expecting we might be before the  
9 Commission in four or five years with cases against  
10 China, and he said, start thinking about next year,  
11 they are going to be exporting to the U.S. Whether  
12 that is going to include stainless rod or not, I don't  
13 know, but they will be a significant factor.

14 As of the moment, though, none of those  
15 nonsubject countries have really been a significant  
16 factor in the market. It's been the subject countries  
17 primarily.

18 CHAIRMAN OKUN: Can you make any specific  
19 comments regarding AUV data in these third countries?  
20 In other words, is there any other pricing that we can  
21 look to in either the EU or in Asia to determine  
22 whether there will be a more attractive market in the  
23 reasonably foreseeable future than the United States?

24 MR. HARTQUIST: Let me ask Brad to comment  
25 on that.

1           MR. WELLOCK: Just one example here, talking  
2           about the global market. We talked a little earlier  
3           about the automotive market here in North America and  
4           how attractive it is for us for supplying stainless  
5           wire rod to that marketplace. When we look at the  
6           same applications in Europe, we can't penetrate that  
7           market in Europe because the price points are too low.  
8           We can't penetrate it. So the market here is much  
9           more attractive for that niche in North America, but  
10          we can't penetrate it over in Europe.

11          CHAIRMAN OKUN: For post-hearing, any  
12          additional information that you can provide for  
13          pricing in the overseas market -- I'm sorry. Mr.  
14          Hudgens, I didn't let you respond. Go ahead.

15          MR. HUDGENS: We'll do a more thorough  
16          analysis in the post-hearing brief on that issue.

17          CHAIRMAN OKUN: Okay. Then, Mr. Blot,  
18          you've referenced China, and Mr. Hartquist has  
19          referenced it in terms of what may or may not happen  
20          in the near future. Do you have any data available to  
21          you on stainless steel wire rod specifically with  
22          regard to China and its production and its imports  
23          that has not been submitted? I don't think I've seen  
24          that data, and I wondered if it's available to you.

25          MR. BLOT: You're talking about the imports

1 of China rod into the U.S.

2 CHAIRMAN OKUN: No. I'm sorry. Chinese  
3 imports of wire rod generally. In other words,  
4 Chinese demand for wire rod specifically as opposed to  
5 -- we're talking about China in a very global sense.  
6 They are importing a lot, but I'm wondering whether  
7 you have seen the breakout or any forecasts.

8 MR. BLOT: I can check my files to see if  
9 I've got some information on that, and if I do, we'll  
10 submit that in a post-hearing brief, but I don't think  
11 I really have a lot of that good detail.

12 CHAIRMAN OKUN: Okay. Go ahead, Mr.  
13 Hartquist.

14 MR. HARTQUIST: Madam Chairman, you're  
15 looking for Chinese import data.

16 CHAIRMAN OKUN: Right. In other words, if I  
17 hear what you're saying, you're saying, well, we can't  
18 assume that the Koreans are going to continue to  
19 export to Asia because China is getting ready to bust.  
20 I think that's a very large, overreaching statement to  
21 make when I don't even know what's going on with wire  
22 rod specifically other than, you know, I see these  
23 Asian numbers, and they are not even broken out. So  
24 I'm asking if there is any information you have about  
25 China wire rod imports and what might be going on with

1 that industry as opposed to their carbon industry,  
2 which may be in a very different cycle than their  
3 stainless steel. I don't know.

4 MR. HARTQUIST: We should be able to provide  
5 that data.

6 MR. HUDGENS: We'll check the World Trade  
7 Atlas data source for that information.

8 CHAIRMAN OKUN: Does OECD collect it  
9 separately for that? Do you know? We'll also check  
10 with my staff as well, but it just strikes me that  
11 it's something we need to know more about.

12 MR. HUDGENS: World Trade Atlas has some.

13 CHAIRMAN OKUN: Okay. And then, I guess,  
14 for post-hearing, Mr. Hartquist, the Italians have  
15 raised a no-discernable-adverse-impact issue in their  
16 briefs, and Mr. Silverman mentioned it in the opening.  
17 I would appreciate, post-hearing, you spending some  
18 time on how you would analyze it, how you would urge  
19 us to analyze that, and, again, taking into  
20 consideration what's been the history thus far on the  
21 sunset reviews in our courts.

22 MR. HARTQUIST: We would be pleased to.  
23 Thank you.

24 CHAIRMAN OKUN: Okay. And with that, let me  
25 turn to Vice Chairman Hillman.

1                   VICE CHAIRMAN HILLMAN: Well, thank you for  
2 perhaps a slight embellishment on the chairman's  
3 question because I would ask you, if you could, in the  
4 post-hearing, to brief more broadly the issue of  
5 cumulation here. You've obviously addressed the  
6 original factors that the Commission looked at, but  
7 the sunset statute provides some separate criteria  
8 with respect to cumulation. To some degree, also  
9 amended a bit by what the courts have said about it.  
10 So I'm wondering not just for the issue of Italy and  
11 no discernable but, more broadly, if you could address  
12 how the sunset criteria for cumulation should be  
13 applied in this instance.

14                   MR. HARTQUIST: We're prepared to discuss it  
15 now or in the brief, as you prefer.

16                   VICE CHAIRMAN HILLMAN: I think in the  
17 brief, just because I would like to see some of the  
18 actual data included in that as well.

19                   MR. HARTQUIST: We'll do so.

20                   VICE CHAIRMAN HILLMAN: If I can, then, also  
21 just expand a little bit on the chairman's question on  
22 this issue of how we should look at the AUV data in  
23 terms of foreign production. Obviously, we've  
24 collected now for the first time in this second course  
25 of sunsets data that is setting out where all of the



1 shipments are going from each of the subject countries  
2 and the average AUVs.

3 I would ask if there is anything you can  
4 say, either here or in a post-hearing brief, about  
5 whether the product mix coming out of any of these  
6 subject countries that would be coming to the U.S.  
7 would be different than that. In other words, is  
8 Sweden sending us the same thing that they are  
9 shipping to Europe and Asia, or are they sending us  
10 something different? Is there anything we know about  
11 what is coming out of the five subject countries and  
12 whether it would differ from what they are exporting  
13 more broadly?

14 MR. BLOT: In general, the answer is no.  
15 Obviously, some market share are bigger in, say,  
16 Europe or Asia than they may be here in the U.S. For  
17 instance, the use of stainless steel rod in the  
18 construction market is a growing market for the U.S.,  
19 but it's more of an established market in Europe and  
20 in some of the developed countries in Asia like Japan.  
21 So the grades that would go in there are the same as  
22 the grades that would come here, but a different  
23 proportion of their mix may go into those  
24 applications, but the grades are the grades. Okay?  
25 So it's not different grades.

1                   VICE CHAIRMAN HILLMAN: What you're telling  
2 me is exactly what I need to know, which is whether or  
3 not the use or the types of products that would be  
4 sent into the U.S. are different than they would be  
5 elsewhere because we use stainless steel rod  
6 differently than it's used elsewhere or in different  
7 mixes of grades.

8                   MR. BLOT: And I'm saying basically the  
9 answer to that is, no, they are the same. It's just  
10 that in different markets, a great percentage of their  
11 shipments may go into one market versus the other.  
12 But the 304 grade is the same grade they sell in  
13 Europe, the same grade they sell in Asia, and it's the  
14 same grade they sell into the U.S. based on the  
15 specifications given by the customer. It's the basic  
16 grade itself.

17                   MR. HARTQUIST: But I think you're asking  
18 about product mix.

19                   VICE CHAIRMAN HILLMAN: Correct.

20                   MR. HARTQUIST: Okay.

21                   VICE CHAIRMAN HILLMAN: What I'm trying to  
22 understand is I can look at these AUVs, and they may  
23 or may not tell me something useful about whether, on  
24 average, prices in the U.S. market for this product  
25 are higher or lower than they are elsewhere in the

1 world. In other words, is there a price draw into the  
2 U.S. market or not?

3 I mean, I've obviously got the data. I know  
4 what it's telling me, but I'm trying to make sure that  
5 I understand from your perspective, is this good data,  
6 or are there product-mix issues that you would want to  
7 flag for us in terms of how much weight we should  
8 place on reading this AUV data as telling me the  
9 relative price levels in the U.S. market as opposed to  
10 home markets or other export markets for each of these  
11 five producers?

12 MR. HARTQUIST: I understand the question.  
13 What we will do is try to take a look at HTS data with  
14 respect to their exports to the U.S. and their exports  
15 to other countries. I'm not sure whether we'll have  
16 home market data that will be broken out by product or  
17 not, but in terms of the trade statistics, we may be  
18 able to shed some light on that, and we'll be happy to  
19 do so.

20 VICE CHAIRMAN HILLMAN: I would very much  
21 appreciate it because one of the things that I think  
22 we are hearing, to some degree, from the courts in  
23 terms of looking at our sunset cases is that we may be  
24 overly relying on simply foreign capacity and foreign  
25 capacity utilization as a predictor of whether or not

1 product is going to come into the U.S. market, and I  
2 think we're trying to figure out can we also look to  
3 price, and if so, how do we get the best handle on  
4 price as to whether or not that is going to be another  
5 predictor in terms of the degree to which imports  
6 would come back into the U.S. market in the absence of  
7 an order? We need some way to look at whether price  
8 acts as a draw, so anything that you can help us flesh  
9 out this data, I think, would be very helpful.

10 MR. HARTQUIST: We would be pleased to do  
11 so.

12 VICE CHAIRMAN HILLMAN: If I can then go  
13 back, though, to this factor that we've always relied  
14 on in terms of thinking about whether or not shipments  
15 are going to come back into the U.S. market in the  
16 absence of an order, is this issue of capacity and  
17 capacity utilization in each of these markets. And I  
18 have to say, this is one where I think I would like  
19 some sense of it because, in looking at the data, it  
20 would appear to me that the capacity utilization rates  
21 in every one of these countries are significantly  
22 higher than they are in the U.S., if we just look at  
23 it, and some of that is obviously a function of this  
24 new capacity coming on line in the U.S.

25 But some of it, if I look back even five or

1 six or seven years, again, the capacity utilization  
2 rates, as a general matter, are much higher in Europe  
3 and in the Asian producers than they are here. Can  
4 anybody shed any light for me on why that may be the  
5 case, and what does that suggest to us about whether  
6 there really is much additional capacity out there  
7 that can come into the U.S. market?

8 MR. HUDGENS: Vice Chairman Hillman, one  
9 explanation may be just the way that different  
10 producers allocate their capacity among the different  
11 stainless steel products. Capacity is not a clear-cut  
12 number, and each of these producers produce rod, wire,  
13 bar on the same equipment. Some are determining  
14 capacity based on their rolling-mill capacity; others  
15 are determining it based on their steel-producing  
16 capacity. So I think it could be an allocation issue  
17 as opposed to actual capacity differences.

18 VICE CHAIRMAN HILLMAN: And, obviously, we  
19 have endeavored in our questionnaires to try to ask  
20 this in a very precise way, to try to avoid some of  
21 these issues, but if there is anything in particular  
22 about any of these particular producers that you would  
23 want to add in terms of this issue of their capacity  
24 and capacity utilization that you think is relevant  
25 information, I would urge you to do so.

1                   MR. HUDGENS: Okay. In the post-hearing  
2                   brief, we'll do a country-by-country analysis both on  
3                   the capacity utilization issue and the AUV issue.

4                   VICE CHAIRMAN HILLMAN: Okay. And then the  
5                   third issue that I would add in there, again, in this  
6                   case, -- it doesn't happen in every case -- we have a  
7                   number of relatively significant producers that are  
8                   excluded from the orders. You have a very large  
9                   Taiwanese producer, you have one of the Swedish  
10                  producers, and you have Hitachi in Japan, who are not  
11                  subject to the orders. Again, if there is anything  
12                  that you can add to give me a sense of how much of a  
13                  difference it makes in terms of, again, imports coming  
14                  in from those countries from covered companies as  
15                  opposed to uncovered companies, the individual  
16                  companies that have been excluded. How significant  
17                  are they, were they, and how much does it affect the  
18                  ability of imports to come in from each of these  
19                  countries, I think, would be very helpful as well.

20                  MR. HUDGENS: We will do so.

21                  VICE CHAIRMAN HILLMAN: Okay. And I think,  
22                  with that, I have no further questions. Madam  
23                  Chairman, thank you.

24                  CHAIRMAN OKUN: Commissioner Miller?

25                  COMMISSIONER MILLER: Thank you, Madam

1 Chairman.

2 Let me just join in saying I'll be very  
3 interested in your answers to the questions regarding  
4 global prices that both the chairman and vice chairman  
5 have posed that you're going to address in your post-  
6 hearing brief. I would have gone down the same line  
7 of questioning, but I don't need to anymore. It's  
8 been raised, and I'll be interested in your responses  
9 on that question.

10 I think the only other question that I  
11 wanted to ask a little bit more about was the impact  
12 of the Section 201 duties because I know Commissioner  
13 Lane asked you the question, and I heard your general  
14 response in terms of, well, it kept things from being  
15 worse, or it didn't help that much, but the market was  
16 so bad, and I understand that. But just if I look  
17 specifically to the questions a little more about what  
18 you think the impact was, both on the volume and price  
19 of imports.

20 When I look at the data on the volume of  
21 imports mostly in 2003, I see a pretty considerable  
22 drop off, whether we're talking about the subject  
23 countries or nonsubject countries that were also  
24 subject to the 201 duties. So it suggests to me that  
25 the 201 tariffs did have an impact on the volume. In

1 part, I have to add this: It looks to me like the  
2 domestic shipments did not change that much in that  
3 time frame, so when I asked the question, did this  
4 drop off just reflect the demand conditions, the  
5 recession, the bottom of the market, as Mr. Hartquist  
6 has described, I see more of a decline in imports than  
7 I see in domestic shipments, which look like they held  
8 up. So that suggests to me that the 201 did have an  
9 impact on the volume of imports. Is that your  
10 perception of what was doing on in the market? Ms.  
11 Brugger?

12 MS. BRUGGER: Yes. I'll start with a  
13 response for that. I think that, generally speaking,  
14 yes, that's true. However, one additional experience  
15 we at Carpenter had was just prior to the 201 going  
16 into effect, you could see it from the data that there  
17 was such an influx of rod, which, to some extent, I  
18 think, really mitigated the potential of even more of  
19 a positive impact of the 201.

20 COMMISSIONER MILLER: Inventories being  
21 built up in the supply chain that you've talked about.

22 MS. BRUGGER: Right. I think that peak  
23 there that occurred in 2001 is not really reflective  
24 of the actual use of the product versus the purchase  
25 of the product. Then because they knew that there was



1 going to be additional -- yes.

2 COMMISSIONER MILLER: Okay.

3 MR. HARTQUIST: And you'll remember, too,  
4 our arguments in the 201 proceeding about India.  
5 India was excluded from the 201 case, and that had a  
6 very dramatic impact on this product in terms of the  
7 increasing imports and the price levels of the  
8 material coming in.

9 COMMISSIONER MILLER: Okay, okay. Now, on  
10 price, anything you would add about the effect of the  
11 201 on price, specifically? Mr. Hartquist just  
12 mentioned the India issue, so maybe that's your  
13 answer.

14 MR. HUDGENS: Yes. I think that's the main  
15 answer, that they actually had been the price leader  
16 in this market over a period of time, and since they  
17 were excluded from the 201 duties, they definitely did  
18 have a drag on prices.

19 COMMISSIONER MILLER: Okay.

20 MR. HUDGENS: But the volume definitely was  
21 impacted by the Section 201 duties, and there is no  
22 doubt that imports are way down as U.S. shipments  
23 remain flat, that the 201 duties did have a  
24 significant impact on the volume of imports,  
25 particularly for 2003.

1                   COMMISSIONER MILLER: Okay. There have been  
2 a lot of questions asked and a lot of answers given,  
3 and I don't have anymore at this point in time. I  
4 appreciate all of your responses today. Thank you.

5                   CHAIRMAN OKUN: Commissioner Koplan?

6                   COMMISSIONER KOPLAN: Thank you, Madam  
7 Chairman.

8                   I would like to start off by picking up on a  
9 question that the chairman asked about the likelihood  
10 of the Italian producers coming here rather than  
11 selling in Europe. Cogne argues in its prehearing  
12 brief at page 21 that the European market is more  
13 attractive to Italian producers than the U.S. market,  
14 and I quote: "Consequently, the Italian producers  
15 will continue to concentrate on their home market, and  
16 they will continue to have significant advantages over  
17 other producers outside of Europe for making sales to  
18 other EU countries, including the 10 new member  
19 states."

20                   They then give five reasons for this  
21 argument, and that's on page 34 of their brief. I'm  
22 asking this of Carpenter, Dunkirk, and Charter. I  
23 would like you to respond. And the five reasons are  
24 as follows: First, Europe has closer proximity;  
25 second, prices in the EU are increasing and are higher

1 than prices in the U.S. market; third, the demand for  
2 stainless steel wire rod is increasing, and there is  
3 no current stainless steel wire rod production in any  
4 of the 10 new member states that acceded to the EU on  
5 May 1, 2004. I might have left off two other things.  
6 They also allege that transportation costs are much  
7 lower in Europe and that there are well-established  
8 sales and distribution networks in Europe.

9 Do any of you take issue with those reasons,  
10 as stated by Charter Talley in their brief?

11 Ms. Brugger?

12 MS. BRUGGER: May I just have one moment to  
13 look for some data?

14 COMMISSIONER KOPLAN: Certainly. I will  
15 note while you are looking: Mr. Hartquist mentioned  
16 earlier in response to the question, that no inputs  
17 from the 10-member states have been seen coming in as  
18 a result of their joining the EU.

19 Actually, they didn't join until May 1st.  
20 They joined the EU on May 1st; and, as I say, it is  
21 alleged by Coyne that those 10-member states do not  
22 currently produce this product.

23 MR. HARTQUIST: Yes.

24 COMMISSIONER KOPLAN: That's why we wouldn't  
25 be seeing it.

1 MR. HARTQUIST: I was simply indicating that  
2 recent history has not shown significant imports --

3 COMMISSIONER KOPLAN: Right.

4 MR. HARTQUIST: -- from those countries  
5 before they joined the EU.

6 COMMISSIONER KOPLAN: Okay. Now, Ms.  
7 Brugger, have you found your data?

8 MS. BRUGGER: The data that I was looking  
9 for was specifically the import data from Italy into  
10 the United States. From my looking at it, in the past  
11 anyway, their behavior has been to take advantage of  
12 the United States' market. I don't see from the five  
13 points that this condition, if the demand in the  
14 United States goes up, would result in any different  
15 reaction on the part of manufacturing companies in  
16 Italy.

17 Some of the issues related to prices going  
18 up in Europe. That is hard for me to say because I  
19 would want to see the prices going up in Europe  
20 relative to those of the U. S., and I am not sure that  
21 they made any comments referencing that. I still  
22 think that the prices in the U. S. would be higher,  
23 and, therefore, it would be attractive.

24 COMMISSIONER KOPLAN: So their point is that  
25 demand for stainless steel wire rod is increasing in

1 Europe. That was one of their factors that I read to  
2 you.

3 MS. BRUGGER: Right. That was the first one  
4 that demand was going up. But that also they were  
5 seeing prices higher in Europe, I believe is what you  
6 said is the second point.

7 COMMISSIONER KOPLAN: If you would like to  
8 go back, this information is public that I have read.

9 MS. BRUGGER: Yes.

10 COMMISSIONER KOPLAN: So, if each of the  
11 three domestic companies' witnesses could respond to  
12 this in the post-hearing, I would like to get the  
13 details. If you could walk through each of these  
14 factors and tell me where you disagree.

15 I can reach my own conclusion as a result,  
16 obviously. I don't need you to tie up for me what the  
17 result of it will be, but I would like to know whether  
18 yo disagree with any of the reasons that Cogne is  
19 giving why we would not expect, at this time, to see  
20 the Italians come back and suddenly flood our market;  
21 and that the European market is even more attractive  
22 with these 10 new states joining up over there, okay?

23 MR. HARTQUIST: May I make one --

24 COMMISSIONER KOPLAN: Do you have a  
25 question?

1                   MR. HARTQUIST: Yes, Commissioner, I do and  
2 we will be happy to respond. May I make one general  
3 observation?

4                   COMMISSIONER KOPLAN: Absolutely.

5                   MR. HARTQUIST: And that is: If all of that  
6 is true, why are they here? They are spending a lot  
7 of time, a lot of management money, legal fees, a  
8 major effort. Why are they here?

9                   COMMISSIONER KOPLAN: I will let them  
10 respond to that this afternoon. I can't answer for  
11 them on that one.

12                   MR. PENDLETON: The only other sunset we  
13 went through, in another country that was involved,  
14 took the same position and we had the same response.  
15 They certainly have been a factor. It is interesting  
16 what can be said at a sunset and maybe an honest  
17 projection, but we wonder if it is not just to win  
18 their case.

19                   COMMISSIONER KOPLAN: I appreciate that we  
20 are trying to make a projection here, but I haven't  
21 heard any of you disagree with any of the five factors  
22 that they have listed. Neither you Mr. Pendleton, nor  
23 you Mr. Harquist, at this point.

24                   I am talking about their reason, the reasons  
25 that they are giving and I haven't heard any

1       disagreements as to these particular factors.

2               MR. WELLOCK:   With No. 4 --

3               COMMISSIONER KOPLAN:   I would like to move  
4       on.

5               MR. WELLOCK:   With No. 4, prices in the EU  
6       are increasing and are higher than prices in the U. S.  
7       market.  If it is so good, I guess in Italy, why do I  
8       see cheap Italian rod all around the United States?  
9       And maybe not particularly for Cogne but certainly for  
10      other Italian wire rod companies.  Europe is closer in  
11      proximity and if transportation costs are lower, then  
12      maybe they are.

13              COMMISSIONER KOPLAN:   Would you like to  
14      document that for me for the post-hearing?  Could you  
15      document that?  When you say you are referring to  
16      other Italian countries?

17              MR. WELLOCK:   Sure.

18              COMMISSIONER KOPLAN:   If you could put some  
19      details on the record?

20              MR. WELLOCK:   Certainly.

21              COMMISSIONER KOPLAN:   Thank you.

22              MR. WELLOCK:   Well, Mr. Koplan, the five  
23      factors that you referring to on page 34?

24              COMMISSIONER KOPLAN:   Yes.

25              MR. WELLOCK:   I guess we would state that

1 these five factors existed back in 2000 and the  
2 conditions haven't changed much. Yet even the fact  
3 that those conditions existed back then, they still  
4 imported a lot of stainless wire rod into the United  
5 States at that time.

6 COMMISSIONER KOPLAN: So you are saying that  
7 they existed then and they still exist now?

8 MR. WELLOCK: That's true.

9 COMMISSIONER KOPLAN: Thank you. I  
10 appreciate that, Mr. Wellock.

11 Let me stay with the domestic producers.  
12 Imports of stainless steel wire rod from Korea have  
13 trended down each year since the imposition of the  
14 anti-dumping orders. The pre-hearing brief filed on  
15 behalf of Korean producers argues, beginning on page  
16 2, that the Commission not cumulate their imports with  
17 other subject countries because they are likely to  
18 have no discernable adverse impact on the domestic  
19 industry if the order is revoked.

20 They point to their home market, other Asian  
21 markets and their inventory levels and state, at page,  
22 4 that: "The market itself determines whether Korean  
23 producers export stainless steel wire rod. Demand and  
24 low costs have shifted Korean stainless steel wire rod  
25 to other Asian markets."



1           If conditions have changed, as described by  
2 Korean respondents since the order was imposed, how  
3 should I weigh that before deciding whether to  
4 exercise my discretion to cumulate Korea? In other  
5 words, I would like you to address their no  
6 discernible adverse-impact argument.

7           MS. BRUGGER: If I may start please.  
8 Referencing Korea, as you indicated, imports of wire  
9 rod have gone down slightly; and I think Mr. Blot  
10 addressed this earlier in that what we are  
11 experiencing is a significant increase in Korean wire  
12 now as opposed to rod.

13           Our firm belief is that if the duties are  
14 lifted on the rod, they would not invest the  
15 additional time and dollars to turn the rod into wire.  
16 They would just revert back to importing rod. We have  
17 clearly seen that shift and while we still do see some  
18 Korean rod, we see a tremendous amount of Korean wire  
19 here in the United States.

20           COMMISSIONER KOPLAN: I believe that  
21 argument was made in your brief, actually.

22           MS. BRUGGER: Yes.

23           COMMISSIONER KOPLAN: For the domestic  
24 producers, why would subject producers in Taiwan shift  
25 their production from higher-value exports of

1 stainless steel bar of the U. S. to stainless steel  
2 wire rod in the event of revocation of the orders on  
3 stainless steel wire rod? Their pre-hearing brief  
4 argues that will occur.

5 On page 18, they say: Furthermore, imports  
6 of stainless steel bar from Taiwan have been  
7 substantial during the period of review. The  
8 revocation of the stainless steel wire rod orders  
9 would encourage the subject imports to shift from  
10 production of stainless steel bar to stainless steel  
11 wire rod, resulting in a substantial increase in  
12 unfairly traded imports.

13 I see that my red light is on. I can wait  
14 for the next round.

15 CHAIRMAN OKUN: If there is an answer, go  
16 ahead and respond.

17 MS. STALEY: Mr. Koplan, I think what you  
18 are asking is: Why would they shift to a lower-value  
19 added product from a higher-value added product, where  
20 if they prefer to ship the bar and get the higher  
21 value added?

22 COMMISSIONER KOPLAN: I think that is their  
23 argument, is it not?

24 MS. STALEY: Our argument is that if you  
25 lift the -- they have an incentive, it is just part of

1 the downstream production or a production-shift  
2 argument. As with the Korean wire, it is the same  
3 argument that they have shifted to another product to  
4 avoid the duties on the one product where they don't  
5 have duties.

6 Just as in the past, as imports increased on  
7 the Taiwan stainless steel wire rod before the duties  
8 were imposed, then the argument is that they would  
9 shift back to the stainless steel wire rod if there is  
10 a market for that product. And if they can make sales  
11 of that, then they will shift to that product.

12 COMMISSIONER KOPLAN: Thank you, Ms. Staley.

13 CHAIRMAN OKUN: Commissioner Lane?

14 COMMISSIONER LANE: Thank you. I would like  
15 to go back to what you see happening in the beginning  
16 of 2004. Have you noticed any change in the quantity  
17 of subject imports of stainless steel wire rod in  
18 2004?

19 MR. HUDGENS: They're down slightly.

20 COMMISSIONER LANE: I'm sorry.

21 MR. HUDGENS: The subject imports are down  
22 slightly in 2004 and we can submit that data.

23 COMMISSIONER LANE: Do you draw any  
24 conclusions from that?

25 MR. HUDGENS: Well, one, it is one quarter

1 of data; and two, we still haven't picked up from the  
2 economic recession, so the demand for product is still  
3 low and it is just now beginning to lift off. You  
4 haven't seen the demand conditions improve at this  
5 point and you only have one quarter's worth of data.

6 MR. HARTQUIST: And here is a sunset review  
7 in progress.

8 COMMISSIONER LANE: So are you attributing  
9 the downturn in quantity of the subject imports to the  
10 sunset review?

11 MR. HARTQUIST: I am just suggesting that  
12 may be a consideration in their marketing. Obviously,  
13 that is a question that they can answer better than I  
14 can.

15 COMMISSIONER LANE: Okay. Does anybody else  
16 have any comment on that question? Okay, the data in  
17 these investigations show that the domestic industry  
18 has experienced declining profitability since 1998.  
19 It has been argued that increased domestic capacity,  
20 capacity utilization, raw material costs and alleged  
21 increases in the production of lower cost stainless  
22 steel rod have all negatively affected the domestic  
23 stainless steel wire rod industry.

24 First, do you believe these factors are to  
25 blame for the decline in profitability?

1                   Mr. Hartquist, why don't you take a stab at  
2                   that?

3                   MR. HARTQUIST: I will be happy to comment  
4                   on it but I think the companies can respond better  
5                   than I can. But I would say the following: First of  
6                   all, it is true that trade in this broad business has  
7                   been characterized by a very large impact of imports  
8                   for a long period of time.

9                   There is a legal fiction that when trade  
10                  cases are in effect, product is being traded fairly.  
11                  In fact, that is often not the case and dumping  
12                  continues, substitution continues even when orders are  
13                  in effect. And the amount of duties that are imposed  
14                  don't necessarily really offset the injury that is  
15                  occurring.

16                  But beyond that to look at where we are  
17                  today and where this industry is going, I think you  
18                  have got a number of companies, some of which have  
19                  been in this business for decades and decades, who  
20                  have made significant capital investments betting that  
21                  if we can keep unfair trade practices at bay, that  
22                  this is a market that can be profitable to them.

23                  I think it is quite revealing that these  
24                  companies would have made very significant investments  
25                  in a product which has traditionally not been very

1 profitable because they think in the future, with the  
2 improvements in the market that Mr. Blot has been  
3 talking about and if we can avoid the unfair trade  
4 practices, they can make money in this business.

5 COMMISSIONER LANE: Ms. Brugger, do you have  
6 a response to that question?

7 MS. BRUGGER: Could I ask you in general  
8 terms to just identify very quickly the factors? I  
9 think you said: low-priced imports.

10 COMMISSIONER LANE: Okay. Increased  
11 domestic capacity, capacity utilization, raw material  
12 costs, and increases in the production of lower-cost  
13 stainless steel wire rod. And I will just ask: Are  
14 there other factors that you think have affected the  
15 profitability of the industry?

16 MS. BRUGGER: Your question is: Whether or  
17 not those things are a greater factor to the industry  
18 not making money versus --

19 COMMISSIONER LANE: I am just asking: Do you  
20 believe that these are the factors that have  
21 contributed to the decline and profitability and if  
22 you think that there are other factors?

23 MS. BRUGGER: Well, again, let me just say  
24 that I think the volume of imports can't impact  
25 significantly an economic recession here in the United

1 States. Obviously, that is going to happen and  
2 recently that has been a significant factor, but I do  
3 think that the low-cost imports or the low-priced  
4 imports -- I'm sorry, not the low-cost imports but the  
5 low-priced imports, as well as an economic recession,  
6 are the two most significant factors.

7 COMMISSIONER LANE: Okay. Does anyone else  
8 have any response?

9 MR. WELLOCK: I know from Charter's  
10 prospective that I can't speak to the profitability of  
11 the industry since 1998, which I believe is what your  
12 question was, since we have only been in the business  
13 since June 2001.

14 COMMISSIONER LANE: Okay. I have some other  
15 questions for Carpenter. On page 316 of the pre-  
16 hearing brief, you present direct-labor costs per  
17 short-term ton by producer. What conditions account  
18 for the difference in your direct-labor costs per  
19 short ton during 2002 and 2003 compared to 1998 and  
20 2001?

21 MR. HUDGENS: Those data are confidential  
22 and we will supply that in a post-hearing brief.

23 COMMISSIONER LANE: I'm sorry.

24 MR. HUDGENS: Those data are confidential  
25 and we will supply that in a post-conference brief.

1 COMMISSIONER LANE: Okay, thank you.

2 MR. HUDGENS: You bet.

3 COMMISSIONER LANE: That is all the  
4 questions that I have.

5 CHAIRMAN OKUN: Commissioner Pearson?

6 COMMISSIONER PEARSON: I have a question on  
7 cumulation. The Italian respondents argued against  
8 discretionary accumulation based on a number of  
9 factual issues as well as at least one conceptual  
10 issue and that is: fairness.

11 They argue that Italian respondents have  
12 participated fully while certain other respondents  
13 have participated less fully or not at all. Further,  
14 they contend that any adverse inferences would unduly  
15 penalize the Italian respondents.

16 What is your response to this argument?

17 MS. STALEY: Our answer is that I don't  
18 think that it is unduly unfair to cumulate imports  
19 because the conditions of the Staff Report goes  
20 through the conditions of competition, the factors  
21 that have affected all of the countries here.

22 We are not asking that you necessarily take  
23 an adverse inference against the countries that have  
24 not shown up with respect to cumulation, but the data,  
25 even on taking a normal inference about the data,



1 there isn't any data to suggest that the decision that  
2 was reached in the original investigation would be any  
3 different.

4           The conditions of competition here suggests  
5 strongly that there should be cumulation of all these  
6 imports; and they are saying that because people  
7 didn't show up, you shouldn't cumulate them. I think  
8 that is sort of an adverse inference in their favor.  
9 All we're saying is just make a regular inference  
10 about the data that you have in the Staff Report that  
11 showed that the conditions exist that allow you to use  
12 your discretion to cumulate in this instance as well.

13           I don't believe that you need to make an  
14 adverse inference against the countries that aren't  
15 showing up to make a decision on cumulation.

16           COMMISSIONER PEARSON: Any other thoughts on  
17 that? Okay.

18           Going back to the issue of capacity  
19 utilization, the respondent CAS provides information  
20 in its brief, at Exhibit 7, that indicates that  
21 capacity-utilization rates over time in the United  
22 States, going back to the 1970s, have not been  
23 terribly high.

24           My first question is: Do you agree with  
25 those figures? You have had a chance to see that

1 table I believe, Mr. Hartquist?

2 MR. HARTQUIST: Yes, we believe that data.

3 COMMISSIONER PEARSON: Okay. What  
4 inferences should one draw from that table? Would we  
5 assume that the industry is performing at its historic  
6 norm in terms of capacity utilization? Is this an  
7 industry that just typically does have a certain  
8 amount of unused capacity, or a relatively large  
9 amount of unused capacity?

10 MS. STALEY: I know that Brad wants to  
11 answer but if I could jump in. This table, actually,  
12 was very similar to a table that was prepared also in  
13 the prior sunset review. I think when you study it  
14 and I would be happy to do that. We would happy to  
15 submit something in our post-hearing brief to show  
16 that, in fact, the levels of capacity utilization are  
17 the highest when there is excess capacity.

18 High unused capacity is when the imports  
19 were flooding the market. In fact, the capacity-  
20 utilization rates are lower when the producers are  
21 operating at fuller capacity; that was when the  
22 imports were existing the market. I think that we  
23 have done that analysis before and we would be happy  
24 to do it again in the post-hearing brief.

25 COMMISSIONER PEARSON: Okay, thank you.

1           As we look ahead and try to decide what the  
2 correct decision is in this case, one of the issues  
3 that I will be trying to think about is the value of  
4 the dollar versus other currencies. We really  
5 haven't discussed that much.

6           Currently, the dollar is lower in value  
7 versus major currencies than it was during much of  
8 this period of investigation.

9           Do you have thoughts on how we should look  
10 at the currency-valuation question in the next year or  
11 two?

12           MR. HUDGENS: Definitely, the overall trend  
13 in exchange rates over the period of investigation has  
14 made imports cheaper and more attractive for  
15 purchasers in the United States to purchase imports.

16           The trend has changed slightly in late 2003  
17 and 2004. But over the period of investigation, it  
18 definitely was a factor that impacted price.

19           COMMISSIONER PEARSON: My understanding is  
20 that: Over the last couple of years. the dollar has  
21 been weakening against major currencies. If that  
22 trend were to continue, it is at least possible that,  
23 at some point, the United States' industry instead of  
24 being inundated with imports would be in a much  
25 stronger position to compete in export markets.

1           Is that a possibility and what would it take  
2           in terms of the dollar falling for the United States  
3           to be a competitor exporter? I understand that there  
4           are some exports now but to take advantage more  
5           broadly of export opportunities?

6           MR. PENDLETON: I could make kind of a  
7           general comment. Over the period of time, we have  
8           seen the Japanese yen change in the past. So our  
9           history would be that you would think, as the dollar  
10          weakened, that would make us more competitive and shut  
11          off a lot of the imports.

12          On the contrary, the irony is that actually  
13          we see an increase in dumping because they have to  
14          dump the product in order to be competitive with the  
15          price here in the United States because of the  
16          strengthening of their currencies. So we have seen  
17          just the opposite over time. Therefore, whether they  
18          ship to the United States seems to be driven by their  
19          own need to have more production of the product that  
20          they produce, keep their people busy, keep the mills  
21          busy and then they try to overcome any currency  
22          differences by dumping into the country.

23          So we could see more damping as the dollar  
24          weakens. That is the irony. Just looking at past  
25          history again: The past is prologue in this case. So

1 that is kind of a general comment based on what we  
2 have seen in the past: That we can't count on the  
3 weakening of the dollar to keep the imports out. We  
4 need the dumping orders.

5 COMMISSIONER PEARSON: Ms. Brugger?

6 MS. BRUGGER: If I could just add in my  
7 testimony. I did state that even back during -- I  
8 think Bill was alluding to it. That even during the  
9 period when the dollar was much stronger to the euro,  
10 the farm producers still dumped into the United States  
11 when you might have thought that they didn't have a  
12 reason to do that.

13 I just think that the currency is not  
14 something that we should put a lot of weight on to  
15 determine that the situation would change, since they  
16 were "dumping" during the period when they really  
17 shouldn't have had to due to the currency being in  
18 their favor.

19 COMMISSIONER PEARSON: So, Mr. Pendleton,  
20 what is your response to the argument that if we look  
21 at the world market for stainless steel wire rod now,  
22 we see substantial over capacity in the United States;  
23 and we see a meaningful amount of demand elsewhere for  
24 steel products, including at least, to some extent,  
25 stainless.

1           Isn't bringing stainless steel rod into the  
2 United States, in that context, kind of like carrying  
3 coals to Newcastle? Is it your view, then, that the  
4 desire of some respondents to dump is so strong that  
5 they would continue to bring product in here, even  
6 under the circumstances that I have described?

7           MR. PENDLETON: I wish that were the case.  
8 I wish that you were right and I wish the situation  
9 that they would not have to send their products in  
10 here on a dumped-price level. But, over the years,  
11 that is what we have seen no matter what. Their  
12 ability to export and their motivation to export seems  
13 to be driven by things other than the currency value  
14 and even world-market demand.

15           We have heard this argument, as I have said,  
16 in another sunset case that: Hey, the European market  
17 is going to be very strong, and therefore, we won't  
18 need to.

19           Yet, looking back two or three years later,  
20 we see that country has been shipping product in here.  
21 I think the same can be said. It just seems like the  
22 U. S. is a very important market for the long term.

23           What they try to do is establish themselves  
24 in this market, and they will do almost anything to  
25 maintain that level. It is like a step-up function.

1 They step-up and they want to maintain that even if  
2 the currency changes, or their own market changes; and  
3 they will fight that because that is the new base line  
4 for the next time.

5 They keep stepping up that base line. That  
6 is just a tactile approach that most of the foreign  
7 countries seem to take, the producers seem to take and  
8 I think that is what is going to happen here: Continue  
9 to fight for whatever they have to do to hold the  
10 levels that they have right now and increase them with  
11 the increased-market demand here in the United States.  
12 That has been the pattern.

13 COMMISSIONER PEARSON: Okay, thank you. I  
14 have no further questions, Madame Chairman.

15 CHAIRMAN OKUN: I had a question on capacity  
16 utilization but I think it was well covered by  
17 Commissioner Pearson. So I don't think that I have  
18 any other questions for here.

19 For post-hearing, Mr. Hartquist, just in  
20 terms of vulnerability, I know you have addressed it.  
21 But just generally talk about it in terms of what you  
22 would like the Commission to focus on in terms of  
23 vulnerability and how the Commission has normally  
24 looked at industries where you have had new interests  
25 in substantial capital investment and whether that is

1 an indication of vulnerability? If you could do that  
2 post-hearing for me.

3 MR. HARTQUIST: Will do so, thank you.

4 Okay. Commissioner Koplan?

5 COMMISSIONER KOPLAN: Thank you, Madame  
6 Chairman. I have just a couple of quick questions.  
7 The first one does go to the issue of vulnerability as  
8 well.

9 This is for Mr. Hudgens. Cogne argues that  
10 since 2000, productivity has improved for domestic  
11 producers of stainless steel wire rod. At page 45 of  
12 their brief, they say:

13 This represents a \_\_\_ percent improvement.  
14 I can't give the figure because the figure is BPI --  
15 percent improvement in the recent period, which is  
16 largely explained by the upgrading of existing  
17 facilities and construction of new modern stainless  
18 steel wire rod facilities during the period of review.

19 "In turn, this permits the domestic industry  
20 to engage in more efficient production of stainless  
21 steel wire rod, so that a quality product can be  
22 manufactured at a lower cost."

23 I cannot discuss specific numbers because  
24 that is BPI. But I note that, in my opinion,  
25 according to Table C1 in the confidential version of



1 our Staff Report, productivity did trend substantially  
2 up during the period that they are referring to; and,  
3 at the same time, unit labor costs trended  
4 substantially down.

5 I would like you to comment on their  
6 argument if you could for me?

7 MR. HUDGENS: The Commission calculates  
8 productivity based on the number of hours that it  
9 takes to produce a product. So what productivity  
10 actually analyzes, or actually what it shows is that  
11 employment drops significantly over the period of  
12 investigation.

13 The reason that employment dropped wasn't  
14 because of the poor financial performance of these  
15 producers. They had to incur significant layoffs and  
16 had to terminate a significant portion of their work  
17 force in that, there productivity did increase. But  
18 it was primarily because of a huge production in  
19 employment versus any indication that they are not  
20 vulnerable.

21 COMMISSIONER KOPLAN: Thank you for that  
22 response, Mr. Hudgens.

23 I have just on last thing. If I could come  
24 back to this business about: If the orders come off,  
25 that Taiwan and Korea would simply shift back to wire

1 rod. The question I have is this: Doesn't the  
2 production of wire require more capital investment  
3 than the wire rod? And why would Korean producers, or  
4 producers from Taiwan, idle that equipment and shift  
5 back to exporting stainless steel wire rod?

6 I am asking that because, as I look at the  
7 duties that we are talking about, with regard to both  
8 of those countries, they are single digit. With  
9 regard to Korea, I believe it is 5.77; and with regard  
10 to Taiwan, I believe that it is around 8.3.

11 I am wondering why removal of duties at that  
12 level would cause them to idle more expensive  
13 equipment and switch back to the lower-valued product?  
14 Do you want to think about that and respond post-  
15 hearing, or do you want to answer that now?

16 MS. BRUGGER: I can give potentially a  
17 partial answer and maybe we can enhance it a little  
18 bit subsequently.

19 I think your comment that it does require  
20 some additional capital to then subsequently finish a  
21 product, it is true. But it can be very, very minor,  
22 depending on the type of wire, for example, that you  
23 are producing. It is a draw block that you can move  
24 around the room and then it is just now classified as  
25 wire. It doesn't necessary mean that you have --

1                   COMMISSIONER KOPLAN:  What I am saying,  
2                   though, is that it would be idling equipment that they  
3                   have to produce wire.

4                   MS. BRUGGER:  I understand but the  
5                   additional investment is very, very, very small once  
6                   you have gotten to rod.  It can be very, very small,  
7                   let me say that.

8                   COMMISSIONER KOPLAN:  All right.

9                   MS. BRUGGER:  The only other comment that I  
10                  would make on this is the presumption that value-added  
11                  products, like wire or bar, that you were commenting  
12                  on earlier about Taiwan switching from bar products --

13                  COMMISSIONER KOPLAN:  Yes.

14                  MS. BRUGGER:  -- and maybe back to rod.  
15                  Those are value-added products.  It doesn't  
16                  necessarily mean that you make more money on those  
17                  products.  The costs are clearly somewhat higher but  
18                  it is not necessarily a one-form presumption that the  
19                  profitability would be higher on bar products, for  
20                  example.

21                  COMMISSIONER KOPLAN:  Can you provide what  
22                  the profitability would be in comparison of those two  
23                  products for purposes of the post-hearing?  Can you  
24                  specify that for me?

25                  MS. BRUGGER:  I don't know that I would know

1 for those companies. I am just identifying that cost  
2 doesn't necessarily beget price.

3 COMMISSIONER KOPLAN: I appreciate what you  
4 are saying. Can you provide it with respect to your  
5 own company?

6 MS. BRUGGER: Sure. We can provide some  
7 information. I think that we would have to look,  
8 Bill, at that because it would be the characteristic  
9 of the bar for example that would be offered versus  
10 the rod. But we can see what we can pull together.

11 COMMISSIONER KOPLAN: I would like to get  
12 that from the other domestic producers as well, if I  
13 could post-hearing.

14 MR. LASOFF: Commissioner Koplan, one  
15 additional point. I don't want to let it go by  
16 minimizing the impact of even a single digit margin.  
17 The way the dumping collection process works, as you  
18 know, it is prospective in nature.

19 So, even if, in the case of Korea, for  
20 example, they were to bring in product and get a five  
21 or six percent deposit rate, they are still under the  
22 potential threat if that product is dumped even more  
23 than five percent, that margin will increase  
24 substantially and then they will be assessed the  
25 additional duties.

1           So it is an important point to remember that  
2           even when those deposit rates may not be, let's say,  
3           preclusive of entry into the marketplace, they still  
4           have a very, very clear restraining effect on the  
5           pricing decisions that are made by those producers  
6           because they risk, in the future, being subjected to  
7           an additional assessment.

8           I think that is an important point to keep  
9           in mind as you look at duties and say: Why would they  
10          do it? It is only a five percent.

11          That five percent and the mere existence of  
12          that order, even if it is two percent, has a major  
13          effect on the decision-making process of that farm  
14          producer.

15          COMMISSIONER KOPLAN: I was waiting for  
16          that, Mr. Lasoff. You didn't disappoint me. I  
17          expected that response and I appreciate that.

18          With that, I have no further questions.  
19          Thank you all very much for your answers.

20          CHAIRMAN OKUN: Commissioner Lane?

21          COMMISSIONER LANE: I have a question for  
22          the three domestic producers: What is your strategy,  
23          in general terms, to make your industry profitable? I  
24          would like that answered if the orders are continued  
25          or if the order is terminated?

1 MR. HARTQUIST: In a brief, I assume?

2 COMMISSIONER LANE: Well, I guess, or it can  
3 be answered here. I said in general terms, but if you  
4 want to be specific, then, yes, in a post-hearing  
5 brief.

6 MR. HARTQUIST: I think, given that there  
7 are many competitors in the room, domestic and  
8 foreign, they probably would prefer to do that in a  
9 brief.

10 COMMISSIONER LANE: Okay, thank you. That  
11 is all I have.

12 CHAIRMAN OKUN: Any other questions for my  
13 colleagues? Let me turn to the Staff to see if they  
14 have questions for this panel?

15 STAFF: Douglas Corkran, Office of  
16 Investigations. Thank you, Madame Chairman. The  
17 Staff has no additional questions for the panel.

18 CHAIRMAN OKUN: Thank you. Again, I want to  
19 thank all of you for being here this morning and now  
20 this afternoon and for answering our many questions.  
21 We very much appreciate your participation and we will  
22 look forward to post-hearing submissions.

23 This would be a good time to take a lunch  
24 break before we turn to our second panel. I will  
25 remind everyone that the room is not secure, so please

1 take confidential business information with you when  
2 you leave the room.

3 We will reconvene at 1:45 p.m. This hearing  
4 is in recess.

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1           The logic of Morton's Fork offered no escape  
2 from the tax collector. Just as with Morton's Fork, a  
3 comparison of the Petitioners' arguments over the  
4 years in many proceedings before the Commission  
5 reveals, that there is apparently no set of facts that  
6 could justify revocation of the anti-dumping duty  
7 order on stainless steel wire rod. When imports have  
8 fallen, the Petitioners have attributed the drop to  
9 the anti-dumping and countervailing duty orders in  
10 place.

11           When imports have increased, despite the  
12 presence of anti-dumping and countervailing duty  
13 orders, the Petitioners claimed that it means that the  
14 domestic industry is vulnerable. When U. S.  
15 investment has stagnated, the Petitioners blame  
16 imports; when U. S. investment has surged, the  
17 Petitioners claim that is only because of the orders.

18           In the Petitioners' world, there can be no  
19 set of industry trends that justify the end of import  
20 restrictions, only a set of excuses to explain all the  
21 facts that are somehow justifying endless protection.  
22 Contrary to he Petitioners' view, there is a realistic  
23 analysis of the revolutionary developments in the  
24 domestic industry over the last few years placed in  
25 the context of nearly a decade of data in the pre-

1 hearing Staff Report.

2           The data demonstrate that the U. S.  
3 stainless steel wire rod market, first and foremost,  
4 is driven by the quantity of domestic supply available  
5 in relation to U. S. demand rather than by any push of  
6 imports. These changes also demonstrate that the  
7 problem of profitability all along has been a function  
8 of inefficiency of the dominant domestic players of  
9 the 1990s and not imports. As proof, look at the new  
10 entrants that have bet enormous sums that they can  
11 supply the market more efficiently than Carpenter  
12 Talley.

13           Two major new entrants: Charter and NAS have  
14 spent vast sums of money to expand this industry with  
15 enormous capacity increases in recent years and plans  
16 for the next several years. There are additional  
17 expansions by the domestic industry described in the  
18 confidential Staff Report. These are impressive  
19 expansions to an industry that told the Commission, in  
20 previous investigations and reviews, that it has  
21 always had ample capacity to supply the entire U. S.  
22 stainless steel wire rod market. These new entrants  
23 have expanded U. S. supply of stainless steel wire rod  
24 like an earthquake, pushing out subject imports from  
25 the market.

1                   In the 2000 investigation, the Commission  
2 majority determined that the domestic industry was not  
3 in a vulnerable condition. The Commission cited  
4 positive indicators regarding increasing domestic  
5 industry capacity, production and shipments during the  
6 interim periods at the end of the period of review;  
7 and increases in domestic producers' market share and  
8 capital expenditures during the last full year of the  
9 period of review.

10                   All of these positive indicators are present  
11 today, even more than in the 2000 sunset review. In  
12 the current sunset review, industry capacity is up  
13 dramatically, production and shipments are up in  
14 recent years, the domestic producers market share is  
15 way up, and capital expenditures have literally gone  
16 through the roof. The financial condition of the  
17 domestic industry apparently is still poor as it has  
18 been for most of the 30 years that it has enjoyed  
19 import protection through anti-dumping and  
20 countervailing duty orders, Section 201 orders, and  
21 VRAs.

22                   Not only has the import protection failed to  
23 improve the condition of the domestic industry, but it  
24 has failed even at the basic task of shutting out  
25 imports, as can be seen by import-penetration levels

1 that have remained high until last year. With such an  
2 abysmal rate of return over the long run, why have  
3 domestic producers continued to invest? Why did  
4 Charter and NAS enter the market? Why did other  
5 producers increase their investments as well?

6 The traditionally high level of capital  
7 consumption explains much of the phenomenon. The  
8 domestic producers, especially Carpenter, have  
9 survived despite years and years of red ink mainly  
10 because their first priority is to push as much rod as  
11 possible through their more profitable internal or  
12 affiliated wire-drawing operations.

13 Rod imports have remained high because  
14 independent wire drawers understandably do not want to  
15 rely entirely on an U. S. integrated mill with whom  
16 they compete downstream. For years, the AWPA has been  
17 testifying in these proceedings, telling the  
18 Commission that they prefer to buy American rod and  
19 would buy more if they had more domestic choices. But  
20 without these viable alternatives, they have had no  
21 choice but to source rod from off-shore.

22 Petitioners have always argued that they can  
23 supply the entire U. S. rod market, that Carpenter  
24 Talley does not discriminate in favor of internal  
25 consumption, and that there are other smaller domestic

1 producers that could always supply the wire drawers'  
2 demand. In past investigations and reviews, the  
3 Commission gave the benefit of the doubt to the  
4 Petitioners on this point. But the independent wire  
5 drawers persisted in buying rod off-shore despite all  
6 of the anti-dumping duties and the Section 201  
7 tariffs.

8 Then Charter expanded from carbon and alloy  
9 wire rod to stainless wire rod; and then NAS built a  
10 new Greenfield plant in the face of high import levels  
11 and low industry profitability. Why? Because they  
12 knew that there was unmet demand for American-produced  
13 stainless steel wire rod from producers who don't  
14 compete with the wire drawers downstream.

15 Thus, Charter and NAS have met the demand.  
16 To borrow a phrase from "Field of Dreams," build the  
17 rod mill and they will come." The AWPA said this for  
18 years and Charter and NAS listened. Now import  
19 penetration has decreased sharply as the wire  
20 producers are now able to find alternatives to  
21 Carpenter Talley in the United States.

22 Contrary to Petitioners' tortured  
23 explanations of events over the past decade, although  
24 Morton Forks, the story the wire drawers have told has  
25 been internally consistent and it is consistent with

1 the trends in this industry. The Petitioners claim  
2 that the recent increase in investment and production  
3 by Charter, NAS and others was all predicted on the  
4 anti-dumping and countervailing duty orders and on the  
5 Section 201 relief.

6 If true, there should be plenty of evidence  
7 supporting the Petitioners' self-serving claims.  
8 Specifically, there should be numerous business plans  
9 submitted for the record showing that businessmen in  
10 the domestic industry were counting on new or  
11 continued import relief as the key ingredient to make  
12 their proposed expansions viable. Surely, the  
13 assumptions behind these expansions should have  
14 spelled out on paper. It just is incredible to assert  
15 that any bank or investor would provide the capital  
16 for a big expansion without a business plan that  
17 justified capacity expansion.

18 This is especially true in a domestic  
19 industry that supposedly already had the capacity to  
20 supply the entire U. S. market, yet couldn't seem to  
21 make any money at it for most of the first 30 years.  
22 We urge the Commission to examine the record evidence  
23 regarding these business plans and draw the  
24 conclusions for itself instead of continuing to rely  
25 on Petitioners' self-serving assertions.

1           It is interesting to look back at what the  
2           Petitioners told the Commission in the 2000 sunset  
3           reviews regarding stainless steel wire rod from  
4           Brazil, France, India and Spain. The Petitioners had  
5           to convince the Commission that the domestic industry  
6           was vulnerable despite the recent imposition of  
7           dumping and countervailing orders in 1998 against the  
8           six countries under review today.

9           In their pre-hearing brief in the 2000 case,  
10          the Petitioners explained as follows and that is up  
11          here on the projector: "While the industry fought and  
12          won trade cases against these imports in 1998, the  
13          imposition of those orders have not resulted in  
14          dramatic improvement in an industry operating the  
15          financial results to date."

16          In a post-hearing brief in the 2000 case,  
17          the Petitioners made a similar admission and explained  
18          the reason as follows: "The muted response of the  
19          U. S. market to the imposition of the first round of  
20          orders can be tied to several factors, including the  
21          downturn in domestic consumption, the strength of the  
22          dollar in relation to foreign currencies, the buildup  
23          of import inventories in advance of the imposition of  
24          the orders, encouragement to export offered by the  
25          Asian economic crisis and the movement of bar

1 converters towards direct importation of stainless  
2 steel bar."

3 As with Morton's Fork, the Petitioners  
4 always seem to have an excuse why import relief  
5 doesn't result in the industry profits that they are  
6 supposed to produce; and a profitable industry is just  
7 supposed to be around the corner if the Commission  
8 gives the industry just one more affirmative  
9 defemination. No matter what the economic conditions  
10 of the economy generally, the exchange rates, the  
11 existence or absence of a newly imposed round of  
12 import restrictions, the Petitioners always seem to  
13 come up with a clever explanation of why it reenforces  
14 the need for more import relief not less.

15 It is high time for the Commission to ask  
16 whether 30 years of import relief of one form or  
17 another has been of much help to the stainless steel  
18 wire rod industry? At some point, the Commission has  
19 to wonder whether the problem really is imports of  
20 stainless steel wire rod, as the Petitioners have  
21 claimed since the Nixon administration.

22 Enough is enough.

23 MR. WAITE: Good afternoon, Madame Vice  
24 Chairman, members of the Commission. My name is Fred  
25 Waite with the firm of Vorys, Sater, Seymour and



1 Pease. With me is Kimberly Young. Together we  
2 represent the Stainless Committee of the American Wire  
3 Producers Association.

4 The members of the Stainless Committee  
5 include: independent wire drawers, integrated wire and  
6 rod producers, and other rod suppliers. The members  
7 of the Stainless Committee consume the vast majority  
8 of stainless steel wire rod which is manufactured and  
9 sold in the United States. Today, we have  
10 representatives of two of the largest stainless steel  
11 wire redrawers in the United States: Greg Jenkins from  
12 Maryland Specialty Wire, and John Robinson from  
13 Techalloy Company, Inc.

14 We will begin our presentation with Mr.  
15 Jenkins.

16 MR. JENKINS: Good afternoon. My name is  
17 Gregg Jenkins and I am Vice President of Operations  
18 for Maryland Specialty Wire, a division of Handy &  
19 Haman Specialty Wire and Cable Group. Maryland  
20 Specialty, located in Cockeysville, Maryland, is a  
21 leading U. S. manufacturer of stainless steel and  
22 nickel-based alloy wire.

23 Our production includes: stainless steel  
24 wire for the oil patch, aerospace, automotive,  
25 construction, food processing, medical and

1 telecommunications industries. The types of wire we  
2 make have specific requirements for use in various  
3 downstream products, including a variety of industrial  
4 and consumer products like springs,  
5 telecommunications, high-pressure hoses, antennas,  
6 conveyor belts, screens, medical instruments, cable  
7 controls, fasteners, filters and wire and armor lines.

8 Our primary input for producing all of this  
9 stainless and alloy wire that we make is wire rod. We  
10 buy many of the basic grades, like 302, 304 and 316,  
11 but we also consume specialty grades like 25MO, MP35N,  
12 and A825. Whether as a commodity grade of wire rod or  
13 specialty product, we have to have quality material  
14 from qualified and dependable suppliers.

15 Historically, Maryland Specialty Wire has  
16 purchased stainless wire rod from both domestic and  
17 import sources. Our preference has always been to buy  
18 domestically, and today we are able to rely much more  
19 on the U. S. industry to supply us with both basic and  
20 specialty grades. When I joined Maryland Specialty in  
21 1999, there was essentially only one domestic producer  
22 of stainless wire rod and that was Carpenter  
23 Technologies.

24 Carpenter had just acquired the other major  
25 U. S. supplier: Talley Metals. The domestic industry

1 was dominated by a single supplier. Maryland  
2 Specialty has had a long and productive relationship  
3 with Carpenter and we have always valued them as a  
4 supplier. But in the wire business, an independent  
5 wire drawer cannot be dependent on a single rod  
6 supplier, especially one that is a direct competitor  
7 on stainless wire; and Carpenter is one of the largest  
8 wire producers in the United States.

9 That is why they consume so much of their  
10 stainless rod production internally. They also  
11 produce stainless bar and sometimes their decisions to  
12 ship capacity to bar production could affect their  
13 supply of rod to the open market. In order to insure  
14 a sufficient number of suppliers of our most critical  
15 raw material, Maryland Specialty has qualified  
16 stainless rod suppliers in other countries. In 1998,  
17 Maryland Specialty Wire was purchasing from both  
18 domestic and import sources, but a majority was coming  
19 from producers outside the United States. By contrast  
20 today, we are purchasing much more domestically.

21 Looking at our import purchases between 1998  
22 and 2000, Maryland Specialty sourced from five of the  
23 six countries subject to this review. By calendar  
24 year 2000, our purchases from several of these  
25 suppliers actually peaked. This occurred over two

1 years after the anti-dumping orders went into effect.  
2 So I question what effects the orders have actually  
3 had, other than increasing raw-material costs for U.  
4 S. wire drawers.

5 Since 2000, our domestic purchases have  
6 increased dramatically, so much so that a majority of  
7 our rod is now supplied by U. S. producers. It seems  
8 to me that if the domestic industry is growing and the  
9 orders have been ineffective, it is time for the  
10 orders to be revoked. The primary reason for this  
11 change in our sourcing pattern can be explained by the  
12 dramatic changes that have occurred in the domestic-  
13 rod industry between 2001 and today.

14 Charter entered the stainless-rod market in  
15 2001. We understand that their rolling billet was  
16 purchased from the United Kingdom. In 2002, Empire  
17 Mill, which was an old and efficient producer and the  
18 only other domestic mill besides Carpenter, emerged  
19 from bankruptcy as Dunkirk Specialty Steel. They have  
20 developed into a small but important niche supplier in  
21 the market.

22 But I think the most significant change to  
23 the industry has been the entrance of North American  
24 Stainless into the U. S. stainless-rod market. In  
25 2003, North American Stainless began rod production at

1 its new stainless steel facility in Kentucky.  
2 Currently, North American Stainless and Acernox in  
3 Spain is supplying the billet for this rod production.

4 I can tell you that the U. S. industry  
5 producing stainless wire has welcomed these new  
6 suppliers to the market. With so many domestic  
7 suppliers now in the market, we have been able to buy  
8 more domestically, which is our preference. North  
9 American Stainless, in particular, has become a  
10 significant new supplier not just for my company but  
11 for much of the wire industry.

12 Earlier this year, a joint venture between  
13 Outokumpu and Allvac also began stainless rod  
14 production at a facility in South Carolina using  
15 billet from the United Kingdom. Trial shipments to  
16 the commercial market are expected from that mill as  
17 early as the next quarter. So in the span of just  
18 four years, we have gone essentially from just one  
19 domestic rod supplier to five U. S. producers.

20 In contrast, I cannot remember the last time  
21 that a new stainless wire company started up  
22 production in the United States. Not surprisingly,  
23 the addition of all of this new U. S. capacity has  
24 resulted in more competitive domestic pricing for  
25 stainless rod versus imports. This has also been a

1 welcome development for the wire industry, as we face  
2 extreme pressure from imports of stainless wire and  
3 increasingly from imports of wire products.

4 In many cases, we have found that our import  
5 suppliers are unable to compete with these new  
6 domestic suppliers. Recently, domestic prices have  
7 been on the rise, even factoring in the surcharges for  
8 nickel, molybdenum, chromium and iron that the  
9 domestic mills charge their customers. Since the  
10 beginning of this year alone, Carpenter has announced  
11 two price increases; and North American Stainless has  
12 also imposed an across-the-board price increase in  
13 addition to the current surcharges.

14 Finally, I wanted to note that the new  
15 domestic capacity at Charter, North American Stainless  
16 and the joint venture in South Carolina is currently  
17 limited to rolling stainless billet to produce rod.  
18 However, we have been told that over the next 12 to 18  
19 months, new melding capacity will also be brought on  
20 line, or developed here in the United States.

21 For example, North American Stainless has  
22 indicated that it plans to begin casting its own  
23 billet in Kentucky in early 2005. To us, this  
24 additional investment says that these companies are  
25 committed to this market and that we can rely on them

1 to supply our industry for many years to come.

2 Thank you.

3 MR. ROBINSON: Good afternoon. My name is  
4 John Robinson and I am vice President of Sales and  
5 Marketing for Techalloy Company. Techalloy is the  
6 largest, independent stainless wire drawing company in  
7 the United States and a significant consumer of  
8 stainless steel wire rod. I have been in the  
9 stainless steel wire business for 13 years. I joined  
10 Techalloy as Vice President of Marketing and later  
11 became Vice President of Purchasing before I assumed  
12 my current position.

13 Techalloy produces a wide range of stainless  
14 steel wire and nickel wire products, such as spring  
15 wire, cold hitting wire, weaving wire, EPQ wire and  
16 welding wire. We have two production facilities in  
17 the USA. One in Maryland and the other in Illinois.  
18 We also operate a service center in California and a  
19 warehouse in Texas. Our corporate headquarters are  
20 located in New Jersey.

21 The stainless rod market today is  
22 dramatically different from six years ago when the  
23 dumping and countervailing, orders subject to this  
24 review, were imposed. The wire market is also very  
25 different from conditions in 2000, when the Commission

1 last conducted an investigation of stainless rod. It  
2 is for these reasons that we believe that the  
3 revocation of these orders is warranted.

4 In 2000, there was only one domestic  
5 supplier: Carpenter Talley. Today there are four  
6 U. S. producers of stainless steel wire rod operating  
7 five mills in New York, Pennsylvania, Kentucky,  
8 Wisconsin and South Carolina. The fifth producer has  
9 told us that they will be making trial shipments by  
10 the third quarter of this year and that commercial  
11 production will follow shortly thereafter.

12 Charter Specialty Steel, a long time  
13 producer of carbon steel wire rod, began supplying  
14 stainless rod in the latter part of 2001. In three  
15 years, it has become an important supplier to  
16 Techalloy and other independent wire producers.  
17 Universal Stainless purchased the assets of Empire  
18 Steel and reentered the wire market as Dunkirk  
19 Specialty Steel in 2002. Although Dunkirk now  
20 concentrates on niche products, Universal Stainless  
21 has announced that it plans to expand the range of  
22 product categories that Dunkirk will produce.

23 Just last year, North American Stainless,  
24 NAS, began shipping stainless rod, and its affect on  
25 the U. S. market has been enormous. In addition, we



1 understand that the Outokumpu Allvac project in South  
2 Carolina will soon begin shipping trial lots of  
3 stainless rod and then commercial quantities before  
4 the end of this year. We anticipate requalifying the  
5 mill as a fifth domestic supplier in the next few  
6 months. Taken together, the development of these new  
7 suppliers has revitalized the domestic stainless rod  
8 industry. Capacity has expanded dramatically and  
9 competition has driven efficiencies and cost savings  
10 amongst our domestic suppliers.

11 The increased availability of stainless rod  
12 from various U. S. sources has been appreciated by  
13 customers and Techalloy has taken advantageous of this  
14 development. I estimate that the total domestic  
15 capacity for producing stainless steel wire rod  
16 exceeds 125,000 tons annually and it will be almost  
17 150,000 tons by the end of this year.

18 By contrast, domestic capacity in 1998 was  
19 limited essentially to the output from Carpenter and  
20 Talley. This capacity increase is important because I  
21 expect that the domestic demand for stainless rod to  
22 increase this year and to continue increasing by even  
23 greater amounts through 2006. In my judgment, NAS has  
24 become the most cost-effective supplier in the U. S.  
25 market today. To date, the mill has been

1 concentrating on commodity-grade products.

2           Although NAS currently relies on imported  
3 billet, which it rolls into rod, we have been told  
4 that the company plans to begin casting billets at its  
5 Kentucky mill during the first quarter of 2005. At  
6 that point, we expect that NAS will be able to expand  
7 its product range and offer specialty, as well as  
8 commodity rod grades.

9           At the same time that U. S. rod capacity has  
10 been increasing, stainless rod prices from the  
11 domestic mills have also been increasing. Prices  
12 increased during the first half of 2004 and we have  
13 been notified that there will be further price  
14 increases later this year. Carpenter raised prices by  
15 about five percent in the second quarter of 2004 and  
16 has announced an additional price increase of seven  
17 percent in the third quarter. These increases cover  
18 all grades of stainless rod.

19           Charter Specialty Steels has announced a  
20 price increase of three-and-a-half percent for all  
21 grades in the third quarter of 2004, which follows an  
22 increase in the second quarter. We have also been  
23 advised by North American Stainless that it will  
24 increase prices between four and seven percent in the  
25 third quarter of this year. I understand that copies

1 of the price increase letters from these suppliers  
2 were submitted to the Commission with the American  
3 Wire Producers Association's pre-hearing brief.

4 If I could, I would like to say a word about  
5 the effect of China on the world rod market and on the  
6 rod market here in the United States. China has  
7 emerged as a major new consumer of stainless steel  
8 wire rod. This has encouraged rod producers in that  
9 region of the world and other areas to concentrate  
10 their sales' activities on China. As a result, I  
11 believe that producers in Taiwan, Korea, Japan and  
12 Europe are selling significantly more stainless wire  
13 rod to China than they have done historically. As a  
14 consequence, these producers are not as active in the  
15 U. S. market.

16 Finally, I would note that although imports  
17 continue to be a critical part of our overall rod  
18 consumption, this year Techalloy will increase its  
19 purchases of stainless steel wire rod from U. S. mills  
20 by a significant margin over our purchases in 2003.  
21 However, this is not the result of anti-dumping orders  
22 or Section 201 duties. It is because long-standing  
23 quality producers like a Cerinox, Charter, Universal  
24 and Outokumpu decided that this market is worth their  
25 investment.

1           Finally, U.S. wire drawers have a meaningful  
2 choice of suppliers, which we hope will provide a full  
3 range of specialty rods as well as commodity-grade  
4 rods in the future.

5           Thank you.

6           MR. FERRIN: This is Richard Ferrin, again,  
7 of Hunton & Williams. I'd like to speak a moment  
8 about cumulation and five-year reviews, in general,  
9 and in this review, in particular. In an original  
10 Title VII investigation, for purposes of a present  
11 material injury determination, the Commission "shall  
12 cumulatively assess the volume and effect of imports  
13 of the subject merchandise from all countries" under  
14 investigation, "if such imports compete with each  
15 other and domestic like products in the United States  
16 market. There are few statutory exceptions, but the  
17 general rule requires cumulation in almost all  
18 instances.

19           For a threat determination, the statute  
20 makes cumulation optional, using the term "may." For  
21 sunset review, however, the statute goes one step  
22 further. Not only is cumulation not required, because  
23 the statute says, "may," but the statute, also,  
24 affirmatively states that "the Commission shall not  
25 cumulatively assess the volume and effects of imports

1 of the subject merchandise in a case, in which it  
2 determines that such imports are likely to have no  
3 discernible adverse impact on the domestic industry."  
4 Therefore, in sunset reviews, instead of cumulation  
5 being the rule and decumulation the exception, the  
6 statute makes clear that decumulation is the rule and  
7 cumulation is the exception.

8 In this case, imports from Italy are likely  
9 to have no discernible adverse impact on the domestic  
10 industry. The Commission does not have to find that  
11 Italian imports, alone, would lead to continuation or  
12 recurrence of material injury or else no discernible  
13 adverse impact clause applies. Nevertheless, the  
14 Commission should consider, for purposes of this  
15 clause, whether there's any hint of a correlation  
16 suggesting that Italian imports are having an adverse  
17 affect on the domestic industry.

18 The no discernible adverse impact provision  
19 is more than a mere negligible imports volume  
20 standard, as shown by cases where the Commission has  
21 found no discernible adverse impact in a case where  
22 the imports in question accounted for more than 17  
23 percent of apparent domestic consumption. In fact,  
24 the data shows that there is no correlation between  
25 adverse impact to domestic producers and the levels of

1 Italian imports, in this particular case. Without  
2 going into APO information, we urge the Commission to  
3 compare the profitability of the domestic industry  
4 each year during the period of review and compare that  
5 to the level of Italian imports and ask whether  
6 Italian imports could have a discernible adverse  
7 impact with that pattern.

8           Regarding the future trend for Italian  
9 imports, as Ms. Pirovano will explain, imports from  
10 Cognac are not likely to increase within a reasonably  
11 foreseeable time, because of constraints on Cognac's  
12 capacity and its focus on other markets. We note in  
13 this regard that there are only two producers in  
14 Italy: Cognac and Valbruna.

15           In the 2000 sunset review, the Commission  
16 determined that there was a reasonable overlap of  
17 competition among the subject imports and the domestic  
18 like product and determined that imports from France,  
19 Brazil, and India had a discernible adverse impact.  
20 Nevertheless, the Commission exercised its discretion  
21 to decumulate French imports from Brazilian and  
22 Italian imports on the grounds that the record  
23 indicated significantly different conditions of  
24 competition regarding French rod versus Brazilian or  
25 Indian rod. The Commission stated that imports from

1 France maintained the solid presence in the U.S.  
2 market for a long time and remained after the order.

3 In contrast, the imports from the other two  
4 countries were unable to maintain a consistent  
5 presence in the U.S. market and dropped to minimal  
6 levels after the antidumping duty orders were issued.  
7 The Commission, also, noted that French rod was sold  
8 through the producer's own U.S. subsidiaries, unlike  
9 the Brazilian or Indian product. The Commission,  
10 also, noted differences in product mix between the  
11 French product and the Indian product. Finally, the  
12 Commission noted that the Brazilian and Indian faced  
13 non-preferential tariff treatment in the EU, whereas  
14 the French product obviously was tariff free in the  
15 EU.

16 These factors should, also, lead the  
17 Commission to decumulate Italian rod in this case.  
18 Unlike the other countries, Italian imports maintained  
19 a stable share of the U.S. market throughout the  
20 original period of investigation in 1995 to 1997, and  
21 in every year since the antidumping and countervailing  
22 duty orders were issued. In fact, Italian imports  
23 actually increased for two years following the  
24 imposition of the antidumping and countervailing duty  
25 orders in September 1998.

1                   Regarding channels of distribution, we note  
2                   that Cogne has maintained and continues to maintain a  
3                   U.S. subsidiary that is responsible for the  
4                   distribution of Cogne's products in the North America  
5                   markets. Regarding Valbruna, the only other Italian  
6                   producer and exporter of rod to the United States, we  
7                   urge the Commission to review page three of Valbruna's  
8                   foreign producer questionnaire response. There are  
9                   differences among the various countries in this review  
10                  regarding distribution channels and we urge the  
11                  Commission to review the confidential record in this  
12                  regard.

13                  Finally, we note that imports from Italy,  
14                  Spain, and Sweden are within the EU and, therefore,  
15                  trade duty-free within the EU, whereas the other  
16                  countries subject to investigation do not.

17                  With that, I introduce Ms. Pirovano, Chief  
18                  Executive Officer of Cogne Acciai Specialis.

19                  MS. PIROVANO: Good afternoon, Vice Chairman  
20                  Hillman, Commissioners, and staff. My name is Monica  
21                  Pirovano. I'm the Chief Executive Officer of Cogne  
22                  Acciai Specialis. Cogne is a producer of stainless  
23                  steel long products, including stainless steel wire  
24                  rod and other specialty steel products. Our company  
25                  is located in Ostavali, in the northwest of Italy.



1 I've been employed in Cogne since 1987 and I've worked  
2 in the steel company for 17 years.

3 As Chief Executive Officer for Cogne Italian  
4 operations, I'm familiar with companies product lines  
5 and production capacity, as well as policies relating  
6 to corporate strategy issues and the marketing and  
7 prices of stainless steel products in the Italian home  
8 market, as well as in the European Union, Asia, and  
9 worldwide. Cogne does not expect to reenter U.S.  
10 market in any significant way, even if the antidumping  
11 order is terminated. It has been six months since the  
12 countervailing duty order on stainless steel wire rod  
13 from Italy was revoked with respect to Cogne and, yet,  
14 we have not increased our sales to the United States.

15 Prevailing market conditions will continue  
16 to prevent Cogne from making any significant shipments  
17 to the U.S. market in the foreseeable future for three  
18 key reasons. First one, new lower costs of domestic  
19 producers have recently entered U.S. market,  
20 increasing the stainless wire rod production capacity  
21 here in the States. The domestic production is  
22 expected to increase dramatically in the coming years.  
23 Cogne has found that we are unable to meet the low  
24 market entry prices offered by these new low-cost  
25 domestic producers, particularly, North American

1 Stainless, a U.S. affiliate of -- in Spain. We cannot  
2 match such low prices, especially given higher  
3 transportation costs and the much longer delivery  
4 times for shipping our stainless steel rod products  
5 from Italy to the United States.

6 People in the industry don't expect this  
7 trend to change any time soon, in light of the  
8 enormous extra capacity and efficient production now  
9 available from U.S. producers. We will continue to  
10 concentrate on other markets, such as Europe and Asia,  
11 which are much more attractive to us, because prices  
12 are higher, demand is increasing, and freight costs  
13 are significantly lower than to the United States.

14 This brings me to my second point. We are  
15 focused almost entirely on other markets outside the  
16 United States, and this would remain true even if  
17 there was no antidumping order. In the last five  
18 years, over 99 percent of Cogne's export sales of  
19 stainless steel wire rod were made to markets other  
20 than the United States. The European and Asian  
21 markets are much more attractive to us for many  
22 reasons. For one thing, prices of stainless steel  
23 wire rod currently are higher in Europe and Asia than  
24 prices in the United States, and this trend is  
25 expected to continue in both markets.

1           For Italian producers, the European market,  
2           also, offers certain obvious advantages, such as low  
3           transportation costs, a common currency to avoid  
4           exchange rate risk, and no internal ties. In  
5           addition, Cogne has a long history in Europe and does  
6           already have strong sales and distribution  
7           relationships and a large customer base throughout  
8           Europe. This existing network is prepared to expand  
9           into the 10 new member states in Eastern Europe that  
10          acceded to the European Union as of the first of this  
11          month.

12           The economics of these 10 member states are  
13          growing rapidly and attracting significant new  
14          manufacturing investments, including in industries  
15          that utilize stainless steel wire rod. There are no  
16          existing producers of stainless steel wire rod within  
17          these new member states to fill this increasing demand  
18          and Cogne is well positioned to increase sales to  
19          these European markets. Moreover, Cogne has  
20          significantly increased our exports of stainless steel  
21          wire rod to Asia, where demand has increased, prices  
22          are higher than in the U.S., and freight costs are  
23          much lower as compared to the United States. In fact,  
24          Cogne recently opened a new sales office in Hong Kong  
25          and has invested in constructing a new coat finishing

1 operation in China, where stainless steel rod produced  
2 in Italy will be finished into downstream products for  
3 consumption in the Chinese market starting early next  
4 year. We expect that we will continue to concentrate  
5 our sales in Europe and Asia for the foreseeable  
6 future, as these markets are much more attractive than  
7 the United States, especially considering our limited  
8 available capacity for stainless steel wire rod  
9 production.

10 The issues of capacity brings me to the  
11 third reason why imports to the U.S. from Italy will  
12 not increase if the antidumping order is revoked.  
13 Quite simply Cogne has almost no excess capacity left  
14 that could be utilized to direct additional exports of  
15 stainless steel wire rod to the U.S. market, because  
16 there is no heat treatment capacity available for  
17 increasing stainless steel rod production, even though  
18 there is a small amount of capacity in the hot mill.  
19 The capacity information provided in our confidential  
20 questionnaire response demonstrates that it's  
21 impossible for Cogne to significantly increase our  
22 annual production of stainless steel wire rod. As I  
23 previously mentioned, any excess capacity would be  
24 directed to the more attractive markets in Europe and  
25 Asia, than in the United States, in particular to

1 Cogne's new finishing operation in China.

2           In addition, petitioners have proposed that  
3 Cogne might shift from production of stainless steel  
4 bar to production of stainless steel wire rod. Quite  
5 frankly, this suggestion is ridiculous, as it does not  
6 reflect economic reality in the marketplace. Why  
7 would we shift production from a high value-added  
8 product to a low-value product with smaller profit  
9 margins just to sell it in the U.S. market, where  
10 transportation costs are higher and prices are lower?  
11 Cogne has already developed a worldwide network of  
12 affiliates to distribution stainless steel bars and  
13 has, also, increased our internal consumption of  
14 stainless wire rod used in the production of stainless  
15 steel bars. In fact, it will be virtually impossible  
16 for Cogne to shift stainless steel bar production to  
17 stainless steel wire rod due to the constraints on our  
18 heat treatment capacity.

19           These three market conditions, the new  
20 entrants, our focus on non-U.S. markets, particularly  
21 China, and our capacity constraints will prevent Cogne  
22 from increasing exports to the United States in the  
23 foreseeable future in any appreciable amount, even if  
24 the order is revoked.

25           You may be wondering why I have come a long

1 way to testify before the Commission, if Cogne does  
2 not expect to reenter the U.S. market if the order is  
3 terminated. The answer is that although these  
4 prevailing market conditions are not expected to  
5 change in the foreseeable future, the U.S. market may  
6 eventually become more viable for us in the long run.  
7 At that time, Cogne may re-evaluate whether to reenter  
8 the United States in very gradual steps by selling  
9 small quantities of specialty products, such as  
10 martensitic, ferritic, and other specialty grades,  
11 with larger coil size that are more difficult to  
12 obtain in the U.S. market, at an interesting level of  
13 price and, most important, with fair competition.

14 Thank you for your consideration.

15 MS. KAMENSHINE: Good afternoon. My name is  
16 Wendy Kamenshine of the law firm Akin Gump, and I'm  
17 here today on behalf of the Korean respondents. Given  
18 my limited time, I will highlight some Korea specific  
19 issues for the Commission. Should the Commission  
20 decide to cumulate Korean imports with other subject  
21 imports, a proposition with which we disagree, we  
22 refer you to our discussion in our pre-hearing brief.  
23 In addition, my colleague representing the Italian  
24 respondents reviewed some of those points in further  
25 detail with you today.

1           The market for Korean wire rod now and in  
2           the foreseeable future, not the AD order on Korea or  
3           any other import restriction, determines whether  
4           Korean producers will export to the United States and  
5           compel a conclusion that the order on Korea should be  
6           revoked. In the past few years, demand for stainless  
7           steel wire rod has increased in several Asian  
8           countries. Moreover, the cost to ship wire rod from  
9           Korea to these other Asian countries, due to their  
10          proximity, differ from the cost to ship product to the  
11          United States or to Europe. These two points  
12          together, demand and shipment costs, make the Asian  
13          markets more attractive for Korean producers. There,  
14          also, are clear price distinctions between the United  
15          States and other export markets, which we describe  
16          further in our confidential pre-hearing brief on page  
17          eight.

18                 Another important factor to consider is  
19          Korean home market demand for wire rod. Since the  
20          imposition of the order in 1998, this demand has  
21          increased and is likely to continue to do so.

22                 In addition, Korean producer's capacity  
23          utilization rate, as detailed in the APO pre-hearing  
24          staff report, indicates that volume will not likely  
25          increase if the order is revoked. Moreover, Korean

1 producers do not produce wire rod for inventory;  
2 instead, any inventory held is typically due to the  
3 time difference between production and shipment. In  
4 fact, in the staff report, the Commission staff  
5 stated, at page II-5, regarding several subject  
6 countries, including Korea, that "these data indicate  
7 that foreign producers have a limited ability to use  
8 inventories as a means of increasing shipments of wire  
9 rod to the U.S. market."

10 In addition, the relative impact of the  
11 order on Korean export volume, also, supports the  
12 conclusion that the order on Korean imports should be  
13 revoked. The imposition of relatively low duties on  
14 Korea did not result in a significant decline in wire  
15 rod exports to the United States in the first two  
16 years after imposition of the order. Instead, Korean  
17 export volume has been determined largely by demand in  
18 several Asian countries and in Korea, itself, which is  
19 not likely to change in the foreseeable future. As a  
20 result, the AD order on Korea is not necessary.

21 Finally, for your decision on whether to  
22 cumulate, the Commission, also, should consider that  
23 the competitive conditions differ considerably as  
24 between Korean and the other subject countries. I  
25 draw your attention to the relative wire rod import



1 patterns and the percentages of apparent consumption  
2 as between all of the subject Asian and European  
3 countries, which are discussed in our pre-hearing  
4 brief on page nine. In addition, for Korea and  
5 Taiwan, only, which had dumping margins in about the  
6 same range as European suppliers, it, also, is useful  
7 to compare Korean and Taiwan share of U.S. apparent  
8 consumption in 1997 and in 2003, to that of the  
9 subject European suppliers, which is, also, discussed  
10 in our brief at page 10. The Korea specific story,  
11 also, is quite distinct from the other subject Asian  
12 countries, Japan and Taiwan, which we describe further  
13 in our confidential pre-hearing brief on pages 10 and  
14 11.

15 For all of these reasons, on behalf of the  
16 Korean producers, we urge the Commission not to  
17 cumulate your analysis and to revoke the dumping order  
18 on Korean wire rod imports. Thank you.

19 MR. MALASHEVICH: Good afternoon members of  
20 the Commission. I'm Bruce Malashevich with Economic  
21 Consulting Services, testifying on behalf of the  
22 Italian producer, Cogne.

23 As even the petitioners conceded this  
24 morning, a lot has changed in the last several years.  
25 The conditions of competition in the domestic industry

1 and the market today are radically different from  
2 those that prevailed in 1998. The domestic industry  
3 that existed earlier has experienced dramatic  
4 restructuring. It is not simply an addition to  
5 capacity; it's a restructuring of the quality of the  
6 capacity. Most important to this regard is that after  
7 decades of concentration of production of a single  
8 player, Cartec, which, also, has been a principle  
9 competitor of its independent wire drilling customers,  
10 the domestic industry attracted several new entrants,  
11 as you heard, and bountiful new investments.

12 The new entrants, by substantially  
13 expanding, for the first time in decades, the domestic  
14 availability of commodity grades of wire rod not  
15 controlled by Cartec's marketing policies expanded the  
16 overall domestic industry's market share and pushed  
17 back imports to the extraordinarily low levels shown  
18 in the pre-hearing report. The Section 201 duties had  
19 practically no effect on import volumes or prices.  
20 Having been involved in many steel cases over the past  
21 28 years of practice in this area, never before have I  
22 seen anything like the magnitude of new domestic  
23 capacity as has occurred in this case.

24 This development shapes my analysis of  
25 price, volume, and industry impact, and I suggest that

1 you shape yours, as well. The domestic industry that  
2 exists today is not vulnerable to import competition.  
3 Exhibit 2, which I believe you have in front of you,  
4 from Cogne's pre-hearing brief summarizes the reported  
5 data for domestic production capacity and capital  
6 spending. Both show growth and reflect investor's  
7 confidence in the industry's future.

8 The result of higher domestic production  
9 capacity, the much greater availability of commodity  
10 grades, and a lower cost curve, which we calculate in  
11 Cogne's brief, has been a reduction of many percentage  
12 points in the market share supplied by imports from  
13 all sources since 2000. Two developments identified  
14 in the pre-hearing report would seem at odds  
15 superficially with the foregoing analysis, the  
16 domestic industry's declining profitability and the  
17 falling trend in average selling prices. Both  
18 developments, however, reflect the conditions of  
19 competition unrelated to the role of subject imports  
20 or, indeed, imports, generally. The falling price  
21 levels reflect the industry's lower cost curve and a  
22 surge of production capacity relative to demand.  
23 These are indicia of the industry's greater efficiency  
24 and practical production capability.

25 The questionnaire evidence submitted to the

1 Commission frequently cites the expansion in domestic  
2 capacity and domestic price leadership as the causes  
3 of downward pressure on selling prices. This is the  
4 questionnaire evidence; it's not a collection of  
5 American metal market articles.

6           The course of stainless wire rod prices,  
7 also, reflects the reality of competition in the  
8 market for stainless wire. As the pre-hearing report  
9 notes, practically all SSWR is purchased directly by  
10 end users, mostly for the production of stainless  
11 wire, with the balance consumed in producing small and  
12 rebar. U.S. production of the downstream products is  
13 under severe competitive pressure, leading to greater  
14 offshore sourcing and difficult pricing. With most of  
15 U.S. demand for stainless steel wire rod derived from  
16 the production of stainless wire, wire producers must  
17 pass on their pricing pressure to SSWR; but that  
18 pressure has nothing to do with imports from subject  
19 countries or imports of the wire rod, generally.  
20 After all, as the pre-hearing report demonstrates,  
21 there has been no so-called correlation between recent  
22 declines in domestic rod prices and increases in  
23 import volumes or market share.

24           The Commission, also, must consider the  
25 domestic industry's historically low rates of

1 operating profitability. In this case, the Commission  
2 has the benefit of time series data extending with few  
3 gaps back to 1970. Exhibit 10 of Cogne's pre-hearing  
4 brief, which I believe you have before you, shows the  
5 frequency with which the domestic industry produced  
6 negative profitability, whether protected from  
7 imports, fair or unfair, or not. On a weighted  
8 average basis, the industry over 30 years produced  
9 negative profitability. These facts lead to two  
10 inescapable conclusions.

11 First, given the manner in which domestic  
12 producers have reported their profitability to the  
13 Commission over three decades, it must mean that the  
14 natural rate of the industry's operating profitability  
15 is negative over time. In other words, SSWR has  
16 always been a good, that is domestically produced,  
17 primarily for captive consumption. Thus, only a  
18 marginal contribution to gross profit is expected in  
19 open market sales. The testimony you heard from the  
20 domestic industry this morning essentially confirmed  
21 that, particularly the testimony of the gentleman from  
22 Charter, who said, their initial investment in  
23 stainless operations back in 1997 was "incremental" to  
24 a much larger project.

25 Second, the recent investment binge is

1 driven a correct belief, I believe, that U.S. market  
2 share can be gained by lower cost facilities at the  
3 expense of imports. Petitioner's argument to the  
4 effect that these investments were predicated on the  
5 continuation of these antidumping orders now at issue  
6 should be graded with extreme skepticism. Not a shred  
7 of supporting documentation was provided in the  
8 producer questionnaires or in the domestic industry's  
9 pre-hearing brief, even though the questionnaires  
10 explicitly asked for it.

11 The recent behavior of imports certainly  
12 cannot be blamed for the declining trend in the  
13 industry's profitability. Between 2000 and 2003, all  
14 imports share of consumption fell dramatically.  
15 Throughout this period, imports from nine countries,  
16 accounting for the great majority of all imports in  
17 1998, were subject to antidumping and/or  
18 countervailing duty orders. Between March 2002 and  
19 December 2003, imports of stainless wire rod from most  
20 sources were subject to the additional Section 201  
21 duties of 12 to 15 percent under the President's  
22 program. Yet, wire rod prices and the domestic  
23 industry's operating profitability continued to fall,  
24 as expanding domestic capacity and new entrants forced  
25 a restructuring of domestic supply in favor of lower

1 cost producers and to the disadvantage of the higher  
2 cost producers, as well as imports.

3 It's time for the Commission to recognize  
4 that the stainless wire rod industry's condition at  
5 present is shaped not by imports from subject  
6 countries or generally, but by the emergence of much  
7 more efficient U.S. producers and pricing pressure  
8 from downstream product markets.

9 My final point concerns the circumstances of  
10 imports from Italy. My reading of numerous ITC  
11 opinions in past sunset review tells me that the  
12 Commission places considerable weight on the market  
13 share of imports historically, as well as before and  
14 after imposition of an order. I traced back 13 years  
15 and found that since 1992, the market share of imports  
16 from Italy has been modest and steady. And there has  
17 been no correlation between Italian import volumes or  
18 their market share and the profitability of the  
19 domestic industry. I urge you to take a look at the  
20 graph that appears at page 13 of Cogne's confidential  
21 brief for details.

22 Indeed, Italian market share was greatest in  
23 the year 2000, two years after the existing orders  
24 were put in place. The recently declining trend in  
25 the domestic industry's profitability occurred in

1 parallel with the decline in imports from Italy.  
2 Therefore, with the past as a guide, there is no  
3 likelihood that imports from Italy would rise to  
4 create a discernible adverse impact within a  
5 reasonable period of time. In my opinion, even if  
6 imports from Italy fell to zero, the domestic industry  
7 wouldn't notice.

8           The past is a guide in one other respect, as  
9 well. Currently, there are only two Italian producers  
10 of SSWR, Valbruna and Cogne. Valbruna was never  
11 subject to the antidumping order now under review and  
12 received a minimal initial CBD margin that since has  
13 become de minimus. So the only issue revolves around  
14 whether imports from Cogne, a single company, which  
15 have been practically zero in recent years, would  
16 somehow rise to the level of having a discernible  
17 adverse impact in the foreseeable future. I submit  
18 the odds of that, based on my testimony and the  
19 testimony of the CEO of the company involved, makes  
20 that likelihood extremely remote.

21           The Cogne CEO just testified about the  
22 constraints affecting that company's ability to expand  
23 exports to the United States. More significant, in  
24 light of past Commission opinions, is the fact that  
25 Cogne has sold practically no SSWR in the United



1 States for several years. Even if the order is  
2 revoked, Cogne must start from scratch, thus facing  
3 significant barriers to its ability to increase its  
4 share in a much more competitive U.S. market, from  
5 practically zero, to some arguably significant levels.  
6 That's not likely to happen. The more significant CBD  
7 order against Cogne was revoked six months ago, as you  
8 heard, and, yet, Cogne has not increased sales to the  
9 United States. Similarly, imports from Cogne to the  
10 U.S. are unlikely to increase in the future, if the AD  
11 order is revoked, particularly given the intense  
12 competition from new entrants, who are now recognized  
13 to be the low price leaders in the U.S. market and  
14 otherwise much better position to serve domestic  
15 customers.

16 Thank you, very much.

17 VICE CHAIRMAN HILLMAN: Mr. Silverman, can I  
18 take it that's the end of your presentation?

19 MR. SILVERMAN: My hand signal is yes.

20 VICE CHAIRMAN HILLMAN: Okay, thank you.  
21 Thank you, very much, and let me thank all of the  
22 witnesses for being with us this afternoon,  
23 particularly to Ms. Pirovano for traveling so far to  
24 be with us. We very much appreciate your testimony  
25 and your willingness to answer all of our questions.

1                   And if I could, I'll start the questioning  
2                   this afternoon. Ms. Pirovano, if I can ask you a  
3                   couple of questions. I think you heard some of the  
4                   questions that we were asking this morning, in terms  
5                   of the Commission's interest in your sense of the  
6                   prices for stainless steel wire rod here, compared to  
7                   the prices in Europe, compared to the prices in Asia,  
8                   or in the other markets. And I heard your testimony,  
9                   in terms of stating that prices, in your view, in both  
10                  Europe and Asia were higher than in the U.S. market.  
11                  And I wondered if you could expand a little bit on  
12                  what the prices have been doing in the European  
13                  market, in the Asian market, compared to what's going  
14                  on in the United States.

15                  MS. PIROVANO: First of all, from our  
16                  understanding and from we heard from our possible  
17                  customers in U.S. and from what our subsidiary in the  
18                  U.S. market, we were able to compare U.S. prices with  
19                  European prices. And based on commodities grades, we  
20                  understood that the difference is between seven and 10  
21                  percent, and I mean that U.S. prices are lower than  
22                  European and Asian prices.

23                  In Europe, last year 2003, was a very weak  
24                  market with no strong demand and very low prices. But  
25                  starting from January 2004, the demand is very strong

1 and, also, prices increased a lot, about 20 percent.  
2 So, if we actually compare European prices and, also,  
3 Asian prices, we can see that in each market, there is  
4 an important difference. Plus, we can add to that, as  
5 in European producers, if we have to think about  
6 exports to U.S., we have to add some costs like  
7 freight cost, delivery time, also means longer  
8 payments, a risk on the exchange rate, and, also, now  
9 we have a weakness of dollars against Euro.

10 So, if we just compare the two markets, we  
11 can see differences. Plus, the position of European  
12 producers to think about U.S. market, now, it's not an  
13 interest market. So, it's better to sell in Europe  
14 and Asia.

15 VICE CHAIRMAN HILLMAN: I would like you to  
16 expand, if you could, a little bit on the issue of  
17 Asia. Obviously, we have data in our record about the  
18 average unit values of product going into Asia. I'm  
19 curious, if you could tell me a little bit more. I  
20 mean, presumably, in Asia, you have these same issues  
21 of a currency risk, shipping cost, that you would have  
22 coming into the U.S. market. You would have those  
23 same factors going into Asia. As between selling in  
24 Asia or selling in the U.S., which is a more  
25 attractive market and why?

1 MS. PIROVANO: The first is base price is  
2 higher in Asia than in U.S. Second point, freight and  
3 transportation costs from Europe to Asia are 50  
4 percent lower than to U.S. And, then, about the  
5 exchange rate risk, mostly we are able to sell in  
6 Euro, also, in Asia market. So, these three items are  
7 important and when we compare the selling price that  
8 we are able to do in the Asia market, it's better than  
9 U.S. market, in this moment.

10 VICE CHAIRMAN HILLMAN: Okay. I appreciate  
11 that answer. Then, if we -- there's been a lot of  
12 discussion about the expansion of the European Union  
13 and the countries that were added. Can you tell me,  
14 from your perspective, does that make a big difference  
15 in opening up those countries as a place for you to  
16 market your product? In other words, were there  
17 significant duties or other barriers on your selling  
18 stainless steel wire rod into those, the new 10  
19 countries, and did they change as a result of those  
20 countries entering the European Union?

21 MS. PIROVANO: The 10 new members actually  
22 has no -- any kind of duties, safeguard measures, for  
23 what I mean stainless steel wire rod.

24 VICE CHAIRMAN HILLMAN: They did not have  
25 that before they joined?

1 MS. PIROVANO: It was the same before and  
2 now.

3 VICE CHAIRMAN HILLMAN: Okay.

4 MS. PIROVANO: So, nothing changed with the  
5 10 new members entering the European Community. The  
6 only thing, it should be easier with documents, with  
7 transportation, with any kind of formalities, that  
8 starting from 1st of May will not be anymore necessity  
9 to export to these 10 new members. And Cologne is now  
10 present in these countries. We have five percent  
11 turnover. And we expect to double -- I mean, to  
12 increase a lot the exports to these new members,  
13 simply to the reason that there are no stainless steel  
14 wire rod producers in these countries and, also, the  
15 consumption of these countries will increase in the  
16 few years. We forecast like that.

17 VICE CHAIRMAN HILLMAN: Okay. So, it's  
18 more, their economic activity will pick up, as a  
19 result of them joining the European Union. It's not  
20 that there's a change in the trade situation between  
21 those countries and Europe.

22 MS. PIROVANO: Yes. No change in any kind  
23 of duties or safeguards. They were not present and  
24 they are not present now.

25 VICE CHAIRMAN HILLMAN: Okay. Mr.

1 Silverman, given that some of the data, in terms of  
2 this AUVs, is in the confidential record and, again, I  
3 don't want to go into those. I wonder if you could  
4 just add any comments in the post-hearing brief, in  
5 terms of testimony on the relative relationship  
6 between prices in Europe and Asia, having looked at  
7 the AUV data that would be in the BPI record?

8 MR. SILVERMAN: We'll do the best we can.

9 VICE CHAIRMAN HILLMAN: Thank you, very  
10 much. If I could, then, go more broadly to the issue  
11 of price, because, obviously, in the U.S. market, one  
12 of the things that we've got to look at is if the  
13 orders were to be revoked, what would be the impact on  
14 prices here in the United States for wire rod. And I  
15 don't know if either of the two wire drawers would  
16 comment on it. As I look at the data that we've got  
17 now, we still have seen imports in the market over  
18 this period of review from the subject countries. And  
19 if I look at the pricing data of those imports, the  
20 majority of it is still coming in priced below the  
21 price of U.S. products. We're still seeing some 75  
22 percent of the imports coming in underselling the U.S.  
23 product. And I'm trying to understand whether there's  
24 anything you can tell me, in terms of why that would  
25 be the case and would it change, as a result of these

1 orders being revoked.

2 MR. JENKINS: I guess we would be under the  
3 belief that the dynamics in the domestic supply would  
4 really balance itself out. So, we feel with  
5 additional potential melting, capacity added on top of  
6 the other, rolling annealing capacity had been added,  
7 that would continue to provide a very good check and  
8 balance for the domestic industry. So, I believe, we  
9 feel little threat that that would change, because of  
10 any orders or duties.

11 VICE CHAIRMAN HILLMAN: Okay. But, what I'm  
12 hearing you say is, get more supply and more  
13 competitive supply in the U.S. market. And,  
14 nonetheless, we continue to see this pattern of  
15 underselling by the imports. That's what I'm trying  
16 to understand. If the U.S. product is better quality,  
17 better cost, better volume, better depth and breadth  
18 of product, why are the imports continuing to need to  
19 come in at prices below the U.S. price?

20 MR. JENKINS: I guess if I look at our favor  
21 to domestic suppliers, there needs to be another  
22 advantage to want to buy from an importer. Because,  
23 we really try to make a total value decision on when  
24 we buy and if we have someone, who is delivering well,  
25 on time, good quality, a competitive price, there

1 needs to be some other incentives. So, that would be  
2 my only guess, although that's certainly not the  
3 position we have, based upon how much we're currently  
4 procuring domestically.

5 VICE CHAIRMAN HILLMAN: Mr. Robinson, do you  
6 have a thought on this?

7 MR. ROBINSON: Madam Vice Chairman, our  
8 experience has been that it's not entirely that  
9 situation. I think it's a question of timing. We've  
10 not always found that the offers and the prices coming  
11 in from the importers have been, in fact, much below  
12 the domestic offerings. So, I think it's clearly a  
13 question of the experience that companies have and the  
14 question of when you look at the situation, from the  
15 question of whether those prices really are lower than  
16 the domestic prices.

17 VICE CHAIRMAN HILLMAN: Okay. I'm sorry, go  
18 ahead, Mr. Ferrin.

19 MR. FERRIN: Vice Chairman Hillman, one  
20 additional point is, without going into the details in  
21 the record, if you would like very carefully at the  
22 specific U.S. producers, particularly at the end of  
23 the period of investigation, I think you may find a  
24 different story, at least with respect to one  
25 producer's price, as opposed to -- in comparison to



1 the imports.

2 VICE CHAIRMAN HILLMAN: Okay. I appreciate  
3 those answers. Observing that yellow light is on, I  
4 will stop at that point and turn to Commissioner  
5 Miller.

6 COMMISSIONER MILLER: Thank you. Let me  
7 join in welcoming and thanking all of the panelists  
8 for being here, to share your knowledge of your  
9 industry with us today, and to testify.

10 I think -- well, let me, actually, begin  
11 just by trying to make sure I understand one thing.  
12 Mr. Malashevich, your Exhibit 10, the data is  
13 confidential and even the source is confidential, but  
14 it's not -- can you explain the source of that  
15 historical profitability information?

16 MR. MALASHEVICH: Yes. Not every data point  
17 is confidential. We just bracketed the whole thing,  
18 in an over abundance of caution, because I did not  
19 have available the public version of the pre-hearing  
20 report, at the time it was prepared. But, the source  
21 of everything is International Trade Commission  
22 reports from previous investigations and the current  
23 pre-hearing report. Every single data point there is  
24 an ITC-generated data point.

25 COMMISSIONER MILLER: So, you just compiled

1       them and sort of seriatim --

2               MR. MALASHEVICH: Exactly right.

3               COMMISSIONER MILLER: -- difference.

4               MR. MALASHEVICH: Exactly right. Very  
5       unusual tool in these investigations and --

6               COMMISSIONER MILLER: Well, so much of the  
7       data in these investigations -- well, certainly, in  
8       the current one, it's all confidential. I was  
9       surprised you were able to even put that much together  
10      out of the public versions of previous reports.

11              MR. MALASHEVICH: Yes. And that's another  
12      reason -- well, we don't have any access to the APO  
13      versions of any --

14              COMMISSIONER MILLER: No.

15              MR. MALASHEVICH: -- of the previous  
16      reports. It's only the public versions. Some young  
17      gentleman spent very long hours putting that together.  
18      It was not I.

19              COMMISSIONER MILLER: Okay; all right. I  
20      just wanted to make sure I understood. Ms. Pirovano,  
21      if I could, I'd like to come back to you. We do  
22      appreciate your willingness to be here and your  
23      willingness to travel to participate in the hearing.

24              Were you with the company back at the time  
25      of the original investigation, the 1995 through 1997

1 period? Of, if not, I'm sure you're familiar by now  
2 with the experience. But, were you with them, as  
3 well, at that point?

4 MS. PIROVANO: Yes, I'm with the company  
5 starting from 1987.

6 COMMISSIONER MILLER: Okay. Now, am I not  
7 correct that Cogne's participation in the U.S. market  
8 back in that time frame was fairly significant? I  
9 mean, you've talked about how you haven't been  
10 shipping anything here in recent years. But prior to  
11 the antidumping duty applied in 1998, you were  
12 shipping -- Cogne was a fairly significant participant  
13 among the -- as compared to the other Italian  
14 producers. Is that not correct?

15 MS. PIROVANO: If I see the number of the  
16 consumption of U.S. market, I can say one percent, no  
17 more, at that time, 1995 to 1997.

18 COMMISSIONER MILLER: Okay. Well, let me  
19 ask the question this way. What was the affect of  
20 having the order put into place, in terms of Cogne,  
21 alone, without respect of what went on with other  
22 Italian producers?

23 MS. PIROVANO: We receive antidumping and  
24 countervailing in 1998 and then we stop to deliver to  
25 U.S.

1                   COMMISSIONER MILLER: Okay. And why do you  
2 look -- I mean, you've talked about the current market  
3 conditions. Maybe, I need to ask you to go back to  
4 that 1995 to 1997 period, to understand why you felt  
5 the U.S. market was more attractive to you then, than  
6 it would be today?

7                   MS. PIROVANO: At that time, I think the  
8 exchange rate was very different, the level of price,  
9 and I don't remember, maybe, also, the cost of  
10 transportation compared to other countries. And so,  
11 at that time, for us, it was a significant market for  
12 our company; but, I think very small quantities for  
13 U.S. markets.

14                   COMMISSIONER MILLER: Okay. Just now, when  
15 you said that you think the prices were different, you  
16 mean the U.S. prices were different during that time  
17 frame?

18                   MS. PIROVANO: Both U.S. market and price  
19 and the exchange rate between U.S. dollar, at that  
20 time, Lira.

21                   COMMISSIONER MILLER: So, what you're saying  
22 is at that time, the U.S. prices, in combination with  
23 the exchange rate, or as reflected in the exchange  
24 rate, made the U.S. a more attractive market to you?  
25 Okay.

1                   Now, I'm trying to sort of put that together  
2 with what I'm hearing, to a certain extent, from the  
3 wire producers about what you're expecting to see, in  
4 terms of increased -- you're talking about increased  
5 prices in the U.S. market now and increased demand. I  
6 may want to come back to you, actually, and just ask  
7 you to talk a little bit more about what you see, in  
8 terms of U.S. market conditions in the -- you know, as  
9 you look forward, how demand looks to you. And as I  
10 do that, I want to make sure I understand one thing.  
11 When we're looking at stainless steel wire rod and,  
12 perhaps, this question would have been better  
13 addressed to the rod producers, but you may have some  
14 sense of it, and that's all I'm asking for, is some  
15 sense. How much wire rod goes on to the wire end use?  
16 If that's a highly predominant amount of where rod  
17 goes, is it to wire, as opposed to bar or other end  
18 uses? Do you have any sense of that for me? Ms.  
19 Pirovano looks like she might have an answer for me.

20                   MS. PIROVANO: The question is --

21                   COMMISSIONER MILLER: You, as customers, may  
22 know, too; but, if you have --

23                   MS. PIROVANO: The question is how much wire  
24 rod goes to producers of wire --

25                   COMMISSIONER MILLER: Exactly.

1 MS. PIROVANO: -- in the U.S. market?

2 COMMISSIONER MILLER: Yes.

3 MS. PIROVANO: I'm sorry, I don't know.

4 COMMISSIONER MILLER: Okay. And I can ask  
5 the question of the producers for post-hearing. But,  
6 I'm just really just trying to get a sense. In other  
7 words, why I'm asking this question is when I talk to  
8 Mr. Jenkins and Mr. Robinson about demand in your  
9 market, I want to make sure I understand how much of  
10 that demand is -- if it's a great majority of the rod  
11 producer's business, you know, or less.

12 MR. ROBINSON: I think that probably the rod  
13 producers would be in the best position.

14 COMMISSIONER MILLER: I know they are; I  
15 know they are. And I just realized in listening to  
16 you, that I didn't ask them that question this  
17 morning. So, I'll get -- that's okay. Really what  
18 you can address is how conditions look, as far as  
19 demand for your products; what's going on?

20 MR. ROBINSON: Okay. Within the last four  
21 months, certainly, we see that demand in a number of  
22 the sectors that we sell into, as I explained, we  
23 produce a very large range of different types of wire,  
24 as I mentioned: spring wire, cold heading. And each  
25 of those types of wire tends to be a different market,

1 in certain ways. We have seen, in many of them, a  
2 significant uptake in command. The conditions are  
3 better; market conditions are better.

4 Some of them, that's not quite so true. For  
5 example, in cold heading wire, we don't see that, as a  
6 very strong market, as strong as it could be. There  
7 has been a very large influx of finished product in  
8 the form of nuts and bolts and fasteners, generally,  
9 and that certainly had an impact on the stainless cold  
10 heading market in the USA. But, generally, speaking,  
11 I would say demand very recently has been very firm in  
12 most sectors of the market and is continuing to be so  
13 at the present time. And, naturally, we're very happy  
14 about that.

15 COMMISSIONER MILLER: Mr. Jenkins, do you  
16 want to add anything?

17 MR. JENKINS: I'll just say, similarly, we  
18 have seen an overall increase in demand in the markets  
19 that we serve for the calendar year 2004.

20 COMMISSIONER MILLER: Okay. Now, wire  
21 products were subject to Section 201 tariffs. Could  
22 you tell me a little bit about the experience during  
23 that period in the industry, what import levels, up,  
24 down; price levels, up, down?

25 MR. JENKINS: Sure. The duty on the wire,

1 from our perspective, was not equitable to the duty on  
2 rod. And I do believe that forced some downstream  
3 imports of wire. And that did have quite an adverse  
4 impact on our industry. We did go through some  
5 consolidation because of that. We had two facilities  
6 on the east coast. We now have one. There was a  
7 facility owned up in the northeast that burnt and was  
8 decided not to rebuild. I, also, know that there was  
9 a facility that was relocated out of the country. So,  
10 there's definitely been some impacts and I think it's  
11 because of that inequitable situation, where importers  
12 chose, then, to go through another method being wire  
13 instead of rod.

14 COMMISSIONER MILLER: Okay. Mr. Robinson,  
15 do you want to add to that?

16 MR. ROBINSON: I'd just like to add that one  
17 impact that we saw was obviously with an initially 15  
18 percent duty on the rod and 12 percent in the second  
19 year, we certainly saw a suppression of our margins by  
20 virtue of the fact, we were not able to put the extent  
21 of that increase into our wire prices. So, our margin  
22 shrank over that period of time.

23 COMMISSIONER MILLER: Remind me, what was  
24 the tariff level on the wire product?

25 MR. ROBINSON: Seven percent -- it started



1 at eight percent, I believe, and was reduced to seven  
2 percent in the second year.

3 COMMISSIONER MILLER: Okay. And you're  
4 saying that imports -- I looked to the import and I  
5 know we've had this data before me and I apologize, if  
6 I don't remember it all, but there were enough  
7 products before us in the Section 201 that -- my  
8 memory just isn't that good. Are you saying imports  
9 of wire increased even under the 201? Not sure?

10 MR. JENKINS: I'd have to reserve an answer  
11 on that.

12 COMMISSIONER MILLER: Okay.

13 MR. JENKINS: I mean, the trend over the  
14 last five years, I would definitely feel very  
15 confident with. But in the last year-and-a-half, I  
16 couldn't comment, at this time.

17 COMMISSIONER MILLER: Okay. I appreciate  
18 all of your answers. Thank you.

19 VICE CHAIRMAN HILLMAN: Commissioner Koplan?

20 COMMISSIONER KOPLAN: Thank you. I thank  
21 the witnesses for their responses thus far. Let me  
22 start, if I could, with you, Ms. Kamenshine. In  
23 support of your argument that imports from Korea would  
24 not significantly increase if the orders were revoked,  
25 you noted at page six of your pre-hearing brief and

1 page two of your testimony this afternoon that demand  
2 in the Korean home market has increased since 1998.  
3 Let me ask you this: since demand in 1998 might have  
4 been affected by the Asian financial crisis and in the  
5 original investigation, the Commission collected data  
6 only through the first quarter of 1998, should the  
7 Commission compare current home market consumption to  
8 that in 1997, rather than 1998; and if not, why not?

9 MS. KAMENSHINE: Thank you for your  
10 question, Commissioner Koplan. I think that's a good  
11 question and something that we need to think about in  
12 kind of reviewing the issues. I think we're talking  
13 about increased demand over the period of review here,  
14 rather than looking beforehand to 1997. That would be  
15 my answer.

16 COMMISSIONER KOPLAN: Thank you for that.  
17 And if I could stay with you for a moment. This  
18 morning when discussing the likelihood that if the  
19 orders come off, they'll be switching back from wire  
20 to wire rod, I referenced Korea as having a 5.77  
21 antidumping margin. I believe I misspoke and that  
22 that margin was actually reduced to 1.67 percent, as a  
23 result of the Department of Commerce administrative  
24 review on April 12<sup>th</sup> of this year; is that correct?

25 MS. KAMENSHINE: That's correct.

1                   COMMISSIONER KOPLAN: So, if there were two  
2 more administrative reviews at that level, that would  
3 be a deminimus margin and you would be out; is that  
4 right?

5                   MS. KAMENSHINE: I believe that's not  
6 correct, because --

7                   COMMISSIONER KOPLAN: No?

8                   MS. KAMENSHINE: -- for a review, it's a  
9 lower level of deminimus. Maybe, Mr. Silverman can --

10                  MR. SILVERMAN: It has to be less than 0.5.

11                  COMMISSIONER KOPLAN: Less than 0.5, okay.

12                  MS. KAMENSHINE: Right. However --

13                  COMMISSIONER KOPLAN: But, it is now 1.67?

14                  MS. KAMENSHINE: It is 1.67 now, that's  
15 correct.

16                  COMMISSIONER KOPLAN: Okay.

17                  MS. KAMENSHINE: And just to follow up on  
18 something you mentioned earlier in the previous panel,  
19 if I could, just in terms of going -- the idea of  
20 whether we would shift back to wire rod production, as  
21 opposed to wire. As you mentioned, Commissioner  
22 Koplan, I think that's not necessarily a reasonable  
23 assumption because of the investment in wire. It's  
24 hard to shift back. You wouldn't want to just leave  
25 that investment alone. And, also, because of the

1 other --

2 COMMISSIONER KOPLAN: Can I just stop you  
3 for a second?

4 MS. KAMENSHINE: Yes.

5 COMMISSIONER KOPLAN: I think in response to  
6 that, what I heard this morning was that the  
7 investment is very slight, the difference is very  
8 slight. Is that wrong? That's what I heard from the  
9 other side this morning.

10 MS. KAMENSHINE: I think that was testimony  
11 given by Ms. Brugger and she mentioned that there was  
12 some investment that would be smaller for wire. I  
13 think it depends. And I would, also, add to that,  
14 it's important to consider some of the other demand  
15 conditions that we've mentioned, in terms of the  
16 increase in demand in Asia, Korea, and other  
17 countries, as well, as a reason not to be shifting  
18 back to rod imports here.

19 COMMISSIONER KOPLAN: Thank you, very much.  
20 Mr. Silverman, this morning, I, also, reference  
21 Taiwan's margin of 8.3 percent and I believe that's  
22 actually been dropped to 4.75 by Commerce. Is that  
23 correct, to your knowledge? Mr. Waite is telling you  
24 --

25 MR. SILVERMAN: Professor Waite has just

1 given me his --

2 MR. WAITE: That is correct, Commissioner.

3 COMMISSIONER KOPLAN: Thanks. Sorry for the  
4 -- I'm calling on the wrong one on that. Let me ask  
5 this: Italian and Korean producers, could you provide  
6 details with regard to distribution network -- your  
7 distribution network and your home market and  
8 alternate markets, including long-term contracts or  
9 commitments that would restrain producers in Korea and  
10 Italy from shifting sales to the United States, if  
11 these orders were revoked? Can I get some details on  
12 that for purposes of the post-hearing or, for that  
13 matter, if there's anything you can say now, or would  
14 you rather do that post-hearing?

15 MR. SILVERMAN: I think to give you adequate  
16 detail, we should do it in an APO afterwards.

17 COMMISSIONER KOPLAN: That's fine.

18 MS. KAMENSHINE: And that goes the same with  
19 the Korean producers. I think it would be better to  
20 provide it in the post-hearing.

21 COMMISSIONER KOPLAN: Thank you. Mr.  
22 Jenkins and Mr. Robinson, Cogne argues in its brief at  
23 pages 28 and 29 that "there are, also, notable  
24 differences in the product mix of stainless steel wire  
25 rod manufactured by Italian producers, as compared to

1 producers in other subject countries and the United  
2 States, particularly with respect to the percentage of  
3 production that is austenitic, as compared to  
4 ferritic, martensitic production." They provide a  
5 table that purportedly pulls together business  
6 proprietary information from the confidential version  
7 of our staff report. So, I can't get into the  
8 specifics of that here.

9 First, explain to me the differences between  
10 austenitic grade production and production of ferritic  
11 and martensitic grades. Can these grades be produced  
12 typically by using the same workers and equipment?  
13 Since AWPA represents purchasers, tell me whether your  
14 members perceive Italian producers to be a better  
15 source of supply of ferritic and martensitic grades of  
16 stainless steel wire rod than either domestic  
17 producers and/or the other subject countries. You're  
18 up, Mr. Robinson?

19 MR. ROBINSON: I'm up, Commissioner Koplan.  
20 That's a loaded question, to say the very least,  
21 especially seeing in our group is -- within the group  
22 I'm associated with, which is the Oslo group, we have  
23 two of the major French stainless steel wire rod  
24 producers, which I'll refer to as the French in these  
25 proceedings, who, also, make a lot of ferritic and

1 martensitic steels, as well. If you're asking me, is  
2 the Italian product for those specific grades better  
3 than other grades or from the domestic grades, I would  
4 say that that probably traditionally was the  
5 situation. I think more recently, there has been some  
6 improvements in the domestic situation, which have  
7 allowed them to compete on a more equal basis with the  
8 Italians.

9 COMMISSIONER KOPLAN: And when was that and  
10 exactly what was done to affect that?

11 MR. ROBINSON: I think that has been a  
12 development probably within the last couple of years.  
13 And as regards to the specific production techniques  
14 that we use, in order to accomplish that, I wouldn't  
15 like to offer an opinion on that.

16 COMMISSIONER KOPLAN: I, also, asked,  
17 though, whether these grades can be typically produced  
18 by using the same workers and equipment.

19 MR. ROBINSON: My information is that the  
20 same type of equipment can be used. There is some  
21 basic differences in the -- I guess in the rolling  
22 schedules and possibly some of the heat treatment  
23 that's supplied, as well.

24 COMMISSIONER KOPLAN: Okay. Can I hear from  
25 Cogne on that?

1 MS. PIROVANO: I agree that the three  
2 different grades can be produced by the same machines,  
3 so some difference in heat treatment and maybe --But  
4 the hot rolling mainly is the same.

5 COMMISSIONER KOPLAN: And the same workers  
6 could be used?

7 MS. PIROVANO: Same workers, yes.

8 COMMISSIONER KOPLAN: Thank you, very much.  
9 If I can come back to Mr. Jenkins and Mr. Robinson,  
10 again. Is there a price leader in the U.S. stainless  
11 steel wire rod market? Cogne has argued at pages 35  
12 to 39 of their brief that it's NAS. Do you agree; and  
13 if so, what are the specifics upon which you base your  
14 opinion and what affect is NAS currently having on  
15 domestic prices? Mr. Jenkins?

16 MR. JENKINS: I would like to address that  
17 question. I believe there definitely is a price  
18 leader. I would like to address it confidentially.

19 COMMISSIONER KOPLAN: I have no problem with  
20 that.

21 MR. ROBINSON: I'd like to make one comment  
22 about the situation, when we refer to the new  
23 production, NAS Charter, I think it's relevant to say  
24 that when you're talking about a price leader, that  
25 new production represents so far commodity grades. It



1 doesn't represent all of the stainless grades.  
2 Techalloy purchase is -- I counted this morning about  
3 25 different stainless steel grades. The new  
4 production so far, we've only been able to get, I  
5 think it's five grades out of the 25 from a new  
6 production. So when you talk about a price leader,  
7 yes, I would say that there is a price leader for  
8 commodity grades. And like Mr. Jenkins, I think we  
9 would prefer to address that in the post-hearing  
10 brief.

11 COMMISSIONER KOPLAN: Thank you. I might  
12 try to get one more in. I'll stay with you, Mr.  
13 Jenkins and Mr. Robinson. Cogne argues at pages 39  
14 and 40 -- oh, my light went on. I'll save it. Thank  
15 you. Thank you, Madam Chairman.

16 CHAIRMAN OKUN: Commissioner Lane?

17 COMMISSIONER LANE: Mr. Jenkins, I'd like to  
18 start with you. You, in your testimony, talked about  
19 price increases that had occurred, several this year.  
20 And I would like to know, does this increase in price  
21 represent more than just the rising cost to produce  
22 the product and the increased cost in raw materials  
23 and energy costs?

24 MR. JENKINS: I can answer that from a base  
25 price and a surcharge perspective. We've actually

1 experienced base price increase this year and that's  
2 on top of the alloy surcharges for molly, scrap,  
3 chromium, and nickel.

4 COMMISSIONER LANE: Okay, thank you. I'd  
5 like to go to the safeguard actions now, the 201, and  
6 ask you how that has impacted you all and between  
7 March 2002 and December 2003. What impact has that  
8 had on your business?

9 MR. ROBINSON: Certainly, as I mentioned,  
10 one of the impacts that it had was we were forced to  
11 pay for the imported rod. We were forced to pay more  
12 by virtue of the initially 15 percent duty, and then  
13 the 12 percent in the second year. And that, as I  
14 said, we were not able to pass the full extent of  
15 those increases into the selling prices of our wire  
16 products. So, one of the impacts that it had on us  
17 was that we saw a reduction of our margins, our --  
18 that was certainly something that happened.

19 Also, something that we saw over that period  
20 of time is that one of the countries, which was  
21 excluded, which was India, became a very aggressive  
22 competitor in the wire market. We, also, saw some  
23 increase in imports of wire by virtue of the fact that  
24 the Section 201 tariff on wire was considerably less  
25 than on the rod and we found new competition coming in

1 on the wire level. And, also, I think it's fair to  
2 mention, during that period of time, the Koreans built  
3 a wire mill in Atlanta -- just outside Atlanta,  
4 actually, in Georgia, so they became actually a  
5 domestic competitor to us in the wire market.

6 COMMISSIONER LANE: What effect, if any,  
7 have you seen since the safeguard went off in December  
8 2003?

9 MR. JENKINS: I think we've seen very little  
10 and I believe it's because the currency situation has  
11 really offset the potential even with the absence of  
12 the Section 201. So, we really haven't seen things  
13 change. I think just coincidentally, there's been an  
14 overall increase in demand of our product  
15 domestically.

16 COMMISSIONER LANE: So, you think demand has  
17 increased since safeguards went off?

18 MR. JENKINS: I believe demand has  
19 increased. I do not believe that it's the timing. I  
20 think it's the timing of the overall resurgence in  
21 growth in the manufacturing sector. I don't believe  
22 it's related to the duty. It's the safeguard  
23 measures. Like John had mentioned on the Techalloy  
24 point of view, we've seen almost identically what he  
25 mentioned with our trending between our buying price

1 and our selling price. There's been quite a pinch on  
2 the domestic producers of wire because of that. If  
3 that doesn't trend exactly right, it puts a real pinch  
4 on everything in the middle. So, we've definitely  
5 seen that. We've, also, seen a real aggressive  
6 approach into the United States by India. And, in  
7 general, over the last several years, we've seen quite  
8 an increase in wire that's been imported in.

9 COMMISSIONER LANE: Okay, thank you. In  
10 terms of accurate forecasting, what do you consider a  
11 reasonably foreseeable time? And any of you can  
12 answer that or all of you can, if you'd like.

13 MR. JENKINS: Would this be forecasting for  
14 purchasing of materials?

15 COMMISSIONER LANE: I think talking about  
16 what is likely to happen, if the order stays in place  
17 or if the orders are taken off, what would be expected  
18 to happen in the reasonably foreseeable future?

19 MR. JENKINS: Well, as a rule of thumb, when  
20 we procure materials, we tend to buy in a quarterly  
21 type pattern. So, we have to allow lead time. If  
22 there were to be any change in our procurement  
23 practices, any substantial change in our procurement  
24 pattern, I would say would be very unusual if it was  
25 to be much shorter than nine months. That would be a

1 pretty quick change. I'm talking about a significant  
2 change now in our procurement pattern. Is that what  
3 you're asking? Is that --

4 COMMISSIONER LANE: That's a part of what  
5 I'm asking, yes.

6 MR. JENKINS: Okay. As far as what we  
7 forecast our market demand to be, is that the other  
8 part of the question?

9 COMMISSIONER LANE: Yes.

10 MR. JENKINS: We, like most companies, do a  
11 forecast on a yearly basis of which we try to put in  
12 some basic negotiation approaches, based upon what we  
13 see that volume to be. Obviously, when we're talking  
14 capital investment and market strategy changes, we're  
15 talking more in the probably two to five year horizon.  
16 But as far as immediate need and actually cutting a  
17 quantity of material we order, it would be more of the  
18 shorter quarterly type duration, three to six months.

19 COMMISSIONER LANE: Okay, thank you. Does  
20 anybody else have a response to that?

21 MR. ROBINSON: For Techalloy, we're  
22 inflicted on making one year, three year, and five  
23 year forecasts effectively and I would say that,  
24 generally speaking, we're very optimistic for the  
25 forecast for the rest of this year. Also, we see

1 demand, also, increasing possibly for the next --  
2 hopefully for the next three years. So, we've kind of  
3 based our business plan with that in mind.

4 As regards, if there was a termination of  
5 the -- we don't believe it would have a profound  
6 impact certainly in the short term; by short term,  
7 within probably six to nine months. We compete on a  
8 number of world markets. We certainly see that  
9 consumption levels in many parts of the world are  
10 strong and we don't believe that there will suddenly  
11 be a very abrupt change in the supply patent into the  
12 U.S. market.

13 COMMISSIONER LANE: Okay, thank you. I  
14 don't have any other questions.

15 CHAIRMAN OKUN: Commissioner Pearson?

16 COMMISSIONER PEARSON: Madam Chairman, I  
17 note that you missed your turn in the regular order  
18 and if you would like to go before me, I'd be happy to  
19 yield, as long as I don't, then, lose my opportunity  
20 to follow you.

21 CHAIRMAN OKUN: I appreciate that,  
22 Commissioner Pearson, but I think I enjoy hearing the  
23 questions and finding out a little more about what  
24 you've already covered. So, go ahead. Thank you.

25 COMMISSIONER PEARSON: A question for the

1 respondents. You've been subject to the antidumping  
2 order. Have you made any changes in business  
3 practices, in response to those dumping orders, or  
4 taken any steps to try to avoid the imposition of a  
5 dumping order in the future?

6 MR. SILVERMAN: This is Bill Silverman.  
7 With respect to Cogne, six months ago, the Department  
8 of Commerce terminated the countervailing duty order.  
9 You mentioned dumping, but I just wanted to mention  
10 that that was removed six months ago and, as she  
11 testified, there was no increase in imports, as a  
12 result of that.

13 As far as what companies do to comply with  
14 the dumping law, people try to simulate the Department  
15 of Commerce methodology and try to comply with the  
16 law. Because of the countervailing duty order, which  
17 -- countervailing duty amount, which was high, it was  
18 a prohibition, basically, that the level was so high.  
19 But what people do, I mean -- let me put it this way,  
20 given her testimony that since they have built up  
21 commercial relationships in Europe and that's a much,  
22 much bigger -- four times the size of the U.S. market,  
23 she'll testify, if you'd like her to say it, and  
24 they've built a relationship up in China, so that  
25 they're setting up a further processing facility,

1 those are things people do, in the face of  
2 protectionism in the United States, is they build  
3 stronger markets elsewhere.

4 COMMISSIONER PEARSON: And that's a fair  
5 enough response to what was a poorly-worded question.  
6 Go ahead, Mr. Ferrin.

7 MR. FERRIN: Yes. One thing I'd like to add  
8 that is in Cogne's case, I mean, given the level of  
9 exports to the United States, it's really rather  
10 difficult for them to be doing any sort of changes in  
11 practices, because they would need to be exporting to  
12 the United States, in order to be changing the  
13 practices, in that regard. Now, if they were  
14 exporting to the United States, who knows, that might  
15 be a different situation. But, right now, it's sort  
16 of a moot issue, because they've been focusing on  
17 their other markets.

18 COMMISSIONER PEARSON: And I apologize, I  
19 can see by the reactions of puzzlement on people's  
20 faces that my question was overly broad and ambiguous.  
21 So, let me try again. I understand that there are  
22 various accounting and audit procedures available to  
23 companies such that they can track very closely sales  
24 made to foreign countries and know in advance by the  
25 trade remedy measures that are available to that



1 recipient country, whether or not they might be  
2 selling at a price that could be considered to be  
3 dumped. Do we know whether any of the respondent  
4 firms have taken those sort of steps to attempt to  
5 tighten up their internal accounting or audit  
6 procedures, so that they can either know that they are  
7 not dumping or on any individual sale, know by how  
8 much they are dumping? That's my question.

9 MR. SILVERMAN: With respect to Cogne, I'd  
10 prefer to answer in a confidential submission, because  
11 your question really goes to an attorney-client  
12 privilege, if nothing else. But, I think, generally,  
13 one thing to understand, and I know the Union of  
14 International Trade lawyers will support me on this,  
15 is that there's a non-tariff barrier, and that is  
16 legal fees. If you want to comply with the U.S. law  
17 and simulate and go through a review, it costs a lot  
18 of money. And until you have a trade volume up to a  
19 certain level, you may not institute that. I'm not  
20 speaking for Cogne, necessary, I'm just saying,  
21 generally. And in the case of Cogne, I'll be glad to  
22 give you that information, because it's covered by an  
23 attorney-client communication's privilege.

24 COMMISSIONER PEARSON: Okay. Well, I would  
25 appreciate --

1                   MR. SILVERMAN: Actually, I won't breach the  
2 privilege. Let me go back and say, it's a  
3 confidential information, it will provide for you in  
4 another form.

5                   MR. MALASHEVICH: If I may add, not on  
6 behalf of Cogne, but speaking generally, a large part  
7 of our business is setting up those systems. And  
8 although much more reasonable than legal fees, there  
9 is still by no means -- quite seriously, part of the  
10 constraint is not only the cost of setting it up, but  
11 the cost of maintenance. You have to divert  
12 management time. The system is only as good as the  
13 data you keep in it. And you could -- one client in  
14 Japan had six people basically doing nothing other  
15 than supporting and maintaining the database. So, the  
16 rule of thumb, generally, again, not speaking for  
17 Cogne, there has to be an order of \$10 million of  
18 trade to justify the investment.

19                   COMMISSIONER PEARSON: Okay. That's a  
20 helpful point. Would you agree, Mr. Malashevich, that  
21 firms that do make the commitment to implement those  
22 systems are able to have some reasonable certainty as  
23 to whether or not they are dumping with any given  
24 shipment?

25                   MR. MALASHEVICH: Reasonable certainty,

1 again, within the confines of the data. For example,  
2 nobody can forecast the course of exchange rates and  
3 that's an uncontrollable variable that could affect  
4 the validity of the system. Also, some companies just  
5 want to take shortcuts. They don't want to go all the  
6 way to -- they use estimates for variables like  
7 internal freight, things that have a very small impact  
8 on the margin, but are a big hassle to assemble with a  
9 sufficient level of detail that the Commerce  
10 Department requires. So, the less commitment in  
11 maintaining the system, the few variables the company  
12 wants to calculate really, as opposed to estimating,  
13 they're a less accurate system.

14 COMMISSIONER PEARSON: Okay. In the context  
15 of a sunset investigation like this, where the  
16 Commission is required to look to the future and to  
17 try to anticipate what might happen in the  
18 marketplace, should we give some weight to decisions  
19 that company may have taken to try to implement these  
20 procedures? Or, in your experience, doesn't it make  
21 much difference on way or another, in terms of the  
22 behavior of the companies in the marketplace? I'll  
23 let Mr. Malashevich to start.

24 MR. MALASHEVICH: Okay. Let me just answer  
25 the latter point. The first point is really a legal

1 one and I don't really have an opinion on that. But,  
2 in my experience, a very small minority of respondent  
3 companies around the world, in fact, establish these  
4 systems for the reasons I indicate. I'd say if you  
5 were to make a list of all the companies, as opposed  
6 to countries now under an antidumping order, fewer  
7 than one out of 30, in fact, would have invested in  
8 this kind of system. For most companies, it's beyond  
9 their pocketbook and they don't face a value of  
10 commerce with the United States that justifies the  
11 investment.

12 COMMISSIONER PEARSON: Okay. And Mr.  
13 Silverman, then, to the question of whether or how the  
14 Commission should add such information into our  
15 analysis, if companies have or have not made those  
16 accounting commitments.

17 MR. SILVERMAN: It's interesting. I hadn't  
18 thought of it as a subject that was germane to a  
19 Commission determination. I always think of setting  
20 up these systems, in connection with the Department of  
21 Commerce function.

22 COMMISSIONER PEARSON: Of course. And let  
23 me clarify that I'm not trying to look behind Commerce  
24 in asking the question, but rather to understand the  
25 possible behavior of firms going forward, as we do our

1 analysis.

2 MR. SILVERMAN: I mean, I think if you want  
3 to ask it of people and it may encourage people to do  
4 it, that will be good for the trade bar. I'd be in  
5 favor of it. But the problem is that you have no -- I  
6 think it would be very difficult for you to verify  
7 whether it was much of a system or not. If they hired  
8 Bruce, I would say, that was a good sign. But when  
9 some people say they have a system, I don't know how  
10 the Commission would determine whether it was  
11 sophisticated, whether it was effective, whether -- it  
12 would be very hard to evaluate. I don't think -- I  
13 mean, you can ask and I think it's a good idea for  
14 general understanding. But, I don't know how you'd be  
15 able to evaluate whether it was really going to have  
16 an impact or not. I think such things as opening  
17 facilities in China or setting up distributorships in  
18 Czechoslovakia, those are things that are more  
19 concrete that you can probably use more readily.

20 COMMISSIONER PEARSON: Ms. Kamenshine, any  
21 thoughts on this topic?

22 MS. KAMENSHINE: Well, I agree with Mr.  
23 Silverman. In terms of whether -- how to evaluate  
24 these programs, it seems kind of a catch as catch can  
25 and whether you can determine which one is a good

1 system or not. But, it would be helpful if you would  
2 able to do that, I would imagine.

3 COMMISSIONER PEARSON: Okay. Well, thank  
4 you for those responses. I see my light is -- anyone  
5 else on this topic? Okay, I will pass, Madam  
6 Chairman.

7 CHAIRMAN OKUN: Thank you, all of you, and I  
8 apologize that I was not here to hear your direct  
9 testimony. I've read your briefs and I'll have an  
10 opportunity to look at the transcript. I did have a  
11 commitment outside that took a little longer than I  
12 thought. So, I will ask a few questions and listen to  
13 my colleagues other questions and if I have more, I'll  
14 come back on a second round. So, I hope I don't  
15 repeat anything.

16 But, let me start maybe if I could with you,  
17 Ms. Kamenshine, with regard to demand in Asia. And on  
18 page five of your brief, you had a section in there  
19 where you were talking about demand in Asia and demand  
20 in China, specifically. And you have some figures in  
21 there that looks to me like indicate that you're  
22 talking specifically about stainless steel wire rod  
23 and you have a cite in there. And I wondered if  
24 there's any additional information that you could  
25 submit in a post-hearing submission for us -- you

1 might have heard my exchange with this morning's  
2 panel, in terms of trying to understand specifically  
3 what's going on in China with regard to stainless  
4 steel wire rod and this information seems relevant,  
5 but it seems like we need to know a little bit more  
6 about what it's based on.

7 MS. KAMENSHINE: Certainly. And just a  
8 couple of comments on that and we'll be happy to  
9 provide that in the post-hearing. There is an exhibit  
10 in our questionnaire response, and one of our  
11 producers -- actually, it's in both questionnaire  
12 responses, that shows that report. It is particular  
13 to stainless steel wire rod, and shows demand for all  
14 countries. So, I refer you to that, which should be  
15 helpful. And in addition, we can provide some  
16 information on imports into China, which I know you  
17 had mentioned earlier this morning.

18 CHAIRMAN OKUN: Okay. And does that  
19 information have anything in it with regard to future  
20 forecasts or does it only look back through the years  
21 that you've cited here in the brief, from 1998 to  
22 2003?

23 MS. KAMENSHINE: I believe it only looks  
24 back to the years that we've cited, but we can double  
25 check and see if there are any future forecasts.

1                   CHAIRMAN OKUN:   Okay.

2                   MS. KAMENSHINE:   The other -- if I could  
3                   just mention --

4                   CHAIRMAN OKUN:   Yes.

5                   MS. KAMENSHINE:   -- one other thing that the  
6                   report shows and we've mentioned, as well, that it's  
7                   not just demand in China that's increasing.  It's  
8                   several other Asian countries, as well.  So, I just  
9                   want to point that out.

10                  CHAIRMAN OKUN:   Okay.  I appreciate that.  
11                  And, again, anything that you can add in that with  
12                  regard to those forecasts, that would be helpful.

13                  And with regard to forecast, generally, Mr.  
14                  Robinson, I think I heard you talk about what you can  
15                  forecast out and you're saying your outlook looks good  
16                  and even three years, you're reasonably optimistic  
17                  about that.  And I wondered if you've had an  
18                  opportunity to specifically comment or have seen Mr.  
19                  Blot's chart that he passed out this morning, the  
20                  chart we referenced a lot, but that had some demand --  
21                  some forecast for apparent consumption, and I wondered  
22                  if you -- if they're in line with your view of the  
23                  market.  I guess I would characterize them probably as  
24                  consistent, but just has specific figures in there and  
25                  I didn't want -- don't know if you had anything on



1 specific figures on apparent consumption in the  
2 market.

3 MR. ROBINSON: Unfortunately, I have not had  
4 the chance to see the chart Mr. Blot prepared.

5 CHAIRMAN OKUN: Okay. Well, perhaps for  
6 post-hearing, if you could take a look at that, mostly  
7 -- or just provide for us your forecast that you were  
8 talking about, your one year, your three year, and I  
9 can look at those to see how they relate. Is that  
10 something that's --

11 MR. ROBINSON: I'd be happy to do that for  
12 post-hearing.

13 CHAIRMAN OKUN: Okay. That would be great.  
14 I'd appreciate looking at that. And, Mr. Jenkins, if  
15 you have anything similar that we could look at, that  
16 would, also, be helpful. And I guess, also, just on  
17 that, Mr. Robinson, Mr. Jenkins, maybe you could  
18 comment on just looking at the period that we have  
19 data for in this investigation, in terms of what you  
20 saw, did you see, I mean, kind of this recessionary  
21 demand, demand was down because of the recession; is  
22 that consistent with your -- how your business saw  
23 demand over the last couple of years, last three  
24 years?

25 MR. JENKINS: Yes. I would say that's very,

1 very consistent with -- definitely a drop off in the  
2 2001 time period.

3 CHAIRMAN OKUN: Okay. And when you're  
4 looking forward, is there any change in end user  
5 demand or anything? I mean, how do you evaluate what  
6 we talked about this morning, in terms of finished  
7 products being brought in, as opposed to users using  
8 the steel the wire rod? Do you see much of that or do  
9 you expect that with manufacturing picking back up,  
10 your same --

11 MR. JENKINS: Well, we sure -- I guess we  
12 sure hope it's going to come back consistent to where  
13 it was before, although we do have some reports of the  
14 markets that we serve where our product is actually  
15 processed and there has been some competition for the  
16 finished product, more so in the finished spring and  
17 the finished fastener area. That's not a large piece  
18 of our business, but it is substantial -- significant  
19 amount.

20 CHAIRMAN OKUN: Okay. Mr. Robinson, any  
21 other further comments on that?

22 MR. ROBINSON: We certainly felt the impact  
23 of the recession. The one thing that we did see that  
24 was unfortunate is we saw a number of customers close  
25 their doors and just cease operations, just went out

1 of business all too often over that period of time.  
2 And it seems to have abated now, fortunately.

3 CHAIRMAN OKUN: Okay. I appreciate those  
4 comments. Mr. Silverman, if I can go back to you,  
5 have you had an opportunity in responding to my  
6 colleagues to talk about no discernible adverse  
7 impact, yet?

8 MR. SILVERMAN: No.

9 CHAIRMAN OKUN: Okay. Well, then, let me  
10 pose a question to you. I know that you raised that  
11 both in your opening and you briefed it, as well, in  
12 terms of how you would ask the Commission look at  
13 Italy, in terms of no discernible adverse impact. And  
14 I wondered -- I had a few questions on that. I mean,  
15 Italy is interesting to me, because it's one where you  
16 didn't see really a big drop off, in terms of imports.  
17 I mean, it stayed in the market and that was -- you  
18 had an order, where the Commission found that Italy  
19 and its cumulated condition was contributing to the  
20 injury. And I wondered if you thought that was  
21 consistent with how the Commission has analyzed no  
22 discernible adverse impact, when you had a country  
23 like Italy, whether there was anything you could point  
24 to me -- I think you used the castings case, maybe, as  
25 your footnote. And actually, I wasn't on that case.

1 I will go back and look at it. But, I wondered if  
2 there was anything else you've seen in Commission  
3 practice that you could point me to when I look at  
4 your argument on no discernible adverse impact.

5 MR. SILVERMAN: If you don't mind, Mr.  
6 Ferrin can answer that.

7 CHAIRMAN OKUN: Okay, please.

8 MR. FERRIN: Yes. Madam Chairman, in  
9 particular, we cite the sunset review on stainless  
10 steel wire rod from France and several other  
11 countries, because that, seems to us, is probably the  
12 most relevant precedent, where, in fact, the French  
13 argued that they shouldn't be cumulated, in part,  
14 because of the fact they've had a steady presence  
15 throughout the market. Now, I believe the Commission  
16 determined that France did have a discernible adverse  
17 impact, but they nevertheless considered it a  
18 condition of competition that would justify  
19 decumulation.

20 CHAIRMAN OKUN: Right. And that's why I was  
21 just wondering, in terms of the argument at looking at  
22 other cases, because that one, to me -- again, we  
23 looked at another country where we said it wasn't,  
24 that it not be no discernible adverse impact, but we  
25 used it as a condition of competition and I'm just

1       curious whether there was -- you've looked at any of  
2       our other decisions. I mean, there have been a number  
3       of them now in sunset and I'm just trying to figure  
4       you where you think the Commission has been or how  
5       your argument fits in with where we've been or what  
6       the courts have had to say on no discernible adverse  
7       impact, because we've had some of that, as well. So,  
8       maybe for post-hearing, if you could go back and think  
9       of it that way, that would help me in analyzing it.

10               MR. SILVERMAN: We'd be happy to do that.

11               CHAIRMAN OKUN: Okay. I appreciate that.

12       And, let's see, Mr. Silverman, I guess, one other  
13       question for you, and I'm not sure if you can respond  
14       to it, but -- which is with regard to the relationship  
15       between Rolldan and the domestic producer NAS and  
16       whether you think that that means spaying faces, kind  
17       of distinctive conditions of competition in the U.S.  
18       market, in light of that relationship.

19               MR. SILVERMAN: I think it's not Rolldan.

20               CHAIRMAN OKUN: It's not?

21               MR. SILVERMAN: No.

22               CHAIRMAN OKUN: Okay.

23               MR. SILVERMAN: It's Acerinex.

24               CHAIRMAN OKUN: Okay. Does that change the  
25       equation?

1 MR. SILVERMAN: No. It's a good question  
2 anyway.

3 CHAIRMAN OKUN: I have that information.  
4 Thank you for pointing it out. I'll remember that  
5 when the trade lawyers union comes before us.

6 MR. SILVERMAN: Your question, does that  
7 change the conditions of competition --

8 CHAIRMAN OKUN: Yes.

9 MR. SILVERMAN: -- with respect to the  
10 Spanish case?

11 CHAIRMAN OKUN: Yes.

12 MR. SILVERMAN: Well, you know, this may not  
13 be the answer you intended, but why isn't NAS here to  
14 answer your question? If they're so injured and if  
15 the sky is falling, they could have answered that  
16 question if they were here. I don't know the answer  
17 to that question. We'll see if we can get some  
18 information from our sources; but, they ain't here.

19 CHAIRMAN OKUN: Okay. I'm being shown  
20 information in the staff report indicating that it is  
21 Rolldan. But, anyway, I will check --

22 MR. SILVERMAN: I'm not criticizing the  
23 staff, don't get me wrong. The last thing I want to  
24 do --

25 CHAIRMAN OKUN: There you go, that's a good

1 answer.

2 MR. SILVERMAN: Why aren't they giving you  
3 rules; why aren't they giving you rules?

4 CHAIRMAN OKUN: Always be nice to the staff.  
5 We all remember that. All right, well, I will --  
6 again, we don't have them here, but we can always  
7 submit that, and I was just curious whether you had  
8 any information that you could share with us. And I  
9 see my time is about to come up, so I will turn to  
10 Vice Chairman Hillman. Thank you all.

11 VICE CHAIRMAN HILLMAN: Thank you. I'm  
12 going to, if I could, turn back to this issue of third  
13 country pricing and how we get a sense of what's going  
14 on in third countries. Ms. Pirovano, in terms of your  
15 exports to Europe, to Asia, or to the United States,  
16 are they different, in terms of product mix, meaning  
17 do you tend to ship more commodity grade to one of the  
18 three markets or more specialty grades or would you  
19 say the mix of the products that you send is the same,  
20 whether it's to Europe, the U.S., or Asia?

21 MS. PIROVANO: Actually, the exports from  
22 Cogne to Asian market is mainly not of commodity  
23 grade; the simple reason is that the price level and  
24 the margins. So, it means that we prefer to deliver  
25 ferritic and martensitic grades for which we have a

1 higher level of prices and higher level of margins,  
2 and so we are able to cover the transportation costs  
3 and all the other costs for foreign markets.

4 VICE CHAIRMAN HILLMAN: You're saying going  
5 to Asia --

6 MS. PIROVANO: Asia.

7 VICE CHAIRMAN HILLMAN: -- have to ship a  
8 higher portion of the specialty products?

9 MS. PIROVANO: Yes. And --

10 VICE CHAIRMAN HILLMAN: How about the U.S.  
11 market?

12 MS. PIROVANO: As I said before, a  
13 possibility for Cogne to reenter the U.S. market  
14 should be just for small quantities and, in many case,  
15 for specialty grades, like ferritic and martensitic,  
16 not for commodities.

17 VICE CHAIRMAN HILLMAN: Okay. Now, that's  
18 true for your company. Do you have sense of generally  
19 whether the Asian market is more demanding of -- needs  
20 more specialty product or, generally, is what is being  
21 sold into Asia an ordinary mix of some portion of  
22 commodity grade and some specialty?

23 MS. PIROVANO: I think it's a question,  
24 also, price. In Asian market, the Asian producer of  
25 commodities can, also, lower prices than European



1 producers. So, it's the same. For European  
2 producers, it's easier to deliver high quality than  
3 commodities, just for the reason I offer, the  
4 complication on prices.

5 VICE CHAIRMAN HILLMAN: Okay. But, it isn't  
6 as though the markets, themselves, are using different  
7 products, whether the Asians, for example, are or not  
8 using rebar for their bridges, whereas somebody else  
9 is? Do you have sense of the demand for product is  
10 different in the Asian markets, versus Europe, versus  
11 U.S.?

12 MS. PIROVANO: No, not in this case.

13 VICE CHAIRMAN HILLMAN: Okay. I appreciate  
14 that. Mr. Malashevich, you argued that your view was  
15 that the various orders have had, in essence, no  
16 impact, in terms of the market, I think was -- or  
17 virtually no impact, I think was the words that you  
18 used.

19 MR. MALASHEVICH: Well, in terms of  
20 practically no impact, and I think the context was the  
21 Section 201 remedies that were in place. But, in  
22 general, there is a counterintuitive behavior of  
23 imports -- subject imports, as well as total imports  
24 during the POI and this sunset review, which suggests  
25 that the imports peaked after the orders were in place

1 and they have been declining ever since, even though  
2 the orders are in place. And there is an element, I  
3 believe, of supply push, because it coincides with  
4 initially Charter starting up their U.S. capacity. We  
5 heard testimony, it begin in June 2001, followed by  
6 Dunkirk in 2002, and followed by NAS in 2003.

7 VICE CHAIRMAN HILLMAN: Well, I have to say,  
8 in looking at the data, obviously, it's difficult,  
9 because the actual numbers for a lot of this data is  
10 confidential. But, I mean, I look at it and see a  
11 very, very significant drop in imports between 1997  
12 and 1998, when the orders went into place; and then  
13 another drop in 2003, when, in theory, the 201 duties  
14 would have taken effect. So, I'm struggling with how  
15 you're telling me that these orders have had no effect  
16 on volume.

17 MR. MALASHEVICH: Well --

18 VICE CHAIRMAN HILLMAN: And, yet, I'm  
19 looking at data where I can at least see from looking  
20 at it, some sense of a correlation.

21 MR. MALASHEVICH: I'm talking about the  
22 effect on the domestic industry's condition. It's  
23 quite possible that earlier in the period when the  
24 orders were first in place, it did have an impact on  
25 volume. But, the essence of my testimony is that if

1 you look -- whether you look at the last three or four  
2 years, in a sunset context, I would argue that as an  
3 economist, since we're looking forward, we should be  
4 taking a kind of a fresher look at the more recent  
5 years, in trying to project forward; or you look  
6 historically going back 30 years. The domestic  
7 industry's condition has come to be shaped by factors  
8 other than imports generally, not just those subject  
9 to the orders.

10 So -- because historically, the domestic  
11 industry did not have capacity to supply all U.S.  
12 demand. That's why you heard testimony from the wire  
13 drawers a sea change. It's not just that capacity  
14 increased in the United States; it has been in  
15 structural deficit requiring imports, especially for  
16 the commodity grades. So, the increase in capacity,  
17 and we discussed this in preparation for this hearing,  
18 the gentleman -- the wire producers, I think, can  
19 confirm it, today, the domestic industry does have the  
20 capacity to supply the commodity grades, but there is  
21 still a continuing need for other grades, and people  
22 are either paying the duties and bringing in the  
23 product.

24 VICE CHAIRMAN HILLMAN: Just so I understand  
25 it, your testimony that the orders have not had an

1 impact, you're really talking about not had an impact  
2 on the operating income or the profitability.

3 MR. MALASHEVICH: These overall --

4 VICE CHAIRMAN HILLMAN: -- You're not  
5 suggesting they have not had an impact on the volume  
6 of subject imports.

7 MR. MALASHEVICH: No. They certainly had  
8 some impact on the volume of subject imports. You  
9 heard that, in effect, from the Cogne witness. My  
10 point is, in assessing the effect of revocation, it's  
11 relevant on what effect the orders had on the domestic  
12 industry's overall condition. And my testimony is  
13 that whatever linkage may have existed during the  
14 original investigation, and I didn't testify in the  
15 original investigation, whatever linkage might have  
16 existed was broken by virtue of the sea change in  
17 domestic capacity since 2001, such that imports have  
18 fallen down to levels that are basically filling in  
19 around the edges. The entire industry's pricing and  
20 profitability are shaped by the five players that now  
21 dominate the U.S. market. So, if the orders are no  
22 longer benefitting or affecting favorably, the  
23 domestic industry's condition, removing the orders  
24 would not have a material impact.

25 VICE CHAIRMAN HILLMAN: Okay.

1 MR. WAITE: Vice Chairman?

2 VICE CHAIRMAN HILLMAN: Mr. Waite?

3 MR. FINN: Thank you, Vice Chairman Hillman.

4 As you know, we're not privy to the APO, since we  
5 represent merely industrial consumers in this  
6 investigation. But, your comments about the impact of  
7 the orders on volume are a little puzzling to us, who  
8 only can see the public record, because according to  
9 the public version of the pre-hearing staff report,  
10 volumes of imports from subject countries actually  
11 increased from 1998 through 2000. There was a dip in  
12 1999, but they came back very strongly in 2000, which  
13 would be a year after the orders were in place,  
14 keeping in mind that our understanding is the orders  
15 went into place in the latter part of 1998. We had  
16 only the public data from the Bureau of Census prior  
17 to seeing the pre-hearing staff report. That showed  
18 an even more dramatic increase in imports from the  
19 subject countries. The staff report, I believe,  
20 purports to show only subject imports, that is taking  
21 out those producers, who are excluded from the order.

22 Secondly, in terms of the impact of the  
23 Section 201 relief, again, we don't believe that the  
24 Section 201 relief had a substantial impact certainly  
25 over a period of time on the level of imports, either

1 from the subject countries or from all imports. And  
2 we would just draw your attention to Exhibit 25, which  
3 is a public exhibit in our pre-hearing brief, which  
4 tracks imports, both from subject countries and all  
5 countries month-by-month during the period that the  
6 201 relief went into effect. And as the petitioners  
7 mentioned this morning, there was a spike in imports  
8 immediately before the presidential determination was  
9 released and then there was a plummeted of imports  
10 immediately after. But, then, very quickly, imports  
11 returned to levels that were comparable to the level  
12 of imports prior to the Section 201 case. And you see  
13 the real falloff of imports in a consistent way,  
14 starting well into the Section 201 relief, and that is  
15 after March 2003, when, in fact, the relief on the 201  
16 imports was diminishing.

17 So, you had the relief diminishing in March  
18 2003 and then imports actually falling off  
19 dramatically, which we believe was due to factors  
20 other than the 201 relief and to factors that have  
21 been discussed here, the advent or the emergence of a  
22 very vital, aggressive domestic industry. The  
23 emergence of demand in markets overseas. And, again,  
24 if you would look at the table in our pre-hearing  
25 brief, I believe it's 22 -- I'm sorry, 23, the effect

1 of currency exchange rates, in which the dollar  
2 plummeted against the exchange rates of virtually all  
3 of the countries subject to these orders.

4 VICE CHAIRMAN HILLMAN: I appreciate that.  
5 I'll be honest, it was more -- I was looking at the  
6 data as sort of leading up to the imposition of the  
7 order in 1998, where I think it is fair to say that  
8 imports, obviously, were at a much higher level in  
9 1996, 1997, and then you did see this fairly, I think  
10 quite significant decline in 1998, further decline,  
11 somewhat going up again, you are correct, in 2000, but  
12 then from there, a clear coming back down again. And  
13 I'm trying to understand what you make of this and is  
14 that -- in the absence of an order, would we see  
15 imports at the level that they were in 1997? I mean,  
16 is that a likely conclusion, a fair outcome from  
17 looking at this data? Or, and again, is it affected  
18 by other things? That was the point of the question.  
19 So, if there is anything further you want to add, in  
20 terms of post-hearing brief or others on that, that  
21 was what I was trying to understand.

22 MR. MALASHEVICH: We will. Just one 30-  
23 second point. Focusing on that latter period makes it  
24 so important to understand that by coincidence,  
25 really, that's where you had the expansion of the

1 domestic industry with the new entrants beginning,  
2 just months before the 201 relief was put in effect.  
3 And such evidence as we have, which was testified to  
4 this morning by Mr. Hudgens, was that the level of  
5 imports since the 201 duties came off has remained  
6 low. And we believe the combination of market  
7 circumstances or that the level of imports without an  
8 order would be a lot more like 2003, than like 1996.

9 VICE CHAIRMAN HILLMAN: I appreciate that  
10 answer. Thank you.

11 CHAIRMAN OKUN: Commissioner Miller?

12 COMMISSIONER MILLER: Mr. Ferrin, I want to  
13 go back and take a few steps further. The chairman's  
14 question to you about the no-discernable-adverse-  
15 impact standard and the Commission's precedents on it;  
16 you used the Castings opinion to support the  
17 proposition that the Commission has determined that  
18 where volumes of imports were not likely to change,  
19 that the Commission found the standard to be met. And  
20 I would just point out to you that that opinion, as  
21 you know, the Castings opinion was split. There were  
22 three commissioners that did reach the view. There  
23 were three commissioners that specifically rejected  
24 that point of view. Those three commissioners are  
25 still sitting on the Commission.



1           So when you expand on this in your brief, I  
2 think you might want to look a little bit further at  
3 the way -- there are three commissioners here who  
4 didn't address it then. Two of them have never  
5 addressed this issue, I believe, in a review, so have  
6 at it. You've got your shot at them, but be careful  
7 what you do cite because there is no one who is on  
8 this Commission currently that's been there.

9           The only other question -- I think I want to  
10 go back to Ms. Pirovano for a minute because I've been  
11 thinking about your answer to my last question and  
12 some of this debate we're having about what's likely  
13 to happen to the volume of imports and what happened  
14 with the case of your company, in particular, under  
15 the antidumping order. But we have to look at imports  
16 from Italy as a whole, not just from your company,  
17 and, I think, as the vice chairman has pointed out and  
18 the chairman did as well, imports from Italy have  
19 continued to be at fairly significant levels  
20 throughout the post-order period.

21           You're only speaking, obviously, to your  
22 company's position, but perhaps you could help us  
23 understand if there is any reason why your company is  
24 in a different position than the other Italian  
25 companies exporting to the U.S., why the same factors

1 wouldn't have constrained their exports to the U.S.  
2 They are confronting the same price dynamics, European  
3 prices being higher than U.S. Why would U.S. prices  
4 be appealing to them in this context? They are  
5 looking at the same European market. I guess I'm  
6 having a hard time reconciling --

7 MS. PIROVANO: The question is between Cogne  
8 and Valbruna, you mean?

9 COMMISSIONER MILLER: Basically, Valbruna,  
10 yes.

11 MS. PIROVANO: Okay. And you mean about  
12 this period, not in the past, not between '98 and  
13 2003.

14 COMMISSIONER MILLER: I mean, between '98  
15 and 2003 and going forward.

16 MS. PIROVANO: Okay. So if we go back to  
17 '98, we received a 35 percent duty for countervailing  
18 and antidumping. Valbruna received quite zero. So  
19 it's obvious that Valbruna decided to go on with the  
20 exports to U.S. Instead, Cogne obviously decided to  
21 stop any kind of delivery to U.S. During this period,  
22 we tried to focus on other markets due to the reason  
23 that the U.S. market was not possible for us, and we  
24 decided, as explained before, to start a new plant in  
25 China, for example. Instead, I think that Valbruna

1 did not have this kind of plan.

2 So I cannot say anything on the other side.  
3 I imagine that Valbruna was present at the time in the  
4 U.S. and continued to say here also for the reason  
5 that it invested a lot in the U.S. We know that  
6 Valbruna had some sales offices all around the U.S.,  
7 some warehouses, and so developed a network of  
8 distribution here in the States during this period.  
9 Instead, in '98, when we were pushed out from the  
10 market, we decided to increase our strategy of  
11 networks in Europe and in Asia.

12 COMMISSIONER MILLER: Okay. So, , in other  
13 words, the past situation puts you in a different  
14 position currently and going forward.

15 MS. PIROVANO: The decision of U.S.C. in '98  
16 decided two ways for the two companies.

17 COMMISSIONER MILLER: Okay. I appreciate  
18 that. I just wanted to come back to it one last time.

19 I have no further questions at this point.  
20 I appreciate all your answers.

21 CHAIRMAN OKUN: Commissioner Koplan?

22 COMMISSIONER KOPLAN: Thank you, Madam  
23 Chairman.

24 Ms. Pirovano, this morning, in response to a  
25 question that I asked Mr. Hartquist about your

1 company, he came back and asked the question that I  
2 said I would let you answer this afternoon, and that  
3 was, if it's not important for you all to come back if  
4 these orders are revoked, then why are you here today?  
5 And when I listened to your testimony just a little  
6 while ago, you said that for your company to reenter  
7 our market, at best, you would come in in small  
8 quantities and/or specialty grades.

9 So I'm curious. I said I would give you a  
10 chance to respond to that this afternoon. I would  
11 like to hear your answer to the statement that Mr.  
12 Hartquist made. Why is it significant for you to be  
13 participating in this proceeding if you're not coming  
14 back in any significant way?

15 MS. PIROVANO: I didn't say that we don't  
16 want to reenter this market. I said that, by now, we  
17 don't think that the U.S. market is interesting for us  
18 due to price level and other factors. But I said that  
19 for the future, it should be interesting for Cogne to  
20 be able to reach the U.S. market, I said, for small  
21 quantities, for specialty grades, maybe as we are able  
22 to produce big-sized coils, et cetera. I think that  
23 the main reason for which we are here is that we would  
24 like to see in the future the U.S. market as a free  
25 market.

1           In Europe, we have no duties. We have no  
2 safeguard measures. So all U.S. steel producers, if  
3 they want to come in Europe and to compete with us,  
4 they are free to do that. So our opinion is that in  
5 the future it is something -- appreciate to have a  
6 free market worldwide. So both of the companies in  
7 U.S. or in Europe are able to compete in the same  
8 markets at fair competition level but with not duties  
9 at all in any kind of the markets.

10           MR. SILVERMAN: Let me just add a legal  
11 aspect of that. It's a wonderful answer to say, well,  
12 why did you come if you don't want to participate in  
13 the U.S. market? If there were a statutory provision  
14 that required Respondents to say they will not export  
15 in order to get relief, Congress didn't create  
16 anything here.

17           We have a right to have the order removed if  
18 we meet the statutory standards: either that we're  
19 not going to have a discernable impact because the  
20 imports will be at a trivial level and very few grades  
21 or because of other reasons where the Commission finds  
22 that we will not have any adverse impact. So to say,  
23 "Why are you here?" is flip, but it's not what the law  
24 requires, and I think that's the important point.

25           We don't have to say we'll never export, and

1 if we want to export three years from today, it's well  
2 beyond the foreseeable period, however you define  
3 that, and we want to be able to do it in accordance  
4 with international obligations and with what Congress  
5 intended by this statute. We don't have to say we'll  
6 never export in order to get relief.

7 COMMISSIONER KOPLAN: I'm not suggesting  
8 that you all have to say that, but I want to stay with  
9 you and with Ms. Pirovano, if I could.

10 Assume, hypothetically, that I don't agree  
11 with the argument you have made that there is a  
12 likelihood that subject product from Italy will have  
13 no discernable adverse impact on the domestic industry  
14 in the event the orders are revoked, hypothetically.  
15 Then I would be turning to the issue of whether I  
16 should exercise my discretion to cumulate Italian  
17 stainless steel wire rod with the other five remaining  
18 subject countries.

19 With regard to review investigations, I may  
20 cumulatively assess the volume and effect of subject  
21 imports from all countries with respect to which  
22 reviews are initiated on the same day if such imports  
23 would be likely to compete with each other and with  
24 domestic like products in our domestic market if the  
25 orders were revoked. I've heard your arguments on

1 that point, and I've read your brief. But I would  
2 like to hear from Ms. Pirovano on that since she is  
3 the only industry witness on behalf of a subject  
4 producer here this afternoon.

5 So, Ms. Pirovano, why do you believe that it  
6 is not likely that a reasonable overlap in competition  
7 will lead to continuation or recurrence of material  
8 injury within a reasonably foreseeable time if the  
9 order is revoked?

10 MR. SILVERMAN: With all due respect, sir,  
11 that's a legal question with lots of legal  
12 definitions. I think it's hard for someone who is not  
13 a lawyer to give an answer. I don't want to sound  
14 like the old, "I'm not a potted plant" routine, but  
15 that's a very legalistic question, and she is going to  
16 give you factual information which may not be in  
17 accordance with legal standards.

18 COMMISSIONER KOPLAN: But if I could, with  
19 all due respect, Mr. Silverman, the response I had  
20 earlier was that if Cogne came back, it would be in  
21 small quantities and specialty grades. As I read into  
22 that, what I'm hearing is there will not be a  
23 reasonable overlap of competition that takes place if  
24 the orders are revoked. I didn't define the nature of  
25 their reentrance to the market; she did, and I'm

1 interested in the specifics on that. Do you follow  
2 where I'm coming from?

3 MR. SILVERMAN: I'm not trying to be dense,  
4 but I don't understand. I mean, she can tell you what  
5 she intends to do in terms of grades or quantities or  
6 markets, et cetera, but to make a legal conclusion  
7 about whether it fits the statutory standard of  
8 foreseeable future or the legal standard of adverse  
9 impact is tough for a nonlawyer to opine on. I'm not  
10 trying to be dense, but it's a tough question you've  
11 asked for a nonlawyer to answer.

12 I'm not pulling a Don Cameron on you here.  
13 I'm trying to understand the question.

14 COMMISSIONER KOPLAN: I'm going to save the  
15 transcript on that one. (Laughter.)

16 MR. SILVERMAN: Let's try to be helpful in  
17 our answer. She can talk to you about her business or  
18 other statistics in the record, but to draw a legal  
19 conclusion -- your question seems to ask for her to  
20 draw a legal conclusion. Her facts stand for  
21 themselves, and we'll urge you that they meet the  
22 statutory standards based on what the Commission has  
23 done or courts have done.

24 COMMISSIONER KOPLAN: Was it a legal  
25 conclusion to ask the question, if the order comes



1 off, does she expect that if her company comes back,  
2 they will be competing in this market with these other  
3 subject countries? Now, that's not a legal  
4 conclusion. Would you allow her --

5 MR. SILVERMAN: Let's proceed.

6 COMMISSIONER KOPLAN: -- to respond to that  
7 question as modified, Mr. Silverman?

8 MR. SILVERMAN: This potted plant agrees to  
9 the question.

10 COMMISSIONER KOPLAN: Thank you very much.

11 Ms. Pirovano, could you respond to that?

12 MS. PIROVANO: So, first, you asked me why  
13 I'm the only one representing a company. From Italy,  
14 it's very easy. The other company didn't receive any  
15 duties.

16 COMMISSIONER KOPLAN: No, no, no. I'm  
17 sorry. That isn't what I meant. You are the only  
18 producer witness representing any country this  
19 afternoon. In other words, none of the others are  
20 here except you. Okay?

21 MS. PIROVANO: Okay. But not all of the  
22 other countries are in the same position as Italy and  
23 as Cogne. As I heard, they receive different rates of  
24 duties, maybe some just for the antidumping, and as  
25 Cogne, antidumping and countervailing duties. So I

1 think that all of the companies and all of the  
2 countries are not on the same position on the same  
3 level.

4 If I have to answer from Cogne's side, as I  
5 said before, at the moment, we are not interested to  
6 reenter immediately in the U.S. market due to some  
7 reasons that I explained before, but in the future we  
8 would like to be able to reenter the market if the  
9 competition is fair, if the level of price are  
10 interesting, and, we said, for small quantities and  
11 maybe for specialty grades.

12 So we didn't decide anything now, but we  
13 would like to be able to in the future to forecast  
14 different markets also and U.S. in this case.

15 MR. SILVERMAN: If your question is this,  
16 we'll endeavor to answer it: Does the implement from  
17 Italy compete with the import from Spain? Is the  
18 import from Italy likely to compete with the import  
19 from Sweden?

20 COMMISSIONER KOPLAN: That's where I am.

21 MR. SILVERMAN: That's his question, and why  
22 don't we give you a more scientific answer going  
23 country by country because in the cumulation decision  
24 you don't have to cumulate all six; you can cumulate  
25 one to another or three and three or whatever, and

1 we'll try to provide data for you based on our  
2 knowledge.

3 COMMISSIONER KOPLAN: I think Mr. Cameron  
4 would have made the same offer just now. I have  
5 nothing further. Thank you. I appreciate that.

6 CHAIRMAN OKUN: Commissioner Lane?

7 COMMISSIONER LANE: I would like to go to  
8 Mr. Malashevich. I'm sorry if I have mispronounced  
9 your name, but I'm not very good on names.

10 MR. MALASHEVICH: Everybody does. My father  
11 went through World War II with his sergeant calling  
12 him "Matulawitz."

13 COMMISSIONER LANE: I would like to go back  
14 to the questions that Commissioner Pearson started. I  
15 would like to hear about these systems again and what  
16 the purpose of them are and who has access to them.

17 MR. MALASHEVICH: Well, I would call them  
18 really "simulations," and they generally apply, much  
19 more often than not -- as I mentioned, a small  
20 minority of respondent companies choose to construct  
21 these systems.

22 COMMISSIONER LANE: What are these systems?  
23 What do they do?

24 MR. MALASHEVICH: They simulate if there was  
25 an annual review, and what would the outcome be, and

1 you try to simulate prices and costs of production so  
2 as to comply with U.S. antidumping law.

3 MR. SILVERMAN: This is Bill Silverman.  
4 Just to add to that, there are companies around the  
5 world who want to comply with U.S. law, but if you  
6 just read the statute and the regs, it's very hard to  
7 understand.

8 So they hire people, such as Bruce's  
9 company, or they hire law firms, even before their is  
10 a petition, and they say, How do we comply with U.S.  
11 law? What's the time period that's measured? What's  
12 the level of trade adjustment? What's the model  
13 match criteria? How do they take into account the  
14 exchange rate changes, et cetera, et cetera? And the  
15 Department of Commerce actually has a program that you  
16 can use to simulate, and when you sit down with a  
17 company, -- we have companies we work with now -- you  
18 teach them how the Department of Commerce does the  
19 calculation, and they can comply with U.S. law.

20 It's the best way to comply with U.S. law,  
21 is to use the Department of Commerce methodology to  
22 raise export prices, lower home market prices, improve  
23 your accounting records because that's a big issue in  
24 the verification, -- companies don't have records that  
25 are easily verifiable by the Commerce Department -- we

1 have a lot of cross-cultural issues about  
2 recordkeeping -- and you set up a system which really  
3 does simulate the Department of Commerce methodology,  
4 and it works. It works very well. His company does  
5 it; others do it, too. Even before there is a case,  
6 if somebody wants to comply, it's just impossible to  
7 do it without really simulating the method, either on  
8 an estimated basis, a sampling basis, or a complete  
9 basis. We have clients that do all of that.

10 COMMISSIONER LANE: Now, the beauty of my  
11 questioning Mr. Malashevich on this is he doesn't have  
12 attorney/client privilege, and so the questions I have  
13 are do companies then have these programs that they  
14 use prior to cases being instituted so that they can  
15 see just how far they can go without becoming subject  
16 to somebody filing a dumping case or countervailing  
17 duty case?

18 MR. MALASHEVICH: Very, very few. Others  
19 and I have tried to sell such systems all over the  
20 world for the last 20-plus years, but my experience is  
21 that unless a respondent company is actually  
22 confronting a real filing, they simply don't want to  
23 commit the resources. And I emphasize, it's not just  
24 money on fees; it's mostly a huge commitment of  
25 internal management time to pull together a response

1 that might happen. Very, very few. I could count on  
2 one hand over more than 20 years.

3 COMMISSIONER LANE: So is it possible that  
4 companies that are subject to this particular dumping  
5 order and countervailing duty orders have already  
6 looked to see what the effect would be on their  
7 company if this order were left in place or taken off?

8 MR. MALASHEVICH: I guess it's  
9 hypothetically possible, but if they did so, it was  
10 not with our company. Our role in this proceeding has  
11 been confined to the ITC aspect of the proceeding.

12 COMMISSIONER LANE: Okay. But  
13 hypothetically speaking, these programs could give  
14 companies an idea as to what the effect would be if  
15 the order stays in place or if the order is taken off.

16 MR. MALASHEVICH: Well, I want to make sure  
17 I understand the systems you're talking about. The  
18 systems that I've been talking about today are  
19 exclusively confined to the Commerce Department  
20 compliance for prospective annual reviews or, much  
21 less likely, against a potential filing that might  
22 have been rumored. I don't know of any systems that  
23 are in place that forecast developments with or  
24 without an order. I'm just not aware of any.

25 COMMISSIONER LANE: Okay, okay. Thank you.

1                   Those are all the questions I have.

2                   CHAIRMAN OKUN: Commissioner Pearson?

3                   COMMISSIONER PEARSON: Ms. Pirovano, I would  
4                   like to say that, in some respects, I think  
5                   respondents who come before the Commission in a sunset  
6                   review are in a challenging position. If you don't  
7                   come, then some people will want to draw negative  
8                   conclusions from your absence. If you do come, some  
9                   people will want to question your motives. And so, in  
10                  some respects, you are in a bit of a lose-lose  
11                  situation.

12                  I just wanted to emphasize that I understand  
13                  how much time, energy, and money it takes to prepare  
14                  for this type of investigation, and I'm sure you're  
15                  getting great value out of Mr. Silverman and his  
16                  colleagues. Nonetheless, I just wanted to say how  
17                  much I appreciate your willingness to put that time  
18                  and energy into it and to come forward. You've got a  
19                  business to run. You've got plenty of other things to  
20                  do, and I appreciate that you're here. With that, I  
21                  have a question, somewhat of a technical question.

22                  I think I understood earlier that you  
23                  indicated the transportation costs to Asia were about  
24                  50 percent less than to the United States. Now, I've  
25                  never had the pleasure of taking a boat from Naples to

1 New York or from Naples to Shanghai, but if I was to  
2 do that, just trying to think of the world, it doesn't  
3 appear to me that it's farther from Naples to New York  
4 than the other way around. Is there something going  
5 on other than just distance that is influencing  
6 transportation costs?

7 MS. PIROVANO: Yes. It's not a matter of  
8 distance. It is a question that, from Italy, when we  
9 try to ship something to U.S., let's say that we have  
10 to pay double to go and to go back. Instead, when you  
11 try to ship or deliver something to an Asian market,  
12 you are able to pay just one way, as there are a lot  
13 of traffic between Asian market and European market,  
14 and so most of the time you are able not to pay the  
15 double. I'm not sure if I was explaining --

16 COMMISSIONER PEARSON: I think I understand.  
17 You're saying that there is not enough opportunity for  
18 back-haul cargos from the United States to Europe,  
19 basically.

20 MR. SILVERMAN: You used the term "back  
21 haul," and I don't know if she understood that term.  
22 "Back haul" means when you return whether there is  
23 round trip or --

24 MS. PIROVANO: I mean that normally if you  
25 have to deliver to U.S., you have to pay double as



1 most of the ships are not able to come back to Europe,  
2 and so to divide the cost. Instead, if you want to  
3 deliver to the Asian market, you just pay one way, as  
4 normally the ships are able to come back to Europe  
5 with other goods, and so the cost is quite half of the  
6 U.S.

7 COMMISSIONER PEARSON: I think I understand  
8 what you're saying.

9 MS. PIROVANO: Okay.

10 COMMISSIONER PEARSON: Are these coils  
11 normally shipped in containers or by some other  
12 packaging means?

13 MS. PIROVANO: Wire-rolled coils are  
14 delivered normally in containers.

15 COMMISSIONER PEARSON: Yes. I understand,  
16 then, what you're saying because the United States  
17 generally tends to pile up containers. We're very  
18 good at importing things, many of them in containers,  
19 and so I understand now the transportation situation.

20 My last question has to do with currency  
21 values. We have to look ahead in this investigation,  
22 try to understand what's going to happen in the  
23 future. We know that currencies fluctuate against  
24 each other, sometimes with a whole lot more enthusiasm  
25 than we would really like. As we look ahead, should

1 we be trying to factor in currency values, and,  
2 specifically, should we be using the currency futures  
3 markets that are available to try to project what  
4 currencies might do?

5 I note that looking at the dollar-euro  
6 relationship in the December futures on the Chicago  
7 Mercantile Exchange, we're showing a very slight  
8 strengthening of the dollar, and so that's what the  
9 market is expecting. Should we be trying to use those  
10 sources to understand what the dollar might do in the  
11 future?

12 MR. MALASHEVICH: On the merits, I think  
13 it's the best vehicle available. It's limited in  
14 terms of how far out you can go, of course, depending  
15 upon the time of the contract, but I would certainly  
16 think it's relevant.

17 COMMISSIONER PEARSON: And how long out  
18 should we be trying to look? What do you think is the  
19 reasonable period that we should be trying to  
20 forecast?

21 MR. MALASHEVICH: I can't speak as a lawyer,  
22 which I'm not. All I know is that in the course of my  
23 career, I've probably become acquainted with more than  
24 200 different manufacturing industries. When the  
25 sunset provisions were first being formulated, public

1 comment was received and a variety of different views,  
2 and I said at the time, testifying on behalf of only  
3 myself, not on behalf of any client, that it strikes  
4 me, especially as an economist dealing constantly with  
5 uncertainty, I can't forecast my own business out more  
6 than one year; I can't imagine doing it with someone  
7 else's. But the one common denominator I've seen in  
8 all of these manufacturing businesses is there a  
9 difference between a forecast and a strategic plan,  
10 and almost invariably the forecast is on a basis no  
11 more than one year.

12 A strategic plan is intended to answer  
13 different questions in terms of new investment, in  
14 terms of should we drop out of this market and go into  
15 some other market, or how do we want to place our  
16 product in the marketplace? They go out three to five  
17 years, but as one executive told me one time, it  
18 becomes history the day after the presentation is made  
19 to the senior management. But the planning vehicle is  
20 the year plan.

21 COMMISSIONER PEARSON: Thank you for that  
22 distinction between forecasting and strategic  
23 planning. Fortunately, the statute does not require  
24 us, to the best of my knowledge, to get involved in  
25 the strategic-planning business, so we will stay out

1 of that, I think.

2 MR. MALASHEVICH: What I said at the time of  
3 my public testimony only on my own behalf several  
4 years ago was that it strikes me that it's very  
5 similar to what's applied in the threat standard,  
6 which my laymen's nonlegal interpretation is some  
7 fuzzy line no more than two years but mostly less than  
8 one.

9 COMMISSIONER PEARSON: Any other thoughts on  
10 that issue?

11 (No response.)

12 COMMISSIONER PEARSON: If not, I have no  
13 further questions, Madam Chairman.

14 CHAIRMAN OKUN: Well I don't I have any  
15 other further questions. I think I'm back to where I  
16 started this hearing, which is when we have not had a  
17 review hearing for a long time, when we have new  
18 colleagues that have joined us, and it is kind of a  
19 mind bender to get your head around what we are being  
20 asked to do by the statute in this counterfactual  
21 argument. So I guess I would encourage the esteemed  
22 counsel that we have before us who have participated  
23 in many of these things to think about that when they  
24 are writing these briefs, that, in some ways, we are  
25 at a point where it's helpful to look at the statute

1 again and give your best guidance on what are  
2 appropriate things for us to look at in terms of  
3 making these types of forward-looking calls.

4 So with that, I don't have any other  
5 questions. Vice Chairman Hillman? Any questions from  
6 my colleagues?

7 (No response.)

8 CHAIRMAN OKUN: Let me turn to staff to see  
9 if staff has questions.

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

13 CHAIRMAN OKUN: Thank you.

14 I will turn to Mr. Hartquist, and I will say  
15 I forgot this morning, and none of my esteemed  
16 colleagues reminded me, to let you all see if you had  
17 questions for the first panel. So let me turn to Mr.  
18 Hartquist to see if he has questions of this panel,  
19 and then I will give you an opportunity, if you have a  
20 question for Mr. Hartquist, to respond to as well to  
21 try to make this fair. Mr. Hartquist, do you have  
22 questions of this panel?

23 MR. HARTQUIST: Thank you, Madam Chairman.  
24 I do have one -- this is not a Perry Mason moment, so  
25 I don't know whether it would require retaliation on

1 Respondent's part. But I want to ask Bruce  
2 Malashevich, for the record, just one question, and  
3 that is, if you can identify, Mr. Malashevich, the  
4 source of your data for Exhibit 10, which is the  
5 historical profitability data, and the reason I ask  
6 that is because the data normally has been  
7 confidential in the 1998 case and in the Section 201  
8 case. So we're simply asking for the record what your  
9 source of data was.

10 MR. MALASHEVICH: Sure. I actually thought  
11 was indicated citations for each and every year.  
12 Perhaps it wasn't in the version that got into the  
13 brief, but there was an escape clause case decided in  
14 1976 that was the source for the early part of the  
15 period. There was then a Section 203 review of that  
16 escape clause case that was conducted in 1979 or  
17 something like that. Then there were monitoring  
18 reports prepared by the Commission at the order of the  
19 president during the VRA program that extended, I  
20 think, until about 1988. Then there was the 1993,  
21 '92-'93 case, against India and the other set of  
22 countries. I think the data were redacted in the last  
23 sunset review from the 2000 case, but there is the  
24 original investigation of this case.

25 I'm going from memory, but we have a full

1 list of citations that I, frankly, thought was in the  
2 brief. So I'll be happy to supply it.

3 MR. HARTQUIST: Mr. Malashevich, all of that  
4 data that you have recited is confidential. I would  
5 ask you to go back and check that.

6 MR. MALASHEVICH: I will go back and check  
7 it, but we have no confidential material other than  
8 from this investigation.

9 MR. HARTQUIST: Thank you.

10 CHAIRMAN OKUN: Any further questions, Mr.  
11 Hartquist?

12 MR. HARTQUIST: No further questions. Thank  
13 you.

14 CHAIRMAN OKUN: Okay. And I will also ask  
15 the secretary's office just to take a look at the  
16 exhibit and what was submitted as well on that  
17 particular issue.

18 And now let me turn to counsel here to see  
19 if you have any questions. We don't have the whole  
20 panel seated, but if there is something, you can refer  
21 to Mr. Hartquist if you have anything. Mr. Silverman?

22 MR. SILVERMAN: No further questions.

23 CHAIRMAN OKUN: Okay. Well, then before  
24 turning to closing, I want to take this opportunity to  
25 thank all of the witnesses for being here. We very

1 much appreciate your willingness to be here to answer  
2 questions, sometimes difficult and long and confusing  
3 ones from many of us today, I think. We appreciate  
4 you being here, and we'll look forward to your post-  
5 hearing briefs. And with that, this panel is  
6 released, and we will turn to the closing arguments as  
7 soon as the panel has had a chance to get to the back  
8 of the room.

9 (Pause.)

10 CHAIRMAN OKUN: While you're doing that, let  
11 me just go over the time remaining. The Petitioners  
12 have a total of 16 minutes, which includes five  
13 minutes for closing. Respondents have a total of 10  
14 minutes left, which includes five minutes for closing.  
15 And I see Mr. Hartquist has already approached the  
16 podium. If you can just hold on a minute so that we  
17 can be sure and give you our full attention.

18 (Pause.)

19 CHAIRMAN OKUN: You may proceed, Mr.  
20 Hartquist.

21 MR. HARTQUIST: Thank you, Madam Chairman.

22 One, just a matter of information for the  
23 record, discussion about where rod sales typically go.  
24 Our estimates are as follows: that about 60 percent  
25 of rod shipments are converted into wire, about 10



1 percent into welding consumables, about 25 percent  
2 into fasteners, and about 5 percent into bar and  
3 screening products and so forth. That's pretty much  
4 where it goes.

5 The issue of captive consumption, at least  
6 with respect to Carpenter, their internal consumption  
7 of rod is not the most significant consumer, as far as  
8 their shipments are concerned. They sell less than  
9 about a third of their total wire rod capacity as  
10 wire. So rod participation in the open market is  
11 very, very important to Carpenter, and this doesn't  
12 include any rod that they would roll into bar either.

13 The effects of termination of the orders:  
14 What happens if the orders go away? If the duties go  
15 away, and the prices that the foreign producers have  
16 been charging in the market already, as indicated in  
17 the staff report, are lower than domestic producers,  
18 one would reasonably anticipate that if the duties go  
19 away, their prices would perhaps be even lower than  
20 they are today, not higher.

21 Cogne has testified as to its being pretty  
22 much at full capacity. It has talked about increasing  
23 shipments to other European Union countries. If  
24 you're already operating at capacity, how do you  
25 increase shipments to those new entrants into the

1 European Union?

2 Also, with respect to the Cogne testimony on  
3 prices to third-country markets, Ms. Pirovano  
4 testified that prices in Asia and Europe are higher  
5 than prices in the United States; and, therefore, the  
6 U.S. market is not presently, at least, an attractive  
7 market. But the record shows, with some product-mix  
8 issues, admittedly, really shows the confidentiality.  
9 The data is confidential, but I would refer the  
10 Commission to the staff report at page IV-12, which  
11 really indicates that the U.S. is, and has been, an  
12 attractive market in terms of pricing. The staff  
13 report shows that the Asian prices are lower than the  
14 U.S. prices, in fact, in some cases, much lower than  
15 U.S. prices.

16 On shipping between the United States and  
17 Europe and Asia, Carpenter would simply note that they  
18 believe there is essentially no freight cost  
19 difference between selling to Europe and to Asia, not  
20 a significant factor.

21 In Carpenter's experience, too, in terms of  
22 the prices that they have to match to get the sales,  
23 their customers quote imports as the competitive price  
24 to hit, not their competitors, Charter or Universal,  
25 and, of course, North American Stainless is brand new

1 to the industry, so they have been a relatively minor  
2 participant in the market thus far.

3 Again, with respect to Cogne, the  
4 countervailing duty order, as was noted, was revoked,  
5 -- it was about 30 percent -- but they still have an  
6 antidumping margin in effect of 12.73 percent, and  
7 they have never requested a review of that to  
8 determine whether that number should be reduced.

9 Just a correction. Mr. Robinson indicated  
10 that Carpenter had announced a price increase, I  
11 think, of 7 percent in the third quarter for wire rod.  
12 Carpenter has not announced any price increase on wire  
13 rod for the third quarter.

14 They did announce two price increases,  
15 ranging between 3 and 15 percent, on the different rod  
16 products, but their prices were still 30 percent lower  
17 than in 1997. They haven't been able to recover from  
18 where they were at that time.

19 Also, on the technical question about  
20 switching back and forth between the various grades on  
21 the mills between austenitic, martencitic, and  
22 ferritic, this is very commonly done on a daily or  
23 even sometimes on an hourly basis. It's very easy to  
24 shift product back and forth between these various  
25 product forms.

1            Respondents in these cases always argue that  
2 they don't dump, but they come here after the Commerce  
3 Department has shown that they do. They argue that  
4 they are not subsidized, but they come here after the  
5 Commerce Department has proven that they do. They  
6 say, we will not increase exports to the United States  
7 because we're busy elsewhere, but they do ship here.  
8 They say, we don't have enough capacity to increase  
9 our shipments to the United States, but they do, as  
10 many cases have shown.

11            Why didn't the Respondents in the last five  
12 years use the opportunity to get out from under these  
13 orders by going into the Commerce Department for  
14 annual reviews and showing that they were not dumping  
15 during this period? They didn't do that.

16            And, lastly, I would like to thank my  
17 colleague for putting out the little sheet entitled  
18 "Enough Is Enough" on the board because it's such a  
19 dramatic illustration of the behavior of foreign  
20 producers, many of whom are here, others of whom are  
21 not here. But think about the evidence that they have  
22 provided to you in this 30-year history.

23            In 1973, we proved dumping and injury. In  
24 1976, 201 case, we proved serious injury. In 1982, we  
25 showed subsidies and injury. In 1983, we showed

1 subsidies and injury. In 1983, another 201 case,  
2 serious injury. In 1993 and 1994, dumping and injury.  
3 In 1998, dumping and subsidies and injury. And in  
4 2003, a remarkable circumstance of showing serious  
5 injury at a time when the antidumping orders were in  
6 effect and layered over that, serious injury.

7 So I agree with my colleague, enough is  
8 enough, and what we're looking for is for these  
9 producers to stop dumping and stop subsidies and make  
10 this a fair market in the United States. Thank you.

11 CHAIRMAN OKUN: Thank you.

12 (Pause.)

13 MR. SILVERMAN: It's always hard to follow  
14 Mr. Hartquist. He is calm, well organized -- a very  
15 persuasive guy. My presentation, though, will start  
16 with a few of his points. We'll clarify them and get  
17 to the bigger issues.

18 He calmly stated, how can Cogne say they are  
19 at full capacity and then turn around and say they  
20 will increase their shipments to eastern Europe? A  
21 big hook. A big inconsistency. The answer is they  
22 are operating at full capacity. That's in the record  
23 and in the responses to the Commission's  
24 questionnaires. It has to do with the reheat furnace.  
25 That's their maximum. They can increase exports to

1 one country versus another. If they want to ship more  
2 to Germany and less to Czechoslovakia, that's how they  
3 can increase their shipments to eastern Europe or to  
4 other countries, and it's consistent with what they  
5 said, that the reheat furnace is the bottleneck in  
6 their process. So it's not an inconsistent statement.  
7 I'm sorry about that.

8 As far as the freight charges, we'll give  
9 you the data on the freight charges with the back-haul  
10 issue. It's easy to verify.

11 Now, I don't know how many times today -- I  
12 started to count them, but how many times today -- how  
13 many times they said in their brief, of course, and  
14 how many times they said today that their investments  
15 were premised on this order. Remember, we're not  
16 talking about other orders or 201's. The only legal  
17 issue before you is this order or these orders. They  
18 said it so many times, maybe they think simple  
19 declarative sentences repeated numerous times will be  
20 persuasive, but if you look in the brief, there is no  
21 citation to the record.

22 If you heard their testimony today, there's  
23 no citations to any documents or any data. They just  
24 keep repeating it, and it's simply not credible.  
25 Bankers, investment groups, boards of directors simply

1 don't make investments like this based on a vote in  
2 the summer of 2004, especially when these decisions  
3 were made years ago. Years ago, these decisions were  
4 made which preceded the orders.

5 Now, what do you make of the fact that there  
6 is nothing in the record? If there were records in  
7 their business plans or their board minutes or  
8 consultants' reports, they would have given them to  
9 you, surely. It would have been pretty persuasive.  
10 The fact of the matter is, there is no such  
11 information, or they would have supplied it. I'm  
12 glad, in the case of one company, he said he would  
13 provide it. We'll see what comes from the record.  
14 They have had months to supply the Commission with any  
15 kind of documentation or data to support this story  
16 that they premised their investments on this order or  
17 these orders.

18 They did get a direct question from you  
19 today. I think Mr. Koplan said, Did you gamble on  
20 this vote? That was my recollection of his words.  
21 And if you go back and read the transcript, I don't  
22 think they answered the question. I don't think they  
23 answered the question. But what's interesting is they  
24 made their investment before these orders were in  
25 effect. 1997 is when they made the initial

1 investment. That's before these orders were in  
2 effect. Now, how can they come around and tell you at  
3 the same time they premised their investments on these  
4 orders when he admitted that he made investments at  
5 Charter in 1997? That was an answer to Commissioner  
6 Koplan's question.

7 Most interesting, though, is what they said  
8 to you four years ago in the sunset investigation  
9 involving France and the other countries. Somebody  
10 asked a question along the same lines. One of the  
11 other commissioners asked a question along the same  
12 lines about what does the board do with respect to  
13 trade policy, and I'm paraphrasing.

14 That question was asked then, and here is  
15 what the answer was from the vice president of  
16 Carpenter, at page 117 of your transcript, dated May  
17 23, 2000. I'm quoting now: "I can't think of an  
18 example where we've gone to the board to ask them for  
19 their opinion on whether we should pursue a trade  
20 case." That's Mr. McKelway, vice president of  
21 Carpenter. And I urge you to go back and read that  
22 section of the transcript. I don't want to  
23 mischaracterize it in any way, but if the fact of the  
24 matter is they don't go to their board about trade  
25 cases, how can they then turn around and say the only



1 reason they made these multimillion-dollar investments  
2 is they were premised on the trade cases?

3           Something is inconsistent, either the  
4 testimony they gave before or the testimony they give  
5 today, and I think the realistic answer is you grab at  
6 anything you can. It's just not sensible business  
7 policy. I said in the brief it wouldn't make it  
8 through the first week of business school that you  
9 would premise tens of millions, and I won't use the  
10 numbers because you know how large they are, based on  
11 a vote in the summer of 2004 by the Commission.

12           Now, there was a question from Commissioner  
13 Koplman about the five factors, and the answer came  
14 back from a representative of Carpenter, these same  
15 five factors, they were in effect in 1998. Well,  
16 that's under oath. I don't know how he knows that. I  
17 certainly don't know the answers to all five of those  
18 questions in 1998. There is no evidence on the  
19 record, certainly, of those factors in 1998. I urge  
20 you to disregard that.

21           But the ultimate in the sky-is-falling  
22 mantra was the Chinese. That economy is a house of  
23 cards, I think they said. I don't know what's going  
24 to happen to the Chinese economy, but I don't know  
25 that there is any data on the record by any

1 sophisticated economist to say that the Chinese  
2 economy is about to fold, and all of the imports from  
3 China will stop, and they will come here. Even though  
4 this is counterfactual, there is a limit to how far  
5 they can push it.

6           How much more investment do they have to  
7 make before they say they are not vulnerable? Two  
8 million, 200 million, 300 million, 500 million, 800  
9 million? How much more capacity do they have to  
10 expand after getting approval from sophisticated  
11 investors before they say they are not vulnerable, but  
12 they think the market is good? The fact of the matter  
13 is, what they are doing with this new investment is  
14 making it tough on Carpenter. That's where the  
15 competition is, and they are going to push imports  
16 out. You heard the testimony today. It's very hard  
17 for imports to succeed when NAS comes in with very low  
18 prices and very good-quality product.

19           That's really what's going on, and if there  
20 is anything to fear in this case, it's not imports  
21 from Italy, that's for sure, or imports from these  
22 other companies. What there is to fear is  
23 modernization by a couple of new entries who are going  
24 to make it very tough on some of the older companies.  
25 That's where the sky is falling. It's not by reason

1 of imports.

2 Now, last point: It was 1976, and I hate to  
3 say this, Skip, but you and I may be the only two  
4 people here who were at that hearing in '76, although  
5 maybe one other person -- I'm sorry. Three of us were  
6 here. It was my first case before the Commission, and  
7 we put that list up there. That was a Section 201 on  
8 stainless steel products, general groups, and we put  
9 that list up there to show you, enough is enough.  
10 There is no industry I know of that's been here this  
11 many times, and no matter how many times they get  
12 relief, they don't get better. They just keep  
13 complaining and blaming some other import source.

14 At some point, we need an analytical view of  
15 this, not a sky is falling, not a lot of speculation  
16 about China, to see that there are other economic  
17 forces operating here, and the best yardstick for that  
18 is when sophisticated people spend tens of millions  
19 and more on lots of new investment in industry.  
20 That's not the sign of vulnerability. That's not the  
21 sign of fear. That's the sign of optimism and  
22 strength. And when these four companies have made  
23 these investments, it's not by reason of a prayer for  
24 your vote this summer on this case; it's because they  
25 have good, sound, economic reasons why they think they

1 can push imports out and why they can compete with an  
2 older company like Carpenter.

3 So, 1976 to now. I hope we don't have to  
4 come back again with a chart that's a little longer.  
5 Thank you very much.

6 CHAIRMAN OKUN: Thank you very much. Post-  
7 hearing briefs, statements responsive to questions and  
8 requests of the Commission and corrections to the  
9 transcript must be filed by May 27, 2004. Closing of  
10 the record and final release of data to parties is  
11 June 18, 2004, and final comments are due June 22,  
12 2004.

13 With no other business to come before the  
14 Commission, this hearing is adjourned.

15 (Whereupon, at 4:45 p.m., the hearing was  
16 adjourned.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Stainless Steel Wire Rod  
**INVESTIGATION NO.:** 701-TA-373  
**HEARING DATE:** May 18, 2004  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

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

**DATE:** May 18, 2004

**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:** Donna Kraus  
Signature of Court Reporter