

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
FERROVANADIUM FROM CHINA
AND SOUTH AFRICA

) Investigation Nos.:
) 731-TA-986 AND 987
) (SECOND REVIEW)

REVISED AND CORRECTED

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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
FERROVANADIUM FROM CHINA AND) 731-TA-986 AND
SOUTH AFRICA) 987 (SECOND REVIEW)

Thursday, November 20, 2014
Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Meredith M.
Broadbent, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners Present:

4 Chairman Meredith M. Broadbent (presiding)

5 Vice Chairman Dean A. Pinkert

6 Commissioner Irving A. Williamson

7 Commissioner David S. Johanson

8 Commissioner F. Scott Kieff

9

10 Staff Present:

11 Bill Bishop, Supervisory Hearings and Information

12 Officer

13 Sharon Bellamy, Program Support Specialist

14 Mikayla Kelley, Student Intern

15

16 Karen Taylor, International Trade Analyst

17 Lauren Gamache, Economist

18 Charles Yost, Accountant/Auditor

19 Michael Haldenstein, Attorney

20 Douglas Corkran, Supervisory Investigator

21

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1 In Support of the Continuation of Antidumping Duties:
2 Neville Peterson LLP, Washington, DC on behalf of The
3 Vanadium Producers and Reclaimers Association ("VPRA") and
4 VPRA Members:

5 Gulf Chemical & Metallurgical Corporation ("Gulf")

6 Bear Metallurgical Company ("Bear")

7 AMG Vanadium, Inc. ("AMG V")

8 Evraz Stratcor, Inc. ("Stratcor")

9

10 Kevin H. Jones, Vice President, AMG Advanced
11 Metallurgical Group N.V.

12 Mitchell E. Kidd, President, AMG V

13 R. James Carter, Vanadium Industry Subject Matter
14 Expert, AMG V

15 Mark Anderson, Director of Sales and Marketing, AMG V

16 Allan R. Orr, Executive Vice President of Metal Sales,
17 Gulf

18 David F. Carey, General Manager, Bear

19 Robert Bunting, Consultant, Stratcor

20 Terry Perles, President, TTP Squared, Inc.; President,
21 MoTiV Metals LLC; and President, North America of Atlantic
22 Ltd.

23 Kenneth R. Button, Senior Vice President, Economic
24 Consulting Services, LLC

25

1 Jennifer Lutz, Senior Economist, Economic Consulting
2 Services, LLC

3 John B. Totaro, Jr. and Peter Bogard, Neville Peterson
4 LLP

5

6 In Opposition to the Continuation of Antidumping Duties:
7 Alston & Bird LLP, Washington, DC on behalf of Glencore plc
8 and its affiliates:

9 Rhovon PSV (Pooling and Sharing Joint Venture)

10 Glencore Operations South Africa (Pty) Ltd.

11 Glencore Ltd.

12 Michael O'Connell, Product Manager, Glencore, Ltd.

13 Lynn Holec, Economist, ITR LLC/Marks Paneth LLP

14 Kenneth Weigel and Chunlian Yang, Alston & Bird LLP

15

16 White & Case LLP, Washington, DC on behalf of Vanchem

17 Vanadium Products (Pty) Ltd. ("Vanchem")

18 Kristina Zissis and Dean Barclay, White & Case LLP

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1 P R O C E E D I N G S

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

3 CHAIRMAN BROADBENT: Good morning. On behalf of
4 the U.S. International Trade Commission, I welcome you to
5 this hearing on Investigation Nos. 731-986 and 987,
6 involving Ferrovandium from China and South Africa. The
7 purpose of these second five-year review investigations is
8 to determine whether revocation of anti-dumping duty orders
9 on Ferrovandium from China and South Africa will likely
10 lead to the continuation or recurrence of material injury
11 within a reasonably foreseeable time.

12 Documents concerning the hearing are available on
13 the public distribution table. Please give all prepared
14 testimony to the Secretary and please do not place it on the
15 public distribution table. All witnesses must be sworn in
16 by the Secretary before presenting testimony. I understand
17 that parties are aware of time allocations, but if you have
18 any questions about time, please ask the Secretary.

19 Speakers are reminded not to refer to business
20 proprietary information in their remarks or in answers to
21 questions. Please speak clearly into the microphone and
22 state your name for the record so that the court reporter
23 knows who is speaking.

24 Finally, if you will be submitting documents that
25 contain information you wish classified as Business

1 Confidential, your request should comply with Commission
2 Rule 201.6. Mr. Secretary, are there any preliminary
3 matters?

4 MR. BISHOP: Madam Chairman, I would note that
5 all witnesses for today's hearing have been sworn in. There
6 are no other preliminary matters.

7 CHAIRMAN BROADBENT: Very well. Let's now
8 proceed with opening remarks.

9 MR. BISHOP: Opening remarks in behalf of those
10 in support of continuation of the orders will be by John B.
11 Totaro, Jr., Neville Peterson.

12 OPENING REMARKS OF JOHN B. TOTARO, JR.

13 MR. TOTARO: Good morning Madam Chairman, members
14 of the Commission and staff. My name is John Totaro. I'm
15 an attorney with the law firm of Neville Peterson, and I'm
16 pleased to be here today on behalf of the Vanadium Producers
17 and Reclaimers Association, and the BPRA members, AMG
18 Vanadium, Bear Metallurgical, Gulf Chemical and
19 Metallurgical and Evraz Stratcor.

20 As we outlined in our prehearing brief, as we
21 will discuss further today, the information on the record of
22 this proceeding, including facts regarding the likely
23 volume, price effects and impact of resumed subject imports
24 on the domestic industry demonstrates that revocation of the
25 anti-dumping duty orders on ferrovanadium from China and

1 South Africa, would be likely to lead to a recurrence of
2 material injury within a reasonably foreseeable time.

3 The record demonstrates that the fundamental
4 conditions of competition in the U.S. market for
5 ferrovanadium are unchanged since the Period of
6 Investigation. Because ferrovanadium is a commodity
7 product, it is sold primarily on the basis of price, and
8 there is a high degree of substitutability among
9 ferrovanadium from all sources.

10 Demand is driven by the U.S. steel industry,
11 which consumes ferrovanadium at a high rate per ton, and has
12 recovered from the declines of the global recession to a
13 greater extent than producers in Europe. The supply of
14 ferrovanadium in the United States continues to be a
15 combination of domestic production and imported material.

16 In addition, the facts in the record show that
17 the Chinese and South African industries continue to produce
18 and export large and increasing volumes of ferrovanadium to
19 markets other than the United States. This information
20 underscores the likelihood that if the orders are revoked,
21 subject imports will return to the U.S. market, and again
22 have injurious effects on the domestic ferrovanadium
23 industry.

24 Producers in China and South Africa have
25 demonstrated their continuing interest in the U.S. market,

1 by currently exporting vanadium pentoxide to third countries
2 for toll conversion into ferrovanadium and shipment to the
3 U.S. market, despite the fact that they produce and export
4 large volumes of ferrovanadium directly to other markets.

5 Unlike the Russian ferrovanadium producer that
6 the Commission examined in 2012, the Chinese and South
7 African producers would have great incentives and face no
8 obstacles to replacing their third country toll conversion
9 if ferrovanadium produced in and exported from the subject
10 countries directly to the United States.

11 If subject imports were to return to the U.S.
12 market upon revocation, these imports would again be able to
13 gain market share from domestic producers using below market
14 pricing. This return would be facilitated by the
15 substitutability and interchangeability of ferrovanadium from
16 all countries, and because the domestic industry's contract
17 prices are highly sensitive to changes in spot market
18 prices.

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

23 The U.S. producers' financial conditions have
24 improved as a direct result of the orders, after unfairly
25 priced subject imports have declined, and these producers

1 have taken this opportunity to invest in improvements in
2 their facilities. Nevertheless, the U.S. industry remains
3 vulnerable to the effects of resumed subject imports.

4 While there have been profitable years in the
5 period examined in this review, various competitive forces,
6 including declines in market prices, have caused significant
7 fluctuations in profit levels in the past several years.
8 These are further indicators that if the orders are revoked,
9 the U.S. industry is susceptible to resumed material injury
10 and the likely substantial volume of dumped subject imports
11 that would return to the U.S. market.

12 I urge you to keep these factors in mind as you
13 hear the domestic industry's testimony, and as you consider
14 the record before you. Thank you.

15 CHAIRMAN BROADBENT: Thank you.

16 MR. BISHOP: Opening remarks on behalf of those
17 in opposition to continuation of the orders will be by
18 Kenneth Weigel, Alston and Bird.

19 OPENING REMARKS OF KENNETH WEIGEL

20 MR. WEIGEL: Good morning. Ken Weigel from the
21 law firm of Alston and Bird. We are representing Glencore
22 in these proceedings, but I am doing my opening statement on
23 behalf of both Glencore and the other South African
24 producer, Vanchem.

25 In 2012, the Commission considered ferrovanadium

1 trade in the context of the sunset review from Russia. In
2 that sunset review, the Commission found it appropriate to
3 revoke the anti-dumping order on ferrovanadium from Russia.
4 Today, you will hear from our witnesses, that looking at the
5 Russian case, which we believe sets a baseline for the
6 Commission to review this case, that revocation of the
7 anti-dumping order on ferrovanadium from South Africa is
8 appropriate.

9 The facts are very similar. Like the Russian
10 producer, Glencore and Vanchem are here asking for
11 revocation of the anti-dumping order, to allow more
12 flexibility in their global operations. They are not here
13 asking for revocation to import more ferrovanadium from
14 South Africa.

15 As you will hear today, it is unlikely that in
16 2015 there will be any ferrovanadium from South Africa
17 available for the U.S. market, since it's already been sold.
18 Also like in the Russian case, the sole representatives of
19 the South African producers have been supplying the U.S.
20 market.

21 As you said in the Russia case, it would make no
22 sense for them to import ferrovanadium from South Africa,
23 sell it below the prices at which they're selling
24 ferrovanadium in the U.S. market today, and injure
25 themselves. Finally, as to the state of the U.S. industry,

1 the Russian case establishes a baseline.

2 In 2012, the Commission found the U.S. industry
3 not to be vulnerable, and we believe its condition has
4 improved since then. Vanchem and Glencore have submitted
5 questionnaires, and we filed a prehearing brief setting
6 forth the facts as to why there will be no increase in
7 imports of South African ferrovanadium into the U.S. market.

8 Capacity utilization in South Africa is very high
9 if not at maximum levels. There are no excess inventories,
10 and Mike O'Connell will explain the inventory situation.
11 South African product for the last ten years has not entered
12 the U.S. market but it has been sold globally, and those
13 commitments continue to exist, to purchase South African
14 ferrovanadium, and finally South African producers have no
15 incentive to shift to produce ferrovanadium.

16 In fact, their incentive is to shift to produce
17 more vanadium products other than ferrovanadium, as you'll
18 hear today. Additionally, there will be no price
19 depression, no under-selling or price suppression.
20 Petitioners' claims, we believe, are mere speculation, and
21 when you look at the entire facts of the case, you will
22 agree with us that revocation of the anti-dumping order from
23 South Africa is appropriate.

24 You will hear both from Mike O'Connell of
25 Glencore and from Lynn Holec, our economist. Lynn will

1 explain why, after her analysis of the U.S. industry, that
2 it is not vulnerable. She will also talk about why U.S.
3 imports of South African ferrovanadium, to the extent they
4 do enter the U.S. market, will not enter in any significant
5 volumes, and will not be price-suppressed or undersell.

6 Finally, both witnesses will talk about why South
7 Africa and China should not be cumulated in your decision.
8 This last point is a very important point for us. We
9 believe the South African producers, the two South African
10 producers are significantly different than the Chinese
11 producers and the Chinese importers of ferrovanadium, and
12 those facts call for your consideration of South Africa
13 separately from China in this proceeding.

14 In total, we believe revocation of the order
15 would not likely lead to any recurrence of material injury
16 to the U.S. industry, and thank you for the opportunity to
17 appear before you today.

18 MR. BISHOP: Would the first panel, those in
19 support of continuation of the anti-dumping duty orders
20 please come forward and be seated?

21 (Pause.)

22 MR. TOTARO: Good morning again. I would like to
23 introduce our panel. We've assembled an experienced group
24 of industry representatives from each of the four BPRA
25 member companies, as well as a vanadium industry

1 professional, who has offered to give us perspective on the
2 matters at issue in this case. I'm certain that you will
3 find all of their comments instructive.

4 First, from AMG Vanadium, James Carter, vanadium
5 industry subject matter expert; from Bear Metallurgical,
6 David Carey, general manager; from Gulf Chemical and
7 Metallurgical Allan Orr, Executive Vice President of Metal
8 Sales; and from Evraz Stratcor, Robert Bunting, consultant.
9 We're also pleased to have with us Terry Perles, an official
10 with MoTiV Metals, TTP Squared and Atlantic Limited, and an
11 internationally-recognized expert in the vanadium field.

12 I'd also like to introduce Kevin Jones, Vice
13 President of AMG, Advanced Metallurgical Group; Mitchell
14 Kidd, president of AMG Vanadium; and Mark Anderson, Director
15 of Sales and Marketing for AMG Vanadium. These gentlemen
16 will not be giving direct testimony, but they will be
17 available to answer any questions you might have.

18 Finally, I'd like to introduce two economists
19 from the firm Economic Consulting Services, Kenneth Button
20 and Jennifer Lutz, who will present additional testimony at
21 the conclusion of our industry, and Peter Bogard, my
22 colleague at Neville Peterson.

23 Before I ask our industry witnesses to begin, I'd
24 like to discuss the issue of cumulation. Consistent with
25 its determination in the first review, the Commission should

1 exercise discretion to cumulatively assess the volume and
2 impact of subject imports from China and South Africa.

3 In terms of the discernible impact analysis,
4 South Africa continues to produce and export massive volumes
5 of ferrovanadium. As the Commission staff discussed, South
6 Africa exported more ferrovanadium in 2013 than any other
7 country, including China. The South African ferrovanadium
8 industry is export-oriented, and could both ship existing
9 exports from other markets and also export inventory of
10 ferrovanadium to the U.S. market if the orders were revoked.

11 As we discussed in our prehearing brief, and
12 contrary to the South African industry's flawed claims,
13 current capacity utilization rates would not constrain South
14 Africa's ability to resume exports of ferrovanadium to the
15 United States if the orders were revoked.

16 Moreover, as we discuss in our prehearing brief,
17 the South African producers can shift production among
18 different vanadium products, and thereby produce even more
19 ferrovanadium for export to the United States. The South
20 African producers' pronouncements about shifts that they
21 cannot make in the future are belied by the facts in the
22 record regarding the shifts they have made in the past.

23 The discernible impact caused by resumed subject
24 imports from China is clear as well. China now exports a
25 far greater volume of ferrovanadium than it did during the

1 Period of Investigation, and China's ferrovanadium exports
2 have grown dramatically over the Period of Review.

3 In 2013, Chinese export volumes approached the
4 volume exported by South Africa. These gains are consistent
5 with the massive expansion of China's steel and vanadium
6 industries, and industry analysts expect China's exports to
7 continue to increase. As the world's largest vanadium
8 producer and a major exporter of ferrovanadium, China has
9 both the capacity and the incentive to resume high volumes
10 of ferrovanadium exports to the United States if the orders
11 are revoked.

12 The factors that the Commission typically
13 examines in determining whether a reasonable overlap in
14 competition would occur if the orders are revoked, and
15 subject imports returned at significant volumes, continue to
16 support a finding that cumulation is appropriate. Each of
17 these factors is outlined in our brief, but I would like to
18 say a few words about simultaneous presence.

19 The facts on the record demonstrate that there
20 would likely be a simultaneous presence of subject imports
21 from both countries and the domestic-like product in the
22 U.S. market if the orders were revoked, despite some
23 distinctions between the two industries.

24 The Chinese ferrovanadium industry is larger than
25 South Africa's, and it has grown during the period to a

1 greater extent than the South African industry. Also, China
2 has significant home market demand for ferrovanadium, and
3 consequently China has exported a somewhat smaller volume of
4 ferrovanadium than South Africa.

5 However, the Commission has found that a
6 difference in degree of export orientation is not
7 necessarily determinative when other factors, as here,
8 demonstrate the likely overlap of competition. Despite
9 their differences in size and structure, the Chinese and
10 South African ferrovanadium industries reacted in parallel
11 to the imposition of the orders, and they behaved similarly
12 in their export operations.

13 Both countries reduced their ferrovanadium
14 exports to the U.S. market to zero soon after the orders
15 were imposed. At present, the top two export markets for
16 both countries are Europe and Japan, and the volumes
17 exported by both countries to these two markets are nearly
18 identical in recent periods.

19 Moreover, both countries remain interested in the
20 U.S. market, as both have used third country toll conversion
21 of vanadium pentoxide to enter the United States, including
22 exporting similar volumes for conversion to Canada. Both
23 countries have strong incentives to revert from this
24 practice, to direct exports of ferrovanadium if the orders
25 are revoked.

1 Metal, the Commission found that prices in the United States
2 and Europe were similar, so there would be no price
3 incentive for Brazilian producers to alter their commercial
4 relationship with their European purchasers, to ship more to
5 the United States.

6 In contrast, there is a significant and sustained
7 differential between U.S. and European prices, an average of
8 16 percent over the POR, making the United States the more
9 profitable market. This would provide an incentive for both
10 Chinese and South African producers to alter, not
11 necessarily destroy or abandon, their current pool of export
12 customers. Also, the pricing practices of Chinese and South
13 African ferrovanadium producers during the POI were very
14 similar, both predominantly overselling the domestic-like
15 product.

16 Despite this over-selling, both country's prices
17 were found to have contributed to depression of domestic
18 prices, and there was no reason to believe that this pattern
19 would not recur if the orders were revoked. That includes
20 any conclusions that could be drawn from the anomalous
21 atypical subject imports that appeared in two months during
22 the six and a half year POR.

23 Based on these considerations, we urge the
24 Commission to exercise its discretion to conduct a
25 cumulative analysis in these sunset reviews. We're not

1 aware of any other factor that would significantly limit
2 competition, such that cumulation is not warranted. With
3 that, I'd like to begin our industry presentation. Our
4 first industry witness is James Carter from AMG Vanadium.

5 STATEMENT OF JAMES CARTER

6 MR. CARTER: Good morning Chairman Broadbent and
7 Commissioners. My name is Jim Carter. I have worked with
8 AMG Vanadium for more than 40 years, most recently as Vice
9 President for International Sales. I recently retired, and
10 I now work with the company as a vanadium subject matter
11 expert.

12 My responsibilities during my time with AMG
13 included overseeing the marketing and sale of metals and
14 alloys, including ferrovanadium. In performing these
15 responsibilities, I had direct contact with many of our
16 customers. I have appeared before the Commission in each of
17 its prior investigations and sunset reviews involving
18 ferrovanadium.

19 AMG Vanadium has produced ferrovanadium since
20 1952 at our production facility in Cambridge, Ohio. AMG
21 produces ferrovanadium using an environmentally friendly
22 state-of-the-art reduction process, that is designed to use
23 a wide range of vanadium-containing materials.

24 AMG's primary raw materials for ferrovanadium are
25 environmentally hazardous spent catalysts from oil

1 refineries and residues from power plants. AMG recycles
2 these materials using a technologically advanced
3 pyrometallurgical process. The ferrovanadium AMG produces
4 typically contains 55 percent vanadium by weight, although
5 during the past year, our vanadium content was closer to 60
6 percent. We can produce a higher vanadium content upon
7 request.

8 The percentage of contained vanadium generally is
9 referred to as the grade of a ferrovanadium product. But
10 the percentage is simply a physical description of the
11 product, and not an indicator of its quality. Ferrovanadium
12 is a commodity product that is sold primarily on the basis
13 of price.

14 As the Commission repeatedly has found in most
15 applications, ferrovanadium from all sources is
16 interchangeable. The U.S. ferrovanadium market is highly
17 competitive. Most purchasers obtain bids from multiple
18 suppliers, and these purchasers will change suppliers if a
19 competing supplier offers a lower price.

20 In addition, because ferrovanadium is priced on a
21 contained vanadium basis, ferrovanadium with different
22 percentages of vanadium content are treated as equivalent in
23 price negotiations. For the vast majority of steel industry
24 customers, ferrovanadium is equally acceptable regardless of
25 vanadium content.

1 From a functional or metallurgical perspective,
2 the difference in the amount of iron and other metals in one
3 grade or another is not consequential for the steelmaker,
4 because he adds ferrovanadium to his melt in very small
5 quantities. Most steel industry customers will choose to
6 buy one product over another based primarily on price.

7 While most ferrovanadium is sold on a contract
8 basis rather than a spot basis, monthly spot prices
9 published by Ryan's Notes or Metal Bulletin are generally
10 used as a benchmark in contract price negotiations.
11 Contract prices are typically based on formulas tied to
12 published spot prices in effect over the terms of the
13 contract.

14 This fact makes domestic producers highly
15 vulnerable to the effects of declines in the U.S. spot
16 market for ferrovanadium, a shift that would occur if
17 low-priced imports from China and South Africa resumed, even
18 if the initial volumes are not large.

19 Whether or not these subject products are priced
20 below AMG's prices if the import price drives down prices
21 below the existing published price, that would reduce the
22 subsequent month's published price, and that price decline
23 would flow through to reduce our contract sales price to all
24 of our customers.

25 I witnessed the impact on our company of the

1 flood of U.S. imports from China and South Africa before the
2 anti-dumping petition was filed. Those imports were sold at
3 low prices, which undercut and depressed the overall market
4 price level, took sales from us and other competing
5 suppliers, and quickly captured a significant portion of the
6 U.S. market. The result was severe injury to the domestic
7 industry.

8 Once the anti-dumping orders were imposed on
9 2003, Chinese and South African imports left the market and
10 have not returned. We were able to increase prices, we
11 gained significant sales volume and market share, and our
12 financial performance improved significantly in the
13 subsequent years.

14 Due to the substitutable nature of this product,
15 if high volumes of low-priced Chinese and South African
16 ferrovanadium were again imported into the United States,
17 this would rapidly drive prices down throughout the market.
18 AMG and other domestic suppliers would lose sales to these
19 imports, which would result in lower revenues and shipments,
20 production cutbacks, reduced capacity utilization and job
21 losses hurting families.

22 The declines in the domestic industry sales and
23 revenues would have a direct adverse impact on
24 profitability, as well as reducing these producers' ability
25 to raise capital and make and maintain necessary capital

1 investments. This latter factor is particularly significant
2 for AMG, because its production process is highly
3 capital-intensive.

4 As detailed in our prehearing brief, we made
5 major investments to improve and expand our production
6 facilities in 2010 and 2012, with over 50 percent of these
7 investments targeting environmental compliance, and we
8 completed a major furnace expansion just this month.

9 All of these investments have been made with the
10 anti-dumping order on ferrovanadium from China and South
11 Africa in place. Our ability to sustain them depends on
12 continuation of the improved market conditions that the
13 orders have made possible. In addition, our production
14 processes include high, fixed costs.

15 To be able to recover these costs, we need to be
16 able to run the plant at as high a capacity utilization rate
17 as possible, so that we can spread costs evenly over a
18 sufficiently large volume of ferrovanadium sales. If price
19 depressing subject imports were to return to the U.S. market
20 at high volumes as we expect, AMG would have to either
21 reduce our prices to try to maintain an adequate level of
22 production volume, or lose sales to the subject imports.

23 Lost sales would result in declines in production
24 volume, which would endanger our ability to recover our
25 fixed costs. Either option would have damaging effects on

1 AMG's financial condition. The devastating effects on sales
2 and production that we expect would follow revocation of the
3 orders would almost certainly require parallel job losses at
4 AMG's plant in southeastern Ohio, a major employer in our
5 region.

6 For this reason as well, we urge the Commission
7 to prevent resumed material injury to the U.S. ferrovanadium
8 industry by continuing the orders on ferrovanadium from
9 China and South Africa. Thank you. I look forward to
10 answering any questions you may have.

11 MR. TOTARO: Our next industry witness will be
12 Allan Orr or excuse me, David Carey from Bear Metallurgical.

13 STATEMENT OF DAVID F. CAREY

14 MR. CAREY: Good morning Commissioners my name
15 is David Carey, I am the General Manager at Bear
16 Metallurgical Company, a toll processor of ferrovanadium and
17 ferromolybdenum located in Butler, Pennsylvania. I have
18 been with Bear for 8 years and I report directly to Bear's
19 Chief Executive Officer Eric Caridroit who is also the CEO
20 of our parent company, Gulf Chemical and Metallurgical
21 Corporation.

22 Bear has been producing ferrovanadium since 1991.

23 Our ferrovanadium business consists of toll processing
24 vanadium pentoxide or V205 supplied by our tolling customers
25 into ferrovanadium. Bear's process for producing

1 ferrovanadium uses an aluminous thermic process to convert
2 V2O5 into ferrovanadium.

3 In Bear's process a precisely calibrated mixture
4 of the vanadium pentoxide aluminum, iron scrap and other
5 materials is blended and charged into a furnace which is
6 ignited. This process provides its own energy and requires
7 no gas or electricity or any other energy to cause the
8 reaction. This reaction causes the V2O5 and iron to be
9 reduced into ferrovanadium. The resulting material is then
10 crushed, analyzed and packaged for delivery.

11 All of the materials used in Bear's ferrovanadium
12 production process are recycled, reused or sold as
13 co-products. No material is landfilled or otherwise
14 disposed of as waste. As we have reported to the
15 Commission, Bear has made significant investments in recent
16 years to increase capacity and improve technology to upgrade
17 and expand its ferrovanadium production capabilities.

18 Gulf is Bear's largest tollee and as Allan Orr
19 will explain in more detail, Gulf produces the vanadium
20 pentoxide that is supplied to Bear at its facilities in
21 Freeport, Texas through a recycling process of using spent
22 oil refinery catalyst as its primary vanadium bearing raw
23 material. After Bear converts this material into
24 ferrovanadium for Gulf, Gulf is responsible for selling the
25 ferrovanadium in the U.S. market.

1 These elements of Bear's and Gulf's ferrovanadium
2 business are operated essentially as an integrated operation
3 however, during the period examined in this review, Bear
4 also toll produced ferrovanadium on behalf of a small group
5 of other tollees, including Stratcor. Several of the major
6 Chinese ferrovanadium producers and the two South African
7 producers source their vanadium feedstock differently than
8 either Gulf or AMG Vanadium.

9 The Chinese producers use a vanadium bearing iron
10 slag that is a by-product of their own steel producing
11 affiliates. I understand that Vanchem, one of the South
12 African producers, purchases vanadium bearing iron ore finds
13 from the steel maker Highveld and that the other South
14 African producer Rhovan uses its own mined ore to produce
15 ferrovanadium. Having access to these predictable and
16 abundant sources of raw materials and their aggressive
17 pricing likely account for the Chinese and South African
18 producers dominant positions in the global market for
19 ferrovanadium and would facilitate any decision to increase
20 production.

21 As the Commission staff noted South Africa is the
22 world's largest exporter of ferrovanadium. China's
23 ferrovanadium industry is much larger than South Africa's
24 but while its export volume has grown steadily over the past
25 few years, China's ferrovanadium exports are still somewhat

1 lower than South Africa's due to high domestic demand in
2 China.

3 We are confident that if the anti-dumping duty
4 orders on ferrovanadium from China and South African are
5 revoked, these producers would quickly redirect a
6 significant portion of their massive export volumes to the
7 United States. In our pre-hearing brief we discussed
8 several factors which support this conclusion. I would
9 like to discuss one of these factors that relates directly
10 to Bear.

11 During the period covered by this Sunset Review,
12 a small proportion of Bear's toll conversion process
13 involved converting vanadium pentoxide that had been
14 exported from China and South Africa. In recent years this
15 volume has declined dramatically. For example, Bear has
16 not converted any Chinese origin vanadium pentoxide since
17 early in the period of review and the volume that Bear
18 converted for Glencore from South African vanadium pentoxide
19 in 2013 and 2014 was far below the volume we produced for
20 this customer in the previous three years.

21 Public trade statistics show that China and South
22 Africa also export V205 to Canada and that China exports
23 V205 to Korea. We understand that this material is toll
24 converted into ferrovanadium in those countries and exported
25 to the United States. As Terry Perles will discuss in

1 greater detail, we are confident that the Chinese and South
2 African producers would view the revocation of the orders as
3 an opportunity to eliminate the added costs and
4 inefficiencies of third country toll conversion and resume
5 direct exports of ferrovanadium to the United States.

6 Based on the volume and pricing practices that
7 the Commission observed in the investigation, renewed U.S.
8 imports of Chinese and South African ferrovanadium would
9 again have significant negative impacts on the domestic
10 ferrovanadium industry. Due to our unique position in the
11 industry Bear would experience the effects of these resumed
12 subject imports in several distinct ways.

13 First, as low-priced South African ferrovanadium
14 gained market share in the U.S. market, Bear would lose toll
15 conversion volumes from all of its tollees, including Gulf
16 and Bear would also come under increasing pressure to reduce
17 tolling fees to its tollees so its tollees could better
18 compete against the imports. In addition Bear would
19 likely lose the remaining small volume of toll business it
20 receives from converting vanadium pentoxide exported from
21 South Africa as producers in that country shift their
22 operations to direct exports of ferrovanadium to the United
23 States. These impacts on Bear's tolling business would
24 have severe financial impact on our company and Bear could
25 be forced to further reduce its employment beyond the

1 substantial reductions it undertook in 2013 and 2014.

2 Bear's ability to recoup recent capital
3 expenditures on production facility improvements would be
4 jeopardized as well. I ask you to consider these factors
5 and those we have raised in our brief as you make your
6 determination in this Sunset Review. I look forward to
7 answering any questions you may have, thank you.

8 MR. TOTARO: Our third industry witness is Allan
9 Orr of Gulf Chemical and Metallurgical.

10 STATEMENT OF ALLAN R. ORR

11 MR. ORR: Good morning my name is Allan Orr I am
12 currently the Executive Vice-President of Sales and
13 Marketing for Gulf Chemical and Metallurgical Corporation.
14 I have been employed by Gulf for 34 years. In my current
15 position I oversee the toll production of ferrovanadium
16 performed by Bear on Gulf's behalf. I also oversee Gulf's
17 sales and marketing of ferrovanadium and I have direct
18 contact with all of our customers.

19 Gulf has been operating its production facility
20 in Freeport, Texas since 1973. This facility manufactures
21 vanadium oxides, primarily V205 through a recycling process
22 performed on spent oil refining catalyst. Gulf acquires
23 these spent catalysts which are classified as K171 - 172
24 hazardous materials from oil refineries in the United States
25 and from some foreign sources.

1 Gulf's production process recovers several
2 different valuable metals from these catalysts including
3 vanadium, molybdenum, nickel and cobalt. The vanadium is
4 recovered in the form of V2O5 which is converted by Bear
5 into ferrovanadium and the molybdenum that Gulf recovers is
6 sold to producers of the fresh refining hydro-treating
7 catalyst. Gulf sells the ferrovanadium converted by Bear
8 to steel producers which use it as a micro-alloying agent to
9 strengthen and improve toughness resistance in certain types
10 of steels.

11 Ferrovanadium prices in the U.S. market are
12 higher than in other markets, particularly Europe and this
13 factor would provide a major incentive for Chinese and South
14 African ferrovanadium producers to resume direct exports to
15 this country. At the same time, ferrovanadium pricing in
16 the United States as well as Europe and other markets has
17 declined sharply since 2008. Price levels have recovered
18 somewhat since 2009 when the global economic recession
19 severely cut back demand from the steel industry which in
20 turn drove ferrovanadium prices down.

21 But Gulf and other VPRA member's companies have
22 faced declining prices for ferrovanadium in 2012 and 2013
23 and ferrovanadium prices remain well below levels
24 consistently reached in 2006 and 2007, the sustained period
25 of lower ferrovanadium pricing in the U.S. market, in

1 combination with the raw material processing issues we
2 discussed in our questionnaire response that affected Gulf's
3 productivity and profitability in recent years.

4 In addition, Gulf has borne approximately 50
5 million in environmental improvements to our recycling
6 facility in Freeport, Texas that Gulf is still in the
7 process of implementing. These projects include
8 improvements to Gulf's air pollution control equipment,
9 waste water treatment, storm water retention and
10 environmental monitoring systems. This very large
11 investment is absolutely necessary for Gulf to maintain
12 compliance with the strict environmental regulations set by
13 the U.S. EPA and the Texas authorities, the TCEQ.

14 We believe that Chinese and South African
15 ferrovanadium producers are not subject to such
16 environmental laws and thus do not incur the types of high
17 compliance costs that U.S. producers do. The United States
18 steel industry is the primary driver of the demand for
19 ferrovanadium in this country. The U.S. steel industry is
20 large and its production volume has recovered nearly to 2008
21 pre-recession levels. Also steel industry demands for the
22 types of high strength steels that require ferrovanadium has
23 grown substantially since the 2009 recession and we expect
24 them to continue to grow at least marginally in the coming
25 years.

1 In comparison, the European steel market, which
2 is a major target for Chinese and South African
3 ferrovanadium exports, is recovering much more slowly. In
4 light of these factors if the orders were revoked and the
5 U.S. market again was opened to subject imports, I have no
6 doubt that the Chinese and South African ferrovanadium
7 producers would re-evaluate and restructure their current
8 export strategies based on this major change in the global
9 ferrovanadium market.

10 Based on the strong U.S. steel industry demand
11 and the higher prices in the United States relative to
12 Europe, we believe that these producers would devote a
13 significant portion of their total exports to the U.S.
14 market if the orders were revoked. As a result of several
15 factors discussed in our pre-hearing brief, the domestic
16 ferrovanadium industry as a whole is vulnerable to the
17 effects of renewed imports of dumped ferrovanadium from
18 China and South Africa.

19 Due to our unique position in the U.S. industry,
20 Gulf has several distinct vulnerabilities that would cause
21 injury incurred by our company to affect Bear as well. If
22 the orders are revoked, the resumed high volumes of
23 low-priced Chinese and South African ferrovanadium would be
24 sold in direct competition with U.S. produced ferrovanadium.

25 As a result Gulf would be forced to lower its

1 ferrovanadium prices to compete or we would lose significant
2 sales volumes to these imports. This would only aggravate
3 productivity and profitability issues that Gulf already
4 faces in its V205 operations. Lost sales for Gulf would
5 have a direct negative effect on Bear which depends on Gulf
6 for a significant portion of its ferrovanadium tolling
7 business.

8 In addition, Gulf's ability to process vanadium
9 bearing spent catalysts from oil refiners would be placed in
10 jeopardy as low priced imports from China and South Africa
11 could drive down the value of vanadium in the United States.

12 If vanadium prices decline much more than today's value,
13 this could reduce the value of the spent catalyst to return
14 to our oil refining suppliers to the point where they might
15 reconsider recycling the catalyst through processing at
16 Gulf.

17 Instead it would become cheaper for these
18 refiners to dispose of the catalyst in hazardous landfills.

19 These events would place in jeopardy Gulf's entire
20 recycling operations in Freeport and Gulf's recent 50
21 million dollar investment and the environmental improvements
22 would be lost. These impacts on Gulf's V205 production as
23 well would result in decreased tolling business and negative
24 financial consequences for Bear.

25 The valuable metals Gulf now recovers vanadium,

1 molybdenum, nickel and cobalt would be lost from the market
2 only to be replaced by primary mined metals which come at a
3 much higher carbon footprint and environmental impact.
4 Additionally the hazardous catalyts that Gulf does not
5 reclaim instead go to landfills, will lay there and possibly
6 present significant environmental issues to all future
7 generations.

8 For these reasons, Gulf and other VPRA member
9 companies strongly urge the Commission to continue the
10 anti-dumping duty orders on ferrovanadium from China and
11 South Africa and thereby prevent the significant negative
12 economic consequences for the domestic producers and the
13 tollees that would again occur if these orders were revoked.

14 Thank you for this opportunity to appear, I look forward to
15 questions.

16 MR. TOTORO: Our next industry witness is Bob
17 Bunting from Evraz Stratcor.

18 STATEMENT OF ROBERT BUNTING

19 MR. BUNTING: Good morning my name is Bob
20 Bunting I'm a consultant with Evraz Stratcor, Incoporated.

21 I have worked for Stratcor and Strategic Minerals
22 Corporation, Stratcor's parent corporation for over 30 years
23 now. I have been involved in the production and sales of
24 vanadium and related alloys and chemicals in North America
25 and internationally throughout my career.

1 Stratcor, through its production facility in Hot
2 Springs, Arkansas and in cooperation with outside processors
3 serves several different U.S. markets for vanadium.
4 Stratcor supplies U.S. produced vanadium alloys for the
5 titanium industry. U.S. produced vanadium oxides and
6 vanadium chemicals to the chemical industry and we have also
7 converted U.S. produced vanadium pentoxide and vanadium
8 trioxide and non-prime quality vanadium alloys into
9 ferrovanadium at Bear Metallurgical for sale to the U.S.
10 steel industry.

11 Over the past few years, Stratcor has reduced its
12 volume of ferrovanadium toll production at Bear. There are
13 several reasons for this change. First, because of the
14 high purity of the oxide that Stratcor produces at Hot
15 Springs, it can be used to produce specialized higher margin
16 vanadium products like vanadium chemicals and vanadium
17 aluminum master alloys for the titanium market.

18 I note that these two vanadium products represent
19 less than 10% combined of global vanadium consumption.
20 Moreover, beginning in 2011 Evraz, Stratcor's alternate
21 parent since 2006, implemented a new business model for its
22 Russian ferrovanadium producer Vanady Tula.

23 This included toll production of Russian vanadium
24 pentoxide in the United States which was performed by Bear
25 for Evraz East Metals an arrangement which remains in place

1 even though the Russia anti-dumping order has been revoked.

2 This business model permitted Evraz to continue to serve
3 the U.S. ferrovanadium market while permitting Stratcor to
4 focus more on the vanadium chemicals and titanium markets.

5 In 2012 during the Sunset Review on ferrovanadium
6 and nitrate vanadium from Russia, my colleague at Stratcor,
7 Dick Weisler, testified on behalf of the Evraz group about
8 this shift in that Vanady Tula's business market. As Mr.
9 Weisler discussed, there was a strategic decision made for
10 Vanady Tula to concentrate its production and sale of
11 ferrovanadium on the Russian home market to largely abandon
12 exporting ferrovanadium from Russia and to serve all of its
13 major export markets through third party, third country toll
14 conversion of Russian vanadium pentoxide.

15 A significant factor in this decision was Tula's
16 high production costs for ferrovanadium which were
17 comparable to toll conversion in third countries. However,
18 it is important to point out that Tula's business model is
19 not based on the presence or absence of anti-dumping orders.

20 Indeed, while there have been no anti-dumping duty orders
21 on ferrovanadium in effect in Europe, Evraz served the
22 European ferrovanadium markets through toll conversion of
23 Russian vanadium pentoxide and its affiliate Nikon in the
24 Czech Republic.

25 Similarly since the revocation of the U.S. order

1 on ferrovanadium from Russia, Tula has not exported large
2 volumes of ferrovanadium into the United States. This is
3 because years prior to the revocation Evraz decided to
4 devote toll-less ferrovanadium to serving the home market
5 and to serve all of its major export markets through third
6 country toll production based on factors unrelated to the
7 existence of the U.S. anti-dumping order.

8 Consequently the revocation has no effect on this
9 business model. In contrast, the ferrovanadium industries
10 in China and South Africa remain highly export-oriented.
11 It is my understanding that South African in particular
12 exports the vast majority of its production of
13 ferrovanadium.

14 China's ferrovanadium exports have grown over the
15 past several years and are not comparable in volume to South
16 Africa's. Together, China and South Africa exported more
17 than 24 million pounds of ferrovanadium in 2013. I
18 understand that both China and South Africa export some
19 vanadium pentoxide for toll conversion, toll production into
20 ferrovanadium in third countries, including Canada and South
21 Korea as an indirect route into the U.S. ferrovanadium
22 market.

23 But this is an exception to the producer's
24 general export practice which is to serve export markets by
25 direct exports of ferrovanadium for use in China and South

1 Africa. The reason for this inefficient exception to the
2 Chinese and South African producers overall export strategy
3 is the existence of the U.S. anti-dumping duty orders.

4 For this reason I am confident that if the orders
5 were revoked, the Chinese and South African industries would
6 rapidly reverse their toll production directed towards the
7 U.S. market, and begin again to serve the U.S. export market
8 the same way they serve other export markets where
9 anti-dumping orders are not a factor with direct exports of
10 ferrovanadium from China and South Africa.

11 I note as well that one of the South African
12 producers, Glencore, has an affiliate in the United States
13 which is both an importer of ferrovanadium and a tollee of
14 Bear's. However, like Evraz at the time of the Russia
15 Sunset Review, Glencore does not own production operations
16 in the United States that could be adversely affected by
17 resumed low price subject imports nor does it own conversion
18 facilities in any third countries.

19 Practically speaking, Glencore's U.S. entity,
20 Glencore Limited is a trading company. I believe that
21 Glencore would view exporting ferrovanadium from South
22 Africa to the United States rather than converting vanadium
23 pentoxide in either Canada or the U.S. in facilities that
24 they do not own, as a more cost effective route to the U.S.
25 market. A consequence of changing to this route would

1 likely be a reduction in its U.S. affiliates volume of
2 imports converted in Canada and/or tolling in the United
3 States, not competition against that affiliate.

4 Thank you for the opportunity to appear before
5 the Commission today, I look forward to any questions that
6 you may have.

7 MR. TOTARO: And now we'll hear from Terry Perles
8 from MoTiV Metals, TTP Squared, and Atlantic Limited. Terry
9 will say a few words about the affidavit that he provided to
10 the Commission as an attachment to our brief.

11 STATEMENT BY TERRY PERLES

12 MR. PERLES: Madam Commissioner, Vice
13 Commissioner, and Commission staff, thank you very much for
14 this opportunity to appear before you today. My name is
15 Terry Perles. I am the President of two firms located in
16 the United States, MoTiV Metals, LLC, and TTP Squared. I'm
17 also the president of North America for Atlantic Limited
18 which owns the Windermere Vanadium project in Australia. I
19 have over 25 years of experience in the U.S. and global
20 vanadium trade including 20 years in the field of sales and
21 marketing of vanadium with Evraz Stratcor.

22 I was pleased to provide an affidavit to the VPRA
23 which was included in these firms' prehearing brief and
24 summarized my views on the likely consequences of the United
25 States revoking the antidumping duty orders on ferrovanadium

1 from China and South Africa.

2 I offered to attend today's hearing to answer any
3 questions the Commission might have regarding the issues
4 addressed in my affidavit. I presume the Commissioners have
5 read the affidavit, so I will simply summarize the main
6 points.

7 China and South Africa are the two largest
8 vanadium producers in the world. I note that China
9 increased its vanadium production by 3,800 metric tons of
10 vanadium or approximately 17 percent in the first half of
11 2014 compared to the first half of 2013.

12 This increase in Chinese vanadium production
13 amounts to an increase in global production of about 10
14 percent. It's also important to note that China and South
15 Africa are also two of the largest ferrovanadium exporting
16 countries in the world.

17 China and South Africa's third country toll
18 conversion of V205 into ferrovanadium destined for the U.S.
19 market reflects the attractiveness of this market due to the
20 large demand for ferrovanadium from the steel industry and
21 the price premium in the United States compared to Europe.
22 I should also note that the U.S. ferrovanadium prices are
23 higher than those in Japan as well.

24 Because they lack the unique constraints that
25 limited the Russian ferrovanadium industry's production and

1 export decisions in 2012, and that continue today, the
2 ferrovanadium industries in China and South Africa would
3 react very differently than Russia did to the revocation of
4 the U.S. antidumping orders.

5 The existence of these orders alone is the reason
6 producers in China and South Africa pursue indirect routes
7 into the U.S. ferrovanadium market through third-country
8 conversion. Therefore, if the orders are revoked, I am
9 confident China and South Africa will immediately start to
10 flood the U.S. market with directly exported ferrovanadium
11 rather than sharing a portion of their profits with
12 converters.

13 The views I've expressed in my affidavit reflect
14 my current research and my knowledge of the U.S. and
15 international ferrovanadium industries and markets gained
16 over many years. But these views are not mine alone.
17 Vanadium analysts around the world are focused on these
18 sunset reviews. It's widely understood that reopening of
19 the U.S. markets to producers in China and South Africa will
20 cause a major shift in these countries' export patterns
21 towards the United States. This change will impact not only
22 the U.S. ferrovanadium industry, but also the global trade
23 in ferrovanadium.

24 Thank you and I look forward to answering any
25 questions.

1 MR. TOTARO: Our last witness will be Jennifer
2 Lutz of Economic Consulting Services.

3 STATEMENT BY JENNIFER LUTZ

4 MS. LUTZ: Good morning. I am Jennifer Lutz,
5 Senior Economist at Economic Consulting Services and I'm
6 accompanied by Ken Button.

7 There are a number of conditions of competition,
8 excuse me, that are distinctive to the U.S. ferrovanadium
9 market. These conditions of competition have been cited by
10 the Commission in multiple investigations with respect to
11 this product and continue to be relevant today as indicated
12 in slide one.

13 Ferrovanadium is used almost exclusively in the
14 steel industry to make certain types of steel. Thus demand
15 for ferrovanadium is determined by the volume of production
16 of those types of steel.

17 Because demand for ferrovanadium is a derived
18 demand consumption follows the cyclical trends of the steel
19 industry. This cyclicality was clearly demonstrated during
20 the POR. U.S. production fell sharply in 2009 and so too
21 did consumption of ferrovanadium and the performance of the
22 domestic ferrovanadium industry.

23 Since 2009, as the steel industry has recovered,
24 so too has the condition of the ferrovanadium industry.

25 As ferrovanadium is added to steel in only

1 extremely small amounts the demand for ferrovanadium is
2 price inelastic. That is, a decline in the price of
3 ferrovanadium generally does not cause the volume of
4 ferrovanadium consumption to increase. There are few
5 substitutes for ferrovanadium.

6 Ferrovanadium from all sources is highly
7 interchangeable. Although there are different grades of
8 ferrovanadium, the Commission has repeatedly found that
9 ferrovanadium from all sources is interchangeable and that
10 steel producers can generally use ferrovanadium of different
11 grades.

12 Data collected by the Commission in this review
13 demonstrate that ferrovanadium from all sources remains
14 interchangeable. Given the high degree of
15 interchangeability among sources, ferrovanadium is sold
16 primarily on the basis of price.

17 In the original investigation, the Commission
18 found that price was an important factor in purchasing
19 decisions noting that all responding purchasers cited price
20 as a major factor in choosing a supplier. In this review
21 purchasers continued to identify price as an important
22 factor in making purchasing decisions.

23 There is widespread knowledge of prevailing
24 ferrovanadium prices in the market. Ferrovanadium prices
25 are published in a number of sources with the publication

1 Ryan's Notes being the most widely used in the United
2 States.

3 Furthermore, contracts normally contain pricing
4 formulas that use such published prices as benchmarks
5 causing changes in prevailing market prices to affect all
6 contract prices quickly. Many domestic and import suppliers
7 compete in the U.S. ferrovanadium market. These include two
8 U.S. producers, one of which toll converts vanadium pent
9 oxide into ferrovanadium for other parties. Suppliers also
10 include multiple import sources.

11 Due to strong demand in the U.S. market relative
12 to other markets, and the antidumping duty orders on imports
13 from ferrovanadium from China and South Africa ferrovanadium
14 prices in the U.S. market are higher than prices in other
15 markets.

16 The prehearing report provides prices for the
17 U.S. market and European market during the POR showing that
18 with a few short exceptions U.S. prices have been
19 consistently higher than European prices.

20 Slide two shows published prices, spot prices for
21 both the U.S. and European markets for the 2010 to 2014
22 period. U.S. prices were as much as 40 percent higher than
23 European prices during this period. And the average price
24 premium over this period was 16.2 percent.

25 Following imposition of the orders, shipments

1 from the subject countries virtually ceased. In 2001,
2 subject imports from South Africa enjoyed a U.S. market
3 share of 20.8 percent, up from only 8.1 percent in 2000.
4 And imports from China held a market share of 8.3 percent.
5 Since then imports from South Africa and China have been
6 largely absent from the U.S. market

7 This absence, however, does not indicate a lack
8 of interest in the market where prices are significant
9 higher than in other markets as both China and South Africa
10 export vanadium pentoxide to other countries for conversion
11 to ferrovandium and shipment to the U.S. market.

12 As you have also heard today, this fact pattern
13 is very different from that in the recent sunset review with
14 respect to imports from Russia in several important
15 respects. Including the fact that both subject countries in
16 this review continue to export significant volumes of
17 ferrovandium to other markets which can easily be
18 redirected into the U.S. market.

19 There does not appear to be any reason for these
20 producers to resort to third-country conversion to serve the
21 U.S. market other than the existence of these orders.

22 As indicated by the U.S. industry witnesses here
23 today, and by the data collected by the Commission in this
24 review, the condition of the domestic industry has improved
25 significantly since the imposition of the orders with

1 respect to virtually all of the indicia considered by the
2 Commission. The removal from the U.S. market of the dumped
3 imports from China and South Africa has allowed the U.S.
4 producers to improve their performance. The industry has
5 been able to make considerable capital investments, but
6 these investments would be jeopardized if the orders are
7 revoked.

8 Despite the improvements, it is clear that the
9 domestic industry remains vulnerable to the effects of
10 subject imports. During 2012 and 2013, for example,
11 published U.S. spot prices declined significantly resulting
12 in accordingly lower sales prices for contract sales. The
13 decline in prices was accompanied by a significant decline
14 in the industry's operating profitability. Thus, any price
15 decline caused by the resumption of shipments of dumped
16 subject imports to the U.S. market would have a devastating
17 effect on the domestic industry. The industry also has high
18 fixed costs such that any loss in volume to the subject
19 imports would cause these costs to be spread over a smaller
20 volume of production.

21 South African respondents claim that the domestic
22 industry is not vulnerable because of its profitability and
23 improvements in operations. However, these improved
24 conditions would not be possible without the protection of
25 the orders.

1 If the orders were revoked, China and South
2 African producers would be likely to reenter the U.S. market
3 at price depressing levels just as they did during the
4 original period of investigation. As I noted before, both
5 subject countries have large ferrovanadium industries and
6 export large volumes of ferrovanadium to other markets. The
7 subject producers have strong economic incentives to resume
8 direct shipments of finished ferrovanadium to the U.S.
9 market.

10 Given that contract prices are generally linked
11 to published spot prices, even small volumes of subject
12 imports could quickly have a significant effect on domestic
13 producers' contract prices.

14 In the investigation the Commission found clear
15 evidence of price depression by the subject imports.
16 Despite the fact that subject imports were largely found to
17 oversell the domestic industry. This finding is not
18 surprising given that the subject imports were more
19 concentrated in the spot market while the domestic producers
20 were more focused on contract sales. Therefore, as subject
21 import spot prices fell, they pulled down U.S. producers'
22 contract prices.

23 The Commission cited this fact pattern as well as
24 the confirmed lost sales and lost revenues in its
25 determination.

1 In the first sunset review of these orders, the
2 Commission found that injurious price effects would be
3 likely to resume upon revocation. If the orders are revoked
4 in this review, the domestic industry would likely suffer
5 the same depressed prices due to the subject imports. The
6 Commission should make an affirmative determination in these
7 reviews.

8 Thank you and I will be pleased to respond to any
9 questions.

10 MR. TOTARO: That concludes our direct testimony.

11 We are available to answer any questions and I
12 would like to reserve the remainder of our time.

13 CHAIRMAN BROADBENT: Thank you. I want to thank
14 the witnesses for coming and taking time from your busy
15 schedules to be with us today.

16 I will begin our questioning with Commissioner
17 Williamson.

18 COMMISSIONER WILLIAMSON: Thank you. I too want
19 to thank the witnesses for coming today and presenting your
20 testimony.

21 I was wondering about the access to raw
22 materials. Have U.S. producers experienced any difficulty
23 securing raw materials for producing ferrovanadium? And if
24 so, what does this mean for prospect of the industry in the
25 next several years?

1 MR. KIDD: Mr. Commissioner, my name is Mitchell
2 Kidd. I am President of AMG Vanadium.

3 COMMISSIONER WILLIAMSON: Uh-huh.

4 MR. KIDD: I would like to address that question.

5 COMMISSIONER WILLIAMSON: Sure.

6 MR. KIDD: We have adequate raw materials to
7 support our current production levels. The expansion of the
8 type of catalysts and raw materials that we use in North
9 America is projected to be significant over the next years
10 and we believe that adequate raw materials are available.

11 COMMISSIONER WILLIAMSON: Anyone else want to
12 comment on that?

13 (No response.)

14 COMMISSIONER WILLIAMSON: Okay. If anyone wants
15 to also provide something post-hearing, that would be fine
16 on that question.

17 How significant is the U.S. market for vanadium
18 pentoxide separate from ferrovanadium?

19 In other words, are sales of vanadium pentoxide
20 that is not consumed in the -- that is not consumed in that
21 form and not processed into ferrovanadium?

22 MR. BUNTING: Mr. Commissioner, most of the
23 vanadium pentoxide that is not used to make ferrovanadium
24 would be used in specialty areas such as vanadium chemicals
25 for production of products that are used in a wide variety

1 of chemical uses. But also in the production of vanadium
2 aluminum master alloy for titanium production. I would say
3 that's the bulk of the use of oxide outside the
4 ferrovanadium.

5 COMMISSIONER WILLIAMSON: Is that a small
6 percentage of the oxide that's consumed in the U.S.?

7 MR. BUNTING: In the U.S.? It's bigger than the
8 rest of the world because the U.S. has more production than
9 the rest of the world percentage wise of titanium, for
10 example.

11 COMMISSIONER WILLIAMSON: Uh-huh.

12 MR. BUNTING: But I would say that it's still
13 only may be 15 or 20 percent.

14 COMMISSIONER WILLIAMSON: Fifteen or 20?

15 MR. BUNTING: Yeah, near that order.

16 MS. LUTZ: This is Jennifer Lutz of ECS.

17 COMMISSIONER WILLIAMSON: Sure. Uh-huh.

18 MS. LUTZ: I'd just like to add, one of the
19 reason that the percentage is higher is that certainly not
20 all ferrovanadium produced in the U.S. is made from vanadium
21 pentoxide. AMG does not produce that as it produced
22 ferrovanadium.

23 My understanding from our discussions in
24 preparation for this is that the overall market for vanadium
25 products exclusive from ferrovanadium for the steel industry

1 is less than 10 percent globally. So the applications
2 outside of ferrovanadium for the steel industry are very
3 small.

4 COMMISSIONER WILLIAMSON: Okay. Thank you.

5 Mr. Perles, what is the current status of
6 Austria's Windermere project?

7 MR. PERLES: Mr. Commissioner, the Windermere
8 vanadium project suffered a catastrophic fire in February of
9 this year destroying the magnetic separation circuit at the
10 plant. That circuit is currently being rebuilt with a
11 target for completion of that rebuild in February. So it is
12 our anticipation that we'll see the Windermere project
13 restart production at some point in 2015.

14 COMMISSIONER WILLIAMSON: What about the Largo
15 project in Brazil? When is it expected to start shipping?

16 MR. PERLES: I think there's probably people here
17 with better information than me, but my understanding is
18 they've started production and I think publicly they've
19 stated they're producing at 40 percent of capacity today.

20 MR. BUNTING: Mr. Commissioner, they've started
21 exporting oxide in September and again in October shipped a
22 fairly significant quantity. So they appear to be ramping
23 up their production.

24 COMMISSIONER WILLIAMSON: Okay. Does that have
25 any impact implications for the U.S. market, sales of

1 vanadium U.S. or vanadium pentoxide? Non-subject imports
2 are significant here, so I was just curious about impacts?

3 MR. TOTARO: I can this as one point, and then
4 industry witnesses can contribute. But I believe it's true
5 that there have not been any -- the product that's being
6 produced in Brazil is vanadium pentoxide, but there have not
7 been any U.S. imports of vanadium pentoxide from Brazil.

8 COMMISSIONER WILLIAMSON: Uh-huh.

9 MR. TOTARO: If anyone else would like to --

10 MR. CARTER: I am Jim Carter from AMG. We have
11 attempted to follow the exports, these nacent exports from
12 Brazil. And we have observed that most of it has gone to
13 Canada which would imply conversion to ferrovanadium at the
14 Masterloy facility in Ottawa. And in the second month of
15 shipment material went to the Republic of Korea, which would
16 again imply conversion to ferrovanadium.

17 And, yes, I agree with the other speakers, these
18 folks are up and running and exporting product.

19 COMMISSIONER WILLIAMSON: And is that, shall we
20 say, increased the availability of the pentoxide in these
21 other markets have any implications for sales for
22 ferrovanadium in the U.S. non-subjects?

23 MR. CARTER: I think we should expect
24 ferrovanadium that originated as oxide in Brazil to arrive
25 in the United States as ferrovanadium; yes, sir.

1 COMMISSIONER WILLIAMSON: Okay. Thank you.

2 Ms. Lutz, you may want to address in the
3 post-hearing any implications this might have for the U.S.
4 producers and the competitors in the U.S. market if there is
5 any.

6 At page 34 of their brief, respondents assert
7 that South Africa producer Glencore Rhovan sales of
8 ferrovanadium to the U.S. market would be restrained by the
9 presence of its U.S. affiliate Glencore. Well -- this is
10 bracketed post-hearing, but in post-hearing submission,
11 could you address their argument? There was some reference,
12 I know, that some people have talked about them.

13 MR. TOTARO: Yes, we would be glad to address
14 that in the --

15 (Simultaneous conversation.)

16 COMMISSIONER WILLIAMSON: Go ahead.

17 MR. TOTARO: Excuse me.

18 COMMISSIONER WILLIAMSON: Go ahead.

19 MR. TOTARO: I didn't mean to interrupt.

20 But, yes, you did hear a little bit on that
21 subject in Mr. Bunting's testimony. And we would be glad to
22 address the proprietary aspect of that issue in our brief.

23 COMMISSIONER WILLIAMSON: Okay. Thank you.

24 MR. TOTARO: But in summary, we do not think it
25 would be that Glencore's operations in the United States

1 would be affected, particularly not in the same way that the
2 U.S. entities that the Commission looked at in the Rush
3 review were thought to have -- thought might be affected by
4 resumed exports from Russia because of the differences that
5 Mr. Bunting noted.

6 COMMISSIONER WILLIAMSON: Okay. Thank you.

7 Please respond to South African respondent's
8 assertion that inventories of ferrovanadium in South Africa
9 are not generally available for export to the U.S. market?

10 MR. TOTARO: I'm sorry, could you repeat that
11 question?

12 COMMISSIONER WILLIAMSON: Could you respond to
13 the South African respondent's assertion that inventories of
14 ferrovanadium in South Africa are not generally available
15 for export to the U.S. market?

16 MR. TOTARO: There, unfortunately, is not a great
17 deal that I can say publicly.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. TOTARO: Except to say that we disagree with
20 their conclusions and that the explanations that they've
21 offered in their brief are on one hand not representative of
22 the entire industry, I believe, but also if part of the
23 explanation is that they are -- these are typical practices.
24 I do not see how that eliminates those -- the potential
25 impact of those inventories in the event of revocation. But

1 maybe more significant than that is that the inventories
2 that were reported in inventory is only part of the
3 equation. A larger part, I believe, is the large export
4 volume that the South African producers reported which could
5 be -- portions of which could be shipped to the United
6 States in their product shifting. So I think that inventory
7 is only one part of the equation.

8 COMMISSIONER WILLIAMSON: Thank you. Mr. Button?

9 MR. BUTTON: Thank you, Commissioner. We believe
10 the suggestion that they don't have export volumes that are
11 available to sale in the United States is certainly not
12 critical for a couple of very basic facts. One, they have a
13 very small home market. They export a great deal. They are
14 the world's largest exporter. They export to a variety of
15 locations.

16 In the opening statement this morning, there was
17 a reference made to long-term commitments. That doesn't
18 apply to all their volumes, obviously. That the U.S. market
19 is higher priced than their exports than the others to
20 markets. They have an economic incentive and the capability
21 to redirect those exports which is their source of income
22 towards the U.S. market in a profitable way.

23 COMMISSIONER WILLIAMSON: Okay. Good. Thank you
24 for those answers. My time is expired.

25 CHAIRMAN BROADBENT: Commissioner Johanson.

1 COMMISSIONER JOHANSON: Thank you Chairman
2 Broadbent, and I would also like to thank the witnesses and
3 the counsel and economists for appearing here today.
4 Looking back at the period of the original investigations,
5 would it be fair to say that those three years were among
6 the worst of the history of the U.S. steel industry?

7 While I do not doubt that the orders have helped
8 your industry, could the improvement in the condition of
9 your main customer, that is the U.S. steel industry, also be
10 a significant source of your improvement?

11 MR. KIDD: Yes. The U.S. steel industry's
12 recovery has helped the demand for our product, both in the
13 type of products that are producing the high preponderance
14 of high strength low alloy steels. The United States has
15 the highest specific consumption rate of vanadium, which the
16 subject countries covet, you know.

17 We use twice as much vanadium per ton of steel as
18 the Chinese, for example. So yes, absolutely.

19 MR. CARTER: Sorry. Jim Carter from AMG. Since
20 ferrovanadium goes to steel, certainly it's going to follow
21 the history or the performance of the steel industry. I
22 think we should observe that in 2009, the steel industry in
23 the United States, as well as the global industry, was
24 struck hard, and prices did not fall to the levels of the --
25 in the U.S. market that they did in the period of the first

1 investigation, because South African and Chinese material
2 was not able to come into this market.

3 So I think it is -- the factor is more in
4 availability or pardon, the ability of these respondents to
5 ship here at that time, not the industry.

6 COMMISSIONER JOHANSON: Thank you, Mr. Carter.

7 MS. LUTZ: Jennifer Lutz of ECS. I'd just like
8 to add, looking at the data collected by the Commission in
9 the original investigation, there was a decline in apparent
10 consumption, but it was not as sharp as you might think. It
11 fell from about 13 million pounds of vanadium in 2000 to a
12 little under 12 million pounds of contained vanadium in
13 2001.

14 So while it did decline, it was not a sharp
15 decline. But at the same time, subject imports increased
16 greatly in volume, particularly from South Africa over that
17 period, when they more than doubled their volume and market
18 share.

19 COMMISSIONER JOHANSON: Yes, Mr. Button.

20 MR. BUTTON: Yes, Commissioner. In corollary to
21 what you said, as to the declines is also the recovery. The
22 steel market, of course, is segmented between that which is
23 vanadium intensive and the rest of the market. As you've
24 heard, the vanadium-intensive portion of the market is now
25 expanding, which makes the U.S. market more attractive than

1 other markets around the world. I would just note that that
2 perception is not one just for this group here.

3 Duferco International Trading, which was just
4 purchased by a Chinese parent of the Chinese producer of
5 ferrovanadium and distributes also South African
6 ferrovanadium describes the steel market in that respect,
7 noting that the European steel sector suffers continuing
8 overcapacities in recession, and talks about the spreads
9 between U.S. pricing and the rest of the world are at record
10 levels, in essence indicating this is the steel market of
11 choice for those who want to supply raw materials.

12 COMMISSIONER JOHANSON: And I'm sorry, the spread
13 in the market, was that for ferrovanadium or for steel?

14 MR. BUTTON: This is for steel. This is for
15 steel products. This is where they say it's a healthier
16 steel industry, where the demands for the inputs to the
17 steel industry would be. We can provide that for the record
18 in the post-hearing brief.

19 COMMISSIONER JOHANSON: That would be helpful,
20 and a fundamental factor that we have to deal with when we
21 make a decision at the time of the vote, is the fact that
22 the industry, U.S. steel industry is markedly different than
23 it was in 2000, in around 2000. I believe that the steel
24 safeguards were put in place by President Bush around 2001.

25 So really everything has changed markedly for

1 that industry, and I'd appreciate if you all can address how
2 we should take into consideration how the U.S. steel
3 industry has changed over the years, comparing the time of
4 the original investigation and this time, during our sunset
5 review. I'd appreciate it if you all could address this
6 now, to the extent that you can, but also, of course, during
7 the post-hearing period.

8 MR. BUTTON: Well, I would ask Mr. Kidd perhaps
9 to reiterate a little bit more what you were saying before
10 about the intensity, the fact that the U.S. vanadium
11 intensity in the United States steel industry is relatively
12 high.

13 COMMISSIONER JOHANSON: That would be helpful,
14 thank you.

15 MR. KIDD: Well, there has been dramatic
16 consolidation in the United States steel industry. If you
17 look at the numbers, I don't have the data in front of me,
18 but the actual sales of steel in the United States is
19 roughly flat and has been for a long time, a decade, whereas
20 the consumption of vanadium has increased regularly at five
21 percent roughly per year.

22 So that flat steel sales volume, with a
23 corresponding increase in vanadium, is very attractive to
24 people around the world. That's also fueled our ability to
25 increase and expand our business.

1 MR. PERLES: Terry Perles. I would say that the
2 specific consumption rate of vanadium, that is the kilos of
3 vanadium consumed per ton of steel produced, varies widely
4 from region to region, and I would say that in general, in
5 all regions, we see an upward trend in this factor. So
6 vanadium consumption is driven by two variables. One is how
7 much steel's being produced, and secondly is how much of
8 that steel that's being produced contains vanadium.

9 I think across the world, the specific
10 consumption rate is moving up. It seems to be moving up
11 much quicker in the U.S. For example today, we're in the
12 midst of contract, annual contract negotiation season, and
13 the inquiries from the customers, looking at their expected
14 requirements next year.

15 In a number of cases, they're looking at
16 increases of as much as ten percent in vanadium consumption
17 next year compared to this year, with no corresponding
18 increase in steel production plans. So in the U.S., we're
19 at a higher specific consumption rate already, and I think
20 the growth rate of that specific consumption is higher in
21 the U.S. than in most other markets.

22 COMMISSIONER JOHANSON: Yes, Mr. Totaro.

23 MR. TOTARO: If I could just add to support Mr.
24 Perles' statements, in our prehearing brief in Exhibit 3, we
25 included a presentation, and one of the slides in that

1 presentation is a bar graph, which shows the relative
2 vanadium intensity in steel use in different countries
3 around the world, and it does show the span and showing the
4 United States industry on the high end of that spectrum.

5 COMMISSIONER JOHANSON: All right. Thank you for
6 your -- yes, Mr. Bunting.

7 MR. BUNTING: Yes, Commissioner, just one little
8 addition to that. What you tend to find is that a
9 developing country like China or India starts off -- it
10 increases its production of steel with the development of
11 the economy. But in the beginning, that tends to use very
12 little of vanadium, for example.

13 As the economy develops, the intensity of usage
14 of vanadium say in China and India increases quite sharply,
15 compared with the developed countries like in Europe and the
16 U.S.

17 COMMISSIONER JOHANSON: All right. Thank you for
18 your responses. I found them very useful. My time has
19 expired.

20 CHAIRMAN BROADBENT: Commissioner Kieff.

21 COMMISSIONER KIEFF: Thank you very much. I join
22 my colleagues in thanking both panels for their
23 presentations today, and for me it's just a special treat to
24 get to rethink the chemistry of transition metals and a
25 return to molecular metallic interactions. It's been a

1 while since I studied it; it's a lot of fun to get back to
2 it. It's an interesting case.

3 As I look at the mix of issues and listen to the
4 discussion you've had with my colleagues and the
5 presentations you've each described, there are a couple of
6 themes you've touched on that I want to draw us back to and
7 ask you to flesh out a little bit.

8 One is there definitely seem to be contemplated
9 for each of you imports in the U.S. market, and I guess if
10 you could help us best understand briefly today, and then
11 more thoroughly in the post-hearing, what role that should
12 play in our thinking about the case. So put differently,
13 the domestic industry seems to have enough capacity to fill
14 U.S. consumption, but all along there are imports in the
15 U.S. market. Why? What economic role do the imports play?

16 MR. KIDD: Mr. Commissioner, I'll speak to that
17 for a moment. The U.S. market is highly competitive. We
18 compete with many importers, primarily from Canada, from
19 Austria, from Korea, and we compete on price. We face these
20 on a daily basis, you know, in the spot market. We also
21 annually we go after contracts which we're negotiating as we
22 speak for next year, 2015, and the imports, go after those.

23 Every purchaser gets multiple bids, and so the --
24 you know, roughly half the market is imports and it's a
25 shuffle every year on who gets what business.

1 COMMISSIONER KIEFF: But I guess are you saying
2 it's a feature or a flaw that that occurs.

3 MR. KIDD: I'm not sure it's either. It's a fact
4 of life.

5 COMMISSIONER KIEFF: Well okay. Maybe then to
6 more directly tie that to the problem we've got to wrestle
7 with. If there's a lot of non-subject imports in the
8 market, and if it's just a fact of life, just to borrow a
9 phrase, then how do we come to the view that imports from
10 South Africa, for example, would displace domestic-like
11 product rather than non-subject product, imports from other
12 countries?

13 MR. TOTARO: Well, if I could start, and then I'm
14 sure others would like to join, we have on the record the
15 information from the original investigation, where there was
16 just such a situation, where there were non-subject imports
17 and those were displaced, and domestic like product were
18 displaced by imports from China and South Africa as a result
19 of the pricing practices, the volumes and the pricing
20 practices of imports from China and South Africa.

21 COMMISSIONER KIEFF: Sorry. Maybe also to tie
22 in, I may have been too enamored with the chemistry, but I
23 was trying to think through in my mind, as the first three
24 industrial witnesses were talking, I was trying to think
25 through why, you know, why pull this material from different

1 sources?

2 It seems like -- I mean to be, to put it in
3 different terms, it seems like people need vanadium.
4 Ferrovanadium happens to be the focus of this case, and a
5 vehicle for exchanging vanadium in the market. But it is
6 not the only vehicle for exchanging vanadium in the market.

7 You can use V205. You can -- there's other --
8 you can reclaim vanadium from slag; you can pull it out of
9 the ground. So but people seem to then make choices and,
10 put differently, there are three different business models
11 in the front row for drawing vanadium out of different
12 sources and delivering vanadium in different vehicles to
13 each other.

14 Do those differences tell us something about why
15 there's so much non-subject import in the market, and do
16 they tell us something about how the market will change if
17 South Africa comes back in. I guess just to button all of
18 that up, why is not more V205 imported into the market for
19 conversion into ferrovanadium?

20 MR. BUTTON: Let me just make a couple of general
21 comments and the industry witnesses can go to it. The
22 ultimate consumer here is the steel industry, and they
23 consume ferrovanadium, not V205; that the U.S. market has
24 historically been served both by imports, both by the
25 domestic industry and by imports. Now subject imports now

1 provide a substantial portion of that market.

2 The difference in terms of economics between the
3 now-subject imports and the expectation of South Africa and
4 China is price. They were found previously to be dumping.
5 The expectation is is that they will join the -- come into
6 the U.S. market again at low prices.

7 Why? This is a commodity product. It's a
8 quintessential commodity product entered with small volumes
9 into the steel bath. It is highly substitutable. You
10 cannot gain market share by just selling at the same price
11 as the other guy who's an incumbent. You have to cut price.
12 That's the expectation.

13 As the slide -- put the slide up -- of the
14 pricing in Europe shows, that the export market prices that
15 China and South Africa face, and South Africa is an export
16 producer. They get lower prices, returns there than they
17 would get in the U.S. This is where the demand is; this is
18 where the growth is. They will move to the higher-priced
19 product and the higher profitability.

20 COMMISSIONER KIEFF: But to tie that, I mean why,
21 for example, won't -- help me understand why, I think it was
22 Mr. Orr's business model -- was in effect, and I don't mean
23 to attribute this to anyone in particular. But you know,
24 why then not flood into the U.S. market with V205, convert
25 to ferro and as long as overall the bottom line final price

1 happens to be competitive with existing ferrovanadium
2 prices, that would be attractive, right?

3 But it would then unfortunately not be,
4 unfortunately for the case you're asking us to decide, I
5 have no normative view on this one, which one's good or bad.
6 But it would be a logical barrier to the conclusion that the
7 import will come as ferrovanadium, the import would come as
8 V2O5, later get converted into ferrovanadium?

9 MS. LUTZ: I have one comment on that, that
10 perhaps somebody at the table can elaborate on. V2O5 and
11 ferrovanadium are both sold on the basis of the contained
12 vanadium. But when you're getting a pound of vanadium in
13 V2O5, the gross weight is higher than the comparable
14 ferrovanadium. So you're paying more for shipping V2O5 for
15 the same volume of vanadium than you do for ferrovanadium.

16 COMMISSIONER KIEFF: And this may be what Mr. Orr
17 looks like he's about to say. Go ahead, please.

18 MR. ORR: This is Allan Orr. V2O5 is produced by
19 the recycling of the catalyst. That is the element that we
20 do recover in our process, but that is not usable by the
21 steel industry. You can't use vanadium pentoxide directly.
22 Therefore, we established Bear Metallurgical years ago to do
23 that conversion, and Bear is the only converter in the USA
24 to do a vanadium pentoxide conversion.

25 Our friends at AMG do it from a power

1 metallurgical operation directly into the oxide. Bringing
2 in V2O5 obviously would not be our goal, because we're
3 producing just the vanadium off our catalyst. But if
4 someone else was to come in, they could not sell their
5 vanadium pentoxide to a steel company either without a
6 converter.

7 So therefore looking at the work of a third
8 party, there are losses in that conversion process, about
9 four percent actually, and then the cost of the raw
10 materials and things to do that. So I think historically
11 it's been from the standpoint that they have looked at
12 making their own conversions overseas.

13 They're shipping about 80, 81 percent V contained
14 in the final product, packaged and ready to go directly to
15 sales. So it's probably their business model to go directly
16 to the saleable product.

17 COMMISSIONER KIEFF: I see that I'm out of my
18 time, but it's up to -- please, go ahead. I have no further
19 questions. I just welcome input in whatever format is
20 congenial for everyone.

21 MR. CARTER: Thank you Commissioner and Chairman.
22 We recognize the amount of non-subject imports coming to the
23 United States, and we observe that it is traded fairly, and
24 therefore we accept. I think more importantly, from our
25 perspective, you have heard us say we have increased our

1 production. We recognize there is available market for us,
2 and we haven't greatly increased that.

3 In fact this year, we are -- we will be at record
4 production for our company, record sales and record
5 production, and we will increase more in the very near
6 future. So we are prepared and have successfully competed
7 with fairly traded imports. The record will show that the
8 domestic industry cannot compete with dumped imports, and
9 that's why we have the concerns we do at this pivotal time.
10 Thank you.

11 COMMISSIONER KIEFF: Thank you, and I'm sorry for
12 going over the time. Thanks.

13 CHAIRMAN BROADBENT: No problem. Okay, I can't
14 resist this one. Mr. Orr, do you have a brother named Iron,
15 and have you always been involved in the metallurgy
16 industry?

17 MR. ORR: No, no. I have twin daughters I was
18 going to call Molly and Vanna, but no.

19 (Laughter.)

20 CHAIRMAN BROADBENT: Good. Let's see, okay. My
21 experience here is really -- I'm always amazed at how I have
22 to go back to what my predecessor Commissioners were
23 thinking in 2003, to sort of figure out how we got here.
24 Was this a strong case in 2003, when we put the order on
25 South Africa? I saw that it was all over-selling really.

1 Okay, sorry.

2 I'm talking about, as we're here in a second
3 review of an order that is in place on South Africa since
4 2003, and just expressing a little bit of my frustration in
5 the sense that we're tasked to go back that far and sort of
6 figure out what our fellow Commissioners were thinking way
7 back then, when they sat here in this place.

8 The thing that struck me about the case in 2003
9 was that there was a complete amount of over-selling on
10 behalf of the South African exporters. They were not
11 under-selling in the U.S. market, and I just wondered
12 whether you would characterize the case on restricting South
13 African exports in 2003 as a really strong case against
14 injury.

15 MR. TOTARO: This is John Totaro. I believe that
16 there was a strong case, based on volume and based on price
17 effects. Even though there was overselling, the depressing
18 effects were very clear, and the patterns of declines were
19 very clear.

20 When the volumes from China and South Africa
21 arrived, their pricing levels went downhill, and the U.S.
22 prices followed along, and there was the resulting -- there
23 were lost sales allegations that were confirmed. There was
24 the reductions in shipments. So I would characterize it as
25 a strong case.

1 MR. CARTER: Jim Carter, AMG. I would like to
2 add to that. This was very much the case. It needs to be
3 borne in mind that in especially the United States market,
4 approximately 95 percent of ferrovanadium sales are sold on
5 the basis of contracts, and it was documented by our
6 industry that the respondent countries, and I say
7 particularly South Africa, snatched up with very low prices
8 significant contracts at the outset of the, let's say the
9 mating period, or when contracts come out.

10 We were able to document sales lost in both
11 contracts, which are the significant volumes, and spot
12 sales, to South Africa and China. My memory, believe me, it
13 runs to the South African side of it, because of these
14 contract sales. Thank you.

15 MS. LUTZ: Chairman Broadbent, I'd just like to
16 add that the overselling by both the South African and the
17 Chinese respondents was noted in the Commission's
18 determination. The pricing data collected by the Commission
19 did not separate between spot and contract pricing. It
20 seems likely that if it had, there would have been
21 underselling shown.

22 But the Commission acknowledged in its
23 determination that the subject imports were more weighted
24 towards spot sales, and the domestic product was more
25 weighted towards contract sales, which has sold -- which

1 contracts generally have formulas that set prices at a
2 published price minus a certain amount.

3 So the contract prices would be lower than the
4 spot prices, but as spot prices fall, they drag the contract
5 prices down with them.

6 CHAIRMAN BROADBENT: Okay. This is a question
7 for Mr. Perles. In Exhibit 3 and 4 of the responding
8 parties' prehearing brief, they use your presentation to
9 assert that the global vanadium market is balanced, with
10 rapidly growing demand being met in relative lock step with
11 growing supply.

12 The presentation at Exhibit 4 on page four even
13 contains a reference to a supply deficit that could widen,
14 if certain energy storage applications are fully realized.
15 Does this analysis pertain to the market for ferrovandium?

16 MR. PERLES: Madam Chairman, I'd like to perhaps
17 put some context into those comments. The issue of
18 potential consumption of vanadium in energy storage
19 applications is a subject that gets a lot of talk these
20 days. In fact, the amount of vanadium being used in energy
21 storage applications, including redox batteries, is
22 extremely small today. Less than a half of a percent of the
23 vanadium produced today is going into those applications.

24 In the future, we don't know what's going to
25 happen. There seems to be a developing market for energy

1 storage globally. There's dozens of technologies competing
2 for this space. It's certainly possible that this market
3 could become an important consumer of vanadium in the
4 future.

5 However, in all of my work, all of my
6 presentations, I do not assume any demand in energy storage
7 applications when I try and make my projections, because
8 it's simply too difficult to project an emerging technology
9 success versus its competition.

10 CHAIRMAN BROADBENT: Okay I'm just seeing your
11 type intensity, supply and demand balance forecast over the
12 next five years expected to be driven by continued increase
13 in intensity of use and substitution of low-strength carbon
14 steel for high strength carbon steel, so we have heard that
15 testimony here and you would project there will be a
16 supply/demand balance with --

17 MR. PERLES: Yes I agree completely. What we
18 are seeing is the growth in Canadian consumption is again
19 driven by two variables, changes in global steel production
20 as well as the changes in intensity of use and production
21 rates are beginning to slow. The intensity of use of
22 vanadium is growing so the demand for vanadium is certainly
23 growing globally, the supply of vanadium the growth looking
24 forward we have the Brazilian project, we have the
25 Australian project and beyond that there's a number of

1 planned expansions in China.

2 As I mentioned earlier already in the first half
3 of this year we saw a significant increase in production of
4 vanadium from China and over the next couple of years it is
5 projected that this pattern is going to continue so we are
6 going to continue I think, in my view, to see fairly strong
7 growth in both consumption and production of vanadium
8 globally.

9 CHAIRMAN BROADBENT: Can you talk about the
10 energy storage use for vanadium and why that's increasing?

11 MR. PERLES: Today global vanadium consumption is
12 on the order of 85,000 tons of vanadium per year and to date
13 I would guess that less than 500 tons of vanadium in
14 aggregate since day one has gone into energy storage
15 application so actually the use of vanadium in energy
16 storage today is essentially zero.

17 The speculation is that it could be very
18 important in the future. Again we are seeing potentially
19 growing markets for energy storage for grid applications,
20 for all sorts of applications. Vanadium redox flow battery
21 is one of many technologies that's being developed today and
22 will in the future perhaps, compete in this space. So
23 again I think it's -- the technology has some very strong
24 attributes, it's got some drawbacks, I'm simply not in a
25 position to have a clear picture as to which technology is

1 going to win what segment of that market going forward so
2 when I put my projections together I ignore any demand in
3 energy storage applications.

4 I think some sources have suggested it could be
5 very large if my view -- it's impossible to put a number on
6 it.

7 CHAIRMAN BROADBENT: Does anybody else on the
8 panel have any information on the energy storage uses of
9 this product?

10 MR. TOTARO: I would just say that nothing has
11 any more information than I think than Mr. Perles who has
12 researched this information pretty thoroughly and just to
13 reiterate his final conclusion that he is not predicting any
14 demand presently and does not have information to predict
15 what demand could be, although there is talk that there
16 could be demand in the future but I guess the bottom line
17 for this case is that if there is any demand for vanadium in
18 energy storage today, it's not a factor in this case.

19 CHAIRMAN BROADBENT: Okay thank you. Vice
20 Chairman Pinkert?

21 VICE CHAIRMAN PINKERT: Thank you Madam Chairman
22 and I thank all of you for being here today to help us
23 understand these issues. You I'm sure recall that in the
24 Russian Sunset Review there was an issue about whether
25 vanadium pentoxide that was being transformed into subject

1 merchandise in Canada and the Czech Republic and then coming
2 to the United States, whether that would be repatriated to
3 Russia -- the production of the subject merchandise, would
4 be repatriated to Russia in the event of revocation and
5 there was some uncertainty among if you look at the decision
6 that we issued, there was some uncertainty about that among
7 the Commissioners.

8 So I'm wondering, I read the brief very carefully
9 and I'm wondering do you concede that exports of vanadium
10 pentoxide that are currently ending up in the United States
11 as ferrovanadium will continue that pattern in the event of
12 revocation, when you are looking at other possible changes
13 in the production of ferrovanadium in the event of
14 revocation.

15 MR. TOTARO: This is John Totaro. No I don't
16 concede that. I think that the material that is starting
17 out as V205 exported from South Africa and Korea and being
18 toll converted in Canada, excuse me, sorry South Africa and
19 China ending up with conversion in Canada or Korea and then
20 exported from those third countries as ferrovanadium to the
21 United States, I believe that that volume will decrease as
22 the South African and Chinese producers reassess their
23 production and export operations because the available to
24 direct export -- directly export ferrovanadium to the United
25 States will be available then.

1 I think that they will ship much smaller volumes
2 of V205 for third country toll conversion because it would
3 be much more efficient to convert or produce the
4 ferrovanadium in the subject countries and directly export
5 it. They would not have to incur the additional expense of
6 paying an unrelated toll converter to do that service and I
7 don't know if anyone else would like to add to that, but I
8 think that is only one component of the -- or one of the
9 potential routes for the subject producers to get to the
10 United States.

11 One is diverting part of the production that they
12 already produce as ferrovanadium and export to other
13 countries, defer part of that to the United States. Some
14 is shifting some of those V205 or vanadium units that are
15 currently directed towards toll conversion on indirect
16 routes into the U.S. and then others -- and another
17 potential is the inventory volumes, but yeah it's all
18 several routes to the same end.

19 MR. BUNTING: Mr. Commissioner I would like to
20 add a little bit to that. I think the issue is that we
21 think that the most cost effective route for the South
22 African producers and the Chinese producers is to ship
23 ferrovanadium directly from their production in their own
24 countries that is different from the Russian situation.

25 In the past they have done that, that's why we

1 have the old replaced route is South Africa and China. Our
2 feeling is that they would use that benefit from the lower
3 cost route to cut the price like they did in the past.

4 MR. KIDD: If I could add something as well, Mr.
5 Commissioner.

6 VICE CHAIRMAN PINKERT: Certainly.

7 MR. KIDD: Mitchell Kidd, President of AMG. In
8 our business in the vanadium business like all business it's
9 all about making money and by going to a direct route they
10 would be able to reduce freight, the oxide basically has
11 half the vanadium, .5602 to be exact so they would save
12 substantially on the shipping of ferrovanadium versus oxide.

13 In addition it's all about how much money you make as a
14 percentage of how much money you have invested.

15 And the supply chain for a direct route is
16 substantially smaller, shorter than the supply chain for an
17 indirect route.

18 MR. PERLES: Mr. Vice Chairman if I could also
19 comment.

20 VICE CHAIRMAN PINKERT: Identify yourself please.

21 MR. PERLES: Excuse me Terry Perles. The goal of any
22 business is of course to make profit. The fact that the
23 prices in North America are more attractive and specifically
24 in the U.S. are more attractive than any market in the world
25 means that every vanadium producer looks for a route to get

1 into this market. If they can get the material in to this
2 market as we have already discussed the driving decision on
3 purchasing is price and I think the record clearly shows
4 that the steel industry is in agreement with that statement
5 so the game is to get your vanadium into a form that the
6 steel industry in the USA can use and get it into this
7 country and what you have today is massive quantities of
8 vanadium exported from China and South Africa as
9 ferrovanadium to every region of the world except the U.S.
10 because of the dumping duty orders.

11 In the case of the U.S. China and South Africa
12 moved their oxide to Korea or Canada or other jurisdictions
13 for conversion to ferrovanadium so that they can bring the
14 ferrovanadium into the U.S. market. Clearly they would
15 prefer not to pay the fees to have the third party toll
16 their material to keep the profit for that work in house as
17 Mr. Carey mentioned earlier so it's my conclusion that if
18 the dumping order is revoked, clearly we are going to see
19 the V205 flow from China and South Africa to the converters
20 in Korea and Canada reduce significantly and we are going to
21 see significant increases in ferrovanadium from China and
22 South Africa coming directly to the U.S.

23 VICE CHAIRMAN PINKERT: Thank you so let me
24 reframe my question a little bit to see if we can get at a
25 specific route using your term, Mr. Totaro for getting the

1 finished product into the United States. If you exclude
2 the Canadian pentoxide exports that are currently ending up
3 in the United States as ferrovanadium, if you exclude that
4 from the analysis, okay and you are just looking at those
5 other routes from South Africa to the United States,
6 exporting vanadium pentoxide and then eventually going
7 somewhere other than the United States, is that route enough
8 to injure the U.S. market if it gets redirected to the
9 United States in the event of revocation?

10 Do you understand my question?

11 MR. TOTARO: I think so. This would be
12 hypothetically speaking because I don't think that one route
13 is out of the picture but to address your point. The other
14 routes I think do have enough volume there that they would
15 have an injurious effect because the export volumes -- the
16 volume of product that leaves South Africa as ferrovanadium
17 is that what your question is?

18 VICE CHAIRMAN PINKERT: Leaves South Africa as
19 vanadium pentoxide, it goes to other countries to get
20 manufactured into ferrovanadium but the ferrovanadium
21 doesn't end up in the United States currently so would those
22 get redirected to the United States in the event of
23 revocation?

24 MR. PERLES: Excuse me if I could comment, Terry
25 Perles. In fact the V205 being exported from China and

1 South Africa to other jurisdictions is being converted to
2 ferrovanadium and is coming into the U.S. so we see
3 tremendous imports of ferrovanadium from Canada and Korea
4 and that material is entirely produced from V205 which was
5 exported from China or South Africa.

6 VICE CHAIRMAN PINKERT: I understand that that's
7 currently happening and I'm trying to suggest that let's put
8 to one side the stuff that's currently ending up in the U.S.
9 market as ferrovanadium and focus on other exports of
10 vanadium pentoxide that could end up in the United States by
11 getting redirected in the event of revocation.

12 MR. TOTARO: I guess my question is if you are
13 thinking of third country conversion is that in your
14 hypothetical, but that is not ending up -- it's not directed
15 towards the U.S. market now?

16 VICE CHAIRMAN PINKERT: It's not currently
17 directed toward the U.S. market so then would the vanadium
18 pentoxide that's being exported from South Africa and
19 winding up as ferrovanadium in other countries, would that
20 get redirected to the United States in an event of
21 revocation?

22 MR. KIDD: If I could answer that. If you look
23 at the slide up there you will see in July of '14 there's
24 roughly a dollar and a half, sometimes two dollars
25 difference you know. It's all about where can I make the

1 most money for the amount of vanadium that I have to sell
2 and they would go after the market share first in the spot
3 market and then in the framed contracts once they have
4 established a foothold like they did in the initial
5 investigation. Because that amount of money, that driving
6 force, is what would redirect the imports of the exports of
7 other countries here.

8 VICE CHAIRMAN PINKERT: Thank you. I'm past
9 time for this round but if you could address this in the
10 post-hearing I think that would be helpful, thank you.

11 CHAIRMAN BROADBENT: Commissioner Williamson?

12 COMMISSIONER WILLIAMSON: Thank you. The
13 Petitioners here have stated in the pre-hearing brief that
14 demand is projected to grow and demand in the U.S. is
15 relatively stronger than abroad due to various factors and
16 you have also pointed out that this tendency to use more and
17 more of vanadium is also growing so that's another reason
18 why you would say I guess demand is going to be growing in
19 this market.

20 And it raises the question why is the U.S.
21 industry vulnerable or is the industry still vulnerable?

22 MR. TOTARO: I believe the industry is
23 vulnerable because it has -- you can look to the past to see
24 the price effects of the price and volume effects of imports
25 from China and South Africa several years ago and they know

1 that if the reduced -- I mean the resumed imports come in
2 and expect that those prices will drive down their prices on
3 their contract sales, they -- it can take even just a small
4 volume of the resumed imports to affect their prices that
5 exist in all of their contracts so they expect that the
6 impact will occur almost instantaneously and if anyone else
7 would like to add to that.

8 COMMISSIONER WILLIAMSON: Okay Mr. Button?

9 MR. BUTTON: With a commodity product like this,
10 the Commission has seen another investigation circumstances
11 where there is a linkage between contract prices and
12 published spot prices so posing the question why could a
13 relatively small volume of imports at low price have an
14 impact which could harm the U.S. industry more broadly and
15 that is what was just described.

16 If the spot price published in Ryan's notes for
17 example is dropped, that has an affect across the entirety
18 of the contract volume for the U.S. industry. So that's
19 the vulnerability, it's the nature of the pricing so that
20 even if the volume is small you have a price effect that is
21 very broad in that it affects existing contracts.

22 And the other aspects in the vulnerability is
23 that it is a commodity product sold on price such that a
24 relatively small drop in contract price offers by the
25 imports can displace an incumbent U.S. producer contract

1 toller because the steel customers can quickly switch.

2 That's part of the vulnerability of it.

3 COMMISSIONER WILLIAMSON: Okay Miss Lutz also
4 addressed this in response to Commissioner Broadbent's
5 questioning and I didn't quite understand the answer. This
6 gets back to the question in the original investigation we
7 saw the overselling and yet you are saying and you keep
8 using the word low prices and I say wait a minute, there was
9 overselling before although I do know we have the Commerce
10 margins, but you see what I am getting at?

11 MS. LUTZ: Right I think the subject imports
12 during the original period of investigation were more
13 concentrated towards the spot market. So if at that time
14 the spot market was at \$10.00 and the subject imports came
15 in at \$9.50 that could still be above the price of the
16 contract because the contract is already discount to the
17 published price, but for the next month that would draw down
18 the contract prices accordingly.

19 COMMISSIONER WILLIAMSON: Okay.

20 MS. LUTZ: Because they are linked to that
21 published price.

22 MR. TOTARO: And I think maybe it's just a
23 matter of semantics, this is John Totaro, but I know that
24 the South African industry raised this in their brief,
25 raised concern about our use of words like low prices and I

1 think Jennifer's point is correct, that the prices that we
2 are concerned about are the prices that are low compared to
3 prevailing market rates because not necessarily underselling
4 because those below market rates can have the place the
5 downward price pressure on the U.S. industry that was
6 measured in the original investigation.

7 COMMISSIONER WILLIAMSON: Okay so are you saying
8 that low market contract prices bring -- would result in
9 lower spot market prices that would have an adverse effect
10 on the domestic industry?

11 MR. CARTER: May I?

12 COMMISSIONER WILLIAMSON: Sure.

13 MR. CARTER: It's the other way around.

14 COMMISSIONER WILLIAMSON: Okay.

15 MR. CARTER: Contract prices are based on market
16 prices as published by primarily one but two publications.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. CARTER: So our price our contract prices
19 this month are based on the average for the prior month.
20 Let's say it's \$9.00 or \$10.00, but then spot sales are
21 reported at numbers lower than that, so then the average of
22 the publication or the current month, that happened this
23 month, become our determinative index for the next month and
24 the contract prices go down because there were spot sales
25 made in the prior month that lowered the index, that's what

1 happens.

2 MR. BUTTON: Commissioner Williamson I would
3 like to comment on that. We are in a little bit of a
4 muddle here because the original investigation pricing
5 record was muddled by the fact that there was not a
6 distinction between contract prices and spot prices in the
7 data that were collected.

8 COMMISSIONER WILLIAMSON: Okay.

9 MR. BUTTON: The economic reality is that the
10 Commission found in that investigation is that lower
11 transaction prices took volume away from the U.S. producers.
12 Today South Africa and China when they export sell into
13 other markets in Japan or in Europe which have lower
14 prevailing prices than in the United States. If China and
15 South Africa sold in the U.S. at the same prices they are
16 selling in Europe and Japan today --

17 COMMISSIONER WILLIAMSON: To the spot market or
18 to contract or doesn't it matter?

19 MR. BUTTON: If they offered a customer, they
20 offered Nucor the prices that they are offering to steel
21 producers, putting aside the terminology for spot, the cash
22 transaction amount, they would get the sale. That's the
23 economic reality of it however it is packaged. You can't
24 enter, if the South Africans want to take a steel contract
25 away from the U.S. supplier, they are going to go into

1 negotiations and agree on a long-term contract price which
2 will end up being the formula but also a dollar amount.

3 If that ultimately is lower than what the U.S.
4 producer is getting, then that contract will be switched to
5 the South Africans ferrovanadium supplier and that's what we
6 are worried about, putting aside mechanisms and the
7 historical pricing muddle of overselling which really wasn't
8 there.

9 COMMISSIONER WILLIAMSON: Okay thank you. Do
10 you want to join in?

11 MR. CARTER: Thank you Commissioner. As we
12 mentioned earlier our sales are very -- are composed of
13 contracts. For our company, probably 98% of our sales are
14 contract. If the South Africans were allowed to re-enter
15 the market they would as I testified earlier also seize the
16 contract business. They did this before --

17 COMMISSIONER WILLIAMSON: At the next renewal?

18 MR. CARTER: Yes.

19 COMMISSIONER WILLIAMSON: Which might be a year
20 away right?

21 MR. CARTER: Sorry?

22 COMMISSIONER WILLIAMSON: At the next renewal
23 they might seize it? Mr. Perles is shaking his head.

24 MR. CARTER: I think unfettered access to the
25 market as they did before they would do that, they would

1 seize contracts and they would also --

2 COMMISSIONER WILLIAMSON: But they would have to
3 seize the contract at the next renewal period right? Not
4 immediately?

5 MR. CARTER: Contracts are still under
6 negotiation so they could.

7 MR. TOTARO: This is John Totaro and there are
8 different lengths of contracts and I think what you get into
9 is the reasonable foreseeable time and I think in an
10 industry like this where there are a fair percentage of
11 contracts of a year or more that are reasonable in the
12 foreseeable time would extend into the next contract
13 negotiation period. Especially if there is a decision in
14 this case it would not occur until January 2015.

15 COMMISSIONER WILLIAMSON: Okay Mr. Perles?

16 MR. PERLES: Yes, Terry Perles. I just want to
17 comment that I think the point is that if unfairly traded
18 subject material is imported and sold on a spot basis, it's
19 going to have an immediate impact on the prices derived from
20 domestic producer's contracts because --

21 COMMISSIONER WILLIAMSON: That's because of the
22 formula in the contract?

23 MR. PERLES: Yes sir.

24 COMMISSIONER WILLIAMSON: Okay I understand
25 that.

1 MR. TOTARO: That is an affect that would occur
2 in the short term, not in the negotiating period as we were
3 just referring to. The effects on today's contracts that
4 the U.S. industry has in place would be affected immediately
5 or the next month by a decline in the spot market driven by
6 our resumed imports from the subject countries.

7 COMMISSIONER WILLIAMSON: And then are you also
8 saying there would be another impact when those contracts
9 come up for renewal or do we have a rolling?

10 MR. TOTARO: That's correct there would be the
11 potential for the effect in the next contract negotiation
12 period as well.

13 COMMISSIONER WILLIAMSON: Now what percentage of
14 the contract, I'm sorry I'm going over, but what percentage
15 of the contracts are negotiated during, I guess we are in
16 this period now so I assume it's the fall or the 4th quarter
17 that these get negotiated?

18 MR. CARTER: I'm sure it's right that 95% of the
19 American ferrovanadium business is purchased on contract.

20 COMMISSIONER WILLIAMSON: And are those
21 contracts also negotiated like in the 4th quarter?

22 MR. CARTER: Most in the 4th quarter, you are
23 right, yes.

24 COMMISSIONER WILLIAMSON: Okay, is there
25 anything more on this because my time has gone way over but

1 it's all sort of tied together and I want to make sure I
2 understand it.

3 CHAIRMAN BROADBENT: Commissioner Johanson.

4 COMMISSIONER WILLIAMSON: I'm sorry, could I?
5 This is all what I consider one knot. I'm just trying to
6 make sure we've got all the elements sorted out.

7 MS. LUTZ: Commissioner Williamson?

8 COMMISSIONER WILLIAMSON: Yeah.

9 MS. LUTZ: I think trying to put it on the
10 timeline here, the Commission votes on the sunset review in
11 early 2015.

12 COMMISSIONER WILLIAMSON: Uh-huh.

13 MS. LUTZ: Most of the contracts for 2015 will
14 have been signed by that time. However, they will be linked
15 to the Ryan's Notes prices. So, if the order were revoked
16 as of January 2015, subject imports could come in on the
17 spot market, undersell prevailing spot prices and pull down
18 contract prices for virtually all of the contract sales in
19 the U.S. market for 2015.

20 Then in 2015, when contracts are being negotiated
21 for the next year, or to the extent that there are, you
22 know, six month contracts or quarterly contracts that would
23 be negotiated during that period, the subject imports would
24 be competing directly with the domestic industry for those
25 sales as well. And in order to gain share, would presumably

1 sell at a larger discount to the spot price than the
2 domestic industry.

3 Does that clarify it?

4 COMMISSIONER WILLIAMSON: That's okay. Thank
5 you. Thank you, Madam Chairman.

6 CHAIRMAN BROADBENT: Commissioner Johanson.

7 COMMISSIONER JOHANSON: Thank you, Chairman
8 Broadbent.

9 And I'm going to go back to the series of
10 questions I asked earlier this morning. Looking at the
11 period of investigation of 1999 to 2001, I assume that the
12 U.S. market for ferrovanadium was declining given the
13 condition of the U.S. steel industry. The situation today
14 seems to have reversed, the U.S. steel industry is healthier
15 and according to your presentation the growth in
16 ferrovanadium consumption in our country is growing faster
17 even than U.S. steel production.

18 Would it be possible that imports from South
19 Africa and China could supply this growing market without
20 depressing U.S. ferrovanadium prices?

21 MR. KIDD: As we've said -- this is Mitchell Kidd
22 from -- President of AMG. The market shares of each of the
23 producers and importers are relatively stable. And as
24 particularly speaking for a producer, our costs are based on
25 our throughput. We would defend our market share, we would

1 have to defend our market share, we would have no choice.
2 And as additional material came on the market, it would no
3 doubt driving the pricing down.

4 MS. LUTZ: Commissioner Johanson --

5 MR. CARTER: Jim Carter, also AMG. I would like
6 to reiterate an earlier point. That is, we're counting on
7 the growth in this market that we think is there. That is
8 why we have increased our production and our sales and we
9 shall increase production and sales again next year with the
10 intent to keep doing it to take advantage. So the
11 investments that we've made to do these things are
12 thoroughly threatened by the specter of once again dumped
13 South African imports and Chinese imports.

14 COMMISSIONER JOHANSON: Thank you. Yes, Ms.
15 Lutz?

16 MS. LUTZ: I'd just like to add, looking at the
17 apparent consumption data from the original investigation,
18 from 1999 through 2001, if I can read this somewhat blurry
19 number, consumption fell less than 10 percent. So it did
20 fall, but the vanadium using steel products apparently
21 weren't in as bad shape as the rest of the steel industry.
22 So it was declining but not sharply. And yet the subject
23 imports, particularly from South Africa gained significant
24 market share. And if you look at, for example, from 2012 to
25 2013, the actual numbers are confidential. But consumption

1 is fairly flat. And it is expected to increase in the
2 future, but I don't think that demand is expected to
3 increase to such an extent that significant volumes of
4 subject imports would not have an effect on the domestic
5 industry.

6 COMMISSIONER JOHANSON: Thank you. Yes, Mr.
7 Carter? Were you going to answer the question?

8 MR. CARTER: No.

9 COMMISSIONER JOHANSON: Okay. I apologize. I
10 thought you were. Yes, Mr. Jones?

11 MR. JONES: Commission Johanson, I would just
12 like to remind everyone that China and South Africa are the
13 largest exporters in the world. And I think the impact on
14 price and volume in the U.S. market, if the order was
15 revoked, this is a market that is well-served by non-subject
16 imports in combination with domestic supply. So I believe
17 that revoking the order would certainly have a big impact on
18 price and volume.

19 COMMISSIONER JOHANSON: China is one of the major
20 producers, of course, and also major consumer of
21 ferrovanadium. Do you have an idea of how rapidly
22 consumption of this product is growing in the Chinese market
23 vis- -vis the U.S. market? Mr. Perles?

24 MR. PERLES: Commissioner, I would suggest that
25 consumption of ferrovanadium in China has in fact shrunk in

1 recent years. And the reason for this is the fact that many
2 of the steel producers in China have switched to the use of
3 a vanadium carbon nitrite alloy rather than ferrovanadium.

4 So although the total amount of vanadium produced
5 in China has grown tremendously in the last seven or eight
6 years, actually the amount of ferrovanadium in China, I
7 think, over the last three to four years has declined.

8 COMMISSIONER JOHANSON: Do you know why that is
9 the case?

10 MR. PERLES: Most of the vanadium consumed in
11 China is going into concrete reinforcing bars, steel bar
12 used in concrete construction. And in this application the
13 vanadium carbon nitrite alloy has some advantages compared
14 to ferrovanadium for the Chinese steel makers because of the
15 fact that the majority of the steel produced there is BOS
16 steel with very low residual nitrogen levels. And by using
17 a vanadium carbon nitrite alloy and adding nitrogen together
18 with the vanadium they can achieve the yield strengths that
19 they need to achieve more efficiently.

20 COMMISSIONER JOHANSON: All right. Thanks for
21 your responses.

22 What has been the impact on the U.S. industry of
23 the revocation of the order on Russia?

24 MR. TOTARO: Just to reiterate a point that I
25 think was made in our direct testimony, the impact in terms

1 of imports of ferrovanadium from Russia has been very small.
2 The volumes, I think, if I'm remembering correctly, there
3 were no imports of ferrovanadium from Russia during 2012.
4 And -- excuse me, in 2013, and only small volumes of imports
5 from Russia in the two early months in 2014.

6 So very little in terms of a volume impact.

7 COMMISSIONER JOHANSON: Has there been a price
8 impact?

9 MR. TOTARO: Not that I'm aware of as any
10 correlation to the revocation of the Russia order.

11 Anyone else have any?

12 COMMISSIONER JOHANSON: Do you have an idea as to
13 why there has not been more of an impact?

14 MR. TOTARO: Well, I think it goes back to the
15 testimony that Mr. Bunting gave is that the behavior of the
16 Russian industry after the revocation is directly connected
17 to the business model changes that it made well before the
18 order was revoked that they had changed from serving their
19 major export markets from selling -- from shipping
20 ferrovanadium from Russia to serving those export markets
21 with a regional conversion practice. And so when the orders
22 were revoked, that business model stayed in place and the
23 Russian industry had the same cost constraints and
24 production constraints and business model that focused on
25 the whole market and regional export markets, maybe Ukraine,

1 but not Europe, not the United States, and that didn't
2 change upon revocation.

3 COMMISSIONER JOHANSON: And this also fits into
4 the whole pattern of Russia sending product to the Czech
5 Republic; is that correct for further processing?

6 MR. TOTARO: Exactly, that's part of their
7 regional business model to serve the European market.

8 COMMISSIONER JOHANSON: Okay. Thanks. Yes, Mr.
9 Carter?

10 MR. CARTER: Thank you. I think it became
11 apparent in 2012 that the gross impact from the early
12 '90s of the Russian ferrovanadium import was largely
13 attributable to the chaotic condition that occurred in
14 Russia when the Iron Curtain fell. The dissolution, if
15 that's the right word, of the Soviet Union. So there was
16 chaos, people -- all sorts of folks had Russian
17 ferrovanadium and they simply wanted to liquidate it and
18 move it to this country. This situation completely
19 disappeared. The Russian production evolved under the
20 control of a rather responsible manufacturer, publicly
21 traded company. They also have a significant home market as
22 Mr. Totaro had said, particularly in Russia and Ukraine
23 which, as we understand, there is good demand to this time,
24 and I think that's helpful.

25 However, in contrast to South Africa and China,

1 the very companies that dumped in the period are in control
2 now doing -- using the same raw materials and production as
3 they did before. So I can't imagine that the South African
4 leopard is all of a sudden going to change its spots, about
5 the same.

6 Thank you.

7 COMMISSIONER JOHANSON: All right. Thank you for
8 your responses. My time is about to expire, so I will let
9 the next Commissioner take over.

10 CHAIRMAN BROADBENT: Commissioner Kieff.

11 COMMISSIONER KIEFF: Thank you very much. Let me
12 ask, I guess first just a baseline question. I think that
13 if I understand in effect one of the basic arguments it's
14 that the South African product would come back into the
15 country. It would come back at an unfairly traded price and
16 the unfairly traded price would help them gain market share.
17 And at the same time, to hearken back to a question that the
18 Chairman was asking initially, in the original
19 investigation, didn't subject imports gain market share even
20 when they were overselling?

21 MR. TOTARO: It's true, the pricing data that the
22 Commission collected in the original investigation, showed
23 overselling in most quarters by the subject imports.
24 However, it also found clear evidence of price depression so
25 that, again, this is maybe getting back to the issue of

1 semantics that I referred to before. The issue is, you
2 know, that the impact was because of the fact that the
3 prices at which the subject imports were sold were low
4 enough to drive down market prices. And that drove down
5 U.S. contracts which were tied to those market prices.

6 COMMISSIONER KIEFF: So to put that in a maybe
7 stylized legal jargon, shorthand, you're saying it was a
8 volume case more than a price case?

9 MR. TOTARO: Well, I mean, I'll let my friend the
10 economist comment. But I think, no, it was both. I think
11 there was large volume and there were these price depressing
12 effects. But Jennifer, if you want to --

13 MS. LUTZ: So during the original investigation
14 the Commission collected pricing data. It did not break it
15 out between spot and contract. Spot prices are published in
16 publications such as Ryan's notes and contracts have
17 formulas that say, we'll sell this to you at the Ryan's
18 notes price minus ten cents. I don't actually know -- have
19 any idea what the magnitudes are, that's just --

20 COMMISSIONER KIEFF: Some negative variant?

21 MS. LUTZ: Yes. So, for example, if you look at
22 the prices up there, in mid-2012, U.S. prices, U.S. spot
23 prices were at about \$16 a pound. So say at the same time
24 the contract prices based off that were \$15 a pound. If
25 subject imports came in at \$15.50 a pound, they would still

1 be overselling the U.S. producers, but the U.S. producers'
2 contracts would then fall that 50 cents also.

3 COMMISSIONER KIEFF: Okay. So then I guess a
4 follow-up question would be to ask, during the last two
5 periods, the performance of the domestic industry seems to
6 have varied by -- varied quite a bit?

7 MS. LUTZ: Uh-huh.

8 COMMISSIONER KIEFF: And one of the questions we
9 have to wrestle with when you've got that much happening in
10 a complicated system is how much more would happen if you've
11 got subject imports coming in if we were to revoke the
12 order? So, put differently, is it possible that the
13 variations in performance you experienced for the last two
14 periods of review would in effect swamp any impact that
15 might come from imports in the future?

16 MR. BUTTON: Ken Button, let me just quickly say,
17 I understand that's kind of what the South Africans are
18 saying has happened. But you, when you deal with sunset
19 reviews commonly address the situation where there has been
20 an improvement. And the question is, to what extent is that
21 improvement due to the presence of the orders, which these
22 folks certainly believe it is because they have in fact been
23 able to sell at relatively ruminative prices and the South
24 Africans the Chinese have not been present.

25 So what happens on the counterfactual that you

1 now read them to the mix? What would change?

2 So what is out there today that tells you whether
3 they would come here and what it would be like if they did?
4 And that is the comments you've had about the relative
5 pricing globally and relative demand strength globally. And
6 what you've heard is, demand strength and demand prospect
7 growth is in the United States, that the higher prices are
8 in the United States. And that the South Africans which
9 have very little, if at all, home market export things, can
10 they export to the United States and have an an economic
11 incentive to come here because of higher prices? Those are
12 realities that you then can observe and say, will they come,
13 and if they come, because it's a commodity prices --
14 product, how will they price? By necessity they need to
15 price lower than the incumbents whether the non-subject
16 import incumbents or the domestic producer incumbents.
17 Either of those measures for this commodity product would
18 bring down the overall price level and affect contracts.

19 COMMISSIONER KIEFF: Okay. So all of those
20 effects could be happening, but I guess then to say all of
21 that again in a slightly formalistic legal way, let's assume
22 we agree review that subject imports from South Africa would
23 have some discernible adverse effect. I take it the case
24 then still would have to have a little bit more work on it
25 on our part. We would have to write the rest of the

1 opinion. We wouldn't be able to conclude the opinion right
2 there and say, therefore continue the order. Am I right
3 that we would have to also assess structural conditions of
4 competition, how similar the conditions of competition are
5 between South Africa and China? Why they're similar enough
6 that we should cumulate and then roll the order? Or decide
7 not to cumulate because they're different but nonetheless
8 have more than a discernible adverse effect have some
9 greater effect to lead to material injury or its threat;
10 right? I mean, I'm just reading you back what I think is
11 what the statute tells us we have to think through.

12 So what I'm trying to say is, if I agree with
13 everything you've said, I don't think my homework is done.
14 I think I have more work to do.

15 MR. BUTTON: Right. And in this case you have
16 some things that make maybe a little easier homework than in
17 some other cases, and there are a very small number of facts
18 which make it much easier. And those key facts are
19 commodity product in terms of cumulation. Everyone says
20 this stuff is interchangeable. You're dealing with the two
21 countries that are the largest producers of this stuff in
22 the world. You're dealing with the number one exporter in
23 the world, and one is also a very large exporter. These are
24 commonalities. In either case you're dealing with a
25 country's volumes which could have more than a discernible

1 adverse effect. You're not dealing with a small bit player
2 in the market, trying do cumulate that with a behemoth. You
3 have two behemoths.

4 I think those are part of your homework, I would
5 concur, but I believe that it's an easier assignment to
6 write than some others you faced.

7 COMMISSIONER KIEFF: Well, I like easy homework,
8 and I see that I'm out of my time. But I don't mean to
9 suggest that I would rush easy homework.

10 I just mean to keep it lively. But, thank you,
11 Madam Chairman.

12 CHAIRMAN BROADBENT: Let's see, I guess it's my
13 turn. We're going to hear this afternoon, I'm guessing,
14 from the South African interested parties that their levels
15 of capacity utilization and committed sales of ferrovanadium
16 and other vanadium products, being that imports from South
17 Africa are not likely to return to the United States. They
18 also argued that their shifting away from production of
19 ferrovanadium.

20 Have you observed any tightness in -- well, maybe
21 I'll just stop there and let you all kind of have a chance
22 to respond to that major argument they're going to make this
23 afternoon.

24 MR. CARTER: Jim Carter. While there could be
25 some small amount of movement, one has to bear in mind that

1 for all of the vanadium units, over 90 percent of all
2 vanadium goes to ferrovanadium. So I don't see how product
3 shifting -- certainly there can be some, but nothing of the
4 determinative amount.

5 MR. TOTARO: I think maybe thinking about this
6 term in two different ways. I think what the Chairman was
7 getting to and correct me if I'm wrong was the argument that
8 the South African's put forward that they in their total
9 production could not produce a higher volume of
10 ferrovanadium versus other vanadium products. Is that what
11 you're referring to?

12 And we argued that -- and there is information on
13 the record based on the questionnaire data from these
14 producers which shows that they do have the capability to
15 make that kind of shift towards higher volumes of
16 ferrovanadium and that that is a factor as well.

17 I think that there's not a whole lot we can say
18 publicly about their argument about commitments with other
19 customers, existing customers, except what I said in my
20 initial testimony is that there are factors that distinguish
21 the fact on this record on that issue of commitments or the
22 effect of any commitments that do exist on the cumulation
23 analysis. And that I believe it's unlikely that any
24 commitments they have are, number one, accounted for all of
25 their production of ferrovanadium at current levels and --

1 well, we can address that more in the post-hearing brief.

2 Is there another side of your question? I'm sorry.

3 CHAIRMAN BROADBENT: Yeah, there's a couple of
4 issues. I mean, it looks like they're producing pretty much
5 at their capacity. There are not huge amounts of empty
6 capacity there and they're arguing that they've got evidence
7 that they're shifting to other products as well so that
8 there would be a downturn in production of this product.

9 MR. TOTARO: Well, I would say, number one, as we
10 outlined in our brief, we disagree with their statements
11 about capacity. I believe that they could increase
12 production and we can talk more about that in the
13 post-hearing brief as well.

14 But --

15 CHAIRMAN BROADBENT: I mean, I think it's
16 important because it's hard to get on the record here the
17 picture of a lot of excess capacity in South Africa. I
18 mean, they could build more, sure. But --

19 MR. TOTARO: Well, even -- I mean, our arguments
20 address their information they put on the record with
21 existing facilities. But --

22 CHAIRMAN BROADBENT: You're arguing they're going
23 to shift all to ferrovanadium rather than these other
24 product that they're looking at?

25 MR. TOTARO: Well, I'm saying that if they

1 produce both today and have a ratio between ferrovanadium
2 and these other products that they do produce today, and
3 they've produced those two categories of products throughout
4 the period of review. And they've produced them in varying
5 levels. Those levels have moved up and down as -- I assume
6 as their market opportunities for one or the other increases
7 or decreases.

8 And what we're arguing is that the revocation of
9 the orders would create a huge market opportunity for
10 ferrovanadium. And there would be a huge incentive to
11 increase the production of that product because it would be
12 a market opportunity that does not exist today. One of the
13 world's largest consumers of ferrovanadium is not open to
14 direct exports from South Africa or China of ferrovanadium.

15 CHAIRMAN BROADBENT: Okay.

16 MS. LUTZ: Chairman Broadbent.

17 CHAIRMAN BROADBENT: Yeah.

18 MS. LUTZ: I'd just like to add two things to
19 consider. One is whether what they're saying about their
20 capacity reflects an actual change in their operations or a
21 change in their calculations. And two, whether what they
22 say, how to square that with what they've told their
23 shareholders in their public reports. Because we address
24 that in the brief and certainly we can summarize that in our
25 post-hearing brief as well.

1 CHAIRMAN BROADBENT: Can you just talk a little
2 bit about it here?

3 MR. TOTARO: In our briefs we have an analysis
4 because we have more information from the VanChem annual
5 reports analysis that there focuses, that I'm referring to
6 now, refers to VanChem. But in their annual reports they
7 report to their shareholders that they're producing -- their
8 production was in the range of 75 percent to 80 percent and
9 in the reports they give these results about their volume
10 and about their capacity utilization and they essentially
11 apologize to their shareholders to say, this was a tough
12 year. We could only produce at 75 percent. Here's the
13 challenges for next year. We aim to do better next year.

14 And we included a calculation which is
15 proprietary based on those public numbers, which I believe
16 shows that if they had --

17 CHAIRMAN BROADBENT: Wait, proprietary
18 calculation on their public numbers?

19 MR. TOTARO: No, I -- using the public
20 information from their annual report as a baseline --

21 CHAIRMAN BROADBENT: Right.

22 MR. TOTARO: -- then comparing that to some
23 proprietary information from their questionnaire responses,
24 I produced an analysis. So it's an analysis where
25 two-thirds of the chart isn't in brackets. The top third is

1 public.

2 But I believe that it demonstrates that if they
3 were reporting capacity in a way, as Jennifer says, that
4 reflects their production facilities in effect today, and
5 reasonable assumptions, which I have to assume that when
6 they talk about capacity utilization to their shareholders
7 they're including reasonable assumptions about downtime and
8 maintenance. But if you looked at it that way, instead of
9 -- and we're getting into proprietary information.

10 But if you will look back at that exhibit, in our
11 analysis we have about ten pages in the brief devoted to
12 this. And we can address it more in the post-hearing brief
13 but I think that when the pronouncements are made about
14 capacity, they're based on a methodology for presenting
15 capacity that is not consistent with the Commission's
16 instructions on how to do that and is not consistent with
17 that way that the South African industry has addressed
18 capacity in previous proceedings. And I raise that as well
19 because any comparisons about capacity numbers in past
20 proceedings and this proceeding is an apples to oranges
21 comparison and it cannot do any trend lines as is meaningful
22 at all.

23 CHAIRMAN BROADBENT: But I don't understand --
24 you're saying compare it to how they did it before, but it's
25 an apples to pears comparison?

1 MR. TOTARO: I'm saying that they used different
2 methodologies in either. So that because they used
3 different methodologies in the past and now you can say,
4 well, here's the -- you know, this is the level they
5 reported in the past review, here's the level in the current
6 review. So one is either above or below the other one. And
7 that that's significant because if they were calculated on
8 the same basis and one was higher than the other then you
9 could say well that's a trend but here that's impossible to
10 do.

11 MR. BUTTON: Commissioner, as Ms. Lutz said is
12 it an issue because they changed in fact the operations or
13 did they just change the calculation methodology. The
14 rhetorical question that we pose as you look at the date.

15 CHAIRMAN BROADBENT: Okay. All right, and I
16 have just a kind of an odds and ends question from the staff
17 report. Figure 5-1 which is on page B2 on the staff report
18 it shows the price of the ferrovanadium is considerable
19 higher in the 2008 period but this really tightens down
20 there so you only have about a five dollar margin in 2009
21 and a ten dollar margin thereafter.

22 If you are only making five to ten dollars a
23 point on the production of ferrovanadium compared to
24 vanadium pentoxide is it really worth it? Yeah you are
25 going to have to look at the thing in the staff report it is

1 figure 5-1, maybe someone else has it there. I mean the
2 margin has just shrunk between the ferrovanadium and the
3 ferrovanadium peroxide.

4 MR. BUTTON: Madam Commissioner?

5 CHAIRMAN BROADBENT: Yes, pentoxide, yes?

6 MR. BUTTON: In essence you are looking at a
7 short term spike from particular market conditions that we
8 can describe. The more normal circumstances what you see
9 for that period from 2009 to the present.

10 CHAIRMAN BROADBENT: So it's always been that
11 pretty small margin generally except for after I guess that
12 was when there was --

13 MR. BUTTON: There's some specific historical
14 incidents and developments in the industry identified for
15 you in the brief that will describe that.

16 MR. TOTARO: I guess I would ask just a
17 clarification of I'm not sure exactly --

18 CHAIRMAN BROADBENT: I know I'm so sorry but my
19 time has expired, I apologize we can get back to this, Vice
20 Chairman Pinkert, we'll get back to this.

21 VICE CHAIRMAN PINKERT: Thank you. Speaking of
22 getting back to something, I'm going to try to clarify what
23 I was asking with my second question in my first round of
24 questions. I understand that there are exports of vanadium
25 pentoxide from South Africa that you expect to be

1 repatriated as ferrovanadium production in South Africa in
2 the event of revocation, I get that.

3 What I'm trying to understand is some of the
4 vanadium pentoxide that is currently being exported from
5 South Africa winding up as ferrovanadium in some country
6 other than the United States.

7 MR. TOTARO: I think the answer -- this is John
8 Totaro, with respect to conversion that is happening in
9 Canada and Korea and you can correct me if I'm wrong, I
10 think that almost all of that is ending up in the United
11 States, not going to another export market.

12 MR. PERLES: In my view that's correct.

13 VICE CHAIRMAN PINKERT: Just to clarify your
14 answer to that. Do we know where all of that exported
15 vanadium pentoxide is ending up as ferrovanadium? You said
16 that in your view it's ending up in the United States by and
17 large but do we know?

18 MR. PERLES: Perhaps we can -- sorry this is
19 Terry Perles, look at Korea as an example. In Korea you
20 have two major ferrovanadium producers who would convert
21 V205 to ferrovanadium and they would either convert V205 and
22 convert for their own account and sell the ferrovanadium or
23 they would whole convert V205 for other parties and I know
24 from discussions with these people that today they are
25 supplying ferrovanadium to the domestic market and they are

1 also toll converting V205 coming from China.

2 The material that they are selling for their own
3 account is not material that they are producing they are
4 trading material from China. So they are buying
5 ferrovanadium and selling to their domestic customers and
6 it's my presumption that the conversion material, the
7 material they are processing on a conversion basis, is
8 coming exclusively to the U.S.A. There would be no other
9 reason to convert the material and send it even to their
10 domestic market, they are better off from the bottom line
11 standpoint by simply trading ferrovanadium so really the
12 only reason for them to conduct the conversion process today
13 is to allow the material to enter into the U.S. market.

14 VICE CHAIRMAN PINKERT: Mr. Carter?

15 MR. CARTER: May I also say that shipments from
16 those two nationals also enjoy completely duty free status
17 into the United States from Canada and Korea so it's a very
18 convenient route for them to this market more so than any
19 other.

20 VICE CHAIRMAN PINKERT: Thank you, it's not
21 necessary for you to address this in the post-hearing but if
22 there is anything you want to add to what you just testified
23 to you can do that in the post-hearing. Is there a quality
24 difference between ferrovanadium made from spent catalysts
25 and ferrovanadium made from vanadium pentoxide?

1 MR. ORR: This is Allan Orr, Gulf Chemical. We
2 would cover the vanadium as vanadium pentoxide so the
3 ferrovanadium we make is all from vanadium pentoxide, we
4 cannot go directly from spent catalyst to the ferrovanadium
5 product. It requires an alumi-thermic conversion so to
6 answer your question it would be identical. I mean
7 material was taking off of spent catalyst if it's recovered
8 in a process that makes vanadium pentoxide, we would be
9 making ferrovanadium through alumi-thermic processing.

10 MR. CAREY: This is Dave Carey. Just to back up
11 what Allan said I would agree there is essentially zero
12 difference between ferrovanadium produced from spent
13 catalyst or any other vanadium pentoxide.

14 VICE CHAIRMAN PINKERT: When will Evraz
15 Stratcor's new slag processing facility come online and how
16 will that affect the U.S. market?

17 MR. BUNTING: Already online Mr. Commissioner.
18 I believe it's already being used.

19 VICE CHAIRMAN PINKERT: Okay then if you can
20 project forward to how it will affect the U.S. market in the
21 next year to 18 months?

22 MR. TOTARO: Just to clarify you mean the U.S.
23 market in general or the U.S. market for ferrovanadium?

24 VICE CHAIRMAN PINKERT: For ferrovanadium.

25 MR. BUNTING: I don't see it affecting the

1 ferrovanadium market significantly. It's just a feedstock
2 as opposed to previous feedstock's that we have been using.

3 Most of it would be to produce oxide, high purity oxide
4 for the vanadium chemical market and titanium markets not
5 for ferrovanadium as before.

6 VICE CHAIRMAN PINKERT: Okay.

7 MR. TOTARO: And to reiterate
8 something that Mr. Bunting mentioned in his direct testimony
9 is that at present Stratcor focuses its production of V205
10 for other uses, not to be tolled into ferrovanadium but for
11 vanadium chemicals and vanadium aluminum master alloys and
12 that was part of the overall plan that was put in place
13 years ago.

14 And so this slag production would be as Bob says
15 a feedstock for the production headed towards the same
16 products that it currently produces.

17 VICE CHAIRMAN PINKERT: Can't it have an impact
18 on overall market conditions even if the vanadium pentoxide
19 is not going toward the ferrovanadium?

20 MR. BUNTING: I mean all of these markets are
21 changing all the time. Demand for you know, high purity
22 oxide for the titanium market obviously is very dependent on
23 how the titanium market is going so this is a variable
24 situation. It's difficult for me to predict what is going
25 to be next year.

1 MR. TOTARO: I think that's the key word Mr.
2 Bunting just said, the impacts would be -- the demand
3 effects would be relative to the titanium industry, not the
4 steel industry that's consumed ferrovanadium.

5 VICE CHAIRMAN PINKERT: Okay thank you very much
6 and I have no further questions this round.

7 CHAIRMAN BROADBENT: Commissioner Williamson?

8 COMMISSIONER WILLIAMSON: Thank you I just have
9 one question. How is ferrovanadium typically packaged and
10 shipped? Please discuss this packaging requirement unique
11 to the U.S. market and do these unique packaging
12 requirements impact price and if so to what degree?

13 MR. CARTER: This is Jim Carter let me take it a
14 little bit. In the U.S. market much of the demand is
15 supplied in smaller bags or cans. It is also supplied in
16 what are called large bulk bags or drums and in most recent
17 years a new way that is absolutely in loose dump trucks,
18 loose in dump trucks, we didn't do this years ago.

19 So a large part of the market is these small bags
20 and cans. We have packaging equipment as done at Bear to
21 place the material into these, it is then shipped normally
22 on pallets or pallet boxes to the steel works. I would --
23 if it matters to you at this point from an economical
24 standpoint, we charge for that service if we package --
25 however we package it there is a charge commensurate with

1 the cost.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. CAREY: I would agree, this is Dave Carey we
4 do the same at Bear. We have a separate charge for
5 packaging and the packaging offered is very similar to what
6 Mr. Carter has indicated, the small bags all the way up to
7 the large bags and bulk shipments. Once the conversion is
8 complete then that is, it is now ferrovanadium -- that price
9 is the price that we are discussing here but the additional
10 charge would be the packaging and shipping.

11 COMMISSIONER WILLIAMSON: Okay thank you.

12 MR. CARTER: May I add?

13 COMMISSIONER WILLIAMSON: Sure.

14 MR. CARTER: The -- I did mention that we do
15 charge forward to recover the cost. If we didn't it
16 amounts to a relatively small amount of the total cost of
17 the delivery, it's just a couple of percent probably.

18 COMMISSIONER WILLIAMSON: Okay Mr. Perles?

19 MR. PERLES: Terry Perles. As an importer of
20 non-subject material we have studied the distribution and
21 logistics costs for our business in North America, Europe,
22 and other regions of the world so obviously our goal is to
23 make profit so we are looking at both the market prices we
24 can sell at and that distribution logistics costs as drivers
25 to where we want to participate.

1 And our analysis indicates that there's no
2 discernable difference in the logistics and distribution
3 costs for example in the USA compared to Europe. It is the
4 case that in the USA a larger share of the customers will
5 ask for ferrovanadium in small packages which are more
6 costly than the large packages. At a worst case scenario
7 the cost of that repackaging accounts for about 2% of the
8 current price of ferrovanadium so if we look at other issues
9 for example payment terms, the cost of storage and movement
10 of material and even salaries for employees, we see higher
11 costs in Europe so across the board on average it's our
12 determination that there is no discernable difference in the
13 logistics and distribution costs for the markets and
14 therefore the fact that we can get better prices in North
15 America drives us to want to enter this market
16 preferentially.

17 COMMISSIONER WILLIAMSON: Okay thank you for
18 that answer and I have no further questions and I want to
19 thank the panel.

20 CHAIRMAN BROADBENT: Commissioner Johanson?

21 COMMISSIONER JOHANSON: Thank you Chairman
22 Broadbent. Is the domestic industry stronger than at the
23 time of the Russian review in 2012?

24 MS. LUTZ: Commissioner Johanson I guess the
25 domestic producers can't speak on behalf of the whole

1 industry but yet it is as you heard in the testimony both
2 producers have engaged in capital expenditures to improve
3 their plants, improve their environmental records and they
4 are certainly they are doing better now than they were at
5 the time of the Russian review but they are still vulnerable
6 to unfairly priced subject imports.

7 COMMISSIONER JOHANSON: Thanks for your answer
8 Miss Lutz. South African intra-parties argue that their
9 levels of capacity utilization and committed sales of
10 ferrovanadium and other vanadium products mean that imports
11 from South Africa are not likely to enter the United States.

12 They also argue that they are shifting away from the
13 production of ferrovanadium. Have you all observed any
14 tightness in global markets or rising prices or other signs
15 of a pull-back that would be consistent with these general
16 characterizations of the South African industry?

17 MR. CARTER: Jim Carter, I think the trend in
18 pricing is declining right now. You could see the chart
19 here that's going down.

20 COMMISSIONER JOHANSON: So you don't see an
21 indication of the purported actions of South African
22 impacting the market at this time?

23 MR. TOTARO: Well in fact when we presented our
24 statistics in our brief for the first nine months of 2014
25 and in fact you see a large increase in the exports of

1 ferrovanadium from South Africa to Europe. Even comparing
2 their exports that were reported in the first half of 2014
3 to the next three months, the third quarter of 2014, those
4 imports in the third quarter were doubled the size of the
5 imports of the first six months of 2014 so -- no, it does
6 not -- there are not any indications of a pull-back.

7 COMMISSIONER JOHANSON: Thanks. At the time of
8 the hearing on the Russia Review in 2012, there was a Nevada
9 company called American Vanadium that was poised to become a
10 domestic producer of Vanadium. Do you all know what has
11 become of that operation and if that's not public, if you
12 are aware of anything regarding this plan if you could let
13 us know in the post-hearing.

14 MR. CARTER: The status is they are not
15 producing anything at this point other than publicity and
16 talking about marketing various energy storage devices that
17 form -- they are representing a German company called
18 Gildemeister for these battery type operations but we don't
19 -- there is no production to date.

20 COMMISSIONER JOHANSON: Maybe they can help out
21 Tesla with their proposed plant you never know. Yes Mr.
22 Perles?

23 MR. PERLES: Yes Terry Perles, American Vanadium
24 has the mining rights to a property in Utah and they are
25 continuing to attempt to draw capital to allow them to

1 construct the mine and as far as I know they have not had a
2 whole lot of success in drawing the necessary capital. One
3 of the tactics I think today if you are looking to draw
4 capital to new investment in a vanadium mine is to talk
5 about the prospects for energy storage applications for
6 vanadium, it draws a lot of interest, it's allegedly the
7 future and I think this is a direction that they have gone
8 in an effort to draw interest from potential investors.

9 But in fact, as I have mentioned before, there's
10 actually extremely small amounts of vanadium actually going
11 into these applications today.

12 COMMISSIONER JOHANSON: I know I'm probably
13 touching on something that you aren't probably very well
14 aware of but what does the inability of American Vanadium to
15 start production perhaps to collect on what is happening in
16 the U.S. market?

17 MR. PERLES: Yeah Terry Perles, in my view I
18 think it speaks to the quality of the deposit that they
19 have.

20 COMMISSIONER JOHANSON: Okay I know I'm being
21 very speculative here but I just remember very well in 2012
22 this being something that was discussed in our hearing on
23 the Russian investigation. All right I appreciate you all
24 appearing here today I have found it very informative, my
25 time is about to end thank you.

1 CHAIRMAN BROADBENT: Commissioner Kieff?

2 COMMISSIONER KIEFF: Thank you very much no
3 further questions from me.

4 CHAIRMAN BROADBENT: Okay and I think I'm done
5 with my questions, Commissioner Pinkert?

6 COMMISSIONER PINKERT: I'm also finished but I
7 appreciate the testimony today and I look forward to the
8 additional information in the post-hearing.

9 CHAIRMAN BROADBENT: Yeah Commissioner
10 Schmidtlein was sick today and she will follow the
11 transcript very closely I'm sure. And if the Commissioners
12 have no further questions does the staff have any questions
13 for this panel?

14 MR. CORKRAN: Douglas Corkran, Office of
15 Investigations thank you Madam Chairman staff has no
16 additional questions.

17 CHAIRMAN BROADBENT: Do those in opposition have
18 any questions for this panel?

19 MR. WEIGEL: No we don't this is Ken Weigel, no
20 we don't thank you.

21 CHAIRMAN BROADBENT: Thank you Mr. Weigel. In
22 that case I think it's time for a lunch break. We will
23 return here at 1:45 an extra fifteen minutes because we have
24 some Commission business to take care of. 1:45 and the
25 hearing room is not secure so please do not leave

1 confidential business information out and I want to thank
2 all the witnesses for coming today.

3 (Whereupon the meeting recessed for lunch to
4 reconvene at 1:45 p.m.)

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1 A F T E R N O O N S E S S I O N

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

3 CHAIRMAN BROADBENT: Mr. Secretary, are there any
4 preliminary matters for the afternoon session?

5 MR. BISHOP: Madam Chairman, I would note that
6 the panel in opposition to the continuation of the
7 antidumping duty orders have been seated.

8 CHAIRMAN BROADBENT: Thank you. I want to
9 welcome the afternoon panel to the ITC. I would like to
10 again remind all witnesses to speak clearly into the
11 microphones and state your name for the record for the
12 benefit of the court reporter. You may begin when you're
13 ready.

14 MR. WEIGEL: Thank you. Again, for the record,
15 I'm Ken Weigel from the Law Firm of Alston & Bird. With me
16 this afternoon are two witnesses. On my right-hand side is
17 Mike O'Connell. Mike is from Glencore. Mike and Glencore,
18 we believe, can offer a unique perspective on the facts that
19 underpin this question of revocation.

20 Glencore has been and will continue to be a
21 significant, but relatively stable player or supplier of
22 ferrovanadium in the U.S. market and also in the global
23 market, and they've been doing this for many years.

24 Glencore was the main, South African Respondent
25 in the investigation and remains the main South African

1 company today. Glegncore's roles are, we believe, somewhat
2 unique, and as shown by the questionnaire responses they've
3 submitted to the Commission. They've submitted a U.S.
4 producer, a U.S. importer, and a foreign producer
5 questionnaire.

6 Mike has been at Glencore for approximately --
7 excuse me -- was here at the ITC approximately 10 years ago
8 in the original case, and today is the manager of
9 ferrovanadium at Glencore in Connecticut. He has extensive
10 experience on the U.S. ferrovanadium market, having worked
11 with U.S. producers, importers, and foreign producers of
12 ferrovanadium. He can answer some of the questions that
13 were asked this morning, for example, about some of the
14 other production areas in the world for ferrovanadium, and
15 also V205 conversion in countries, other than Canada and the
16 United States.

17 On my left-hand side is Lynn Holec. Lynn is our
18 economic expert for this case, and she will testify after
19 Mike.

20 Just to be clear, for the record, sometimes the
21 term ferrovanadium will be used. Other time it may be
22 called Ferro V. Vanadium pentoxide is also called V205.
23 Vanadium trioxide, which is important to understand, is
24 V203, but everybody talks in pounds vanadium. And when you
25 convert, which I think is important to understand, when you

1 convert from V205 to ferrovanadium, there's a conversion
2 factor, I believe, as someone mentioned this morning of
3 56.02. So, one pound will yield -- of V205 would yield
4 .5602 pounds of Ferrov V, but there's also a yield lost
5 there of approximately 4 percent. So, when you're using a
6 converter, that's your calculation, 56.02 and then 96
7 percent.

8 The last important point I want to make before
9 they speak is that there are two different processes for
10 converting V205 into ferrovanadium. One is the
11 aluminothermic process, which Bear uses, and that requires
12 V205. The other is an electrothermic process, which is used
13 at Rhovan, and that requires V203.

14 So, with those remarks, I will turn it over to
15 Mike from Glencore.

16 STATEMENT OF MICHAEL O'CONNELL

17 MR. O'CONNELL: I'm here -- I'm the business
18 manager for Glencore based in Connecticut, and we're part of
19 Glencore, PLC, which is based in Switzerland. I've held the
20 position for about 19 years. And as Ken had mentioned, I've
21 testified before this Commission before in the original
22 investigation. I'm very familiar with the U.S. vanadium
23 market, as well as globally. And I'm here today to explain
24 why the antidumping order on ferrovanadium from South
25 Africa should be revoked.

1 First, a little background on Glencore, Glencore
2 is one of the largest global diversified natural resource
3 companies. Glencore owns and is the sole representative of
4 the Rhovan mine based in South Africa. And as a leading
5 market participant in the ferrovanadium industry, both
6 globally and in the U.S., it is our objective to operate our
7 South African assets as efficiently as possible and maximize
8 shareholder value.

9 We've been a significant part of the U.S.
10 vanadium market for more than a decade. Although, we have
11 not sold any ferrovanadium from South Africa since the
12 imposition of the antidumping order, vanadium from the
13 Rhovan mine has been sold in the United States since the
14 order has been in place in the form of vanadium pentoxide
15 conversions, and we've also sold ferrovanadium made from
16 Canada and imported it to the U.S. as well, so we've
17 converted both in the U.S. as well as in Canada. And we've
18 also done quite a bit other vanadium products, 50 grade as
19 well in the U.S. over this period.

20 So, Glencore has been and will continue to be a
21 significant supplier to the U.S., irrespective of the
22 decision and the outcome of this matter.

23 As our sales practices in the U.S. haven't
24 changed since the order was imposed, any ferrovanadium we
25 sell is priced at the market price. There will be no flood

1 of ferrovanadium from South Africa in the U.S. market if the
2 order is revoked since we have no present plans to sell any
3 ferrovanadium from South Africa here in this market.

4 In fact, we're in the final stages of lining up
5 tolling agreements for conversion of Rhovan's V205 product
6 for North American sales here in the U.S. and in Canada.
7 All the ferrovanadium produced from Rhovan at this point too
8 is fully allocated in 2015, so again, irrespective of the
9 decisions that are reached here, no ferrovanadium from
10 Rhovan will be imported in the U.S. within the 2015 period.

11 So, South African imports should not be cumulated
12 with those from China. I'm here today to support the
13 revocation of the dumping duty of ferrovanadium from South
14 Africa. I believe the Commission should separately consider
15 imports of ferrovanadium from South Africa and from China
16 for a number of reasons.

17 The first reason is South Africa has only two
18 ferrovanadium producers. They are operating at full
19 capacity, producing various vanadium products and no
20 expansion is contemplated. In contrast, there are many
21 Chinese producers and their production has clearly grown.

22 South African vanadium is increasingly being sold
23 as V205 for use in the aerospace and the chemical industries
24 and not in the ferrovanadium industry.

25 Petitioner's witness, Mr. Perles, had mentioned

1 this in his slide presentation when he asserted that the
2 demand would double from 2011 to 2016. Thus, the South
3 African ferrovanadium supply is shrinking and we do not
4 believe that Chinese ferrovanadium production is shifting to
5 these higher value products, so that's something for you to
6 consider.

7 The two companies representing the only South
8 African producers have fully cooperated with the ITC for the
9 sunset review. The two South African producers have
10 participated responsibly in the U.S. ferrovanadium market
11 with ferrovanadium from various sources, including that made
12 from South African V205 in the U.S. and Canada, as I
13 mentioned. These sales have occurred regularly in the
14 market. In contrast, the Chinese vanadium is sporadically
15 present in the U.S. market, usually in the form of the South
16 Korean ferrovanadium.

17 Glencore has played a significant, non-disruptive
18 role in the U.S. market for many years. Our practices have
19 been profitable and would not change if the order were
20 revoked. Chinese product, as I mentioned, has been
21 inconsistent in the U.S. And when it's here, it's typically
22 sold through third-party traders and they've created
23 disruptive presence in the U.S. market.

24 Glencore's sales are principally sold through
25 long-term contracts with U.S. consumers. In contrast, the

1 Chinese historically sell their product on a spot basis, and
2 this is even the case before the dumping orders were placed.
3 So, since the dumping order, the Chinese V205 primarily
4 converted, as mentioned this morning, in South Korea and
5 continues to be sold in the spot market here today.

6 South Africa and China have entirely different
7 approaches to the U.S. market. We believe that it would be
8 unfair to cumulate the South African and the Chinese
9 ferrovanadium producers in the sunset review based on these
10 significantly different facts.

11 No South African ferrovanadium is available for
12 the market, as I mentioned. If the dumping order of
13 ferrovanadium from South Africa is revoked, there will be
14 little, if any, South African Ferro V exported to the U.S.
15 Instead, we think today the U.S. market will continue to be
16 supplied by U.S. producers and imports from non-subject
17 countries, other than South Africa.

18 There are a number of reasons for this statement.
19 Glencore has been selling South African Ferro V globally.
20 Rhovan's 2015 budget is fully sold out to customers in Asia,
21 Europe, and South America. No South African ferrovanadium
22 from Rhovan is available for sale in the U.S. in 2015.
23 Rhovan has been operating at full production capacity and
24 plans to continue to operate at full production as world
25 supply and demand is basically in balance.

1 Rhovan will make less, not more ferrovanadium in
2 the future and will not produce ferrovanadium for the U.S.
3 market if the antidumping order is revoked. As there has
4 been much discussion on production capacity and capacity
5 utilization at Rhovan, I want to explain the situation.
6 I'll use a slide prepared by Rhovan.

7 First, Rhovan is a mine, which means that unlike
8 other businesses, it must make certain assumptions to
9 compile its budget of production capacity for Rhovan
10 products. Production capacity is not nameplate capacity
11 based on Rhovan's equipment. Instead, it is based on
12 Rhovan's mine plan and expected ore grade, assuming normal
13 operating conditions, including down time and product mix.

14 This information is used to create a production
15 budget for the year. Given the realities of mining, the
16 actual production of vanadium at Rhovan will differ from the
17 budget. What Rhovan has reported are the production
18 capacity number it uses in its operations.

19 Second, as Rhovan produces two products on the
20 same equipment, its capacity to produce each product must be
21 less than its overall equipment production capacity to make
22 just one product. Rhovan will not shift more production to
23 ferrovanadium if the order is revoked. We've made a
24 decision to sell as much of Rhovan's V205 to aerospace
25 industry as possible as it's generally more profitable than

1 ferrovanadium. So, this is the preferred product for
2 Rhovan. Its demand has also been predicted to grow
3 significantly over the years as Mr. Perles has stated
4 previously as well.

5 In planning production at the Rhovan mine, we
6 first decide how much V205 is needed for the aerospace
7 industry globally. Our demand amount is based on multi-year
8 contracts with the aerospace producers in regions throughout
9 the world, including Asia, Europe, Russia. While Rhovan has
10 an advantage over other vanadium pentoxide producers in
11 meeting aerospace product specifications, there are still a
12 significant amount of Rhovan's V205 that does not meet
13 specifications.

14 Simply put, when you produce high-grade V205 for
15 aerospace applications, you also produce V205 product that
16 is below standard specifications for the aerospace industry.
17 Although Rhovan is getting better at meeting aerospace
18 industries specifications, again, this is a mine, so the
19 proportion of acceptable material varies.

20 Once we determine the amount, the V205 needed,
21 the remainder of the mine's output is used to produce
22 vanadium trioxide, V203, which is what the Rhovan facility
23 must use to make ferrovanadium. In other words, as shown on
24 the slide, Rhovan's production process comes to a point
25 where it must produce either V205 or V203. We decide on how

1 much V205 is needed and the rest becomes V203. Once this
2 production decision is made, it's not reversible.

3 As I mentioned, some of the V205 will not meet
4 the tight specs for the aerospace industry use and thus, the
5 remaining South African V205 is to be converted into
6 vanadium for sell. However, this V205 cannot be converted
7 at Rhovan. The V205 must be converted in aluminothermic
8 process, such as those used by Bear. Rhovan uses an
9 electrothermic process that must use the V203.

10 Regardless of what happens in this review, as
11 I've mentioned, Glencore will continue to have V205 that
12 does not meet the specifications for the aerospace industry,
13 which it will have to have converted outside of South
14 Africa. Revocation will not mean that this V205 will be
15 converted in South Africa, as that's not possible.

16 Finally, it is important to note, as you consider
17 the case, that Rhovan does not produce V205 for the sole
18 purpose of producing ferrovanadium for the U.S. market.
19 There are no unsold inventories from the South African Ferro
20 V, as I've mentioned, that Glencore could supply to the U.S.
21 As the facts show, disregarding the financial crisis years,
22 inventories have been generally the same level over the
23 years. The inventory levels are another consequence of
24 Rhovan being a mine in a location that is dependent upon
25 exports.

1 As the mine requires lengthy lead times to supply
2 products to our customers. The ferrovanadium, after
3 finishing, is sent from the plant to the port in South
4 Africa where it's stored at the port, where it's then sorted
5 and loaded onto ships and transported around the world where
6 it's then held in warehouses and held on consignment
7 awaiting release for customers. It takes, at a minimum, 30
8 days transit for most of the ports in South Africa to the
9 main ports throughout the world, Europe, Asia, et cetera.

10 Additionally, we must have sufficient supply
11 available to deal with certain anomalies that happen in the
12 South African market, such as strikes, labor issues, and all
13 the other challenges that we face down there.

14 Generally, there's approximately a two to
15 three-month supply of ferrovanadium in this distribution
16 chain. The inventory reported in the ITC questionnaire is
17 the Ferro V in this distribution chain. This is a product
18 that has been sold and it's awaiting release to consumers.
19 It's not excess inventory.

20 I'm going to speak about the U.S. price premium.
21 There is no U.S. price premium to draw South African
22 ferrovanadium to the market. First, this claim is based on
23 a simple comparison of published prices which do not reflect
24 what is happening in the marketplace. Most sales are under
25 contracts, as the Petitioners mentioned this morning, and

1 the price of these contracts is set using a formula
2 generally at a discount to Ryan's Notes.

3 In my experience, I've seen other sellers giving
4 discount ranging from about 10 to 15 to 20 percent.
5 Second, the U.S. market has higher costs. Their import duty
6 is 4.2 percent. There are other fees for specialty packing,
7 as mentioned this morning. And as the Petitioners noted,
8 ferrovanadium is generally fungible. So, if the U.S. market
9 was at a premium, Glencore and others would've focused more
10 sales on the U.S. market and less on other market,
11 ultimately bringing the price in line.

12 And I just wanted to touch on Commissioner
13 Pinkert's comments this morning. This cuts to the heart of
14 doing conversions in non-subject countries. Glencore has
15 done that, and those products that we produced in the
16 non-subject countries have at times wound up here and often
17 at times have not wound up here. So, something to consider.

18 Glencore has been participating in the
19 ferrovanadium market for many years. It has sourced
20 ferrovanadium for many different countries. Some has been
21 made at the South African V205 and others from other
22 regions. Buyers usually do not require ferrovanadium from
23 certain origins. Ferrovanadium is sold on the amount of
24 vanadium it contains.

25 Glencore has priced its ferrovanadium

1 responsibly, selling it predominately through long-term
2 contracts. Pricing under these long-term contracts, as I
3 mentioned, is based off an index, less a discount. These
4 prices are based on voluntarily reported spot transactions.
5 When Glencore prices ferrovanadium for sale to customers, we
6 consider many factors, including what we believe to be the
7 market price at the time and what we believe the customer is
8 willing to pay. Rhovan's cost is not a factor, unless it
9 exceeds the market price. In which case, we analyze whether
10 or not to shut down the mine like we did in 2009.

11 From my experience, the lowest price in the U.S.
12 market is usually from the domestic suppliers, with AMG
13 being the market leader in the U.S. There is only so much
14 product that the domestic producers can offer. And as
15 someone had mentioned this morning, why are volumes coming
16 in from imports and I guess it's a fact of life. But the
17 reality is they can't meet all of the demand from the U.S.
18 consumers.

19 I have no incentive to reduce our prices simply
20 because the antidumping on South African vanadium is
21 revoked. Our price does not consider the origin of
22 ferrovanadium that I'm selling. Glencore has many customers
23 globally for its ferrovanadium, so there is no reason for it
24 to divert South African Ferro V t o the U.S. from other
25 markets. As I've said, the U.S. ferrovanadium market is not

1 a higher-priced market for ferrovanadium. If the U.S. were
2 truly higher price, then Glencore would've sold more Ferro V
3 in the U.S.

4 Glencore's actions over the past 10 years refute
5 any claim that we will sell ferrovanadium from South Africa
6 or elsewhere at low prices. Our action in 2009 shows that
7 the Rhovan mine will shut down when market prices are too
8 low to be profitable.

9 In sum, there's no reason for Glencore to lower
10 its price in the U.S. market if the antidumping order from
11 South Africa were revoked. There is simply no excess Rhovan
12 ferrovanadium to sell at low prices even if this were
13 Glencore's strategy.

14 Today Glencore is a significant supplier in the
15 U.S. market, and it would be foolish for us to compete
16 against ourselves by reducing prices on South African
17 ferrovanadium. That would only lead to a lower net return
18 on sales of total products that we do here in the USA.

19 That concludes my statement. I look forward to
20 answering any questions the Commission has for me.

21 STATEMENT OF LYNN HOLEC

22 MS. HOLEC: Good afternoon. I'm Lynn Holec. I'm
23 an economist with ITR, Marks Laneth. I am here on behalf of
24 the South African Respondents, Vanchem Vanadium Products and
25 Glencore.

1 I will address the following four points that
2 demonstrate that there is no likelihood of recurrence of
3 material injury if the antidumping order on ferrovanadium
4 from South Africa is revoked.

5 The first point I'll address is the financial
6 performance of the domestic ferrovanadium industry, which is
7 strong and is anticipated to remain strong in the
8 foreseeable future. Secondly, the antidumping, if the
9 antidumping order is revoked, there will be no significant
10 increase in the volume of U.S. imports of South African
11 ferrovanadium. Since it comes from zero, I should just say
12 there will be no imports from South Africa.

13 If South African ferrovanadium sold in the United
14 States -- if any is sold, it is unlikely to undersell U.S.
15 product or depress U.S. prices.

16 Lastly, the Commission should not cumulatively
17 assess the volume and price affects of imports of South
18 African and Chinese ferrovanadium.

19 First, looking at the condition of the U.S.
20 ferrovanadium industry, the financial performance of the
21 domestic ferrovanadium industry is strong and is projected
22 to remain strong in the foreseeable future. In fact, the
23 domestic ferrovanadium industry is in an even better
24 position than when in 2012 the Commission found the industry
25 not vulnerable to the continuation or recurrence of material

1 injury in the context of the sunset review of the
2 antidumping order on Russian ferrovanadium and nitrided
3 vanadium.

4 We all agree Petitioners, in their testimony and
5 briefs and the Commission in the six previous times that it
6 has evaluated the ferrovanadium industry to the following
7 basic conditions of the ferrovanadium demand. The
8 production of steel, specifically, high strength, high alloy
9 steel is the primary and almost exclusive use of
10 ferrovanadium.

11 As the demand for steel increases, the demand for
12 ferrovanadium increases. That is, the demand for
13 ferrovanadium is derived from the demand for steel. With
14 minor exceptions, there are no economically feasible
15 alternatives to the use of ferrovanadium in steel
16 production.

17 Ferrovanadium accounts for a very small portion
18 of steel production costs. And as a consequence of the
19 above, the quantity of ferrovanadium demanded is not
20 sensitive to changes in price or in economist's terms it is
21 price inelastic.

22 We are in further agreement with Petitioners that
23 the U.S. steel market has largely recovered from the
24 2008/2009 financial crisis, and that the U.S. steel market
25 is projected to continue to improve. The world demand for

1 steel has increased by 28 percent since 2009 and the demand
2 in the United States and Europe by 49 and 19 percent,
3 respectively. This growth has continued into 2014 with a
4 June 2014, year-to-date steel production exceeding June
5 2013, 2014 exceeding June 2013 production by 4 percent
6 globally, by 1 percent and 4 percent in the United States
7 and in Europe.

8 In addition, as Petitioners point out, the U.S.
9 steel industry is using increasing amounts of ferrovanadium
10 per ton of steel as various steel-consuming industries seek
11 weight-saving and energy-saving improvements in their
12 products.

13 On track with the recovery in the steel industry,
14 the vanadium market has also recovered. In its April 2013
15 TTP Squared report on the outlook of the global vanadium
16 market, Mr. Perles, who testified on behalf of the domestic
17 ferrovanadium industry projects tight vanadium supply/demand
18 balance over the next five years as the result of vanadium
19 used more intensely in the production of steel and
20 high-alloy, high-strength steels replacing low-strength
21 carbon steels. In fact, Mr. Perles, projects increasing,
22 upward pressure on prices over the long term.

23 The two U.S. producers of ferrovanadium, AMG and
24 Bear -- they are two U.S. producers of ferrovanadium, AMG
25 and Bear, and they have both shared in the recovery. In its

1 2013 annual report, AMG states the following: "Demand for
2 AMG vanadium products primarily used in the high-strength,
3 low-alloy North American steel industry remained strong
4 during 2013 and the trend expected to continue into 2014.
5 We believe that AMG's vanadium performance will improve in
6 2014 as it they begin the year at full capacity and with a
7 full order book."

8 More recently, in an August 2014 presentation to
9 its investors, AMG makes it apparent that the favorable
10 projections for 2014 presented in its 2013 annual report
11 were realized. AMG notes the following results specific to
12 ferrovanadium, an increase in sales volume, an increase in
13 market share, an 8 percent increase in price. So, this is
14 comparing between December 2013 and June 30, 2014, and 103
15 percent increase in production volume in the second quarter
16 of 2014 as compared with the second quarter of 2013.

17 The Commission's pre-hearing report found similar
18 favorable results for the U.S. industry as a whole. It
19 reported an increase in June 2014 year-to-date shipments
20 over the same period in 2013 and a decrease in the ratio of
21 production cost to sales revenue and an increase in
22 operating income.

23 Turning to the potential import volume, if the
24 antidumping order is revoked, U.S. imports of South African
25 ferrovanadium will not increase significantly.

1 As shown in their questionnaire responses, and as
2 Mike O'Connell has further explained, the South African
3 ferrovanadium industry is operating at capacity and its
4 production of ferrovanadium products is fully committed over
5 the foreseeable future. Nonetheless, Petitioners argue to
6 the contrary. They argue that U.S. ferrovanadium prices are
7 higher than European prices, which will cause South African
8 product to be diverted from Europe to the United States
9 should the antidumping order be revoked.

10 And secondly, they argue that the South African
11 producers will cease converting their vanadium pentoxide to
12 ferrovanadium in Canada before shipping it to the United
13 States, and instead will begin to export ferrovanadium to
14 the U.S. directly from South Africa. Neither argument has
15 reasonable factual basis or logical basis.

16 Petitioners claim that U.S. prices are higher
17 than European prices based on a comparison of European
18 prices reported by Metal Bulletin and U.S. spot prices as
19 reported by Ryan Notes. Petitioners make this allegation
20 even though they have acknowledged that the majority -- and
21 they just testified 95 percent -- of U.S. sales of vanadium
22 is based on contract prices rather than spot prices. And
23 Petitioners further acknowledge that U.S. contract prices
24 are generally negotiated at a discount relative to Ryan's
25 Notes. Thus, Petitioners know Ryan's Notes prices are

1 higher than actual U.S. prices.

2 Ryan's Notes discussed are based on a sample of 5
3 percent of the U.S. market, and I don't know if anybody
4 paying attention to the news and what happened with the
5 Liber voluntary responses that's a little bit skeptical in
6 itself.

7 The Commission's pre-hearing report provides U.S.
8 producers actual, average quarterly prices from 2008 through
9 June 2014 derived from U.S. producers' questionnaire
10 responses. While I cannot provide the specifics of this
11 analysis in this forum, I can say that these data
12 demonstrate that Ryan's Notes prices are not representative
13 of the larger U.S. ferrovanadium market.

14 It may be that Ryan's Notes reflect the prices at
15 which some sales were made, but they differ substantially
16 from the average prices obtained by the domestic industry.

17 Metal Bulletin prices, which Petitioners rely on
18 as representative of ferrovanadium prices in Europe, like
19 Ryan's Notes, are based on a survey of ferrovanadium buyers
20 and sellers. Neither we, nor the Commission nor the
21 Petitioners have data with which to evaluate the accuracy of
22 Metal Bulletin's prices. However, a comparison of Metal
23 Bulletin prices to actual U.S. producers' prices as obtained
24 by the Commission obtains a very different result from that
25 presented by the Petitioners.

1 To make this comparison, U.S. prices must first
2 be adjusted by known differences in the import tariffs. The
3 United States assess a 4.2 percent import duty on U.S.
4 imports of ferrovanadium. Ferrovanadium enters the EU duty
5 free; thus, U.S. prices must be reduced by 4.2 percent
6 import duty before they can be compared to European prices
7 if the goal is to approximate the relative return to the
8 exporter. This adjustment alone eliminates about half the
9 difference that Petitioners found in many periods, and in
10 particular, in 2014, and this was their comparison about
11 Ryan's Notes to Metal Bulletin.

12 In our post-hearing brief, where we will be able
13 to use the confidential data in the pre-hearing report, we
14 will provide an analysis of the domestic industry's actual
15 prices reduced by the 4.2 percent import duty and European
16 prices as reported by Metal Bulletin.

17 Secondly, Petitioners speculate that if the order
18 is revoked, the South African producers will replace toll
19 processed Canadian ferrovanadium with ferrovanadium shipped
20 directly from South Africa to the United States. Neither
21 the South African producers has excess capacity which they
22 could replace the Canadian converter.

23 Importantly, Glencore, as Mike just explained, is
24 not even able to use vanadium pentoxide to convert in Canada
25 to produce ferrovanadium in South Africa. It must use an

1 outside converter, such as Canada. In South Africa, its
2 converter facility uses vanadium trioxide.

3 Petitioners extend this volume argument into a
4 price argument based on South African producers Rhovan's
5 low-cost ferrovanadium process. Petitioner's claim that it
6 would be less costly to produce the ferrovanadium in South
7 Africa than in Canada, and therefore, South African product
8 would be sold at a lower price than the Canadian
9 ferrovanadium.

10 Ignoring for the moment that the South African
11 producers are not able to increase significantly their
12 ferrovanadium exports to the United States, based on their
13 capacity utilization and current and future commitments, the
14 mere fact that Rhovan is a low-cost producer is not an
15 incentive to reduce its prices were it to begin shipping
16 directly from South Africa. As Mike explained, he prices to
17 the market, regardless of the origin of the ferrovanadium.

18 In its 2012 review, the Commission found that
19 ferrovanadium and nitrated vanadium demand has increased
20 between 2009 and 2011, and was expected to remain stable.
21 Consistent with the Commission's 2012 finding, U.S. market
22 trends show that the demand for ferrovanadium is strong.
23 And it is anticipated that the strong demand for
24 ferrovanadium will continue; therefore, there is no
25 incentive in the foreseeable future for price-cutting

1 practices predicted by Petitioners.

2 Regarding price, any South African ferrovanadium
3 sold in the United States is unlikely to undersell or
4 depress the prices of the U.S. product. Each time the
5 Commission has examined South African sales of ferrovanadium
6 in the United States it has found the South African product
7 to be overselling U.S. product in nearly all periods. In 18
8 of the 21 quarters in which the South African product was
9 sold in January 1999 to June 14 period, the South African
10 product was sold at a higher price than the U.S. product.

11 As outlined by Mike O'Connell, Glencore has been
12 a significant part of the U.S. ferrovanadium market for more
13 than a decade and has continued to sell non-subject
14 ferrovanadium in this market throughout the period of the
15 review. Glencore owns and is the sole representative of
16 Rhovan's ferrovanadium and vanadium pentoxide products;
17 hence, if the order is revoked and any of Rhovan's
18 ferrovanadium was sold in the United States Glencore would
19 be the seller and its goal will remain to maximize
20 profitability realized from the mine's vanadium.

21 During the period of review, Glencore, among
22 other things, sold ferrovanadium that it toll processed in
23 the United States and responded to the Commission's U.S.
24 producer questionnaire. In or pre-hearing brief, we
25 compared Glencore's quarterly prices for the 2009 through

1 June 2014 period reported in that response to the quarterly
2 prices of AMG, Bear, and the tollees. The result of that
3 analysis are in our pre-hearing brief. I can't detail our
4 finding in this public hearing, but I would like to draw the
5 Commission's attention to the analysis because it does
6 demonstrate Glencore's pricing practices compared to those
7 of U.S. producers and other tollees. Glencore is clearly
8 not the low-price seller.

9 I acknowledge that Glencore was not selling South
10 African ferrovanadium during the review period, but
11 Glencore's pricing practices with respect to this
12 ferrovanadium are consistent with the Commission's finding
13 this review and in the original investigation that South
14 African ferrovanadium is generally sold at prices above
15 those of the U.S. producers.

16 Glencore's mission and pricing practices will not
17 change were it to import ferrovanadium directly from South
18 Africa. It will price to market and maximize the
19 profitability of Rhovan's vanadium.

20 Turning to the issue of accumulation, the
21 Commission should not cumulatively assess the volume and
22 price affects of South African and Chinese ferrovanadium.
23 The South African ferrovanadium industry has cooperated
24 fully with the sunset review and as provided substantial
25 evidence that ferrovanadium from South Africa is not likely

1 to have a discernible adverse affect on the domestic
2 industry if the antidumping order is revoked. In contrast,
3 the Chinese producers have failed to respond to the
4 Commission's questionnaire.

5 MS. HOLEC: Furthermore, the facts obtained by
6 the Commission in the current review and in prior
7 proceedings indicate that the Chinese and South African
8 ferrovanadium imports compete differently in the U.S.
9 market.

10 Most South African ferrovanadium is sold on the
11 basis of long term contracts, while Chinese ferrovanadium
12 has been and continues today to be sold on the spot market
13 by traders and sold at prices below the prices of the U.S.
14 product.

15 Specifically, the Commission found the Chinese
16 product to be underselling the U.S. product in 13 of the 23
17 quarters in which the Chinese product was sold during the
18 January 1999 through June 2014 period. In addition, public
19 reports and Petitioners indicate that the Chinese
20 ferrovanadium is continuing to grow.

21 This contrasts with the South African production
22 capacity, that has no plans to expand. For these reasons,
23 the Commission should not cumulate ferrovanadium from China
24 with ferrovanadium from South Africa.

25 In summary, the U.S. ferrovanadium industry is

1 doing well, and it is projected to continue to improve in
2 the foreseeable future. The demand for steel is increasing.
3 The intensity of the use of vanadium and steel is
4 increasing. The South African ferrovanadium producers are
5 operating at capacity with full order books, thus precluding
6 any significant exports to the United States and imports, if
7 any, from South Africa will be sold at market prices and
8 will not undersell or depress U.S. prices. Thank you.

9 STATEMENT OF KRISTINA ZISSIS

10 MS. ZISSIS: Good afternoon. I am Kristina
11 Zissis from the law firm of White and Case. My colleague,
12 Dean Barclay and I are here today on behalf of the only
13 other South African ferrovanadium producer, Vanchem Vanadium
14 Products.

15 Vanchem's story is similar to Rhovan's, and
16 Vanchem fully supports the statements made by the other
17 members of this panel. We are happy to provide any
18 questions you have for Vanchem to our client, in order to
19 address them in the post-hearing brief. Thank you very
20 much.

21 MR. WEIGEL: And that concludes -- excuse me.
22 That concludes our presentation, and we are available for
23 questions. Thank you.

24 CHAIRMAN BROADBENT: Great. I want to thank you
25 all for appearing here today. It's very, very helpful to us

1 and the folks in the back row as well as the front row for
2 all coming together and giving us as much information as you
3 have. We appreciate it. We're going to start our questions
4 today with Commissioner Johanson.

5 COMMISSIONER JOHANSON: Thank you, Chairman
6 Broadbent, and I would also like to thank the witnesses and
7 their counsel for appearing here today. As I discussed this
8 morning with the Petitioners, it appears that the U.S. steel
9 industry was at a particularly low point during the Period
10 of Investigation back in 1999 to 2001. In contrast, the
11 U.S. steel industry today is relatively healthy.

12 How should the change in conditions in the U.S.
13 steel industry from the Period of Investigation, that is
14 through from 1999 to 2001, to the current period of -- with
15 its change during the current Period of Review, influence
16 the decision of the Commission?

17 MS. HOLEC: Well, as both Petitioners and we
18 testified, ferrovanadium is -- demand for ferrovanadium is
19 strictly demand derived from the demand for steel, and so as
20 the steel industry demand improves, so will the vanadium
21 industry, and during this period there is even another
22 factor, in that the steel industry is using vanadium more
23 intensely now than it was before. So vanadium demand will
24 increase faster than steel demand.

25 MR. O'CONNELL: Yes, this is Mike. I'm going to

1 echo those thoughts. The market today, I think, is much
2 deeper. The steel industry obviously is much healthier. So
3 that has helped drive the demand for vanadium within the
4 U.S. to higher levels.

5 COMMISSIONER JOHANSON: With the use of
6 ferrovanadium apparently increasing at a faster level with
7 the U.S. steel industry, as opposed to steel industries in
8 other countries, would it not be natural for South African
9 exporters to seek to ship to this market?

10 MR. O'CONNELL: Well, I mean as I stated, we have
11 a very diversified business model. We see the growth for
12 vanadium. Because we are a primary mine and we have a very
13 high quality product, we get premiums from the aerospace
14 sector, and that's the region in which we find derives the
15 most value. So that's the area in which we're going, and
16 also the aerospace industry is willing to commit to further
17 our -- you know, they have obviously longer lead times, so
18 they need continuity of supplies.

19 So we're entering into multi-year agreements. So
20 you know, that's what's been our primary focus, to ensure
21 the growth on the steel side as well as help in terms of the
22 overall supply and demand of the industry and help, you
23 know, the pricing.

24 MR. WEIGEL: And just to add, but without going
25 into details because they're confidential, if you look at

1 Glencore's participation -- excuse me, I'm losing my voice
2 as well -- in the U.S. market, it's been relatively stable
3 over the last few years.

4 You know, we cannot focus on the financial crisis
5 years of 2008, 2009 and even over into 2010. But if you
6 look at the last two years, you'll see Glencore has had a
7 certain amount of supply in the U.S. market that has been
8 relatively stable. Its source has fluctuated, but the
9 amount has been relatively stable.

10 COMMISSIONER JOHANSON: Mr. O'Connell, I assume
11 that the United States is either the largest or I know are
12 one of the largest producers of aircraft. Would
13 ferrovanadium from South Africa enter the U.S. market for
14 that reason, or is it a different product?

15 MR. O'CONNELL: A different product, yeah, and
16 that's accurate. I think previously, the Petitioners had
17 said aerospace and chemicals represent about ten percent.

18 That's pretty accurate, but that percentage, I
19 think, of one of them as well said, was slightly higher for
20 the U.S. market, and I would agree with that. I think they
21 had mentioned it was around 20 percent or something like
22 that for aerospace. So it comes in the form of vanadium
23 pentoxide predominantly for those, and chemicals as well.

24 MR. WEIGEL: Just to clarify, as we showed in the
25 production screen, it comes -- the vanadium comes to a point

1 in South Africa where it either goes to V205 or V203. This
2 is different than it was ten years ago, which may be
3 important to you as you think about this.

4 What they do is they determine how much V205 they
5 think they will need, and then they tell the mine this is
6 how much we need of V205. There is what they call at the
7 mine a strike rate, which is basically how much of that V205
8 will be sufficient to meet the specifications in the
9 aerospace industry. As you can see from the questionnaire
10 response, without going into any details, the amount varies.
11 It has been improving, but it does vary.

12 So when they do the budget, and Mike can talk to
13 this more, but I just want to make it clear. When they do
14 the budget for the year, they determine how much vanadium
15 will be mined or they hope will be mined, and then how much
16 V205 we need for the aerospace industry, and not just in the
17 U.S.

18 As Mike was saying, they sell to Russia, they
19 sell V205 in different places around the world for the
20 aerospace industry because they have a unique product, so to
21 speak, with their ore.

22 The remaining product is then going to V203,
23 which is converted into ferrovandium and sold around the
24 world. I don't know if Mike wants to add anything.

25 MR. O'CONNELL: No. I mean that pretty much sums

1 it up.

2 COMMISSIONER JOHANSON: All right. Thanks to
3 both of you. Mr. O'Connell, you spoke of problems with
4 production in South Africa due to the labor situation?

5 MR. O'CONNELL: Well at times, South Africa is,
6 you know, as I'm sure you're well-versed; most of the people
7 following the mining industry have occasional strikes here
8 and there and so forth. We at Rhovan have not had that.
9 But you know, you'll get that at the port. You'll have the
10 port shut down for a period of time.

11 So these are issues that, you know, anyone
12 operating, not just in the vanadium industry but anybody in
13 South Africa has to deal with.

14 COMMISSIONER JOHANSON: Right. Along those same
15 lines, I understand that the South African manufacturing
16 sector has been hampered in recent years by frequent power
17 outages.

18 Does the electrical situation in South Africa put
19 ferrovanadium producers in that country at a disadvantage in
20 the world market, because I've read quite a bit about that
21 in the last two-three years?

22 MR. O'CONNELL: Yeah, and it is a major issue,
23 energy in South Africa. I would say, you know, Glencore
24 also operates coal mines as well, and we have smelters down
25 there, 24 furnaces. It is an issue on the vanadium side,

1 but it's not as important as it is on some of the other
2 industries.

3 So while there are some challenges in this
4 process for sure, they pale in comparison to others. So I
5 don't want to point to the energy and say that it's a major,
6 major issue. But it is something that is at the forefront
7 of the mine for sure.

8 MR. WEIGEL: Just to make clear in the record,
9 it's not the energy issue which caused the shutdown of the
10 Rhovan mine in 2009. It was the financial situation,
11 economics.

12 MR. O'CONNELL: Economics.

13 MR. WEIGEL: It's cheaper to leave it in the
14 ground.

15 COMMISSIONER JOHANSON: All right. I assume that
16 was the case with a lot of manufacturers at that point in
17 time, unfortunately.

18 MR. O'CONNELL: Yes.

19 COMMISSIONER JOHANSON: The prehearing report
20 presents published data for ferrovanadium prices in the
21 United States and Europe, with the latter described as often
22 somewhat lower. So the prices in Europe are often somewhat
23 lower. What does this suggest about the attractiveness of
24 the U.S. market, and the price is likely to prevail in the
25 U.S. market if the subject orders were to be revoked?

1 MR. O'CONNELL: Well, I mean as I touched on in
2 my testimony, you are looking at the nominal prices, you
3 know, the index price for Europe and the index price for the
4 U.S. Certainly, there is a disparity in those prices, that
5 anyone from the outside looking in would think wow, I think
6 it should go to that market.

7 But the reality is quite different once you enter
8 the market, and you start doing sales in those markets. The
9 U.S. market, as I mentioned, is sold at significant
10 discounts under the long-term, and you also have a slightly
11 higher cost coming to this market in the form of duties,
12 additional logistics costs, additional packaging costs, as I
13 think Mr. Perles mentioned, around two percent which I agree
14 with.

15 So when you start to take into account all of
16 those costs, and you look at the index, the nominal, the
17 base price index and you reduce it by those costs, and you
18 put it in perspective to the index in Europe and elsewhere,
19 it's pretty much at parity.

20 If it weren't, you know, and this is the point I
21 think I made before, you know, we would be obviously looking
22 at that and trying to arbitrage that situation which, you
23 know, we haven't been.

24 COMMISSIONER JOHANSON: But you also have the
25 packaging costs and I assume duties as well in shipping to

1 other countries in Europe and Asia and elsewhere?

2 MR. O'CONNELL: Not really. For the most part,
3 for South Africa everything goes in duty-free into the EU
4 market, and the packaging costs are not really relevant. As
5 most of the steel consumers, excuse me, steel producers
6 outside of North America traditionally take product in large
7 super-sacks or drums, predominantly in super-sacks though.
8 So in that, there's really virtually no cost whatsoever in
9 that.

10 MS. HOLEC: I think the Petitioners were saying
11 that the packaging in the U.S., because of the small
12 packages, they testified that it was two percent higher than
13 in Europe.

14 COMMISSIONER JOHANSON: Okay. Well thank you. I
15 appreciate your responses. My time has expired.

16 CHAIRMAN BROADBENT: Commissioner Kieff.

17 COMMISSIONER KIEFF: Thank you. I join my
18 colleagues in thanking you for coming, and I mean if I
19 could, just kind of dive in with a very innocent but
20 overarching simple question that often we overlook when we
21 try to think about somebody coming to us, to tell us.

22 We really don't want to be in your market. We're
23 really not planning to be there. Could you please lift the
24 tariff? What's the harm if we roll the order, if we just
25 keep it going?

1 MR. O'CONNELL: As I've said, as I've said in our
2 business, there will be no change. If the order stays,
3 there will be no change to our business. We are producing
4 vanadium pentoxide for aerospace. We are going to have
5 substandard product that can't go to aerospace, and it will
6 require conversion to ferrovanadium.

7 Most of that is done here in the North American
8 market, simply put because we have no other alternative for
9 selling vanadium and having a presence here. So it makes
10 the most logical sense.

11 COMMISSIONER KIEFF: I'm sorry, but let me try to
12 -- I don't mean to cut you off. But I think you may be
13 answering a different question. What's the harm to you?
14 Why are you here? In other words, I think you're telling me
15 why it won't matter to you, and I think you want to be
16 telling me why it will matter to you.

17 MR. O'CONNELL: I'm not sure.

18 MR. WEIGEL: Well, I'll start, because maybe this
19 will help you answer the question more.

20 COMMISSIONER KIEFF: Well, whoever's best
21 positioned. I don't mean to put anyone on the spot. I just
22 mean to help us frame our mind in the right way, presumably
23 there's a harm to you. That's why you want us to do this.

24 MR. WEIGEL: Right. When this issue came up,
25 Mike called me. I'm not disclosing any privilege here.

1 Mike called me and said I saw what happened in the Russian
2 case. Look at that, we'll talk about it. Is it worthwhile
3 to go to the ITC, because it will be -- it is an impediment,
4 obviously, to global trade, and Glencore is a global trader.

5 So we looked at the Russian case. We talked
6 about the facts here and thought that in light of the
7 decision in the Russian case, and the facts involving South
8 Africa, and we're focusing on South Africa alone, that the
9 facts are very similar, and that it made sense. You know,
10 this happens every five years.

11 It made sense to talk to the Commission about
12 this and see if we could get the anti-dumping order revoked.

13 COMMISSIONER KIEFF: Sure, and I'm sorry. Let me
14 try it again, because I presume you have a reason. I
15 presume it's in good faith. This is not a trick question.
16 Quite the opposite. I hope this is a helpful, leading
17 question, that gives you the opportunity to frame everyone's
18 thinking. Sometimes, for example, what people tell us is we
19 are importing multiple products. Some are subject, some are
20 not, and the transaction costs of customs compliance is much
21 higher if some of our products are subject to an order and
22 some are not.

23 We'd like all of them not to be, because frankly
24 in our view of the case or the Respondents' view of the
25 case, we're really not going to change our product mix, but

1 will do much less paper work and will have a different
2 trading posture with this country and then with other
3 countries by not having covered product.

4 That's an argument we sometimes hear. I'm asking
5 is that in effect your argument, or is there a different
6 argument?

7 MR. O'CONNELL: Well, I mean I guess I'll try to
8 answer it as best as I can. You know, as I mentioned, we do
9 produce V205. So that's going to come here. Now if the
10 order were revoked, it would provide us with the flexibility
11 of looking at producing ferrovanadium in South Africa and
12 also shipping here.

13 As I mentioned, that's not possible for 2015,
14 because we've already committed ourselves. However, that
15 flexibility is something we seek, because at times here in
16 the U.S. market, you enter into contracts to supply a
17 consumer based on what their requirements are, it sometimes
18 outstrips your supply chain. I have to ship V205 to this
19 U.S. market. I have to convert it. All of that takes extra
20 time. If I had the ability to bring in South African, that
21 would shorten that window and it would provide a little bit
22 more flexibility for me to manage that business.

23 COMMISSIONER KIEFF: And if you brought it in, it
24 would come in fairly traded is presumably what you're also
25 saying?

1 MR. O'CONNELL: It would be against the sales
2 that we generally have had in place already. So it's not in
3 lieu of or in anticipation of additional spot sales. As I
4 think you've seen in our questionnaire responses, the
5 preponderance of our sales are always done on a long-term
6 basis.

7 COMMISSIONER KIEFF: Can you tell what happens
8 with V205 that leaves South Africa? Does it eventually --
9 does some of it eventually make its way into the U.S. market
10 in one form or another, as vanadium bound up with something?

11 MR. O'CONNELL: Absolutely. You know, over the
12 course of this period of the last decade, we've converted
13 with numerous facilities, of which Bear Metallurgical is one
14 of them, and of recent has been, you know, has been a
15 significant provider of services for Evraz.

16 So it will leave South Africa. It will get toll
17 converted. We've tolled with pretty much every producer out
18 there. As I mentioned in my testimony, touching on a point
19 of Commissioner Pinkert's question, we do toll convert in
20 other regions, and we don't necessarily bring that to the
21 U.S. market.

22 Now there may be a time, again as I mentioned,
23 where our position of supply is being outstripped a little
24 by the demand from our long-term consumers, and we may have
25 needs, and then we shuffle things and we move it here. But

1 predominantly, you know, if we're converting somewhere in
2 another region, it stays generally within that region.

3 COMMISSIONER KIEFF: If we ultimately conclude
4 that the subject imports would have a discernible adverse
5 effect, or adverse impact if our order were revoked, are we
6 done with our analysis? What are the difference, if any?
7 You mentioned a few in the channels of distribution.

8 What are the differences in the conditions of
9 competition between product from South Africa and product
10 from China? Can you highlight what you see as the top three
11 or four differences in those conditions of competition?

12 MR. O'CONNELL: Between China and South Africa,
13 well as I touched on in my testimony the main difference I
14 think is the downstream distribution of the product. Here
15 I sit I have the negotiations with the consumers and I
16 obviously decide on a net back basis we discussed
17 internally, we figure out what is the best price, how to
18 price material relative to what the market price is and to
19 where the best returns are provided to the plant.

20 I think from the Chinese perspective they produce
21 and they seek outlets for their product via third party
22 transfers so it's on a first come, first serve basis to an
23 intermediary before it gets to a consumer and I think that's
24 probably the main difference between South African and
25 domestic and Chinese.

1 Some of the other differences there could be some
2 quality differences here and there.

3 COMMISSIONER KIEFF: You produce the same rough
4 grades?

5 MR. O'CONNELL: Yeah I would say within reason.
6 I mean certainly we have -- we use a different process but
7 you know everybody is different in terms of a lot of guys
8 deal in aluminothermic and they may consume a bit more
9 aluminum than us and therefore they have slight impurities
10 and things of that nature within their product and maybe we
11 don't so there is some anomalies like that but those are --
12 they can play a large difference for a consumer from time to
13 time but the vast majority is pretty standard spec.

14 COMMISSIONER KIEFF: Thank you Miss Holec?

15 MS. HOLEC: Well I think one the problem is since
16 they haven't responded we don't know as much about China as
17 we do about South Africa, we don't. But what we do know is
18 he said they sell through traders, they sell in the spot
19 market, Glencore does long-term contracts they are in the
20 market here, they are concerned about the prices they are
21 not kind of hit and miss and they do know that China has a
22 lot of capacity and their capacity, they've got as I
23 understand it, maybe two major producers and then these
24 babies that produce it all around the country so it's a
25 little bit hard to get a grip on it and discipline.

1 So there's of the known differences, they are
2 substantial and then there's always the fact that in China
3 we don't know what you do know about South Africa.

4 MR. O'CONNELL: Yeah and to her point the
5 Chinese industry itself in production is quite fragmented.
6 You see some produced and then all of a sudden you don't see
7 it produced and you see someone else start producing so it's
8 constantly in flux.

9 COMMISSIONER KIEFF: Thank you very much Madam
10 Chairman.

11 CHAIRMAN BROADBENT: Yes thank you. Can you go
12 over a little bit more and I know you addressed some of this
13 but just kind of picture the changes that have taken place
14 in the South African ferrovanadium industry since the
15 original investigation when it consisted of I think Highveld
16 and Xstrata and if you could just talk about that production
17 mix, I mean production operations, product mix and changes
18 in marketing and pricing.

19 MR. O'CONNELL: 10 years ago we were pretty much,
20 it was a much more simple business plan it was relatively
21 you know seeing, lining up operation but the principal
22 product was ferrovanadium and it was done, it was produced
23 in the aluminothermic process. We had a very smaller
24 market share in terms of aerospace. We didn't focus as
25 much on quality in the V205 so as the order was put in place

1 Xstrata at the time the pre-cursor to our company Glencore,
2 merged with them recently, had decided to make an investment
3 to improve their production process to lower their costs and
4 so forth so they decided to go change the production process
5 as you see up there on the slide and move in a manner to the
6 V203 electro-thermic process and so that's probably the
7 major difference.

8 Along with that came an opportunity to add a
9 circuit to remove vanadium pentoxide and to focus more on
10 aerospace sales to diversify the business essentially.

11 CHAIRMAN BROADBENT: Okay. Could you address
12 some of the capacity utilization issues that we were talking
13 about this morning? There seems to be you know the
14 pre-hearing report, page 29 talks about some fluctuations in
15 the South African industry's capacity and you may want to do
16 it post-hearing.

17 MR. O'CONNELL: Yeah I think post-hearing is
18 probably we can touch on that just in general as I touched a
19 little on the testimony. When you are operating a mine you
20 are going to see some variability in the ore quality through
21 the mine, the equipment sometimes jams, things of that
22 nature so I think it's probably better served for
23 post-hearing and we can kind of get more into that but --

24 MS. HOLEC: Maybe to point out one kind of
25 over-arching issue on the capacity question and that is

1 whether you view the capacity of the producer with respect
2 to all the products that it is normally producing that it's
3 currently producing, that it plans to produce or whether
4 what Petitioners want to do is say okay, forget aerospace,
5 assume that you are going to produce only ferrovanadium.

6 Which one we are not going to do is pick up both,
7 Vanchem has more profitable products so you can't -- you
8 have got to look at capacity with all the products they are
9 producing you can't assume that it is all going to be
10 focused on subject merchandise.

11 MR. WEIGEL: I think at least in looking at the
12 numbers and I have spent some time looking at these numbers
13 and it's somewhat difficult because there are the conversion
14 factors that I mentioned before but I think ultimately our
15 vanadium production has been relatively stable over the last
16 10 years as far as pounds being produced. The question
17 becomes what has happened is over time the market has
18 changed and the South African mine produces vanadium
19 pentoxide that is particularly suited for the aerospace
20 industry which has Stratcor's witness explained this
21 morning, is a premium value added product.

22 It is sort of strange you are talking about value
23 added product but it's back further in the production cycle
24 but it is different than the V205 or needs to be different
25 than the V205 and it is acceptable for conversion into

1 ferrovanadium and I think that's the big change they had.
2 First they switched to make V203 then they realized they had
3 a good product there with the V205 which the aerospace
4 industry is using more and more of and so they as Mike said,
5 put the V205 take off in their plant.

6 And so when we reported the production capacity
7 we looked at the production capacity of V205 and the
8 production capacity of ferrovanadium as they are producing
9 today and as it is demanded in the marketplace today.

10 CHAIRMAN BROADBENT: And how long have you been
11 producing in those proportions?

12 MR. O'CONNELL: That's a good question, I don't
13 have that at my disposal, this investment this change in
14 product mix I think was put in in 2004 so I would say you
15 know it was around that time frame where you know we started
16 to become a little bit more cognizant of the premium and the
17 product switch and the diversity that it brought to the
18 business that was beneficial to the group so now I would say
19 in and around 2004 and onward from there.

20 The percentages have kind of oscillated as you
21 have seen in the figures and that's a result of some of the
22 differences we see within the industry with any steel in the
23 aerospace industry over time.

24 CHAIRMAN BROADBENT: Okay because what we have
25 to wrestle with of course is the product shifting potential

1 given the huge price premium in the U.S. market.

2 MR. O'CONNELL: We've as I've mentioned the
3 industry as far as aerospace is concerned is more of a long
4 term industry and so you make commitments that are out
5 multi-year so this is a product in which once you make a
6 commitment you are follow through on that commitment for a
7 duration of the contract so it's not so easy to switch and
8 as I've said the volume itself in that industry is growing
9 you could say for us and in particular in the U.S. and sales
10 of that side is probably going to double in 2015 from our
11 levels in 2014 which is upbeat more from previous years as
12 well.

13 So it's an industry that is continuing growth
14 among lean times and there's few producers that are capable
15 of meeting the specifications so you know it's a very small
16 industry so switching on them and cutting the supplier is a
17 very difficult proposition especially if you wish to try to
18 do business with them again in the future.

19 CHAIRMAN BROADBENT: Well how much of your
20 capacity is already committed based on the contracts?

21 MR. O'CONNELL: As far as Rhovan is concerned on
22 both products or one in particular?

23 CHAIRMAN BROADBENT: Yeah.

24 MR. O'CONNELL: So for 2015 I would say we are
25 basically sold out entirely. Certainly sold out in the

1 aerospace grades, the ferrovanadium that is produced down
2 there I would say we call ourselves sold out when we are
3 about 80% sold because we do need to have a little bit of a
4 buffer built in with the delivery schedules and some of the
5 oscillation we see for consumption.

6 MR. WEIGEL: One other point just to add to this
7 and Mike can talk about it more is that pricing is different
8 for the V205 in the aerospace industry than it is for
9 ferrovanadium. It's my understanding it's not sold at an
10 index price for example.

11 MR. O'CONNELL: We do generally sell on an index
12 but particular for aerospace we actually had a premium
13 rather than a discount.

14 CHAIRMAN BROADBENT: What companies are you
15 selling to on the aerospace side?

16 MR. O'CONNELL: I prefer to answer that in the
17 post-hearing.

18 CHAIRMAN BROADBENT: I apologize, I get going
19 here and I forget where I am.

20 MR. O'CONNELL: Just the industry.

21 CHAIRMAN BROADBENT: On page 10 of your brief
22 you argue that imports from China and South Africa are
23 different grades, 40 to 60% and 75 to 85% and therefore do
24 not directly compete. Several U.S. firms have said that
25 consumers are willing and able to use both grades

1 interchangeably but I guess what we are talking about here
2 is the distinction between the aerospace and the regular
3 ferrovanadium.

4 MR. O'CONNELL: That's correct.

5 MR. WEIGEL: Just to be clear we are not saying
6 that ferrovanadium whether it's 40, 60, 80 is not
7 interchangeable. You know I think that issue has been
8 looked at by the Commission over the years in various cases
9 the difference is the V205, the vanadium pentoxide for the
10 aerospace industry is unique.

11 So if you think of V205 can either go into making
12 ferrovanadium or it can be sold as V205. When it is sold
13 as V205 you cannot hit the specifications on a hundred
14 percent so you had some remaining V205. That is then
15 converted into ferrovanadium and I think you asked the
16 question this morning about the price of V205 versus the
17 prices of ferrovanadium and those prices of V205 are a
18 combination I think we were saying at lunch, of the high
19 grade V205 and the V205 suitable for vanadium production.
20 And so when you combine the two you see, and you pointed out
21 this morning, very little price difference between V205 and
22 ferrovanadium which you were wondering why this be and
23 that's the explanation.

24 MR. O'CONNELL: I'll just touch on that point
25 briefly. The majority of the sales that were done on the

1 V205 tend to be to consumers who actually need it which is
2 in the aerospace sector so it's relatively uncommon to sell
3 standard grade V205 that's not useable in aerospace to other
4 persons for no other reason than it wasn't economical to
5 convert it to ferrovanadium and resell the ferrovanadium and
6 this gets to the whole point why wouldn't you buy V205 and
7 convert in Korea and sell into the U.S. if you don't have a
8 captive source.

9 So going out into the spot market is a trade
10 alternative third party that wasn't workable.

11 CHAIRMAN BROADBENT: Okay, Commissioner Pinkert?

12 VICE CHAIRMAN PINKERT: Thank you Madam
13 Chairman. I thank all of you for being here today to help
14 us understand these issues. At the risk of asking you to
15 repeat some things Mr. O'Connell you know that the domestic
16 panel earlier suggested that they thought that all of the
17 ferrovanadium that was produced from exported vanadium
18 pentoxide was ending up in the U.S. market that is the
19 vanadium pentoxide would be originating in South Africa,
20 exported to a third country, made into ferrovanadium and
21 then brought into the U.S. market and I'm hearing from you
22 that that's not in fact accurate so if you could explain why
23 they are wrong about the economic logic of that I think that
24 would be helpful.

25 MR. O'CONNELL: Sure. What I was mentioning

1 was we convert V205 for sure and we do it in third party
2 countries. Not all of that product that we convert in a
3 third party country ends up in the U.S. market. Certainly
4 we convert in North America, whether it's Canada or the U.S.
5 and yes absolutely if we're doing it some Canadian
6 conversion will stay in Canada, the majority will come to
7 the U.S. this is the larger of the two markets.

8 However, we do also convert in Europe from time
9 to time and we do convert in Asia from time to time and not
10 always in those instances has that material ended up in the
11 U.S. market. Often times it's for the domestic market in
12 Asia so that was kind of the point I was trying to make and
13 you know more to the point that all of it was coming to the
14 U.S. market because it's an attractive market, if that were
15 the case then certainly we would be doing that but that is
16 not the case, not in the instances for us.

17 VICE CHAIRMAN PINKERT: I realize that we are
18 dealing with proprietary information here to some degree, in
19 the post-hearing if you could quantify what percentage of
20 the exported vanadium pentoxide that is converted into
21 ferrovandium ends up in the U.S. market I think that would
22 be helpful.

23 MR. O'CONNELL: Sure, not a problem.

24 VICE CHAIRMAN PINKERT: Thank you. And sticking
25 with the Canada example for a moment the domestic industry

1 argues that the fact that the vanadium pentoxide is being
2 exported to Canada converted into ferrovanadium and then
3 shipped to the United States market demonstrates that there
4 is a continuing current interest in the U.S. market on the
5 part of the South African industry. I want to give you an
6 opportunity to respond to that.

7 MR. O'CONNELL: Sure absolutely I appreciate
8 that. It's kind of ironic because the largest converter in
9 Canada for a long time there was Evraz themselves so I found
10 it somewhat ironic that the argument has been flipped
11 around. Yes we can convert in Canada we also convert in
12 North America. The levels that you have seen that Mr.
13 Perles has referenced have switched, yes, that's a result of
14 one person being more competitive than the other.

15 I generally like to provide balance in work with
16 both parties but when one person is more than 10% more
17 competitive I find it's just a little disingenuous to go
18 back to the other guy and try to requite the business so you
19 know, the unit have been the same, our volumes, you see the
20 answer that we provided in the questionnaires, they are
21 relatively in line, they have been whether it's been tolling
22 in the U.S. or tolling in Canada it's been relatively
23 consistent.

24 MR. WEIGEL: And maybe I understood your
25 question a little differently and I will mention something

1 and I can pick up on it to the extent that it is not
2 proprietary, if so we will address it in our brief but we
3 heard this morning that there has been a lot of
4 consolidation in the steel industry and Glencore is a global
5 supplier of ferrovanadium and so it's natural for Glencore
6 to be in excuse me, every market, every major steel
7 producing market because steel companies are global now.

8 MR. O'CONNELL: Yeah and that condition has
9 evolved over the last decade or so in the steel industry and
10 that's been beneficial to Glencore for sure. We can
11 deliver into Ukraine, we can deliver into Asia, you know, we
12 can deliver into Russia, we can deliver into Europe, South
13 America, Latin America so anywhere there is steel production
14 we have no issues, we have about 50 different countries
15 scattered throughout the world so the consolidation that has
16 taken place has been beneficial to Glencore for sure.

17 VICE CHAIRMAN PINKERT: Thank you. Now Miss
18 Holec I noticed in your presentation cumulation that you
19 didn't emphasize the argument about no discernable adverse
20 impact, should I take it that you are more focused on
21 conditions of competition and discretionary non-cumulation
22 or what is your view on the no discernable adverse impact
23 issue?

24 MS. HOLEC: No I did not mean to ignore it. No
25 of course I think it flows from the whole demand supply

1 situation and from the South African producers already being
2 at capacity, it's obvious that they are not going to flood
3 the U.S. market. We've got the South African producers
4 having existed here for over the 10 year period. They are
5 vested in the U.S. market they have one of the biggest
6 sellers in the U.S. market, they have no interest in seeing
7 the U.S. prices crash so yes no, excuse me for not going
8 there but no I think it's implied by the conditions of the
9 market.

10 VICE CHAIRMAN PINKERT: Thank you. Now Mr.
11 O'Connell I recognize that some purchasers require vanadium
12 pentoxide and some require ferrovanadium, but as a general
13 matter if you have a choice of supplying ferrovanadium or
14 vanadium pentoxide to a customer, which is more advantageous
15 to your company?

16 MR. O'CONNELL: Well as I mentioned there's
17 fewer producers of this higher quality V205 so we get
18 premiums for that product so right now that's the product in
19 which we seek to maximize. Right after that we fall in
20 line with whatever volumes can be successfully sold into
21 that market and we convert to ferrovanadium and then the
22 V205 that we do produce that doesn't go into aerospace as I
23 mentioned has to go into ferrovanadium production.

24 MR. WEIGEL: Yes, just to be clear there are two
25 different customer groups so to speak, there are the people

1 who produce the master alloys as they are called for the
2 aerospace industry and the United States or whatever country
3 and then there are the steel producers. The steel
4 producers as someone said this morning, require
5 ferrovanadium. They don't to my knowledge buy V205. The
6 master alloy producers combined with titanium and aluminum
7 buy the V205 to create their alloys. So you have got two
8 different markets, one steel which is 90 maybe 80% I think I
9 heard this morning of the vanadium demand in the U.S. and
10 the other is aerospace which is small, 10% globally maybe
11 20% in the U.S. but growing.

12 And it's really two different products, one can
13 be used obviously the V205 can be used to make ferrovanadium
14 but it doesn't make any sense to make ferrovanadium because
15 as the Chairman mentioned this morning the prices are you
16 know, on an average close. They don't allow people to buy
17 the high grade V205 and convert it, it would be throwing
18 money away, is that helpful?

19 VICE CHAIRMAN PINKERT: Yes I think that answers
20 the question. It's a little counter intuitive that the
21 more processed product would have the narrower margins.

22 MR. O'CONNELL: Because the product that we
23 produce is a higher grade, it allows us to focus on the
24 niche product. If we improved the standard grade product
25 and we had to compete in that arena then yeah the answer

1 would be you know not as wise, we would probably produce
2 more ferrovanadium and that's the whole reason why we are
3 not in that arena. We are seeking to maximize the high
4 quality product that we have and take it to the consumers
5 that need it and they have in fact and are willing to commit
6 and pay premiums for it.

7 MR. WEIGEL: The specifications and maybe this
8 would be useful if we can bring these up. For the
9 aerospace industry for V205 are much, much tighter than the
10 specifications for V205 to convert to ferrovanadium.

11 VICE CHAIRMAN PINKERT: That would be helpful
12 thank you very much and thank you Madam Chairman.

13 CHAIRMAN BROADBENT: Commissioner Williamson.

14 COMMISSIONER WILLIAMSON: Thank you. I want to
15 thank the witnesses for testimony.

16 Mr. O'Connell, if it's not business propriety,
17 can you tell us what is the use for V205 for aerospace?

18 MR. O'CONNELL: What is the use?

19 COMMISSIONER WILLIAMSON: Yes. Is it used for
20 titanium?

21 MR. O'CONNELL: Most of it is going to the master
22 alloy sector.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. O'CONNELL: Yeah.

25 MR. WEIGEL: In our pre-hearing brief, again --

1 we both seem to be using the same witness -- we have a
2 presentation from Mr. Perles, and one of the pages of the
3 presentation shows an aircraft and shows the uses of V205 or
4 the uses of master alloy in that aircraft.

5 MR. O'CONNELL: And we would agree with that.

6 COMMISSIONER WILLIAMSON: Okay. And that V205 is
7 sent from South Africa to the U.S.

8 MR. O'CONNELL: Yes, to some consumers in the
9 U.S. that use it for aerospace applications.

10 MR. WEIGEL: Just to be clear, it's sent
11 separately from the V205 that's converted.

12 MR. O'CONNELL: Correct.

13 MR. WEIGEL: So, when they produce the V205 in
14 South Africa, as I mentioned, and I've learned this through
15 multiple phone discussions, they have what they call a
16 "strike rate." And without going into detail that's
17 propriety, they test the V205 in South Africa and it either
18 passes or fails. If it passes, it can go to the master
19 alloy producers. If it fails, it'll go to a third-party
20 converter. And as you can see in the information we've
21 supplied, the strike rate is getting better, and they're
22 getting better at producing the higher-grade V205 with less
23 impurities. It's the chemistry in South Africa.

24 COMMISSIONER WILLIAMSON: For post-hearing, could
25 you tell us how much you send to the U.S. of this V205?

1 MR. O'CONNELL: Of V205 to aerospace?

2 COMMISSIONER WILLIAMSON: Yes.

3 MR. O'CONNELL: Yes. Sure.

4 COMMISSIONER WILLIAMSON: And Ms. Zissis, I
5 wondering if you could also provide -- if Vanchem is also
6 doing the same thing, if you could provide that information
7 too?

8 MS. ZISSIS: Absolutely.

9 COMMISSIONER WILLIAMSON: And there are going to
10 be several other things in which I'm going to ask to hear
11 from both companies post-hearing.

12 MS. ZISSIS: We can do it in response to all
13 questions to the extent that they're asked with respect to
14 the South African industry. So, absolutely, we'll respond
15 to your questions.

16 COMMISSIONER WILLIAMSON: That would be helpful
17 so we can get a complete picture.

18 MS. ZISSIS: Yes. And provide that information
19 for Vanchem as well.

20 COMMISSIONER WILLIAMSON: Good.

21 MR. WEIGEL: We plan to submit one post-hearing
22 brief.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. WEIGEL: So, it will be altogether.

25 COMMISSIONER WILLIAMSON: Good. Thank you.

1 I just was wondering, have there been any surges
2 of -- given that you give priority to V205 for aerospace,
3 has there been any shortage of V203 for your customers?

4 MR. O'CONNELL: I'm sorry?

5 COMMISSIONER WILLIAMSON: It sounds like V203 is,
6 you know, if you've got some of it --

7 MR. O'CONNELL: As you can see from the
8 production slide, we don't split out the V203. That goes
9 straight for conversion to ferrovanadium. I think what
10 you're asking can we sell that product as well.

11 COMMISSIONER WILLIAMSON: Yes. I mean I assume
12 you're giving priority to the V205, so I was wondering
13 whether or not there was any shortages, or how does that
14 affect your ability to sell.

15 MR. O'CONNELL: It hasn't. I mean we just
16 balance it out by selling less vanadium.

17 MR. WEIGEL: I guess your question is somewhat --
18 they have budget, as Mike was saying before, what they've
19 done for 2015. So, they determine how much V205 they have,
20 then they determine how much V203 will be left over. And
21 so, of that amount, they know how much vanadium will be
22 produced and that's how much they sell.

23 Now, there are times -- I don't know if this is
24 proprietary or not --

25 COMMISSIONER WILLIAMSON: And if it is, you may

1 want to --

2 MR. WEIGEL: But there are times where, as Mike
3 was saying earlier, when companies buy vanadium, when the
4 steel mills buy it they enter into requirements contracts
5 and so there's not a specific amount that goes every month.
6 And this goes to Commissioner Kieff's question. They may
7 buy a lot this month and none next month, and so there's ups
8 and downs in the supply. So, they know -- Glencore knows
9 how much vanadium it will have from the mine, based on the
10 mine's budget. They then can sell that. But as Mike said,
11 you don't sell 100 percent because you've got supply
12 irregularities, and so they need to even those out. And to
13 even them out, they may need to go into the marketplace to
14 buy ferrovanadium.

15 And you can see in the questionnaire responses
16 that Glencore has put in they have bought ferrovanadium from
17 numerous companies. I'll leave it at that.

18 COMMISSIONER WILLIAMSON: Okay, because I was
19 trying to get -- given where your priorities are whether
20 there are constraints then on how much ferrovanadium you'd
21 likely be selling. It sounds like it might be at times.

22 MS. HOLEC: So, the short answer was yes.

23 COMMISSIONER WILLIAMSON: Thank you.

24 Again, this is in post-hearing for both. And I
25 think Chairman Broadbent got at this, but I thought maybe it

1 may be better to have it in writing post-hearing. Please
2 set out, for each producer, the quantities under contract
3 through 2015 of ferrovanadium and for any periods beyond
4 2015 and the share of each company's production these
5 contract quantities represent.

6 MR. O'CONNELL: Sure.

7 COMMISSIONER WILLIAMSON: Also, please supply any
8 business plans adopted by your companies in the normal
9 course of business over the last two years that have set out
10 your strategies and goal with regard to the production and
11 sales. So, can you document that strategy that you've set
12 out for us.

13 While I'm doing post-hearing, could you also
14 indicate when each South African producer began to produce
15 other vanadium products on the same equipment it uses to
16 vanadium? And also at post-hearing, please provide
17 quantities for each year before the 2008 start of the
18 current peer review that any such products were produced.
19 We can give these to you all in writing later. It makes it
20 easier.

21 And on page 16 of your brief, you reference the
22 pattern of sales volumes to other markets in the sentence
23 just before footnote 67. And in post-hearing could you
24 provide the specific data you are referring to? Those are
25 my post-hearing things.

1 This morning the Petitioners described, shall we
2 say, an interaction between long-term contracts and spot
3 market prices and how they felt that was adversely -- and
4 how increased ferrovanadium from South Africa would
5 adversely affect the domestic industry. And I was wondering
6 if agreed with that description?

7 MR. O'CONNELL: Well, as I've mentioned on a
8 number of occasions, we sell the vast majority of our
9 material on the same index that they do under long-term
10 contracts and rarely in the spot market. So, the impact
11 would be nothing for Rhovan because it's how we sell. We
12 don't sell in the spot market much at all.

13 CHAIRMAN BROADBENT: Their argument was that the
14 spot price was depressing the contract price.

15 MR. O'CONNELL: Well, I mean that's because they
16 sell at discount and then the spot resets at a lower price
17 and it's like a circle, and that simply isn't the case for
18 us. I mean we, too, sell at the same index price. I mean
19 we've been selling V205 here -- excuse me -- we've been
20 producing ferrovanadium here in North America and selling it
21 on the same index, so to bring South African and sell it on
22 the spot market only is going to hurt what our present
23 business is, which is tolling product and selling it under
24 long term.

25 COMMISSIONER WILLIAMSON: So, would that imply

1 that if there was an increase coming from South Africa it
2 would be in terms of contracts, long-term contracts? And I
3 mentioned that there could be two adverse affects.

4 MR. O'CONNELL: Yes.

5 MR. WEIGEL: I guess --

6 COMMISSIONER WILLIAMSON: Assuming there was an
7 increase that had an impact on the market.

8 MR. WEIGEL: But I think the important point --
9 just to go back to that point, most of Mike's contracts are
10 on long-term basis, so if someone comes in and sells on
11 spot, he gets hurt as much as the U.S. producers. He is a
12 U.S. producer in a way -- not in a way. He is a U.S.
13 producer, just as Golf. So, you're right.

14 Ryan's Notes is a strange thing, as Lynn was
15 saying. You've got a very small spot market in the United
16 States, so maybe 5 percent of the sales from what we heard
17 this morning. And yet, they all price off of this 5 percent
18 of the sales. And it's also a voluntary system. So, you
19 call Mr. Ryan, who I understand his name, and you say -- if
20 you want to, you call him and say I bought or I sold at this
21 price. And then he will call the other party, from what
22 Mike told us yesterday, to confirm the sale, but it's
23 totally random. If you wanted to you could sell a very
24 small amount of ferrovanadium at a high price and call Mr.
25 Ryan and say I sold this amount at this price and he could

1 call the other person and your price could skyrocket.

2 COMMISSIONER WILLIAMSON: And then you sell large
3 amounts.

4 MR. WEIGEL: No, but then the people who have the
5 long-term contracts they will be able to sell more. But
6 there's also this issue with a lot of the long-term
7 contracts. Again, it was mentioned this morning that its
8 last month price they're buying off of. So, the buyer, the
9 steel mills can look to see what's happening with Ryan
10 Notes, and then at the end of the month order a lot because,
11 again, they're requirements contracts. They get the price
12 from the prior month, so by shifting your order a couple of
13 days you can get a lower price. So the steel mills -- I
14 find it very interesting that the steel mills can play sort
15 of the market, but the market is also a very thin market.
16 And so, one of the things that strikes me is why would
17 anyone ever sell based on Ryan's Notes, but that's what they
18 do, and to me it's a little like roulette, but anyway.

19 COMMISSIONER WILLIAMSON: I just going to say
20 just go to Las Vegas.

21 MR. WEIGEL: Leave it at that.

22 COMMISSIONER WILLIAMSON: I'm sorry. You wanted
23 to add something?

24 MS. HOLEC: Yes.

25 COMMISSIONER WILLIAMSON: My time is way over.

1 MS. HOLEC: Just one very short point. But
2 that's also if you understand how thin the survey is, the
3 sample of prices that's why the intense anxiety about China.
4 Because they sell through traders. They sell on the spot
5 market. So, if China comes back in here, it's not just
6 going to hurt the domestic history. It's going to hurt the
7 South African -- it's going to help -- .

8 COMMISSIONER WILLIAMSON: Thank you.

9 MR. WEIGEL: I guess just one last point. It's
10 important to remember we're dealing with what everyone
11 agrees is a fungible product. Then you have a little bit of
12 it sold at these spot prices, and then you have 95 percent
13 sold based on that spot price. And so, in a way, it's a
14 very strange market. And it is the concern -- you know,
15 we've got two producers who've been in the market and
16 they've been, as we heard this morning, fairly trading, but
17 we are concerned that if the Chinese come in they don't have
18 the long-term contracts like Glencore. It doesn't matter
19 what Glencore sells under those long-term contracts. It's
20 the spot market price that's influences those, and the
21 Chinese could come in, in the spot market, and that would
22 ruin everyone.

23 COMMISSIONER WILLIAMSON: Thank you. I'm running
24 way over, so thank you.

25 CHAIRMAN BROADBENT: Commissioner Johanson?

1 COMMISSIONER JOHANSON: Thank you Chairman
2 Broadbent.

3 And actually, Mr. O'Connell, I had a quick
4 question for you. What is salt roasting anyway? This
5 caught my attention yesterday. I'm just curious why you
6 would roast ferrovanadium or vanadium.

7 MR. O'CONNELL: I'll get you an answer to that.

8 COMMISSIONER JOHANSON: It's not that big of a
9 question, but sometimes these briefs get a little dry and
10 then something jumps out at you like, wow, they roast this
11 stuff. Neat.

12 MR. O'CONNELL: I don't think it's edible.

13 COMMISSIONER JOHANSON: Well, that's too bad.
14 Okay. I eat lots of nuts, so I think about this stuff. I
15 have almonds and peanuts on my desk right now.

16 But getting back to the subject at hand, during
17 the original investigations, imports from South African
18 supplied a relatively large portion of the U.S. market.
19 What changes, if any, have taken place in the U.S. market
20 since 2001 that might influence how imports from South
21 Africa would compete in the U.S. market if the antidumping
22 duty were to be revoked?

23 MR. O'CONNELL: Well, I mean, we've been in the
24 market, as I've mentioned, since the time the dumping has
25 been revoked. But certainly, the market as a whole in the

1 U.S. and globally, for that matter, has expanded and the
2 demand for vanadium has grown in those years. So, I'm not
3 really sure what more of the question you had.

4 COMMISSIONER JOHANSON: I guess I'm getting back
5 to the whole issue of the market having expanded and what
6 that means for South Africa production and the contention of
7 Glencore that it will not reenter the market, despite the
8 market expanding fairly significantly. I know that you've
9 stated that Glencore is expanding into more of the aerospace
10 sector.

11 MR. O'CONNELL: Right.

12 COMMISSIONER JOHANSON: But what would keep
13 Glencore from wanting to expand as well in the more
14 traditional steel-making sector?

15 MR. O'CONNELL: Sure. Well, as we've said,
16 Rhovan has no plans currently contemplated or otherwise for
17 an expansion down at their mine. What Glencore has been has
18 been a consistent presence in the U.S. market and we've also
19 been a consistent presence on the global market. So, for us
20 we're quite comfortable with what our market share is in
21 this market as well as in the global market.

22 And I've mentioned on a number of occasions, I
23 have a different point of view than the Petitioners. We do
24 not see the U.S. market as this premium; otherwise, if we
25 had we would be looking at the U.S. market in terms of

1 expansions. So, for us, when we look at our business model
2 on a global basis, the U.S. represents a portion of that,
3 but it's not the lion's share of where our thoughts go.

4 MR. WEIGEL: And just to be clear, they have been
5 in the U.S. market. And if you look at the numbers, they
6 have been a relatively important player in the U.S. market,
7 so to speak, over the last 10 years. I think another thing
8 that is true is that we're all 10 years older than we were
9 when we were here in the original investigation and that
10 Glencore has learned a lot about the U.S. market and the
11 global market in those last 10 years, and has become a
12 company that is clearly looking to maximize its profit.

13 And finally, as we heard this morning, Vanadium
14 steel use of vanadium has been increasing, not just in the
15 U.S. but around the world. It's perhaps been increasing
16 more here, but, someone mentioned to me yesterday, and I
17 don't know if this is true or not, but the U.S. steel market
18 is a small percentage today of the global steel market. And
19 so that's another important fact to keep in mind. Even
20 though U.S. steel demands more vanadium per pound of U.S.
21 steel being produced, there's a lot more steel being
22 produced in other countries than the United States. And so
23 that I think is one of the changes of Glencore.

24 MR. O'CONNELL: Yes, that's accurate. I mean the
25 U.S., in terms of steel production, represents around 10

1 percent on a global basis. So, yes, it does consume a
2 higher percentage per tons of steel produced, so it's an
3 important market, but it's not the only market we're
4 operating.

5 COMMISSIONER JOHANSON: But while you stated that
6 Glencore has remained in the U.S. market, but not at a very
7 large extent because you're focusing more on the aerospace
8 area, if the duties were to come off, which are fairly high,
9 why --

10 MR. O'CONNELL: Well, we've been in the market I
11 think at a fairly significant level over this period of
12 time.

13 MR. WEIGEL: That's where I think, again -- it's
14 confidential information, but if you look at the U.S.
15 market, and I'm not going to get into any numbers, but then
16 you look at Glencore's participating in the U.S. market
17 through product toll at Bear, through Canadian product,
18 through other non-subject countries, Glencore is one of the
19 significant suppliers to the U.S. ferrovanadium market.
20 They're also one of a very few suppliers to the U.S.
21 vanadium pentoxide market. But they're clearly a bigger
22 supplier in the U.S. ferrovanadium market and have been
23 there for 10 years, and as we heard this morning, trading
24 fairly.

25 COMMISSIONER JOHANSON: Thanks for those

1 responses.

2 The industry expert quoted at page 92 of the
3 domestic industry's brief states that Glencore's South
4 Africa operation uses a very low-cost ferrovanadium
5 production process. Does this low-cost process reflect a
6 competitive advantage of the South African industry, and is
7 this of any significance to the Commission's analysis or
8 should it be?

9 MR. O'CONNELL: Yes, this cuts to the slide or
10 presentation that's up that the investment that Extrada made
11 back in 2004. They made that investment in order to become
12 more cost competitive no question. I mean that's the whole
13 point. But again, what comes out of that is we have a
14 stream that comes off that produces vanadium pentoxide. So,
15 yes, on the one hand we've become more competitive in the
16 production of ferrovanadium, but we still have a product
17 that is being produced that's going to aerospace and then
18 product that's not going to aerospace that's going to have
19 to get tolled. So, yes, on the one hand we are more
20 competitive today via our process and the investment we've
21 made, but we are still straddle both sides of the production
22 model, if you will. So, that's the way that the business
23 model is for Rhovan.

24 MR. WEIGEL: In thinking about that, I think Mike
25 said earlier cost is not -- ferrovanadium market is a global

1 market with a market price. Supply and demand determines
2 it. If they can reduce their costs, then they will make
3 more profit. They're a mine so their costs are pretty
4 fixed. You know, they know what it's going to cost them to
5 produce a pound of ferrovanadium.

6 In contrast, the other companies, the other
7 producers here in the U.S. market because they recycle, and
8 Mike can explain this some more, they have a variable cost
9 for their input, which is related to the cost of the -- for
10 the market price of the ferrovanadium.

11 MR. O'CONNELL: Right. So, as a mine, obviously
12 we are operating and we have, as Ken alluded, a fixed cost.
13 We know, within reason, what the ore quality should be in
14 certain areas. The recyclers, obviously, they're raw
15 material input cost is based off these same indexes, for the
16 most part, that we're discussing. And of course, they get
17 paid a treatment fee and there's some credits and so forth
18 that may be go back on various other metals. So, the higher
19 the index price goes the higher their input goes, whereas
20 the South African's they're mining and they're digging it
21 out of the ground, so their costs are relatively consistent.
22 Some things obviously will change like labor, fuel, things
23 of that nature, the costs to run a mine. So, there is some
24 variability in that, but again, as we've shown and
25 demonstrated in years where we have found the markets to not

1 be favorable we can simply shut down the mine and leave the
2 ore in the ground.

3 COMMISSIONER JOHANSON: I think I have time for
4 one more question. The domestic industry and this is at
5 pages 80 to 81 of the pre-hearing brief argue that South
6 African exports to the European Union would be hampered by
7 the EU's Reach Regulations on chemicals. Have you all had
8 any experience with the Reach Regulations? Has it made it
9 more difficult to export to the EU?

10 MR. O'CONNELL: I'd have to defer that question
11 to my colleagues from Switzerland but Reach I mean and other
12 products that have been handled by many of the associations
13 and in this particular case I would like to refer that
14 question to Vanitech which is a Canadian association for
15 global participants. Much of that is handled by their
16 legal and compliance people.

17 COMMISSIONER JOHANSON: Okay I guess if you are
18 here in the U.S. you wouldn't be that familiar with the EU
19 situation perhaps. All right, yes Mr. Weigel?

20 MR. WEIGEL: To understand there are you know,
21 various regulations in various countries and Reach is in my
22 experience and I haven't done anything in the ferrovanadium
23 but it's in a way similar to our Tosca and so it is a
24 requirement you know every country has regulatory
25 requirements but we can answer that more fully in our

1 post-hearing brief.

2 COMMISSIONER JOHANSON: Okay I would appreciate
3 that, that concludes my time and that concludes my questions
4 as well so thank you all for appearing here today.

5 CHAIRMAN BROADBENT: Commissioner Kieff?

6 COMMISSIONER KIEFF: This is probably best
7 addressed in the post-hearing brief rather than during the
8 live session today but there has been discussion about
9 certain features of your business model at Glencore, the
10 interest in long-term contracts as opposed to the spot
11 market, the interest in V205 as a particular product for
12 aerospace, other particular features of your business model
13 and in the post-hearing it might help if Vanchem could also
14 talk about its model and whether it's the same in those
15 respects, different, whether any differences are salient to
16 our analysis that is again probably best left for not a live
17 discussion.

18 MS. ZISSIS: We'll address that in the
19 post-hearing thank you.

20 COMMISSIONER KIEFF: One down side of being on
21 the afternoon panel is that sometimes others have had the
22 opportunity to say the things that you might have wanted to
23 address or you have gotten in a sense us to do the asking of
24 your pundits for you but the benefit is it can be shorter.
25 Please don't read into the length of questions for one side

1 of the other or sense that we favor one side or the other
2 but this concludes my questions for this panel and I really
3 appreciate everything everyone has provided, thank you.

4 CHAIRMAN BROADBENT: Thank you. Let's see Mr.
5 Barclay Vanchem doesn't have a line is that correct?

6 MR. BARCLAY: Yes.

7 CHAIRMAN BROADBENT: Okay and so what determines
8 the supply of the vanadium pentoxide that you produce each
9 year?

10 MR. BARCLAY: We'll address it post-hearing.

11 CHAIRMAN BROADBENT: Okay. This morning
12 domestic parties pointed to Exhibit 12 in their brief with
13 respect to Vanchem's capacity, this is BPI exhibit but I
14 would like to ask that Vanchem address the exhibit in the
15 post-hearing if possible. And then can you also Vanchem,
16 can you also address the statement in the staff report on
17 page 4-17 regarding Vanchem's publicly stated capacity and
18 the source of that capacity number?

19 I know you have addressed this in the pre-hearing
20 brief but please collaborate a little bit if you can given
21 all the arguments that we heard from the domestic parties
22 this morning and finally if you could describe any changes
23 in structure between the operations held by Vanchem
24 following the transfer of ownership from Highveld as any of
25 these changes might pertain to the figures before. I think

1 that pretty much wraps up my questions.

2 I will yield to Vice Chairman Pinkert.

3 VICE CHAIRMAN PINKERT: I just have one more
4 question for Mr. O'Connell, does Glencore make decisions for
5 its U.S. operations based on a global corporate strategy or
6 does it make those decisions based on what's going on in the
7 U.S. market?

8 MR. O'CONNELL: We generally make, I make that
9 decision based on what's happening and what we are seeing
10 and how we are reading the market in the U.S. I then will
11 relay that information to my colleagues in Switzerland who
12 will compare and analyze where we find the best return for
13 Verland's product.

14 VICE CHAIRMAN PINKERT: Then who has the final
15 decision in that scenario?

16 MR. O'CONNELL: As far as the U.S. is concerned
17 I have the final excuse me decision. The way we are
18 structured in Glencore the U.S. is a subsidiary of a company
19 but we are arm's length so I very could enter into a
20 contract and that would be it.

21 VICE CHAIRMAN PINKERT: Thank you.

22 MR. WEIGEL: I was just wondering if they don't
23 agree with you how do you get the supply?

24 MR. O'CONNELL: They have to perform, you know I
25 could in theory enter into the contract but they may not

1 like it but they would have to supply it.

2 VICE CHAIRMAN PINKERT: Thank you. And I have
3 a question for Vanchem do you export vanadium pantoxyde?

4 MS. ZISSIS: Yes, Vanchem does export vanadium
5 pantoxyde.

6 VICE CHAIRMAN PINKERT: And can you describe the
7 customers that you export to and also where the conversion
8 takes place and if you can't answer those questions here,
9 could you answer them post-hearing?

10 MS. ZISSIS: We'll answer in post-hearing.
11 Some of the vanadium pantoxyde is converted and some is not.
12 Some is used as vanadium pantoxyde so we will address those
13 cases.

14 VICE CHAIRMAN PINKERT: Thank you and then
15 finally for the vanadium pantoxyde that is converted, if you
16 could indicate in the post-hearing where it ends up and
17 break it out for us so that we have an idea of how much as a
18 percentage of the totals ending up in the United States I
19 think that would be helpful.

20 MS. ZISSIS: We will do that thank you.

21 VICE CHAIRMAN PINKERT: Thank you Madam
22 Chairman.

23 CHAIRMAN BROADBENT: Commissioner Williamson?

24 COMMISSIONER WILLIAMSON: Thank you I just have
25 a few more questions. For Glencore in the post-hearing

1 submission please address whether it would be more
2 profitable for the overall family of Glencore companies to
3 export ferrovanadium directly from South Africa to the
4 United States as compared to the current situation.

5 And along the same line, to what extent do South
6 African producers export vanadium pentoxide to third
7 countries for a process into ferro to be exported to the
8 U.S. market. I think I have already asked you that. And I
9 think we have already discussed that, if you did then ship
10 it directly.

11 Miss Holec I think you were talking about
12 adjustments that would have to be made to really compare the
13 U.S. price with the European price and you talked about I
14 think adjustments to the fact that long-term contracts in
15 the U.S. actually are usually lower priced than the spot
16 market price.

17 MS. HOLEC: Yes, I mean the domestics testified
18 to that as did Mr. O'Connell. The standard practice is to
19 take the spot price which is represented by Ryan's notes and
20 quote a price.

21 COMMISSIONER WILLIAMSON: Yes I understand the
22 process.

23 MS. HOLEC: Sorry.

24 COMMISSIONER WILLIAMSON: My real question is do
25 you have to make a similar adjustment in Europe?

1 MR. O'CONNELL: Yes is the short answer. There
2 is a much smaller discount historically off another bulletin
3 index, very low single digit discount relative to what we
4 see in the U.S.

5 COMMISSIONER WILLIAMSON: Okay thank you. Miss
6 Holec and I may have gotten this wrong, the U.S. and again
7 making this comparison your adjustment for duties, these
8 were duties for?

9 MS. HOLEC: Import duties.

10 COMMISSIONER WILLIAMSON: Import duties of?

11 MS. HOLEC: For the ferrovanadium.

12 COMMISSIONER WILLIAMSON: Coming from?

13 MS. HOLEC: From any place except from --

14 MR. WEIGEL: From South Africa.

15 COMMISSIONER WILLIAMSON: Well that's what
16 wasn't clear, I thought you were talking about adjusting for
17 coming from say Korea or Canada and I was going to say --

18 MS. HOLEC: No, South Africa.

19 COMMISSIONER WILLIAMSON: South Africa okay and
20 I guess the question --

21 MR. O'CONNELL: I can add a little bit more on
22 that subject. Obviously it's duty free from Canada I think
23 the duty has been reducing with Korea, I think it's down to
24 around 1% and I think the normal duty on ferrovanadium is
25 4.2% for all other countries.

1 COMMISSIONER WILLIAMSON: Do you know if the
2 Gore legislation excepts South Africa?

3 MR. O'CONNELL: The AGOA legislation does not
4 exempt ferrovanadium.

5 COMMISSIONER WILLIAMSON: Okay good, okay, that
6 answers my questions. I want to thank the panel for their
7 testimony.

8 CHAIRMAN BROADBENT: Yes thank you very much if
9 staff has no questions, I mean if the Commissioners have no
10 more questions does staff have any questions?

11 MR. CORKRAN: Douglas Corkran, Office of
12 Investigations thank you Madam Chairman staff has no
13 additional questions.

14 CHAIRMAN BROADBENT: Okay I want to thank all
15 the witnesses for coming today, sorry. Excuse me,
16 Petitioners do you have any questions I apologize? Any
17 questions for the panel?

18 MR. TOTARO: We don't have any questions we have
19 some rebuttal comments.

20 CHAIRMAN BROADBENT: Good we will look forward
21 to those, right. I want to thank the panel for coming
22 today let's see, we'll come to closing statements and those
23 in support of the petition have 11 minutes from direct and 5
24 for closing for a total of 16 minutes and those in
25 opposition have 22 minutes from direct and 5 for closing for

1 a total of 27 minutes. As is our custom we will combine
2 those, you don't have to take all the time.

3 We will start with those in support of the
4 orders.

5 CLOSING REMARKS OF JOHN B. TOTARO, JR.

6 MR. TOTARO: Good afternoon. Thanks for allowing
7 me to get settled.

8 I wanted to start off with a few comments based
9 on the South African industry's panel. And maybe start out
10 by taking a step back from the bulk of the discussion which
11 is focused on Glencore.

12 Which is to say first that South Africa, as a
13 whole, as the Commission staff observed from published
14 statistics is the largest exporter of ferrovanadium in the
15 world.

16 Number two, Glencore is only half of the South
17 Africa industry. We heard mostly about Glencore, but there
18 is another producer there as well.

19 Second, when we are -- we heard a lot of
20 information about Glencore's production process and how -- I
21 wanted to make two points about that. Number one, they
22 showed in their chart their production process that there is
23 a point in their production process where there's a decision
24 point where they have an intermediate material that's
25 produced and they decide how much is going to be produced,

1 they say for a veto of five, directed four, for what they
2 say is directed to the aerospace market and part of that
3 intermediate material would go to produce V203 which they
4 said they can only use to produce ferrovanadium. And just
5 to emphasize that, when Mr. O'Connell says that they did not
6 sell V203, that goes -- that's an intermediate step on the
7 way to producing ferrovanadium.

8 And one point that we argued in our brief is that
9 this decision that they make of how much V205 to make out of
10 that intermediate material and how much V203/ferrovanadium
11 they make is based on current market conditions which
12 includes a closed -- a U.S. market which is closed to
13 ferrovanadium.

14 So that equation would change, that analysis
15 would change by their product mix of V205 or V203.

16 Number two, we heard a lot about Glencore's focus
17 on selling V205 to the aerospace market. I believe what Mr.
18 O'Connell says is that Glencore seeks to maximize the V205
19 production. But I would ask that you view that statement,
20 temper that statement with the actual data on what product
21 -- where they do maximize the production. We're not talking
22 about aspiration. We're talking about actual production.
23 And I think that you will find a different story there.

24 Number two, the aerospace industry use of V205 is
25 relatively small. It's our understanding that global demand

1 for V205 for aerospace use is roughly one-quarter of South
2 Africa's output of V205. So this may be an aspirational
3 market, this may be a market where they can get a good
4 price, but they cannot -- there is a limit on how much they
5 could produce for that market.

6 And then related to that and also related to
7 their production chart Mr. O'Connell made the statement that
8 the way that the production chart is set up on his slide
9 where V205 the V205 they could produce can only be used --
10 or cannot be used for ferrovanadium production because of
11 the type of furnace that they have. But they run an arc
12 furnace and in the arc furnace process it's our
13 understanding that you can use V205 as a raw material to
14 generate ferrovanadium. So that's just something that is,
15 to our understanding, just not the way that machinery works.

16 Another factor is, in addition to the size of the
17 aerospace market is that the demand for ferrovanadium from
18 the aerospace market is cyclical. And regardless of how
19 much V205 Glencore would like to sell into the aerospace
20 market, it goes up and down and they will then -- when the
21 market is in the low point of the cycle, they will have
22 vanadium units that they could direct towards production of
23 ferrovanadium and increase their already large volume of
24 ferrovanadium production.

25 I just wanted to say also a little bit about the

1 price comparison that several of the witnesses talked about.
2 But specifically the analysis, the comparison that Ms. Holec
3 was proposing to do, we'll have to wait and see what is
4 produced in the brief, but it certainly seemed like she was
5 heading towards creating an apples to oranges comparison.
6 Because what she seemed to be saying was that there was a --
7 that U.S. contract prices are not sold at the published spot
8 price. That's uncontested. We've explained that in today
9 the hearing and in our brief, that the contract prices are a
10 discount off of the published price. But the effect over
11 time on changes in the spot market are direct. Because if
12 you're saying I will sell to you at X percent off the market
13 price and the market price is lower, then your price becomes
14 lower as that market price changes. So what you cannot do
15 is to compare a U.S. market price minus a discount to --
16 excuse me, a U.S. published price minus the discount to a
17 European published price and say there is either no
18 difference or less of a difference.

19 The sellers in Europe sell at a discount off of
20 the European selling price -- European published price. And
21 based on what I've heard from Mr. Perles who sells into both
22 markets, he sells at a similar discount in both markets,
23 similar discount off of the published price in Europe, to
24 the discount off the published price in the United States.

25 So, please take those considerations into account

1 when you're looking at any analysis of the difference.

2 We are not implying -- I think it was stated that
3 we were implying or arguing that the U.S. prices are the
4 published spot prices. They are not. They are connected to
5 them, but they are not the same thing.

6 (Pause.)

7 MR. TOTARO: One other one I did want to make
8 about the difference in prices is the factor that the South
9 Africans would play down is they argue that there are
10 differences in costs and duties in the United States. While
11 it is true that the U.S. import duty is higher than in
12 Europe, that's only part of the equation. There are costs
13 in both markets. There are logistics costs. And Mr. Perles
14 testified today that it's in his experience those costs were
15 relatively similar in both markets. And Mr. Carter
16 testified that there are several packaging methods that are
17 used for ferrovanadium in the U.S. market, one of which is
18 selling in bags and that when that method is used, the
19 relation to the price is only about 2 percent. So looking
20 at those differences and the overall differences in
21 published prices of 16 percent, the U.S. market, even if
22 there's a difference in some respects, it does not account
23 for the entire span of that 16 percent average which at
24 different times in the POR was up to 40 percent.

25 Another point that Mr. O'Connell made was that he

1 wouldn't -- that Rhovan would not begin shipping
2 ferrovanadium into the United States because Glencore would
3 not want to compete against Glencore and Glencore has an
4 operation in the United States.

5 And I would just ask you to look back at Mr.
6 Bunting's testimony on that issue. In his statement that
7 Glencore -- and this is the difference between the Glencore
8 operations in the United States versus the Evraz operations
9 in the United States that were analyzing the rush review.
10 Glencore does not own productions in the United States that
11 could be adversely affected by resumed low-priced subject
12 imports, nor does it own conversion facilities in any third
13 countries. Glencore is, in effect, a trading company.

14 Mr. O'Connell mentioned in several occasions and
15 several different ways that he has flexibility. He's
16 looking for flexibility as a reason for revoking the order.
17 All of his -- all of the decisions of Glencore, the
18 corporation, can change, would change, we believe, if this
19 major market was open creating this opportunity for direct
20 exports from South Africa.

21 I want to touch just for a bit on the issue of
22 overselling. And when you're looking at the issue of
23 overselling and looking back at the original investigation,
24 and how overselling was handled there, I'd just ask you to
25 keep in mind the following. In the original determination

1 the Commission recognized that formula pricing based on
2 Ryan's Notes -- Ryan's Notes published spot prices was the
3 normal industry practice, just as it is today. The
4 Commission also noted that this set of data showed
5 overselling that's in the original investigation.

6 Nonetheless, the Commission specifically found
7 that the data showed that the subject imports depressed
8 domestic prices to a significant degree and that subject
9 imports increased market share at the expense of the
10 domestic industry. Even while domestic producers themselves
11 reduced prices in an unsuccessful attempt to retain market
12 share.

13 As Commissioner Miller noted in her separate
14 concurring views, the subject import shipment SUVs were
15 lower than the U.S. producers' annual AUVs in two of the
16 three years of the POI. Moreover she stated in a commodity
17 market in which price is an important purchasing factor and
18 published prices are widely available, underselling may be
19 less frequent as prices adjust to each other.

20 She concluded, "I do find an indication that
21 subject imports depressed and suppressed U.S. prices during
22 the period."

23 And one more note going back to the U.S./European
24 prices parody. U.S. prices are higher than European prices
25 because of the basics of supply and demand. There is a

1 stronger demand in the U.S. than in Europe which puts upward
2 pressure on U.S. prices. We put information in our brief
3 showing the difference in the degree to which the U.S. and
4 European steel industries have recovered from the global
5 recession. There is information in our brief on the
6 differences in vanadium intensity in the European sale
7 market versus the U.S. steel market.

8 Also, the U.S. dumping orders prevent the world's
9 two largest producers from freely exporting to the U.S.
10 market which reduces potential supply to the U.S. market and
11 likewise puts upward pressure on U.S. prices.

12 (Pause.)

13 MR. TOTARO: And just to come back one more time
14 to the response by Mr. O'Connell and Mr. Weigel to the
15 question of what Glencore's concern is with these orders and
16 what their concern would be with leaving the orders in
17 place. I think their responses indicated that they really
18 do intend to view the U.S. market as an option for them.
19 Mr. O'Connell stressed that he is looking for flexibility.
20 He wants to have the flexibility to ship to the United
21 States. And I think the information we've put on the record
22 shows that they have substantial volume to ship to the
23 United States and that they can shift production from other
24 products to ferrovanadium and so their flexibility and
25 access to this higher-priced market, they would exercise

1 that, we have no doubt.

2 Finally, again, back to the fact that we were
3 primarily discussing Glencore today and we were looking at
4 Vanchem and note that on the issue of whether the South
5 African producers are committed in their future shipments of
6 ferrovanadium based on contract commitments, Japan is a big
7 export market for South Africa. And the Japanese contracts
8 for ferrovanadium, annual contracts, run from April to
9 March. So I think it's highly unlikely that those contracts
10 for the contracts beginning April 2015 are committed at this
11 point. But we'll see what's put in the post-hearing brief.

12 Finally when Mr. O'Connell was asked about
13 whether the third country toll conversion by Glencore
14 displays a continued interest in the United States market
15 his responses were less than direct. But I think the sum of
16 it was, of course, it shows that they're still interested in
17 the United States market in a substantial way. But at this
18 point Glencore is getting into the United States in the --
19 getting the most volume in, in the only way it can which is
20 through indirect routes.

21 With that, I will conclude by asking that --
22 saying that Glencore, excuse me, the VPRA AMG Vanadium, Bear
23 Gulf and Stratcor urge the Commission to find that
24 revocation of the U.S. dumping orders and ferrovanadium from
25 China and South Africa would be likely to lead to the

1 recurrence of material injury to the U.S. ferrovanadium
2 industry within a reasonably foreseeable time.

3 On this basis, we urge the Commission to
4 determine that these orders should be continued. Thank you.

5 CHAIRMAN BROADBENT: Okay. Thank you.

6 (Pause.)

7 CLOSING REMARKS OF KENNETH WEIGEL

8 MR. WEIGEL: I know I have a lot of time.

9 Hopefully -- I know I will not take it all. I'll promise.

10 You know, sunset reviews are, in a way, an
11 unusual creature. You're asked to predict the future in a
12 sunset review. What's going to happen? What's likely to
13 occur? Here I think the answer is -- and it's easy because
14 you're looking at, and, again, we're talking South Africa.
15 We're not talking China. We've explained why we don't
16 believe the Commission should cumulate and we note that in
17 this case as opposed to the investigation, you have more
18 discretion as to cumulation.

19 So focusing on South Africa. The South African
20 producers, particular Glencore, but also Vanchem, had been
21 participants in the U.S. ferrovanadium market. They've been
22 suppliers here. You've got the numbers, you can look at the
23 numbers. You can see how much they've supplied to the
24 market. Glencore has supplied much more ferrovanadium than
25 Vanchem has, but the two together are still significant

1 suppliers to the U.S. ferrovanadium market and they've been
2 doing so for the last -- Glencore for over the last ten
3 years.

4 You heard this morning, there's no problem with
5 that supply. It's fairly traded. Nobody is complaining
6 about it. So if you look at what they've been doing, the
7 question is, why are they likely to change their -- excuse
8 me -- activity here in the U.S. market? Why wouldn't they
9 just continue what's been considered to be noninjurious,
10 fair trade practices of these representatives of the South
11 African producers in the U.S. market.

12 According to petitioner, somehow dropping this
13 antidumping order will cause them to change their behavior
14 overnight. It's like a Dr. Jekyll and Mr. Hyde scenario.
15 It just does not fit the facts. If they wanted to, as Mike
16 O'Connell said, they could have brought more ferrovanadium
17 into the U.S. market. He's converting V205 in other
18 countries. He can buy ferrovanadium on the market. Look at
19 our questionnaire responses. Look at whom we've bought
20 ferrovanadium from and sold in the U.S. market over the last
21 five years. It's very important for the Commission to do
22 that.

23 Have we acted irresponsibly, irrationally when
24 we've done that? No. We've priced at what we believe to be
25 the market price. And as Ms. Holec the economist stated

1 we're not the low-priced company in the U.S. market. So
2 it's not as if allowing us to import from South Africa will
3 mean that we'll have any more market share in the U.S. or
4 that we'll have any more supply.

5 Mike O'Connell testified he's happy, Glencore is
6 happy with the market share they have in the U.S. It
7 changes. You know, you look at the imports. The imports
8 have recently from Czechoslovakia skyrocketed. That's
9 Evraz. That's petitioners bringing those in. It's the
10 Russians. There's only a finite number of vanadium
11 producers in the world. They're all in the U.S. market,
12 they all want to be in the U.S. market, they all, to extent,
13 have to be in the U.S. market today with steel companies
14 being global.

15 We still heard today that, oh, this V205 from
16 Rhovan will be converted in South Africa. It's not going to
17 be converted anywhere else.

18 Petitioners are a little disingenuous
19 particularly since one of the petitioners is entering into a
20 contract with Glencore to convert that V205 in 2015 here in
21 the United States. We heard nothing about that today. Mike
22 referred to it, nothing from petitioners.

23 Petitioners still claim to say, V205 can be
24 converted at Rhovan. It's not a safe process. Their
25 process is designed for V203. If they could convert it

1 there, they would convert it there and sell it to the Asian
2 and European markets where they're presently having it
3 converted today. It's just not a fact. It doesn't hold up.

4 South Africa is an exporter, no question about
5 it. That's a consequence of geology, nothing else.

6 Minerals, metals, they come from different places in the
7 world. We can't control that. We just know South Africa
8 has the vanadium. South Africa does, Brazil does, maybe
9 Australia does, maybe not. But that's just part of the
10 world.

11 It is a world market and it's a fungible product.
12 And so when you think about this, and you hear Mike say,
13 yes, I could bring more ferrovanadium into the United States
14 if I wanted to. Why would he not have done that if he's
15 going to make more money here? Glencore is a publicly
16 traded company, they want to make money. If they could make
17 more money by selling more ferrovanadium here, they would.
18 It's not -- you know, it's not speculation. It's what they
19 have done.

20 Again, my view of this is, look at the past.
21 Look at the actions of the individuals of the companies to
22 predict how they will act in the future. Don't look at what
23 they did ten years ago. Things have changed significantly
24 in ten years. Look at what they've done in the last five
25 years, the last eight, nine years, whatever. And they use

1 that as a base for the future. Are they going to change
2 overnight if they have South Africa supply available?
3 What's the basis of that? There is no basis. They have the
4 availability now.

5 So I think -- and the last point as Mike
6 mentioned in his, why does he want it revoked? Commissioner
7 Kieff's question. Flexibility. As I was saying, when you
8 sell ferrovanadium, you don't sell, you know, so much per
9 month. You sell a requirements contract. And that steel
10 mill purchases it up and down. Some months he has the
11 ferrovanadium available, some months he may be short. It
12 just depends on the demand. Demand is not flat for
13 ferrovanadium. It moves around. The flexibility is
14 something you would like because it's fungible, you know.
15 If you need more here, you need more there, Glencore can
16 move it around to meet their contracts. They have always,
17 Mike told me, met their contracts. They have never claimed
18 force majeure.

19 So in conclusion, I don't think there is a price
20 premium here. It's certainly not -- I'm not an economist,
21 I'm a lawyer, I was an economist in college. But if there
22 was a price premium here, somebody would get in the market
23 and arbitrage it. You know, the world -- people trade in
24 the world today. It's amazing what I've seen in my practice
25 over the last 35 years. If there's money to be made,

1 somebody will make it. It's not happening here. It's not
2 happening because there is no price premium in the U.S.

3 So in conclusion I ask you to think about, why
4 would these people, the South African producers change their
5 mind. We are not asking for anything with respect to the
6 Chinese antidumping order. We're focusing, obviously, on
7 South Africa. We've explained why the two should be
8 considered separately in this review and that South Africa
9 imports, to the extent they would come to the United States,
10 there's no evidence, I don't believe, only speculation, that
11 they would come in and cause injury. The evidence, instead,
12 shows that these two companies have been in the market,
13 they've been selling the product and selling it at
14 reasonable prices. And, as we heard this morning, fair
15 trade. And that's all we're asking for.

16 With that, I will conclude my comments and thank
17 you for your time today.

18 CHAIRMAN BROADBENT: Thank you. And, again, I
19 want to express the Commission's appreciation to everyone
20 who participated in today's hearing. Your closing
21 statement, post-hearing brief statements responsive to
22 questions and requests of the Commission and corrections to
23 the transcript must be filed by December 2nd, 2014. Closing
24 of the record and final release of data to the parties will
25 be on December 19th, 2014. And final comments are due on

1 January 5th, 2015.

2 With that, this hearing is adjourned. Thank you.

3 (Whereupon, at 4:07 p.m. the hearing was
4 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ferrovanadium from China and South Africa

INVESTIGATION NOS.: 731-TA-986 and 987 (Second Review)

HEARING DATE: 11-20-14

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: 11-20-14

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson
Signature of Proofreader

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

SIGNED: Gaynell Catherine
Signature of Court Reporter