UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation Nos.:**
STEEL CONCRETE REINFORCING BAR	**)**	**701-TA-502 and**
FROM MEXICO AND TURKEY	**)**	**731-TA-1227-1228 (FINAL)**

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Monday, September 15, 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.

APPEARANCES:
On behalf of the International Trade Commission:
Commissioners:
Chairman Meredith M. Broadbent (presiding)
Vice Chairman Dean A. Pinkert
Commissioner Irving A. Williamson
Commissioner David S. Johanson
Commissioner F. Scott Kieff
Commissioner Rhonda K. Schmidtlein

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Alan Treat, Investigator
Alan Treat, International Trade Analyst
Amelia Preece, Economist
David Boyland, Accountant/Auditor
John Henderson, Attorney/Advisor
Douglas Corkran, Supervisory Investigator

CONGRESSIONAL APPEARANCE:

The Honorable Amy Klobuchar, United States Senator, Minnesota

STATE GOVERNMENT WITNESS:

The Honorable Jim Pitts, State Representative of Texas, District 10

EMBASSY WITNESSES:

Embassy of Mexico, Washington, D.C.

Kenneth Smith Ramos, Head of Trade and NAFTA Office of the Ministry of Economy

Salvador Behar, Legal Counsel for International Trade

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

The Rebar Trade Action Coalition

Jim Kerkvliet, Vice President of Sales and Marketing, Gerdau Long Steel North America

Marcelo Canosa, Director, Rebar and Wire Rod, Gerdau Long Steel North America

Joseph Alvarado, President and Chief Executive Officer, Commercial Metals Company

APPEARANCES (Continued):

Tracy Porter, Senior Vice President, Commercial Metals Company and President, Commerical Metals Company Americas Division

Jim Darsey, Executive Vice President of Bar Products, Nucor Corporation

Robert J. Stone, Commercial Director of Sales and Marketing, Long Products, Nucor Corporation

Leo W. Gerard, International President, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

Burke Byer, President and Chief Executive Officer, Byer Steel

Chris Crowe, President, Magnolia Steel Company

James R. Melvin, President, Re-Steel Supply Company, Inc.

Robert Webb, President Southwestern Suppliers

Dr. Seth Kaplan, Senior Economic Advisor, Capital Trade Inc.

Alan H. Price and John R. Shane - Wiley Rein LLP

APPEARANCES (Continued):

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:

Deacero S.A.P.I. de C.V. ("Deacero")

Deacero USA, Inc. ("Deacero USA")

Mauricio Gutierrez Noriega, Export Sales Director, Deacero

Eugenio Gutierrez Noriega, Vice President of Finance & Trade Affairs, Deacero

Miguel Angel Bazan Briseno, Sales Manager, Deacero

Luis Eugenio Leal Rangel, Trade Affairs Manager, Deacero

Chris Casey, Executive Director, Independent Steel Alliance

Frank Bergren, Managing Director, Metal Partners Rebar

David E. Bond and Jay C. Campbell - White & Case, Washington, DC

Turkish Steel Exporters Association

Icdas Celik Enerji Tersane ve Ulasim Sanayi A.S.

Colakoglu Metalurji A.S. ("Turkish Exporters and Producers")

Ugur Dalbeler, Turkish Steel Exporter's Association (CIB) Board Member and Chief Executive Officer, Colakoglu Metalurji

APPEARANCES (Continued):

Kamil Murat Cebecioglu, Icdas Foreign Trade Manager

Matthew M. Nolan - Arent Fox LLP

Grupo Acerero, SA de CV

GASA Steel LLC

Carlos Diaz, Business Development Manager, GASA Steel, LLC

Humberto Abaroa, Chief Executive Officer/Director, Grupo Acerero SA

Mark David Davis - Davis & Leiman P.C.

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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN BROADBENT: Good morning.

On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-502 and 731-1227-1228 involving Steel Concrete Reinforcing Bar or Rebar from Mexico and Turkey.

The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports from Mexico and Turkey that are sold at less than fair value and by reason of imports that are subsidized from the government of Turkey.

Documents concerning this hearing are available at the public distribution table. Please give all prepared testimony to the Secretary. Do not place it on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that parties are aware of the time allocations, but if you have any questions about time, please ask the Secretary.

Speakers are reminded not to refer to business proprietary information in their remarks or answers to questions. Please speak clearly into the microphones and state you name for the record so that the court reporter knows who is speaking.

Finally, if you will be submitting documents that contain information you wish classified as business confidential, your request should comply with Commission Rule No. 201.6.

Madam Secretary, are there any preliminary matters?

MS. ROHRBACH: Madam Chairman, there are no preliminary matters.

CHAIRMAN BROADBENT: Very well, will you please announce the Congressional witnesses?

MS. ROHRBACH: The Honorable Amy Klobuchar, United States Senator from Minnesota.

CHAIRMAN BROADBENT: Welcome, Senator Klobuchar, you may begin with you're ready.

STATEMENT OF THE HONORABLE AMY KLOBUCHAR

SENATOR KLOBUCHAR: Well, thank you very much, Chairwoman Broadbent and Vice Chairman Pinkert. Thank you so much for having me here once again. I was just here about over a month ago and I'm grateful for the opportunity to be able to speak about the economic impact of foreign dumping and subsidization of rebar production on my state and the really, really major importance of enforcing our laws against unfair foreign trade practices. I will admit, sometimes I have come before you and spoken about things that I don't always know what they are, but rebar, any candidate for office knows what rebar are because we use them -- versions of them for our lawn signs. And so this was something that really hit home when I heard this.

I've argued before you about the major implications of steel dumping and I've often said that America needs to get back to the business of making things and not just moving money around. American steel, including the rebar that goes into our building and our infrastructure is essential to that goal. But when foreign producers dump their rebar here they deprive our own domestic steel industry of the benefits of economic growth. Their unfairly priced rebar displaces the rebar produced by the mills in our country that employs American workers. That hurts our workers who make steel and every American who is connected to them.

Over 580,000 people are employed nationwide in the steel industry. This includes 30,000 rebar-related jobs in 33 states across our country, including the 379 employees in Minnesota at the Gerdau Longsteel mills in St. Paul and in Duluth. And I'm glad that three of those important jobs are represented here today by the leaders of United Steelworkers Local 7263. I'd like to recognize Chuck Nippoldt, Jason George and Mike Wadaszewski who are here with us today. Especially Mike's last name rings true for me being a Klobuchar whose names are hard to pronounce.

Chuck, Jason and Mike work at the Gerdau mill in St. Paul. They can tell you that foreign dumping has an impact. Today, the mill in St. Paul employs 330 people, but last year 31 employees were laid off.

Today, the mill is only operating at about 70 percent of its capacity. Nationwide, our steel mills are only operating at about 60 percent of their capacity and that is a historic low. So while manufacturing is coming back in our country, anyone that questions whether this matters or not, or whether we're to a point where we don't need enforcement of these laws, I think that answers it for you when we're at the lowest rate of capacity that we've been at. This means, of course, reduced hours for our employees as the cost of everything from college to houses have been going up and also the threat of layoff for our workers.

This isn't the way it is supposed to be. The rebar produced in Minnesota goes directly into buildings, bridge, and mines. Steel production from the miners in the iron range to the machinists in St. Paul has a long and proud history in our state. It has supported our way of life for generations. When I was here last time I told you about my grandpa who worked 1,500 feet underground in the mines in Ely. I don't think he would have ever imagined that he would have been -- his industry would have been competing with places in Mexico and Turkey, but that is what's happening today and we have to adjust, just as those workers in those mines have adjusted over the years.

We know our steel workers can compete with anybody in the world when we have a level playing field.

The flood of foreign rebar into the U.S. is causing our domestic industry to lose sales and market share to underpriced foreign competitors. Between 2010 and 2012, Mexican and Turkish rebar imports into the United States increased by over 97 percent and expanded their market share from 7 percent to 17 percent.

And I think it's important to note that these foreign competitors don't necessarily have lower production costs than U.S. rebar producers. Turkey, for example, must import the raw materials in order to make rebar, has higher energy costs than the United States and then has to transport its products here. Exporting rebar to the United States should not make economic sense for Turkey, but those exports continue anyway.

Mexico, meanwhile, has a severely restricted rebar market in which its own domestic consumers are charged prices that are on average 20 percent higher because of the lack of competition. Last year Mexico exported 300,000 tons of rebar to the U.S. while only allowing 13,000 tons of U.S.-produced rebar to enter into their country.

I'm encouraged that the Commerce Department's investigation has recommended significant dumping margins against Mexican rebar of between 20.58 and 66.7 percent. I hope you will support these findings and ensure that Mexican firms are held accountable for their unfair practices.

But I am concerned that the Department's findings hold harmless Turkish firms for dumping and only minimal subsidization amounting to a 1.25 percent margin. The domestic industry has raised serious concerns about the methods that the Department used in its investigation of Turkey, including how it calculated benchmark prices for energy subsidies and how prices of Turkish and American rebar were compared.

I urge you to seriously consider these issues, as well as the overall harm to the domestic industry and the workers, as you review this case.

I do want to thank you for your good work on the steel dumping case. I can't tell you how positive a lot of that work was. I know you take this seriously and it is critical that our trade laws are strongly enforced on behalf of American companies and workers. The rebar industry is vital to the economic prosperity of my state and to the country as a whole, and I just always think about those workers. A few of them are here today so they can go back and tell the other workers exactly what was going on here. But as we know, this is so far removed from the everyday lives of people who are just struggling. And that's why literally you are their voice, you have to think about their concerns because this is -- appearing before the ITC is not something that they can imagine doing in their everyday life. This is something that is your job, and I really appreciate your willingness to do it, and I hope you think through this carefully, and I hope you think of those workers every day just trying to do their jobs.

Thank you very much.

CHAIRMAN BROADBENT: Thank you. Are there any questions for the Senator?

(No response.)

CHAIRMAN BROADBENT: And we'll let you go. Thank you very much for coming and for the tidbit on the yard signs. I don't think we knew that.

SENATOR KLOBUCHAR: It's short rebar.

CHAIRMAN BROADBENT: Okay. Thank you very much.

Madam Secretary, will you please announce our state witness?

MS. ROHRBACH: The Honorable Jim Pitts, State Representative of Texas, District 10.

CHAIRMAN BROADBENT: Welcome, Mr. Pitts, you may begin when you're ready.

STATEMENT OF JIM PITTS, REPRESENTATIVE OF TEXAS

MR. PITTS: Thank you, Madam Chairman. Thank you, Commissioners. Today I want to testify on behalf of Gerdau and CMC. I represent -- I'm the state representative from District 10 which is in Waxahachie, Texas. Gerdau is also in my district in Midlothian and CMC is in my district in Waxahachie. I'm here today because the matter before this Commission, namely addressing unfairly traded rebar from Texas and Mexico is extremely important to me as it is to these companies, their workers and the communities that make up District 10.

One doesn't have to look hard to see that Gerdau and CMC and other businesses, producers, and their workers have clearly been harmed by unfairly traded imports from both Turkey and Mexico.

I have represented the good people of District 10 for two decades. In that capacity and as a business owner myself, I know the importance of job creation. I believe firmly in the values of hard work, physical discipline and following the rules. And what that means is a representative is making sure that businesses have room to grow, that workers have opportunities to excel and individuals have a level playing field on which to compete so they can bring their best products and ideas to the marketplace.

Gerdau and CMC are first rate producers and fabricators of rebar. They are on the cutting edge of productivity, quality and low cost. These mills, along with their suppliers and their customers, provides hundreds of good-paying jobs, that are important to Midlothian, Waxahachie and our surrounding area.

However to dump in subsidized rebar from Turkey and Mexico, the health of these mills and their ability to keep their workers employed is at risk.

Over the past several years unfairly traded rebar from these countries has surged into the United States undercutting the U.S. market every step of the way. In response to this unfair trade, U.S. rebar producers have been forced to slash production and capacity sending revenues and profitability plummeting. Mills have been idled and workers have been laid off? I also understand that many rebar producers have also stopped reinvesting in new equipment due to deteriorating conditions damaging the long-term ability to compete.

While our rebar producers are doing all they can to compete and keep their workers employed, this is unsustainable and certainly not reflective of a healthy and vibrant industry. Without appropriate trade relief, prospects for the future are just as grim as the surge in unfairly traded imports is likely to continue.

As a representative of District 10 in the state of Texas, I believe that one of our nation's highest priorities must be job creation. And trade that goes both ways an important part of that job creation. However, trade just be fair if American workers are to benefit. Our producers play by the rules and only are asked that the foreign competitors be held at the same standard. By actively enforcing our trade laws and imposing trade remedies on rebar from Turkey and Mexico, the Commission can help ensure that this happens.

In closing, I urge the Commission to grant the domestic industry and its workers the full relief available under our trade laws. Together we can help ensure that we provide our companies, their workers, and their families a strong foundation to grow and to thrive.

Thank you very much for letting me be here today.

CHAIRMAN BROADBENT: Thank you, Mr. Pitts.

Are there any questions for the representative?

Yes.

COMMISSIONER JOHANSON: I do not have a question, Chairman Broadbent, but I would like to make a comment. Representative Pitts is retiring this year from the Texas state legislature. He's represented the people of his district for 22 years. So thank you for your years of service to the people of Texas and the people in your district.

The hard work of state legislators is often not recognized. I grew up about three miles from the Texas state capital and my father has worked frequently with the legislature over the years so I know well the importance of this institution. So thank you for your years of service, and thank you for appearing here today.

MR. PITTS: Thank you, Commissioner. Thank you.

CHAIRMAN BROADBENT: Thank you. Appreciate it.

MR. PITTS: Thank you very much.

CHAIRMAN BROADBENT: Madam Secretary, will you please announce our embassy witness?

MS. ROHRBACH: Kenneth Smith Ramos, head of Trade and NAFTA, Office of the Ministry of Economy and Salvador Behar, Legal Counsel for International Trade, Embassy of Mexico.

CHAIRMAN BROADBENT: Welcome, Mr. Ramos and Mr. Behar. You may begin when you're ready.

STATEMENT OF MR. KENNETH SMITH RAMOS, EMBASSY OF MEXICO

MR. SMITH RAMOS: Yes, I'm sorry. For the record, my name is Kenneth Smith Ramos. I am the representative of the Ministry of Economy in Washington, D.C.

The government of Mexico appreciates the opportunity to share brief remarks regarding this case. For the staff conference the government of Mexico offered testimony and highlighted facts that we believe are important regarding the commercial relationship between our countries which distinguish Mexico from other trade partners of the United States.

For purposes of efficiency, I won't repeat what was said then, but I would invite the Commissioners to consider the points and facts shared at that time in conjunction with this testimony.

Mexico and the United States have a strong and close commercial relationship based on, among other things, the implementation of the NAFTA. That relationship has been increasingly beneficial to both of our countries. It has helped take advantage of the geographical proximity of our countries and created and strengthened supply chains and reciprocal investments for Mexico and the United States. Trade between our countries had evolved generating a value of more than $500 billion in 2013.

During the last North American Leaders Summit in Toluca, Mexico, both countries recognized that this trade relationship supports millions of jobs in both countries. Also there has been dialogue and synergy created by NAFTA within the private sector; a clear example of that is the Steel Sector, which meets regularly to discuss important issues related to the well-being and growth of the sector with all three NAFTA governments through the North American Steel Trade Committee.

We believe that these facts are relevant and should be considered, not only in the context of trade remedy investigations, but with respect to all the issues involved in the deep integration that our countries have achieved since NAFTA came into force, which has been highly beneficial to our region.

In that context, we would like to highlight some specific developments in our country that are relevant to this particular case and affect the growth of the construction sector in Mexico. First of all, our economy is recovering from the global crises that affected all of the North American regions since 2008. Our Gross Domestic Product has increased well above pre-crisis levels; whereas in 2009 the value of our GDP was $895 billion, it has now reached almost $1.3 trillion. Foreign Direct Investment has also grown over the past years, more than doubling from $18 billion in 2012 to $39 billion in 2013. Additionally, our central bank, Banco de Mexico, has projected GDP growth of up to 4.2 percent in 2014. Further growth is expected with the recent energy reform, with an additional 1 percent GDP increase through 2018.

The construction sector is rebounding and will continue to do so in the immediate future, since the federal government has announced it will implement an ambitious investment program, the National Infrastructure Plan 2014-2018, with a record investment of $600 billion, which represents a 206 percent increase over the previous administration. This record investment is divided in six sectors, transportation and telecommunications, urban and housing development, energy, hydraulic, health, and tourism, all of which involve construction in some way or another.

Specifically talking about transportation and telecommunications, the investment should reach $100 billion through 2018 and contemplates 340 strategic projects that include expanding and building highways, bridges, railroads, ports and airports in the country.

For example, our Minister for Communications and Transportation just unveiled the technical characteristics for the new Mexico City International Airport, which he stated will be "the most visible and most impactful symbol" of the National Infrastructure Plan. This project will be worth more than $9 billion and is projected to begin its first stage in 2015 and to be concluded in 2020.

Of the 340 strategic projects, many of them have already been awarded and are starting, like the Mexico-Toluca suburban train worth almost $3 billion, the expansion of the port of Veracruz which is worth $1.7 billion, and the second floor of the Mexico-Puebla highway worth almost $800 million, just to name a few. Since the beginning of the National Infrastructure Program until August of this year, 3,472 bids have been awarded. On the same note, the Federal Electricity Commission, has already announced bids for 23 specific projects for the construction of hydroelectric plants, power stations and other energy-related constructions worth $8.5 billion.

Rebar consumption is driven mostly by large scale construction such as the infrastructure projects that I just described. Considering all the other sectors that are included in the National Infrastructure Plan, we can say that the projects in the transportation and telecommunication sector are just the tip of the iceberg. Consumption of domestic rebar in Mexico is already increasing and will definitely continue to increase due to the large amounts of rebar these projects require.

To conclude, we respectfully request the Commission to consider the above-mentioned circumstances while making its determination. Thank you again for the opportunity to convey this message to you, membership of the staff and of the Commission.

Thank you very much.

CHAIRMAN BROADBENT: Any questions?

(No response.)

CHAIRMAN BROADBENT: Thank you very much. Appreciate your testimony. Madam Secretary, let us now proceed with opening remarks.

MS. ROHRBACH: Opening remarks on behalf of Petitioners will be by Alan H. Price, Wiley Rein.

CHAIRMAN BROADBENT: Mr. Price, you may begin when you're ready.

OPENING REMARKS ON BEHALF OF THE PETITIONERS

MR. PRICE: Thank you and good morning, Madam Chairman and members of the Commission.

This is a product that the Commission has seen previously. And I'd like to start by highlighting certain conditions of competition. There are conditions of competition that are fully supported by the record in this investigation and by the record in previous commission investigations and reviews.

First, rebar, as many of us know, is probably one of the most basic steel products out there. It's produced to basic

ASTM standards, it's designed to be standardized and highly interchangeable so that engineers can simply spec a product and that's it and it will go in regardless of who the manufacturer is. And so it's intentionally an interchangeable product by design.

Second -- I've been doing this for, sadly, I had to say this -- for 25 plus years, I've been prosecuting petitions for domestic industries of various sorts. This is probably a case where price is among the most important factors in selling that I've ever seen. When the Commission went to the purchasers it's clear that the purchasers said price was it. Tell me what your most important factors are, price overwhelmed the purchasing decisions.

Secondly, as the staff report also indicates, and this is also consistent with a long line of determinations, is that purchasers frequently or always or frequently buy the lowest price rebar. So we have a product that is highly standardized. It's sold largely on the basis of price, so the next issue that comes up is do the domestic products and the imports compete head to head.

In this case the respondents have presented a number of arguments trying to segment the market in order to argue that there's no causal relationship between the imports and the health of the domestic industry.

But the truth here is otherwise. The Mexican and

Turkish producers' products are the same grades of rebar that the domestic industry produces as shown by the staff report. It's all the same sizes and the same quality as the rebar sold by the U.S. industry. They sell to overlapping customers, regardless of whether or not they're called distributors, independent fabricators, fabricator distributors, affiliated fabricators, this market is highly -- is very competitive. In fact, over 70 percent of the market is composed of companies that are involved in some form of distribution and fabricators themselves also buy from distribution.

Subject and domestic product are all used in residential and non-residential construction alike. And attempts to argue that somehow rather the the imports are only in the residential market and the domestic production is only in the non-res market just isn't accurate and isn't true. This is, again, wholly consistent with a long line of Commission determinations.

In light of these important conditions of competition, I would like to turn to the main events that occurred during the period of investigation following what was the worst economic downturn since the great depression, the U.S. industry was in a position to take advantage of modestly recovering U.S. demand.

Instead, however, opportunistic subject producers pushed significant and growing volumes of dumped and subsidized rebar into the U.S. market capturing a disproportionate share of the limited demand recovery. Subject imports increased substantially both absolutely and as a share of U.S. apparent consumption.

The subject imports gained the share through massive and pervasive underselling. Indeed, I really haven't seen a stronger record on underselling in this investigation in any investigation ever. Subject imports undersold in almost 100 percent of the comparisons in the Commission staff report and the margins of underselling increased -- repeat -- increased throughout the POI as subject product was pushed into the United States.

This should have been at least a decent market for U.S. producers; demand was increasing, slowly, moderately, bumpily, but it was increasing. But instead of fully participating in the improving market conditions much of the growth was captured by the imports due to their underselling.

The extremely low-priced imports cost the domestic industry both market share and profitability. The fact that this occurred during a time when demand was improving constitutes overwhelming evidence that the subject imports are a cause of material injury to the domestic industry. The domestic industry's operating income declined by $82.1 million between 2012 and 2013. And it's operating margins fell to only 3.7 percent in a period of increasing demand. But matters continued to get worse and in the first quarter of 2014, the industry had an operating profit that was essentially breakeven and that translates to a net loss and it's, by the way, net profits, not operating profits which pay shareholders.

In addition to causing the material injury to the U.S. industry, the subject producers pose a real and imminent threat of additional material injury to the U.S. industry and the absence of import relief, from the subject imports, U.S. jobs will not be recovered, U.S. producers will likely be forced to shut our facilities, further curtail production, lay off workers, delay and canceling much needed investment.

Accordingly, the petitioners respectfully submit that the Commission should find the U.S. rebar industry suffering from material injury by reason of the impact of subject imports from Mexico and Turkey and threatened with additional material injury by reason of such subject imports.

Thank you.

CHAIRMAN BROADBENT: Thank you, Mr. Price.

MS. ROHRBACH: Opening remarks on behalf of Respondents will be by Matthew M. Nolan, Arent Fox and J.C. Campbell, White and Case.

OPENING REMARKS ON BEHALF OF RESPONDENTS

MR. CAMPBELL: Good morning. I am Jay Campbell of White and Case, here today on behalf of the Deacero. The subject imports did not cause material injury and are not a threat dominated by Nucor, Gerdau and CMC, the Big Three, the domestic industry is powerful and insulated from competition with subject imports.

Commission majorities have disagreed with this argument in past rebar cases, but it's time for a fresh look. The questionnaire data and evidence in this case permit a fuller understanding of the U.S. rebar market and how it functions. We implore the Commission to look deeper and to engage in the figures and evidence presented in Deacero's prehearing brief.

Look deeper and you will see that domestic rebar and imports are concentrated in different market segments, with domestic in the fabrication segment and imports in the distribution segments. You will see that subject imports are blocked from a large chunk of the U.S. market. The Big Three supply massive volumes of rebar to their related fabricators and distributors.

Petitioner claims that related purchasers operate independently, and buy a great deal of rebar from external sources. But the data conclusively show otherwise. U.S. sales are closed to imports due to requirements to buy domestic. The requirements are not limited to Buy America provisions, though those are important, but also include lead standards and ultimate purchasers' insistence on U.S. rebar.

Lastly, even aside from requirements to buy domestic, the U.S. market strongly prefers U.S. rebar for other reasons, including that U.S. mills offer quick delivery in the full range of lengths and sizes. The fact that three purchasers are testifying for Petitioner today is a testament to the U.S. market's strong preference for domestic rebar.

The combined effect of these factors, each of which is supported by the data, is that the U.S. industry dominates the market and is heavily insulated from import competition. Consistently, the record shows the lack of a causal link between subject imports and the domestic industry's performance. These facts support a negative injury determination. Thank you.

MR. NOLAN: Well good morning Madam Chair, ladies and gentlemen of the Commission. My name is Matt Nolan with Arent Fox, representing the Turkish rebar industry, as usual, and this proceeding and including the Turkish Steel Exporters Association, Icdas Enerji and ColaKoglu Metalurgi, who are here today to appear. Thank you for the opportunity to appear before you. I feel a little bit like this is Ground Hog Day. I've been here before. You all get younger and I get older, but I guess that's just the way it works.

I'm sure the Petitioners will regale you this morning with tales of how imports from Turkey have flooded the market and threatened to destroy the U.S. industry. We've been here before. They've argued this case just like the going out of business sale occurs up the street from one of our shops.

But yet they're still here and they're still productive and they're still making money. We acknowledge that Turkish exports to the United States have increased, although we would hardly call it a flood. While you listen to the testimony today, we ask you to consider a few things.

One, Turkey has not and is not dumping rebar. The less than fair value investigation concluded 0.00 percent dumping. There is no dumping order. In that vein, how can you find a causal nexus between injury in unfairly traded imports if in fact those imports are not dumped?

Not possible. A major producer -- in addition, a major producer and exporter from Turkey, Habas, has no order against it, including no subsidy order. By definition, none of those sales are to be included in your analysis, and should be considered, other than to highlight the fact that non-subject imports from Turkey are selling at the same price as subject imports.

So how do you find underselling due to unfairly-traded product, when fairly-traded product is sold at the same price? The only margin that was calculated against the other Respondent, Icdas, was 1.25 percent, one quarter of a percent above de minimis. This calculated subsidy cannot be the cause or explain price underselling that is going on in the market.

Instead, what we have is good old-fashioned competition. Turkish rebar producers are very efficient. They're very good at what they do and they price according to what the market will bear. There's no dumping, there is no underselling except by pure fair competition. Finally, the U.S. industry has weathered the U.S. recession. It is now rapidly improving.

In this environment, Turkish imports are not a cause of material injury and I would urge you to consider carefully what happened in the first quarter of 2014 this year, which they are obsessing about on the Petitioners side. Remember the deep freeze. 2.0 percent reduction in GDP because of the weather. How do you build things when it's frozen? Thank you. We look forward to our presentations.

CHAIRMAN BROADBENT: Thank you, Mr. Nolan.

MS. ROHRBACH: Would the first panel that is in support of the imposition of orders please come forward and be seated? Madam Chairman, all witnesses for this panel have been sworn.

CHAIRMAN BROADBENT: Thank you, Madam Secretary.

(Pause.)

CHAIRMAN BROADBENT: I want to welcome the panel to the ITC today. You may begin when ready.

MR. PRICE: Good morning. Alan Price, counsel for Petitioners. Our first witness will be Dr. Seth Kaplan from Capital Trade.

STATEMENT OF DR. SETH KAPLAN

DR. KAPLAN: Good morning Chairman and Commission. I'd like to run through certain facts of the investigation that will hopefully help you in your decision. As a starting point, subject imports undersold domestic rebar and increased market share over the POI as shown in the staff report.

This has led to a decline in domestic profitability at a time of a growing economy, and a commoditized product. This is a very straightforward investigation and the facts are quite clear. First, I'll look at the trends over the Period of Investigation. I will compare the certain indicia to prior cases, and I will discuss threat.

First trends. Subject imports are increasing both absolutely and relatively, as a share of both domestic consumption and production. Subject imports undersell domestic rebar and are depressing prices. The financial performance of the domestic industry was suppressed in 2012, and eroded further in 2013 in the interim period. Despite the recovery, the decline in the industry occurred when subject imports significantly increased, and the industry is injured in the context of the business cycle, as these declines occurred while GDP was increasing.

Let's look at the conditions of competition briefly. As everyone has recognized, this product has been through the Commission many times, and nothing has changed.

This is not a high tech product where from one generation to the next we're seeing big changes in the production process or in the product itself.

This is the most basic commodity steel product. Your conclusions that you drew in previous investigations are valid here, and what were those conclusions? The products are highly substitutable; the products are purchased on price; and the demand for rebar is inelastic, since it's a small share of the final products it is included in, and since there are no good substitutes for rebar in those final products.

All those indicia of competition make the domestic industry vulnerable to small volumes of subject imports, and as we could see, imported rebar competes head to head with similarly-sized U.S. products. They compete on a national basis, and they compete with each other and with U.S.-produced rebar.

Nothing has in fact changed. These are the conclusions the Commission has made time and time again and th evidence supports these conclusions. Let's look at the import volumes. Imports surged into the market in 2011. In 2012, this increased. Domestic producers dropped prices to meet competition, and a cost price squeeze developed and continued into the first quarter of 2014.

Subject imports volumes increased both absolutely and relatively, in terms of both volume and value. These bars are indicative of what's going on since the information is confidential, but they reflect the information in the staff report. If you looked at share, subject imports have increased as a share of consumption, and they've increased as a share of production.

Now let's take a look at underselling. Underselling has occurred in nearly 100 percent of the price comparisons and they've increased over time. So the first test about volumes is met.

The second test about margins of underselling are met, and finally we turn to what's happened in the market, and we could see that there has been a cost price squeeze, that the cost of goods sold has increased relative to averaging of values, and the share of cost of goods sold as a share of net sales has increased.

The Commission has viewed this as indicative of injury in cases where prices are increasing. It is even more apparent in cases where prices are declining.

Let's look at the financial indicia. Operating income is down despite an increase in demand and an increase in consumption. This has occurred through the Period of Investigation and into the interim periods. Similarly, operating margins are extremely low. They're below five percent.

On its face, this makes the industry vulnerable and injured. It is falling during a period of recovery. According to a McKenzie study the steel industry would require a 16 percent average EBITDA margin to be sustainable. As we could see, the EBITDA margins are well below 16 percent by large margins.

What this suggests is that the industry would be shrinking, and if you look at the data, you could see that depreciation is greater than investment and in fact that's what's happening, despite a growing economy and a gradual rebound in construction. Let's take a look in terms of the business cycle and compared to other previous recoveries in Commission cases, and what you'll see is that the recovery in the early 2000's, in 2003, '04 and '05 led to strong growth in operating margins.

Here, not so much. Now the recession here was deeper, but the percentage increase recoveries now have been greater, as we come off the bottom, and you're not seeing that in terms of profitability. In terms of cash flow, we're seeing the exact same phenomena, which is an indication of injury and the third factor of the effects of these imports. The return on assets decline in 2013, unlike from the recovery of the last recession, and finally let's look at other statutory factors.

We see that inventories are increasing rather than declining, as sales have been stalled by the increase in subject imports and their increase in share, and their capacity utilization is at extremely low levels, making the industry vulnerable. The industry has all the capacity needed to completely supply the U.S. market at this point.

Finally, let's take a look at the indicia. Either the indicia have been falling or not increasing as much as would be expected during the recovery, in terms of every single indicia on this sheet. The financial indicia are all falling. Capacity utilization has been falling. The inventories have been rising, underselling has been increasing. There's lost sales and lost revenue. There's harm to all types of investment in the marketplace.

Let's look at prior cases briefly, and we could see that in the affirmative decisions in prior cases, that the import shares here are higher than in some prior cases, and are reaching levels as in other cases as well. The Commission voted affirmative during those cases.

Similarly, the operating margins now have different trends and are lower than in previous cases, where the Commission reached affirmative determinations. With respect to the threat of material injury, imports from Turkey and Mexico should be cumulated. They are of a similar range in size and length. They operate throughout the United States. They sell to the same customers. They're in the same markets.

They've entered every market. They've been present during the same periods. They have a geographic overlap. This is a national market of a commodity product in which they both participate.

I'll leave the last two slides for your own review. But be aware that the statutory factors for threat are met in this investigation, and that information in the marketplace suggests that there will be a continued increase of imports should the Commission not reach an affirmative determination. I'd be happy to answer questions. Thank you.

MR. PRICE: Thank you. Our first witness will be Mr. Jim Darsey of Nucor Corporation.

STATEMENT OF JIM DARSEY

MR. DARSEY: Good morning. My name is Jim Darsey, Executive Vice President of Bar Products for Nucor Corporation. For the last two years, since mid-2012, Nucor has been sounding the alarm that rising steel imports are inflicting significant damage on the domestic steel industry. Rebar is a primary example. The subject imports have surged into the U.S. market, almost doubling from 2011 to 2013, and taking significant market share away from the domestic industry.

Mexican and Turkish rebar imports continue to flow into the U.S. market in interim 2014, inflicting more damage on Nucor and other U.S. rebar producers. One reason rebar imports can rapidly enter markets with negative volume and price effects is that rebar is a fungible, commodity-like product.

Domestic and subject rebar are all made to the same standards and used for the same purposes. As a result, rebar is one of the most price sensitive products in the market, and as the Commission has heard numerous times, customers purchase based almost exclusively on price.

In addition, the U.S. rebar market is not insulated from imports. Buy America is a very small portion of the market. We charge the same price for all projects, regardless of any Buy America preference, and our customers don't say "charge me more because this is a Buy America project."

I understand that a Mexican producer, Deacero, is claiming that we do not sell to distributors. This is a bizarre claim, since the record shows that we sell to large and small distributors in facilities throughout the U.S. In fact, we compete against subject imports throughout the market, and the large majority of our sales are to unaffiliated customers.D

Imports have surged despite the relatively weak U.S. market. Neither the construction market nor the rebar industry is fully recovered from the beating we took during the 2009 recession. Construction demand remains well below 2006-2007 levels, and U.S. rebar production in 2013 was almost 20 percent below 2007 levels.

Although there have been some modest improvements over the past four years, recovery remains elusive in large part because of dumped and subsidized imports. Indeed, improvements in the market in 2012 and 2013 did not benefit the domestic industry, as even the limited sales opportunities were lost to subject imports or sold at depressed prices.

In many instances during the period, subject import prices were so low that our customers simply bought them, knowing that we were unable to lower our prices that far to be competitive. Subject imports are not needed to fill a demand vacuum. In fact, these imports are not responding to demand in the U.S. market, but are being pushed into the market by Mexican and Turkish producers who have substantial excess capacity and limited alternative markets.

The U.S. industry has been operating at under 70 percent capacity utilization throughout the period. So there is plenty of available capacity domestically to supply the U.S. market. The subject imports have forced their way here by selling at dumped and subsidized prices. In fact, starting in 2011, prices were so low that our subsidiary, Harris, a rebar distributor and fabricator, felt it had no option but to buy ever-increasing rebar imports from Mexico to remain competitive.

In mid-2012, in order to win back those sales, we have to offer our related distributor and fabricator similar pricing. Deacero then just continued to push those tons into the U.S. market by shifting them to other U.S. customers. U.S. producers face a similar dilemma when confronted with a surge of subject imports. In early 2012, the subject imports really began flowing into the market.

We first lost volume, and then we lowered our price to compete head-on with the imports. We had to do this to stay competitive and maintain our customers. As the imports keep coming, we have been forced to drop our prices even further. But subject imports keep getting cheaper and cheaper in response, devastating the pricing in our market.

Similar to OCTG, we should be doing much better in 2013, as demand has increased. This is a slowly recovering market. But we had to battle with dumped and subsidized imports to maintain production. Subject imports directly hammered our production, capacity utilization and ultimately profitability. This is injuring our company and our team mates.

With substantial volumes of dumped and subsidized imports in the market, our mills are running at very low levels of capacity utilization, and our teams are working fewer hours and taking home less pay than they were prior to the Great Recession. I urge the Commission to grant final trade relief against imports from Mexico and Turkey, which will allow Nucor, our team mates, their families and our communities to do significantly better. Thank you.

MR. PRICE: Thank you. Alan Price. Our next witness will be Mr. Joseph Alvarado.

STATEMENT OF JOSEPH ALVARADO

MR. ALVARADO: Good morning. I'm Joe Alvarado, president and CEO of Commercial Metals Company. I appreciate this opportunity to appear before you, to explain why trade relief against dumped and subsidized Mexican and Turkish rebar imports is critical to CMC and the U.S. rebar industry.

CMC is a global metals recycling, manufacturing, fabricating and trading enterprise. Our corporate headquarters are in Irving, Texas, but we operate at over 200 locations in more than 20 countries. Our global operations give us a unique perspective on conditions in the U.S. rebar market, as well as rebar markets around the world.

This afternoon, you are probably going to hear claims that the subject rebar does not compete with U.S. rebar. That is simply not true, and I would like to take this opportunity to tell you why. Rebar is a highly standardized product that is principally sold on the basis of price. Rebar from the United States, Mexico and Turkey is all interchangeable and is very much used for the same purposes and the same applications.

There's nothing about this product or the structure of the U.S. industry that insulates us or the well-being of our employees from the harm caused by these unfairly traded imports. CMC and the rest of the domestic industry compete with each other and with subject imported material for each and every sale, day-in and day-out.

Allow me to pose some questions about rebar, which

I will gladly answer. First, do our integrated fabricators and scrap recyclers insulate us from competition? No. Every CMC entity, whether a mill or a fabricator, is an independent business enterprise, whose sole objective is to operate as efficiently as possible, and to capture as much profit as it can.

We have integrated fabricators into our businesses to gain additional profit in the fabrication business, not to prop up our rebar mills. As a result, we sell rebar to our downstream fabricators at market prices. If we can match the best price available in the market, we can get the sale. If not, our fabricators, just like independent fabricators, can and do go out and buy cheaper product on the open market, including subject imports.

Purchasers, including our own affiliates, buy thousands of tons of rebar from U.S., Mexican and Turkish producers, either directly, through importers or through distributors. After all, our fabricators and distribution operations have to compete for sales just like our mills do, in the open market and on the basis of price. If we force them to buy at higher prices they lose sales, and our business suffers anyway.

Second, do our integrated scrap recyclers insulate us from competition with unfairly traded imports? CMC takes pride in being one of the largest scrap recyclers in the United

States. But again, the answer to this question is no. Our scrap processors may help to ensure some security of supply, but they do not protect us from raw material price fluctuations, or from the damage caused by unfairly traded imports.

Like rebar, scrap is an internationally-traded product that is bought and sold on the open market, with complete transparency and in competition with other producers and consumers. We sell scrap in nearly equal volumes to CMC mills and to non-CMC mills, all at market prices.

As large purchasers of scrap from the United States, Respondents should be well aware of the fact that these prices remain subject to the forces of global supply and demand.

Third, do we sell the same sizes, lengths and grades of rebar as the subject producers? Of course we do. We produce and sell rebar in all sizes, lengths and grades. This is a fact. Do we sell these sizes, lengths and grades to the same types of customers as the subject producers? Of course we do.

We sell to distributors, we sell to fabricators, we sell to customers that are both distributors and fabricators. We sell into the residential construction market, and we sell into the non-residential construction market. You may even hear this afternoon that we don't really care about our sales to distributors.

At the same time, however, you may also hear that we dominate the market for sales to distributors. Likewise, you may hear that subject imports are too short in length for sales to fabricators. Yet at the same time, you may hear that independent fabricators rely on subject imports. These arguments are contradictory and they simply are not true. There are no clean or isolated channels of distribution.

To my knowledge, using benchmark data, the domestic rebar industry is a low cost global producer of rebar. CMC is proud to be an innovator in the rebar market. We were a leader with regard to micro-mill technology and we continue to operate the newest mills with the newest technologies available.

But continuing to innovate requires continued investment, and as a public company, we have shareholders to satisfy. Our shareholders invest to earn a return. Subject imports have flooded the market in the same grades, sizes and lengths as the bulk of our sales, and they're going to the same customers and end uses.

They are sold to generate cash without regard to profitability and shareholder returns, and these practices prevent us from earning a satisfactory return on our investments. Without adequate returns, we can't reinvest and we can't keep our employees on the job.

At the end of the day, sales of rebar like other steel products are based on three things. The first is price. The second is price, and the third, as you might have guessed, is also price. Customers want the best price they can get, regardless of the source.

Nothing insulates us from unfairly-traded imports. Otherwise, how could the volume of subject rebar in the U.S. market increase so rapidly in only three years, especially when U.S. demand has improved only modestly?

CMC and the rest of the domestic industry compete with these dumped and subsidized imports in all corners of the U.S. market, in all sizes, lengths and grades, and in sales to all types of customers. Every CMC entity, from our scrap yards to our fabricators, competes in the open market, and we can compete with anyone, domestic or foreign, as long as we have a level playing field.

On behalf of CMC, its workers and their families, we urge the Commission to recognize the harm caused by dumped and subsidized rebar from Mexico and Turkey, and to reach an affirmative final determination. Thank you.

MR. PRICE: Thank you, Mr. Alvarado. I'd now like to introduce Mr. Jim Kerkvliet of Gerdau.

STATEMENT OF JIM KERKVLIET

MR. KERKVLIET: Good morning. I'm Jim Kerkvliet, Vice President of Sales and Marketing for Gerdau Long Steel North America. I appreciate this opportunity to appear before you, to explain why trade relief from Turkish and Mexican rebar imports is critical to Gerdau and the U.S. rebar industry.

Rebar is a basic steel product and is highly interchangeable, regardless of where the rebar is produced. It is mostly produced to one grade, and sold in a handful of sizes. Rebar customers have few if any special requirements. Rebar is made to such common standards that architects, engineers and contractors can use rebar from any source, domestic or foreign.

Indeed, rebar is virtually the same around the world. As a result, there are no technical barriers to entering the U.S. market. Because of this interchangeability, rebar is sold on a spot basis and price is far and away the most important factor in securing sales.

This makes the domestic industry particularly susceptible to injury from unfairly-traded imports. Unfortunately, we've seen this play out recently with the flood of dumped and subsidized imports from the subject producers. These low-priced imports have surged into the U.S. market in large volumes, taken away market share from the domestic industry, and causing injury to Gerdau and other U.S. rebar producers.

These low-priced imports have easily penetrated the U.S. market, given the highly price sensitive nature of rebar. There is nothing to insulate us from these imports. There are no market barriers to subject imports. There are no issues with lead times, as subject Turkish rebar is currently stockpiled on the docks and at distribution points ready for purchase at extremely low prices, just as Mexican rebar was prior to Commerce's preliminary determination.

Nor is freight an issue. The total freight expense from Turkey to Baltimore is often the same or less than the expense of shipping rebar from our plant in Sayreville, New Jersey to Baltimore, and rail rates from Mexico to locations throughout the U.S. market are competitive.

Furthermore, the vast majority of our sales are not covered by Buy America, which continues to be a declining portion of the market, due to fiscal constraints. Unfortunately, I see no signs that subject imports will let up without trade relief. The subject producers have growing production capacity, as well as weak home market demand.

Producers in both countries are facing difficult competitive situations in alternative markets. So they have little choice but to target the U.S. market. Subject Turkish producers continue to push growing volumes of product into the U.S. market. Mexican producers have also demonstrated a strong interest in the U.S. market, and a willingness to use aggressive pricing tactics to ship their product here.

After preliminary duties were applied on Mexican imports, however, they largely exited the market, proving that they compete on a level playing field. But these duties are the only thing keeping Mexican imports at bay.

In short, unless trade relief is granted, I have no doubt that Mexican and Turkish producers will continue to flood our market with dumped and subsidized rebar at a time of modest and uncertain demand growth in the U.S. market, heightening the injurious impact of these imports.

Rebar demand is driven by construction demand. While the construction market has recovered from the worst of the recession, it ranks well below pre-crisis levels, and full recovery expected to be slow and uneven. In fact, we estimate that construction demand will not return to pre-recession levels until 2017, and I'm not sure that rebar demand will ever recover to the prior level of over nine million tons.

Critically, given ongoing budgetary concerns and the end of stimulus spending, public sector construction is significantly under-invested, which is offsetting the modest improvements in the private sector. We supply both the private and public construction markets, and arguments to the contrary are just false.

We've been forced to battle against cheap imports each and every sale. We've had to repeatedly drop our prices just to remain competitive with the subject imports, but these imports just keep getting cheaper. It's a downward spiral that devastated market pricing. Because the import prices keep dropping, we're losing sale after sale.

As a result, subject imports took much of the modest demand growth in 2013, preventing Gerdau from improving our metal margins across all sales. You will probably hear today that imports are necessary because the domestic industry cannot supply the entire market. This is simply not true.

Gerdau and other U.S. producers have more than enough capacity to satisfy U.S. demand, as long as purchasers are willing to pay a fair price. I understand one of our customers, Frank Bergren of Metal Partners is going to appear with Deacero this afternoon. Frank is a former Gerdau employee, and we are one of his principal domestic suppliers.

Metal Partners, like many of our customers, is both a fabricator and a distributor. We have a strong relationship with Metal Partners and are ready, willing and able to supply them with all the rebar they need in the states such as Colorado and the Dakotas.

There is no availability issue. We have ample capacity. Plain and simple, it comes down to price. When Metal Partners wants us to supply them at the dumped and subsidized prices, which means losing money, we declined to meet that price. There is little need for unfairly-traded subject imports during the POI. Yet subject imports have continued to pound the market throughout 2013, and Gerdau rebar operations have suffered.

Our production, sales and financial performance have all taken a significant hit, and we've been forced to operate our facilities at far below optimal capacity utilization levels. As a result, our margins suffered. They were suppressed in 2012, and even as the market recovered, they declined substantially in 2013.

The returns on rebar sales are such that we cannot make the necessary investments at our plants. But this case is much more than about our bottom line. Our workers and their families have also suffered dearly. We have been forced to idle mills in Perth Amboy, New Jersey and Sand Springs, Oklahoma, and to operate with reduced crews at several mills including St. Paul, Minnesota and Rancho Cucamonga, California.

We've also been forced to operate with reduced crews at our Sayreville, New Jersey mill, which Commissioners Broadbent and Johanson, and a number of Commission staff, visited last year. The idling of our Perth Amboy and Sand Spring mills forced us to lay off approximately 550 employees. In February of last year, we had to lay off 31 workers at our St. Paul plant, because we didn't have enough orders. Again, due to subject imports.

We would like nothing more than to rehire these workers, restart our shut down mills and increase shifts at our mills, and we stand ready to do so. In fact, we have recently added one additional crew at our Rancho Cucamonga mill, which has benefitted directly from the Mexicans' withdrawal from the market after Commerce's preliminary determination.

There's been some confusion regarding the state of some of our facilities, particularly our Sand Springs facility. Let me just clarify that Gerdau has continued to invest the money necessary to maintain this mill, and ensure that it is ready to resume production as soon as market conditions allow. But for this to happen, Gerdau, not subject imports, must capture the benefit of any improving demand.

Granting trade relief will not create construction demand. However, it will allow American workers to benefit as demand recovers. I truly believe the fate of our workers and their families is tied directly to this case, and to your injury determination. For the sake of Gerdau and its workers, we urge you to grant trade relief against unfairly-traded imports from Turkey and Mexico. Thank you.

MR. PRICE: Thank you, now I would like to introduce Mr. Leo Gerard of the United Steel Workers.

STATEMENT OF LEO GERARD

MR. GERARD: Thank you very much Madam Chairman, members of the Commission. Thank you for giving me the opportunity to appear in front of you again today. My name is Leo Gerard and I m the President of the United Steelworkers Union. The U.S. rebar industry is very important to our union. We represent workers in much of the industry.

And I wanted to take a moment to introduce our guest but Senator Klobuchar did that but you will recognize them as they stand because they are the three wearing steelworker sweaters. They re here on behalf of the members of the industry as well as their own members.

Dumped and subsidized rebar from these countries Turkey and Mexico asserted into the U.S. market at an alarming rate, increasing by more than 90 percent from 2011 to 2013. By systematically undercutting U.S. price at every turn, these imports have doubled their share of the U.S. market in a few short years and now represent a substantial portion of our market.

In fact, as part of our submission we are submitting three pictures of subsidized and dumped rebar on the docks of St. Paul, Minnesota, ready for purchase and ready to take sales from Gerdau s facility which is only a stone s throw away. This is also the same facility in which our three members are here representing today and they have traveled from St. Paul, Minnesota. These imports stand ready to take our jobs away.

Foreign producers have had the gall to claim that U.S. demand is exploding and these imports are needed to meet the rising demand. This is almost laughable if not an insult. How can they say this with a straight face when hundreds of our rebar workers have lost their jobs due to these import surges, would like nothing more than to return to work. And where is all this blooming U.S. demand coming from? Domestic producers and workers that should be benefiting from this so-called demand surge are certainly not seeing it.

The reality is that these imports are not needed. With the industry operating at less than 70 percent, domestic producers have more than enough capacity to meet supply in the entire market. Rather than responding to market forces, Turkish and Mexican rebar producers force their way into the United States by selling at dumped and subsidized prices devastating the domestic industry in this process.

The U.S. rebar industry is desperately seeking to get itself back on its feet after one of the worst recessions in our history. Despite a modest recovery in demand since this collapse the industry has been prevented from realizing much of the benefits due to the onslaught of imports from Turkey and Mexico.

As a result of this unfair trade, U.S. prices have crashed, profits have declined and the industry is now operating at dismal capacity levels in the range of 66 percent. Let me just say that I find it terrible that I come here, hearing after hearing and one of the things we have to prove to you is the level of injury and the level of injury always results in workers losing their jobs, plants being closed, or workers losing hours at work and working on reduced hours and many times we hear from the people that I m sitting here with the technical results of this unfair trade, but the three behind me are representing the thousands of workers who are seeing the real results of unfair trade when they lose their standard of living, lose their ability to have a job, lose their ability to take home decent wages to take care of their family.

So I m here because of the increased volumes and unfairly traded Mexican and Turkish rebar that have taken a devastating toll on the industry, its workers and their families. This harm is unacceptable and must be dealt with with the strongest terms possible. The fact that U.S. producers have to idle plants, cut employees, and cannot fully employ their current work force during a period of so-called modest capacity increasing.

U.S. demand makes the unfair trade practices of Turkish and Mexican producers all the more appalling. Make no mistake, Turkish and Mexican imports are ruthless. Without trade relief there will be nothing to stop them from flooding our market even more, taking more of the market share, taking our sales, and killing more of the worker s jobs.

Thousands of steel workers, including those that are here representing their colleagues today are depending on this Commission to make the right decision. In this case please do not allow unfairly traded imports to continue injuring the workers, their families and the industry and please vote in the affirmative, thank you.

And as I ve said it s painful to show up here hearing after hearing and have to prove to you continuously that workers are losing their jobs as results of these unfair trade practices and I really hope you will make the right decision in this case for the industry s sake and their sake.

MR. PRICE: Thank you Mr. Gerard, I would now like to introduce Mr. Burke Byer of Byer Steel.

STATEMENT OF BURKE BYER

MR. BYER: Good morning. I m Burke Byer, President and CEO of Byer Steel. Byer Steel is a family owned and operated business that manufactures 100 percent recycled material. The company has been in my family for over four generations. We are a hundred years old and I m extremely proud of our accomplishments. We are located in Cincinnati, Ohio with an employee base of 85 co-workers, down from 180 co-workers from not very long ago.

I appeared before the Commission at a Staff Conference last year and I m here today because of the impact of unfairly traded imports on my business. As I explained them, Byer Steel is a small company, much smaller than the other companies here this morning.

Rebar is the only product that we manufacture and we are not able to produce other products on our equipment. As a result, if we are not able to properly produce rebar, I would be forced to shut the business down. Like everyone else, we were hit hard by the recession of 09 and have struggled to regain our footing. Our operations have been hurt by weak construction banned which has only recently begun a shaky recovery, but even more so, by dumped and subsidized rebar imports from Turkey and Mexico.

The volume from the subject imports really exploded in 2012. Because of the Commerce preliminary orders, Mexican volume has recently tapered off, particularly due to the DOC s preliminary findings. We have seen some volume increase and some price increase. We would foresee even more benefit with the final order in place.

Unfortunately given our market position, Byer Steel is at the mercy of low-priced imports from Turkey and Mexico. Our market is easily penetrable in fact subject imports come right up the Mississippi River by the boatload. Before Commerce s preliminary determination, Mexican product was flooding the Midwest via rail.

We have nowhere to hide from these imports and are being forced to match their prices dollar for dollar. If we don t match import prices, we don t get the sale, pure and simple.

But when we drop our prices, import prices just go down even further. While demand looks to be ticking up again, subject imports limit our ability to gain any benefit. A distributor recently told me that if I tried to raise prices, they would bring in Turkish bar up to Ohio, and to my front door at prices no higher than the cost of my production.

It s a scary position for us. Even when the market seems to be improving a little bit, and this won t last forever, we either cut prices back even further to unsustainable levels or cut production, either way our margins and our workers suffer and that is exactly what has happened with devastating consequence from Byer Steel and our family.

Our pricing has dropped, our sales have declined and our profit margins have all disappeared. Right now we should easily be running two shifts, but imports are keeping margins too low and sales volumes too unpredictable. 2012 was a bad year for us in terms of profitability due to cheap subject imports. A couple of years ago I joined the Independent Steel Alliance or ISA because I thought it would help me access more customer. But as a founding member, I can say that it has no effect on the market.

In fact, in two years I haven t been able to supply one single ton of rebar to any ISA member because they just want the cheapest product, and right now that s the subject imports. Where we sit in the heartland of the country, I find it s an amazing problem where we cannot be competitive on a commodity product sixty miles down the road, competing against a manufacturer that s raw materials and finished product has to travel over 12,000 miles.

Current market conditions are simply not sustainable for my company. To state it more bluntly, unless trade orders are imposed, I may well be out of business in the very near future. Without trade relief, subject imports will be put to additional downward price pressure on the U.S. markets, forcing us to drop our prices further and cut production. This will result in further reductions in our profitability. In short, if subject imports are allowed to continue to hammer our market, it would likely be no longer economically feasible for us to produce rebar profitably.

I would have no choice but to close our rebar facilities and lay-off our mill, service center and fabrication co-workers. Our hundred year old family business would come to an abrupt end. So on behalf of my family, my co-workers, I ask that you grant this trade relief to the domestic rebar industry. Thank you.

MR. PRICE. Thank you. I would now like to introduce Mr. Jim Melvin of Re-Steel.

STATEMENT OF JIM MELVIN

MR. MELVIN: Good morning, my name is Jim Melvin, President of Re-Steel Supply Company, one of the largest, if not the largest distributor and independent fabricators of steel reinforcing bar in the United States. Re-Steel is based in the Philadelphia area and we supply fabricated rebar jobs in the Northeast United States from Virginia to Massachusetts. My father started the business in 1973 and my family has been running it since then.

Over the past several years a surge of low-priced rebar imports from the subject countries has saturated the market. The surge was especially pronounced in 2012 and has not let up. These dumped and subsidized imports are having a profound effect on the market and on our business. We generally do not purchase imports we have developed long-standing relationships with a number of domestic suppliers.

These relationships are important to our business and I don t want to source overseas if I can help it. However this is beginning to change as many of our competitors have moved from domestic sourcing to much cheaper foreign sourcing. In fact we are one of the few distributors and fabricators left that do not purchase imports. If our competitors find a cheap foreign product, it means that the imports are quickly penetrating the market and that we have to compete with dumped subsidized pricing.

Cheap imports are driving domestic prices down and compressing margins on all sides for both our fab and distribution operations. I would like to emphasize a few points about competition in the U.S. rebar market.

First the domestic industry supplies independent fabricators and distributors. Domestic producers will sell rebar to customers, independent or affiliated as long as the customer is willing to pay a fair price.

Second, if subject producers supply fabricators in the United States, subject rebar may pass through a distributor but directly or indirectly the U.S. fabricators are buying the fabricating of such imports.

Third, any claim that there are different markets for different lengths and sizes or rebar is just wrong. The domestic producers make and sell numbers three, four, five and six rebar just like the subject producers.

Fourth, there is no separate market for 20, 40 or 60 foot rebar. It is simply a matter of convenience in terms of the rebar length I buy. If the price is right, I would certainly buy 30 foot instead of the 60 foot bar.

Finally, domestic producers sell rebar for light and residential construction, just like the subject producers do. Subject imports are causing a blood bath, we are having to battle imports for each and every sale and we are losing more and more opportunities.

For the sake of my company and its workers, I urge you to grant trade relief from the Turkish and Mexican imports. Thank you.

MR. PRICE: Thank you. I would now like to introduce Mr. Robert Webb of Southwestern Suppliers.

STATEMENT OF ROBERT WEBB

MR. WEBB: Good morning. I m Rob Webb, President of Southwestern Suppliers. Southwestern is a distributor of construction products, including reinforcing bar as well as an independent rebar fabricator. We are based in Tampa, and service the state of Florida and a little beyond. The company was founded 55 years ago. I m the third generation of our family in this business and we continue to be family-owned and operated.

Ours is an extremely competitive business. Rebar is a simple commodity-like product and it is sold mostly in a couple of grades in a few standard sizes. Our customers demand the best price and generally don t care where the product comes from as domestic and foreign rebar is virtually indistinguishable.

Rebar is the most price sensitive product we sell and as a result we have to purchase it at the best pricing to remain competitive. In recent years our business has become even more challenging due to low priced imports. In the past two to three years we have seen the market inundated with extremely cheap foreign rebar. Mountains of subject Turkish rebar have been stacked on the docks in Tampa and other ports in Southern Florida for several years.

It s staged and ready for purchase at cut throat prices with no lead time. The flood of Turkish product has been relentless into the Florida market. These imports are wreaking havoc on the rebar market, especially in Florida. They have forced domestic prices down considerably and as domestic producers eventually lower prices to compete with imports, the importers simply cut prices even further.

The domestic producers just cannot keep pace with the downward pricing spiral. The different in price between domestic and subject rebar has reached 50 even 60 dollars per ton, the disparity that simply cannot be overlooked by the end user. Given the overwhelming availability of cheap imports, more and more of my competitors have made the decision to exclusively, or at least primarily source from foreign suppliers.

It used to be that only a few distributors sold Turkish rebar, now it s though the Turkish producers have developed their own downstream networks that they use to aggressively feed material directly to the market. And let me re-emphasize, distributors sell to fabricators also and any argument that they don t is just false. In spite of our best efforts, Southwestern has been forced to buy imported rebar more recently as we cannot expect to charge our customers substantially more than our competitors charge.

So we either purchase the subject import rebar at the lower prices or we press the domestic suppliers to meet those prices, we have no other choice. We do realize the domestic suppliers can only come down so far in their pricing, so the volume just goes to the subject imports. In many cases the subject import price is so low we are forced to buy that material because we know that the domestic industry simply cannot match that price.

On some of the tonnage we buy, our primary domestic rebar supplier has given us a foreign-fighter discount. This is a steep discount from our normal transactional pricing, specifically designed to help us combat low priced import rebar. But even these steep discounts are no longer enough. They can reduce the price disparity somewhat, but they can no longer eliminate it. It will take a long time for the existing stockpiles of imported rebar to work their way through the distribution channels and eventually end up buried in concrete, all the while negatively and severely impacting my ability to continue to purchase rebar from domestic producers. Thank you.

MR. PRICE. Our final witness is Mr. Chris Crowe of Magnolia Steel.

STATEMENT OF CHRIS CROWE

MR. CROWE: Good morning. My name is Chris Crowe I am the President of Magnolia Steel Company. Magnolia is based in Meridian, Mississippi and it serves customers throughout the southeast and beyond. We are one of the largest independent steel fabricators in the southeast United States and fabricate reinforcing steel for concrete construction of bridges, roads and buildings.

My father started the business more than 50 years ago and I m happy to say it continues to be a family owned and operated business. We have a good, long-standing relationship with a number of domestic rebar producers and we purchase almost exclusively from domestic suppliers but unfortunately that time is changing. Low-priced and subject imports are flooding the market driving prices down and forcing us to consider purchasing from subject import sources.

The material is sitting on the docks or in distributor warehouses for immediate purchase at prices that are far lower than domestic rebar. You simply need to drive your truck down to the docks or distribution locations and load up as many tons as you want. I have to purchase the lowest price product to remain competitive with other fabricators who are purchasing these cheap subject imports. I simply cannot compete right now if I don t purchase these imports myself.

In fact my margins have gotten smaller and smaller and now are virtually non-existent. In previous years I have had some success in getting my domestic suppliers to lower their prices but I think we are at the end of this as the domestic producers have a limit of how low they can go and still maintain a viable business.

Unless things change I will have no choice but to buy imports just to maintain our customer base. Let me be clear, this is purely a matter of price. Our domestic suppliers have always been able to meet our supply needs. We have never had to purchase a single ton of imports because domestic rebar was not available and that is still true today.

But we simply cannot compete without the fabricators and distributors who buy dumped and subsidized rebar. The subject imports are having a tangible, negative impact on the market. Subject imports are driving prices down and taking the market down as well. That s bad news if you are trying to maintain margins, let alone increase them. As demand recovered in 2013, we should be able to raise prices but unfortunately the cheap imports are keeping us from doing so.

The construction market is still far from where it was prior to the Great Recession but we have seen some improvements and modest growth in rebar demand as a result. When demand goes up, we should see prices follow suit, instead we have seen the opposite as subject imports keep getting cheaper, dragging domestic prices down with them. This is bad for our business and bad for operating with about 40 fewer employees than we need, but we can t afford to hire more as long as our prices and our margins remain depressed.

We are down from 150 or so workers prior to the Great Recession to 108 currently. I would love to re-hire these workers that we had to let go, but I can t because we simply don t have the margins right now. In fact I m worried about losing additional employees if the subject imports keep coming and prices don t recover. Thank you.

MR. PRICE: And that concludes the Petitioner s direct presentation. We will now reserve the rest of our time for rebuttal.

CHAIRMAN BROADBENT: Good, thank you very much. I want to thank all of the witnesses for coming today and for taking time away from your work and your businesses. Several of us were lucky enough as it was mentioned to visit the Gerdau facility in New Jersey there and we appreciated the tour and learned a lot.

This morning I think we will begin our questions with Commissioner Kieff.

COMMISSIONER KIEFF: Thank you Madam Chairman. I join the Chair in thanking the witnesses and although I personally wasn t able to make it on the rebar trip, I have enjoyed visiting steel plants in the past with my colleagues. The Commission greatly appreciates people as well as the technology, both are so interesting. It s especially helpful to us to have such a thorough presentation from so many sectors of the domestic and foreign economy and so we especially appreciate the federal and state officials as well as the foreign officials who were able to come and present and we also make a special note to appreciate not only the business and management perspective but the labor perspective as well. These are all very helpful.

For me, if I could just dive in with a question to try to tell you this morning, as well as the other panel who will be coming, what at least for me or some of the trickiest parts of the case, if you will, in the interest of just moving us directly into resolving them, if you can explain to me why this morning they are really not part of the case or not outcome determinative, then in a sense the trick may be interesting for an intellectual debate, but not interesting for the outcome of the case.

So the first piece that I m wrestling with is as I think about the Mexican imports it s wonderful to hear from the embassy staff how exciting things are in the economy in Mexico and how wonderful they will be growing, that s great for Mexico. It s also of course great for Mexico s neighbors and trading partners, including the United States, but I think that s not the focal point of your case this morning.

Your case this morning, if I understand it is that no matter how good things are in Mexico, there was still a lot of imports from Mexico and Commerce is telling us they are coming in at underselling and there are margins and so the piece then that I m wrestling with is why have, why has the market share not increased. In other words, Mexican imports seem to be coming in, your theory of the case is that they are coming in and they are coming in at lower than fair value prices, but you are also telling me that this is an inelastic demand product and a totally fungible product. My general sense is if people demand a lot of something and prices are lower they ought to be gobbling it up at increasing rates.

Why is that not happening? Why is Mexican market share relatively stable?

MR. ALVARADO: Joe Alvarado, Commercial Metals Company. In examining the data, all subject imports have contributed to significantly growing market shares approaching 20 percent in the most recent reporting period this year. So there s been a steady improvement in the market share being captured by imported product so I guess I m a little confused as to why you are questioning why it is not increasing, it is.

COMMISSIONER KIEFF: Well look, if I ve got the facts wrong, I mean I m not.

MR. PRICE: Commissioner Kieff let me - the way you are approaching it is a bit of a lawyer s question and let me approach it this way.

COMMISSIONER KIEFF: Sure.

MR. PRICE: The statutory directs you to cumulate the subject imports, the Petitioners were filed you know on the same day, meets all the statutory factors, so the requirement is to cumulate the subject imports here for injury purposes. The industry has been injured, so it is a cumulative assessment of the imports. In fact the Mexican imports in volume are up and the Mexican imports have a substantial share of the market, but the cumulative imports are a substantial and growing share of the marketplace.

COMMISSIONER KIEFF: Okay. But then that floats us up against the Turkey argument which I take it, it is that in effect yes you ve got Turkish products coming in but the underlying margin is so small. Is this one of these legal logic games where each side is boot-strapping the other? In other words, is the volume from Mexico essential to, sorry -- the volume from Turkey essential to the case against Mexico and the price from Mexico essential to the case against Turkey?

MR. PRICE: I think the statute requires you to cumulatively assess the volume and impact of -- volume price and impact of the subject imports. And in this case when you look at those, the imports have had a significant effect.

In regard to -- and I'll let Mr. Kaplan answer in a minute, but in regard to the margin of subsidization, actually, it's interesting because the statute does not direct you to look at the margin of subsidization. You're committed to look at the margins of dumping, but as the subsidy code was agreed to there was, in fact, no requirements. Subsidies are particularly harmful and distortive.

And the fact that subsidized imports are in the market has a negative effect and improves their competitiveness in the marketplace and harms domestic industry competitiveness and contributes to the overall injury in the marketplace. And you're supposed to look at them on a combined and cumulative basis.

COMMISSIONER KIEFF: So, just to make sure I'm hearing what you're saying, you're telling, and we'll just invite the economist to see if there's a specific logic puzzle here. But just to respond to make sure I'm hearing you, and to ask you this question for the post-hearing and ask your colleagues on the other panel maybe if they can address this as well.

It seems like you're telling me that we have to look at everything together, and that we certainly should not get our eye off the ball if there is a low -- happens to be a low margin. In other words, that we shouldn't, in a sense, consider that as evidence of less harm, for example. That would be a red herring.

And I take that point, and I think that's a great point. The law tells us, in fact, not to get distracted by that. But one of the things we've started to see in some of our cases is an argument that either an extremely large or an extremely small margin can be evidence that there's something special happening in the conditions of competition.

And so, if somebody wants to tell us that that is the case, they just need to be precise about that. In other words, present a low margin and end their case. They would need to present the low margin then explain why that is some direct way evidence of something special about the conditions of competition.

And you, so far this morning, have presented a number of witnesses that have told us the opposite with very detailed evidence. So, I think the only added evidence that might specifically help us on that question would be if any of the witnesses in the post-hearing could just remind us, point to us of customers of yours who have, in fact, switched because of price because then that is a pretty firm nail in a coffin for that argument.

But let me just, if I could, turn to Mr. Kaplan to see if we're missing anything else because I think -- I'm pretty sure I'm following what you're saying. Mr. Kaplan, can you fill some gaps?

MR. KAPLAN: Yeah, I hope to. I think there are two margins that are at issue, and I could speak to both. And some of it has to do with what the Commission and the Commissioners' interpretation of the statute is. And if you could give me the guidance, I could do the economics on the right kind of factual and I would be happy to discuss with you what those possibilities are as well.

But I think what's important to note here is that the underselling margin is significant and increasing from both countries. So, in terms of the effect of the subject imports on the market, they're coming at lower prices and they are gaining share.

I'd like to point you to the staff report, or for later purposes, that the significant decline in profitability was from 2012 to 2013. And I would take a look at the Mexican market share during that year. And while it did not explode, it did increase, along with the Turkish market share. So, both individually and together, the market share increased. The margin of underselling was increasing, and the profitability declined.

So, in terms of a causal empiricism, you see something there. But I think from the technical aspects of the fact that the products are so substitutable, the demand is inelastic from an economic perspective, a more synthetic perspective. And on the economic side, the things you're worried about are explained by the data.

COMMISSIONER KIEFF: And I'm also worried about our red light. I'll just do this later, if we need to.

I'll just confess one last question that's on my mind, given what you've said, and again, I really welcome post-hearing as well. But just in the interest of tying all of these together because I think you can see how they all link. The last question would then be to explain in the post-hearing why the effects you've just described -- or how the effects you've just described relate, if at all, to the price leadership evidence at page V-8 of the staff report, which points mostly to Nucor as a price leader rather than to the imports as price leader. That may also be a red herring, but just please explain why that's the case so that everything's wrapped up tightly.

Thank you very much, Madame Chairman.

CHAIRMAN BROADBENT: Okay. Commissioner Schmidtlein. I'd like to urge Commissioners to stay with our timeline if we can. Thank you so much.

COMMISSIONER SCHMIDTLEIN: All right. Thank you very much.

So, I understand there's been a lot of rebar cases. Of course, this is my first one, so you'll bear with me if some of these questions might seem fundamental.

I'd like to also thank all the witnesses for appearing here today.

So, I wanted to start with more of a bigger picture question having to do with the level of demand. And several witnesses this morning have characterized the level of demand in this market as modest or moderate. And data shows that demand increased over the POI by over 18 percent. And so I was wondering either Mr. Kaplan maybe you would be the best person to speak to this. Why should we consider that level of increase to be modest? And if you could also then, and this might be better for one of the factual witnesses, respond to the Mexican respondents contention that more recently demand is -- and I think the phrases "crazy right now," "absolute wildfire," and if you agree with those characterizations and whether or not the U.S. producers are able to keep up with current levels of demand.

MR. KAPLAN: I think some historical perspective would be useful. The level of total demand is at extremely depressed levels due to the great recession. And typically, what you see coming out of a great recession is explosive increases in demand in percentage terms as you kind of catch up to previous levels. So, we are millions and millions of tons below, literally, below the peak levels that we saw before the great recession. And you'd expect to see a rapid increase.

So, while the percentage increase alone might appear to be significant, it is actually a very slow adjustment to get back to previous levels. So, it has been relatively slow and bumpy put into context.

To see that, you could look at the capacity utilization levels. I showed in this case compared to the last case we're 15 or 20 percent below old capacity utilization levels, which gives you some idea of how far the industry sank. And that's why the industry is so vulnerable and these imports are particularly injurious because during these recoveries you should be seeing quick rebounds of significant volumes with capacity utilization rates this low.

Instead, what you're seeing is a moderate increase in demand relative to the level, and a very significant portion of the demand being captured by subject imports due to underselling. So, given what this industry suffered from the demand decline, now is where they should be making hay. And instead, all or most of the increase in demand has been captured by imports due to lower prices that are in your staff report. So, I hope that context helps.

COMMISSIONER SCHMIDTLEIN: It does.

MR. GERARD: If I could just put that into human perspective. Dr. Kaplan makes the point very well technically. From the point of view of representing workers, none of our facilities are hiring at the kind of rate that you would think about in a growing economy and a growing demand. And in fact, unfortunately for us, almost all of the facilities we're privileged to represent the workers are either on reduced hours or layoffs, and so that reinforces from a human perspective what Dr. Kaplan just said.

COMMISSIONER SCHMIDTLEIN: And can I just follow up on that answer? I guess my question would be in response to that is but wasn't the pre-recession levels a bubble. I mean I thought this type of product is driven by construction, and there was a historic housing bubble before the recession and many people think we'll never get back to that level because that was artificial, at least in the construction industry, which is driving this.

MR. KAPLAN: Well, it's an interesting question. What we'll do is provide a long time series of what production and capacity was. And I think most people consider the frothiness, as it were, maybe right at the top of the bubble. But in fact, demand is below levels from periods before that.

So, we'll provide the evidence that you're interested in.

It wasn't as if it was we're nearing what is a normal level from some unsustainable peak. We're well below what we should be in a whole series of different time periods. And in particular, the harm comes from the inability of the domestic producers, which you would expect, and which most economic models show that the share should be more domestic than imports as you come out of it.

I think the point was made earlier, but I want to emphasize this again. The Turkish scrap comes from the United States. It's going from the United States, from the Midwest on a barge down to New Orleans over to Turkey. They're then making rebar. They're taking the rebar, putting it on the boats, sending it back to the United States, taking it off the ship, putting it up a barge, sending it up the Mississippi, and it's winding up 60 miles from Mr. Bergren's facility at lower prices.

I'd just like you to consider that, given the fact that Turkish energy costs it's my understanding are higher than they are in the United States, and that's the prime input, other than scrap into making the product. It doesn't seem to make a lot of economic sense, and it's clearly causing major problems to the whole industry, and large and small producers alike.

MR. BYER: Burke Byer from Byer Steel. If I could just comment? It actually ties with Mr. Kieff too. The acid test, if you will, is something that we talk about to follow up exactly what he's saying is where I sit in Cincinnati is a perfect example, a micro example of what's going on.

We own a scrap recycling company in Cincinnati on the same facility that our steel mill is, and we source that raw material scrap for that division within about a 30-mile radius of our facility. You cannot reach out further for such a low-cost scrap commodity to make rebar.

We load it onto a train, ship that to Baltimore, which is a very long way to haul a low-grade scrap commodity, as you might understand. And then it is transloaded from a train to a ship. So, there's anywhere between those two moves that's about a $45 or $50 move. Then that ship crosses the Atlantic to Turkey. That's about $30. And then it goes into a steel mill, which is to Seth's point, one of the major inputs is electricity, which is anywhere from two to three times as much as what it costs in the United States. Then reloaded to a ship, shipped back across the Atlantic to New Orleans. That's about another $30. And then transloaded to a barge, which is about $5 to $10, and then shipped all the way up the Mississippi, which picks up about another $25 or $30. And then transloaded to a dock, which is about nine more dollars, and that dock is 9 miles from my front door.

And just to go 9 miles you can't cut it any other way. It costs at least $15 a ton to go by truck. That's the last mile, as they talk about. And I can buy Turkish rebar delivered to my door below my production costs today. So, to Mr. Kieff and to your point, it just doesn't quite pass the acid test.

COMMISSIONER SCHMIDTLEIN: Mr. Darsey?

MR. DARSEY: Yes, Jim Darsey with Nucor Corporation. And I'd like to address a couple of points you made, Commissioner.

First, I'd like to say that there is no need for a single ton of rebar imports into this country. Our industry is operating at 66 percent utilization rate. We have a lot of capacity. And if there's anyone in this country that needs rebar, I'd be glad to give them my phone number because they need to give a phone call. I'd be glad to furnish it to them.

You're going to hear a lot of hype about these different channels to market. And there's a lot of attempts being made to put a smoke screen around this, but please understand that the subject countries, Mexico and Turkey, have dumped and continue to dump into this country, and they continue to ship subsidized rebar into this country at decreasing prices.

And all the rebar producers sell our product at market prices. And the subject countries have come in and lowered the market price in our country by selling dumped and subsidized rebar into the market.

MR. KERKVLIET: Commissioner, just three quick numbers to build on top of your number of 18 percent.

So, if you think that the market has come back from the recession at the bottom of 2009 since then it has come back roughly 18 percent. But if you look at the import numbers, the import numbers are up roughly 228 percent. So, any gain that has been happening in the market from a demand standpoint has been at the benefit of the unfairly traded imports that are coming in from Turkey and Mexico versus the domestic industry, which then leads to the last number, which is the same number that Jim had just mentioned about the domestic industry is operating at 66 percent capacity utilization.

COMMISSIONER SCHMIDTLEIN: All right. Thank you. I see that my time is up.

CHAIRMAN BROADBENT: Yes. This would be along those lines, though, Mr. Kaplan. I think we noted that during the recession that trade fell more quickly than other economic indicators, and then it recovered more quickly.

Do you agree with this characterization as it applies to the rebar market, and do you think that trade recovery from a low base could explain the growth that we see in the subject and non-subject imports?

MR. KAPLAN: I think that's best looked at in the context of the capacity utilization of the industry. Typically, when economic models are done, you look at -- and when foreign supply curves are formulated, you look at demand and supply conditions in the home country because they're considered to have an advantage because of just the type of transportation cost issues that arise here.

So, with facilities within trucking distance of the customers you'd expect to see the U.S. industry to pick up share first since their costs are not going to be rising at such low levels of capacity utilization. As capacity utilization would reach higher levels and their costs might increase, then imports should be able to supply the market. But now what you're seeing is very low levels of capacity utilization and instead of at low cost levels and at the flat portion of the supply curve the domestic industry should be able to increase quantities. Instead, you're seeing the imports increase quantities through underselling.

So, I think that you should see a rebound of both. You should see more of a rebound in domestic production in terms of quantity. And instead, what you've seen is an 18 percent increase in domestic demand and as said, a 200 percent increase in imports, and it doesn't make economic sense unless you're looking at imports that are very low priced because their need in the market isn't required, given the excess capacity and the extra transportation costs it takes to bring those imports to the United States.

I hope that helps answer your question.

CHAIRMAN BROADBENT: I'd like to turn to the role of the related producers in this market and try to get a handle on what's going on there.

As we've said, the three big guys, the three U.S. producers have related purchasers. How does this affect the purchase patterns of the independent purchasers that must compete in this market where we have so many close connections between the fabricators and the distributors?

MR. DARSEY: Jim Darsey with Nucor. I could tell you Nucor has related purchases on the downstream. And I'll also tell you that we sell a significant portion, greater than 50 percent of what we produce to independent fabricators and distributors. And we sell to related, independent, and distributors at market prices because unless the fabricators and distributors are competitive they don't get any business. And the market price in rebar, it being a commodity like, high fungible product, migrates to the lowest level and that level in our country today has been set by dumped and subsidized imports from Mexico and Turkey.

CHAIRMAN BROADBENT: Yeah, Mr. Kaplan?

MR. KAPLAN: We'd be happy, and we will provide in a post hearing brief the prices that these producers sell to their related and unrelated customers of the same size. And I think that will -- that data will close out this line of inquiry very, very quickly.

CHAIRMAN BROADBENT: What do you mean by of the same size?

MR. KAPLAN: That generally people get volume discounts in almost anything. So if you look at large independent distributors, and you look at large related distributors, we will send you data and then you can compare the prices. And your question of, is someone getting a better price because they're related, is there some kind of -- somebody that is being favored that seemed to underlie your question which is a great question. I think we could answer that question in a way one look at one chart would say, my question has been answered, this is not a problem.

MR. PRICE: Real quickly. Your question requires that related party transactions on the outbound side be reported at market value. By the way, on the inbound side, on the cost side, you actually prevent us from reporting at market value and so all of that sort of self dealing, you know, argument on the inbound side of scrap just simply fades away because we actually have to revalue up the value of scrap purchases to market value. There's not a lot of revalue up in that, just to let you know, it's minimal or very, very, very small. I can't disclose what that was, but it was very, very small. And there was no change in practice, for example, and years ago we showed this and argued this when Nucor, for example, acquired DJJ at scrap operation. They're paying the same price and one day we had to suddenly just change that formulation because they pay market price to their own folks. When they sell rebar out to the market, the industry charges market prices and we will show you that in fact they have unaffiliated customers who are getting the same pricing as the affiliates are. The Commission has verified our data, we're happy to show it to you in chart format on an individual customer basis.

MR. BYER: Burke Byer, Byer Steel. I can attest because I being on the smaller end of things, I buy from these other companies. And where we sit, we are about 100 miles south of a Nucor rebar mill and we're about 150 miles north of a Gerdau Rebar mill and we will buy from Harris Rebar who is a distribution company owned by Nucor. And they will ship us material from other independent rebar mills, Sterling Steel or -- .

And likewise, if we have a project, say in Columbus, because I have a relationship there, I will buy from a Nucor mill in just north of Columbus and have their product shipped into the project because an enormous part of this product life cycle is logistics. So it's all interchangeable and fungible. And the distributors are also fabricators which is interchangeable there.

CHAIRMAN BROADBENT: So, Mr. Byer, your view is that the related purchasers aren't growing at the expense of the independent purchasers?

MR. BYER: Sorry, can you repeat the question?

CHAIRMAN BROADBENT: Are related purchasers growing at the expense of the independent purchasers?

MR. BYER: Oh, absolutely not. Because we are an independent purchaser and the distribution and fabrication be it either integrated, large independent or small all fit their niches and values and they're all doing what they can for their different parts of the market. So, it is not at the loss of the independents.

CHAIRMAN BROADBENT: Mr. Kaplan?

MR. KAPLAN: The steel mills occasionally either create or purchase downstream fabrication companies. But the reason they do that is to enter the fabrication business and make profits on that. Economic theory states that if the upstream market and the downstream market are both competitive and clearly the steel rebar market is competitive and clearly the fabrication market is competitive, there's no advantage to and no ability to try to favor your own downstream customers. That could only happen if there's some kind of an oligopolistic or noncompetitive markets on either the downstream or upstream side. And economic theory tells you that and it's very well settled.

If fabrication and distribution and steelmaking are competitive, and they are, everything on the merger side has been looked at by the Justice Department and blessed, then there's no advantage to doing that anyway. But it might be the case that a steel company decides to get downstream facilities to enter, you know, and try to participate in the profits of fabrication. So you would see share over time changing a bit. But there's no advantage.

MR. ALVARADO: Chairman, Joe Alvarado from Commercial Metals. It's important to add that since the recession, most of the large -- the big three have contracted in their fabrication business. Ours is no different, to become more efficient, to become more cost effective and more competitive. And there hasn't really been, to my knowledge, any expansion by any of the three larger producers into more fabrication.

CHAIRMAN BROADBENT: Thank you very much. Vice Chairman Pinkert?

VICE CHAIRMAN PINKERT: Thank you, Madam Chairman. And I join my colleagues in thanking all of you for being here today.

I want to begin with a suggestion that was made by Respondent in their opening statement. The suggestion was that the fact that we have purchasers on this panel suggests that there's a preference for domestic production in the marketplace. And I'd be interested in hearing what you have to say about that, not just the purchasers, but anybody else on the panel.

MR. DARSEY: Jim Darsey with Nucor. I would disagree with that and I'll tell you the rebar is a commodity-like product and is highly fungible and is sold on three things -- and it's been stated here a couple of times -- it's price, it's price, and it's price.

VICE CHAIRMAN PINKERT: Is that location, location, location?

MR. DARSEY: No. No, sir, it's --

(Laughter.)

MR. DARSEY: No, sir, it's not. It's those three things. It's price, it's price, it's price. And I think that's clear in the data that's been submitted that, you know, we've talked about the market and demand has grown some 20 percent, but dumped and subsidized imports have captured nearly 80 percent of that growth. And the data clearly shows that the market price in the U.S. has come down. And it's those dumped and subsidized imports that have driven that price down and caused harm and injury to the domestic rebar industry.

MR. WEBB: Rob Webb, Southwestern Suppliers. I just wanted to comment that I have been forced to purchase imported rebar, the subject imported rebar purely because of the price. I have not had any inability to get the material that I need from the domestic suppliers. I don't have much preference, if ever, from a customer as to where the material comes from. It's always a matter of price and logistics are a big part of that. So it's like they've all said, it's always price.

MR. ALVARADO: This is Joe Alvarado. I guess I would add from an end-user perspective, and that's what we should be talking about, in the end whether it goes through a fabricator or distributor into an application, it's all about what it costs to get that material and to include it and bury it in concrete. And there's no differentiation for a product that goes into concrete, it's the lowest quality or commodity-like standards. So ultimately it is a decision that's driven by price as Jim has noted.

MR. KERKVLIET: This is Jim Kerkvliet from Gerdau. You know, in listening to the testimony from the independent fabricators, what I took from their testimony is not that they're worried about the domestic producers, they're worried, if you go back and think about their testimony, they're worried about profitability and sustainability. And the profitability and sustainability was truly damaged by the unfairly traded imports that have been coming in from Turkey and Mexico.

And thinking of your question and how they responded, it wasn't so much that they wanted to buy from domestic, they had to buy at the cheapest available price so they could be competitive in the marketplace from these products that were coming in.

MR. KAPLAN: For the Commissioners that haven't dealt with this product, I'm just trying to give you an idea -- I mean, this is the stuff you see in construction sites by the side of the road that's rusting. This is the stuff, the Senator testified, is used on campaign signs. You will not see oil country tubular goods used on campaign signs.

PARTICIPANT: Not yet.

MR. KAPLAN: This is the stuff that's buried in cement. This is the commodified of the commodified steel products. It has to be gnarled, it has to sink in cement. It basically reinforces the cement, the cement bonds to it, but this is not your high-technology, high-metallurgy type product that is visible. So the notion that there's some unique attributes is just not the case. Once, again, think of the campaign signs. The alternative is the wooden stick, but that cracks and the ground freezes, so we use the rebar.

So price is the determining factor in this market.

MR. WEBB: Rob Webb, Southwestern again. To elaborate on what Mr. Kerkvliet said, we've been competing for over 50 years with the downstream operations, the fabricators that are owned or affiliated with the rebar producers, but more recently our challenges have been competing with the fabricators that are using exclusively imported material. That's where our challenge is, not competing with the guys that are producing the steel here, but the guys that are getting the steel that is sold at such a disparity from the current market price.

MR. PRICE: Real quickly. I have a few product samples here. I'm not sure I would put a campaign sign on one of these, but we have a piece of Icdas rebar, a piece of Deacero rebar from Mexico, and a piece of CMC rebar --

PARTICIPANT: That's enough now.

MR. PRICE: Right. You can actually look at the roll marks and figure out whose they are because you actually have to mark the country of origin, but actually each producer has its own role mark in it. And it's essentially all at the end of the day interchangeable. If it sinks in concrete and rusts, it served its purpose. And this is actually one of the few products where a little rust isn't so bad. It actually may help the concrete adhere. Sort of joked about it, but it's true. So it's a very interchangeable basic product.

VICE CHAIRMAN PINKERT: Thank you. Turning to Dr. Kaplan, I know that you've already been asked about that CVD rate on Turkey. And as you know we have to accept Commerce's determination at face value without trying to do the calculation ourselves. But what I wanted to ask you is from an economic point of view, can the rate of subsidization found by Commerce account for that ability of the Turkish producers to sell what this panel has testified to is at an anomalous level given the costs involved? Can the CVD rate explain that?

MR. KAPLAN: The CVD rate and especially since a bunch of it had to do with energy, I'm going to let the producers in a second talk about how much that energy cost is meaningful to their production. But it does have an effect, the order would be a prophylactic effect as well in terms of any increase and further for the investigation of further subsidies which are occurring that we believe are the case. It also help them transmit a below market -- U.S. market world rate through the United States through imports. So the effect of the margin is significant in the context of this price sensitive market.

In the context of the statute it is the volume of all the imports, the pricing of their imports in terms of underselling, and the margin is one of 16 factors to look at among the others. But that factor itself is significant, the increase in the volume is very significant, and the price underselling is significant.

As I mentioned earlier, from a legal perspective what your counterfactual is, the subject import volume is clearly significant and it seems that the statute kind of tracks that in looking at volumes of all imports that are subject, its pricing, and then the subsidy margin and the dumping margin as only one factor among 16 when looking at the effect. I hope that's helpful and I'd be -- I could address your question in the post hearing or further if I missed your --

VICE CHAIRMAN PINKERT: Well, for the post hearing I think Mr. Price is going to add to your answer. But for the post hearing, if you could take a look at that rate and try to explain what impact it has had on the ability of the Turkish producers to sell at what you regard as anomalous levels given the costs involved, I think that would be helpful.

MR. KAPLAN: And one other thing we'll do is there are subject and nonsubject Turkish imports and we could look at that in the context of certain indicia that we have separately that are confidential. And I think that information will be very helpful in answering your question as well.

VICE CHAIRMAN PINKERT: Thank you very much.

Mr. Price or Mr. Darsey.

MR. DARSEY: Jim Darsey with Nucor. And I can tell you that we believe the energy subsidies received by the Turkish industry are worth more than Commerce measured, but nevertheless, even at 1.25 percent, they were receiving a huge advantage. As you are well aware, this is an energy intensive industry and at a 1.25 percent subsidization rate with energy costs being 20 percent of the total cost of producing steel, that becomes significant. And it is a significant subsidy.

(Simultaneous conversation.)

VICE CHAIRMAN PINKERT: The Chairman is going to instruct me to stay within my time. So we'll come back to this, Mr. Price.

CHAIRMAN BROADBENT: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you. Mr. Price, do you want to quickly finish your point?

MR. PRICE: Sure. So I think you've heard testimony today that the domestic industry is seeing some volume benefit, vis-a-vis the accumulated imports as the preliminary order fell into place with Mexico. We're seeing as the -- it's interesting the Mexican producers themselves cite there's some --

COMMISSIONER WILLIAMSON: Quickly.

MR. PRICE: -- pricing benefits going on in the industry. So this set of orders and accumulated basis may not provide a 100 percent solution to this. The question is, is there material injury? Is there price effect; is there volume effect? Is there an impact? And the answer to all of those are yes, and the answer is that this order will have a benefit. Is it a perfect benefit? I don't think we would say it is a perfect benefit, but that's not the statutory requirement for relief.

COMMISSIONER WILLIAMSON: Thank you.

VICE CHAIRMAN PINKERT: Just for clarification for post hearing, I'm looking backwards for purposes of this question. I'm not looking at impact of the order, but looking backwards.

Thank you. Thank you, Commissioner Williamson.

COMMISSIONER WILLIAMSON: That's how we work together.

Mr. Gerard, I've heard a lot of people say, you know, you closed plants, people have lost jobs, and then I look at the employment numbers, related numbers on a C-table and while I can't get into the exact number they are at least positive even though they are clearly not as positive as the demand growth. So I was trying to figure out, what is the real employment impact --

COMMISSIONER WILLIAMSON: Could I -- let me finish this. And what occurred to me is that -- and that is relates to the fact that, you know, there's not a lot of talk about how the U.S. is becoming more diverse and often it's the minority and women who are most impacted by -- you know, when you have a recession or something, last hired, last -- you know -- last hired, first fired thing. So I was wondering, is that really where the employment impact is, is the fact that folks that would have been hired if we -- the industry was able to sell more?

MR. GERARD: Well, I think the first thing that would happen is -- or the first couple of things that I hope would happen is some of the plants that have closed that are kept on what we would call hot idle, would be brought back. We would hope that folks who have got reduced hours would get their hours returned. We would hope that those that were laid off would get recalled and there's been substantial reduced hours, plant closures and layoffs. And until that happens, there probably won't be a lot of hiring. My sense is that from what we know about the industry, if we had the growing back from the great recession, at the same level as the growth in imports, if they were in harmony, say 20 percent each, we'd be doing hiring. But when you've got the growth coming back at 17 and 18 percent and you've got the growth in imports at hundreds of percentages, our members aren't getting recalled.

And in fact, just in recent cases we've had more layoffs and the picture that I sent up those are Turkish imports sitting on the dock waiting to undercut the prices of our folks in St. Paul who are going to be laid off. Some of them are here. So those imports will sit there. I'll make up a phony number, I'm not an economist, but if St. Paul says this is going to be for a dollar a ton, the imports sitting on the dock will say, we'll give you 95 cents. And then St. Paul has got to decide, do we let that go, or do we go to 94 cents. And that's why our people aren't benefitting from even that minimal growth.

And to your question that where the layoffs, it's every where -- the plant closure, I mean, it's virtually everybody. When there's layoffs, it would be the last in, first out. And in many of those cases, those are younger men and women, and in some communities people of color.

And it's a -- you know, like I said, I come here quite often. It's a heavy lift to come here every time and know that what we're fighting about is unfair trade that's doing away with workers' jobs and standard of living. And if we weren't doing this as an industry, they would just run us over. They don't give a damned how many Americans are employed. Sorry, go ahead.

MR. ALVARADO: Commissioner, Joe Alvarado, Commercial Metals. Perhaps the best way to look at employment is to think of it in terms of capacity utilization. In many instances our plants are run at higher rates by working overtime and not by hiring individuals, but certainly below 70 percent capacity utilization. We do all we can to manage our costs to remain efficient and cost effective. But ultimately as utilization rates go up, that requires that we add staff, not just hours, nor to meet the growing demand. In today's environment, that demand is being sucked up, if you will, by imported and subsidize product. And the end result is, as you suspect, that many of the people that come in and out the door are in fact minorities, are affected by what I would call more variable work, schedule. So we're careful not to do that. But the fact of the matter is that groups of diversity are impacted. Over 30 percent of our workforce in Texas is Hispanic and including other diversity categories, we approach 50 percent diversity in our operations.

COMMISSIONER WILLIAMSON: Okay. Thank you.

I was just wondering about it because you talk about companies being competitive in global markets and diversity is important to that, and yet it inhibits this industry's ability to compete in global markets if you can't have the diversity in this workforce.

Did anyone else have anything on this, I was going to go to another area?

(No response.)

COMMISSIONER WILLIAMSON: I was just wondering if somebody could sort of educate me on the difference -- what is role of the U.S. fabricators in the U.S. market, and how does their role differ from the role of a distributors in light of the substantial share of sales of rebar to purchasers that are both distributors and fabricators? So in other words I'm trying to sort out distributors versus fabricators even though I know there are a bunch of companies who are both, what functions are assigned to which category, shall we say?

MR. PORTER: Commissioner Williamson, my name is Tracey Porter, I'm with Commercial Metals and I ran the U.S. operation for Commercial Metals. In my career I've been both a mill person and a fabricator. And as I moved into the fabrication business I quickly saw that you're not really a fabricator, you're a distributor, you're a fabricator, and you're anything in between. The channels for this product to get into the marketplace vary from day-to-day. Oftentimes what's characterized as distribution is actually just 20-foot rebar going into sidewalks and driveways in residential construction. We supply that material. So there's not a lot of difference in my mind between the two. It is sometimes slightly segmented by the ultimate customer, but oftentimes the ultimate customer is buying both products for us -- from us. So I just don't see that there's a difference in it.

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. PRICE: The Mexican Council does some interesting things in trying to resort the data to try to create artificial divisions that don't exist, and there are a couple of different issues that exist, one of which the Commission staff should look at which is their own categorization of customers does not actually seem to comport with the actual roles of those customers in the marketplace and I can't go into it into detail, but the way they're -- their own questionnaires, let us just say, aren't even consistent with their own customer base in terms of their attempts to try to say there are different categories out there. This is a product line where, for example, Harris, which you can say is a distributor, is also a large fabricator and depending on what page on the brief it is, you know, they sort of -- they'll put them in different places. Adelphia which is, for example, one of the largest distributors in the United States has fabrication shops too. They're generally viewed as a distributor. But, again, there's just no clean lines in this.

So we could talk more about it, but one of the problems here is that the data -- I think we've been careful trying to get everyone's categories correct, but it's not clear that the importers and the foreign producers were as consistent.

COMMISSIONER WILLIAMSON: Okay. Mr. Kaplan?

MR. KAPLAN: Just for clarification, maybe for the new Commissioners because so much of us -- many of us have been through this so many times. But at the end of the day rebar is fabricated, oftentimes on site, and when reinforced concrete buildings are put up. So a very large fabricator who puts up buildings might also sell to smaller people that are going to fabricate it for smaller shops, but at the end of that day it's fabricated. The big fabricators might but it directly. Distributors are selling it to fabricators and some fabricators themselves have a business of distributing as well. So it all winds up at the same spot. The channels could be direct, indirect, or a combination.

COMMISSIONER WILLIAMSON: Okay. My time is expired, but I think this post-hearing for those purchasers that are -- producers that are both distributors and end users, can you estimate the share of the sales that are of fabricated product and the share that is sold as is? And, you know, respondents have argued that subject imports do not compete in the fabrication segment of the market. What's your response to that?

MR. DARSEY: I'll give you my response. Jim Darsey with Nucor. That is categorically not true.

COMMISSIONER WILLIAMSON: Okay. And thank you. Maybe post-hearing, because I just ran out of time.

MR. PORTER: I can tell you too, Tracy Porter with CMC. We have bought Deacero bar and fabricated that bar. And I have personally done that.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent, and I would like to thank all of the witnesses for appearing here today. Thank you to the workers and the different plants being here. We appreciate your attending and it helps give us perspective as to what we are discussing today. I would also like to thank Mr. Kerkvliet for appearing here today. I visited the Gerdau plant in New Jersey in 2013 along with Chairman Broadbent and I certainly learned a lot there. So thank you for appearing here on behalf of Gerdau.

I'd like to talk about the issue of the geographic proximity of sales of rebar regarding the production -- in relation to the production rebar. When I was at the Sayerville Plant in New Jersey, I recall learning that much of the production in that plant is used in the New York area. I believe specifically in parts of the New Jersey Turnpike. It seems like their plants are all over the country. Mr. Byer, you mentioned that there are two plants within 100 to 150 miles of where you are located in Ohio.

Representative Pitts was speaking this morning about production in Waxahachie, Texas which is not too far from where I grew up in Austin, Texas. There's also production in Segum, Texas which is quite close to Austin as well. I was on vacation in Oregon this summer and drove by a plant and I thought, what is that? That must be a lumber plant. I typed into my handheld device and I learned it was Cascade, which produces rebar in

McMinnville, Oregon which is also the site of a big airplane museum which is why I was in the area, or one of the reasons I was in the area. I take that back. And so it seems like there's production all over the place which is good, I assume. But does that indicate that there's a geographic -- that the fact that it's produced in so many locations around the country, does that indicate that there's a geographic preference to buying this?

Although I do note in fairness in looking at the list of plants in Table 3-1 of the staff report, there is no production from what I can see in the state of California. Oh, there is. I do not see that, I take that back. Okay. So that further supports the view of some perhaps that this product is best produced locally. Is it correct to state that? Mr. Byer?

MR. BYER: Burke Byer, from Byer Steel. Yes, I'll follow up on your noting of my commentary that if you look at the dotting of rebar mills in this country, you'll see a trend of where they sit where populations are, that's normally where concrete goes. And jokingly in our industry some people might compare us to dirt, it's that commoditized. If you need dirt for your project in the Midwest, you're not going to travel all the way to Turkey and geography is very important in the cost of that product.

COMMISSIONER JOHANSON: Mr. Alvarado.

MR. ALVARADO: Commissioner, the original concept of mini-mills, for the 50 or so years that we've been operating mini-mills, was the regional concept of a mill. So for example, in our recycling business, roughly half of what we process ends up going into our own mills, and then the other half would go to third parties.

The reason for that is to be cost effective. That's the whole concept of a mini-mill. But I think your question in terms of geography applies to the issue of end use application, which quite frankly the end user application doesn't care if it came from the region or if it came from Mexico or if it came from Turkey.

So the end use application, which ultimately is always concrete, is the basis on which people buy for price, to be cost competitive in construction projects. So our issue is earning a fair return, whether it's regional or on a national basis, a fair return to be able to invest in our facilities, which the subject imports prevent us from doing.

It was very problematic with single digit margins, to justify investment that, as McKinsey noted, would require a rate of 16 percent return. None of us in this industry or in this product segment are anywhere near those types of returns, which jeopardizes our ability to invest, to support the regional production, and to employ people that work in our facilities.

So I guess I would implore you not think about it as a regional play in terms of manufacture, but a more national play in terms of consumption.

MR. DARSEY: Jim Darsey with Nucor, and I would just like to add that you look at the list you referenced, Commissioner. There's a long list of rebar mills that exist in the United States, and I can tell you that there are -- this is a -- there is not a more efficient steel industry anywhere in the world than right here in the United States.

I can tell you there is not a more committed and productive workforce in the world than exists right here in the United States. Given a level playing field and the opportunity to compete head up or play by the same rules, I know that the American steel industry and the American worker can beat anybody else in the world.

COMMISSIONER JOHANSON: Mr. Kerkvliet.

MR. KERKVLIET: Yeah. Commissioner Johanson, you made reference to Sayreville and Sayreville to New York. But it's also similar going to the opposite direction of Maryland. I testified that unfortunately, it's the freight. To get to Maryland from our New Jersey mills is the same as it is from Turkey to get to Maryland.

The United States has many rules from which we comply, as Jim was just mentioning, and one of them is to make sure that we transport safely. Because of the rules, the hours of service, it's becoming much more competitive from which to ship product, and you know, the returns that we have to have to keep investing into our mills are challenged by the level of imports that are coming in from Turkey and Mexico, at levels that are much below what we can earn at fair value.

So it's very impactful of the costs that we have to employ, and it also is impactful about what the margins or the prices are that are coming in from both Turkish and Mexican unfairly-traded rebar.

MR. DARSEY: Yeah, and I'd just Jim, to add to that too, that we've got tax and regulatory costs in our country which are the right thing to do, and that we believe in, that steel producers in other countries don't have to comply with or are not taxed as much.

Even getting that extra burden, I'd put the American steel industry and the American worker up against anybody in the world.

COMMISSIONER JOHANSON: Yes. Thank you, Mr. Darsey, and I'd like to just note I was actually reading The Economist magazine yesterday, and it mentioned, it talked about the productivity of U.S. industry, which specifically ties back to U.S. laborers, which is indeed among the highest in the world across the board.

So I appreciate that, and thank you to the workers who are here today for all you do to make that happen. Also Mr. Kerkvliet, I didn't mean to specifically point out Gerdau yesterday on the projects it works in the New York area, which makes a lot of sense due to the proximity. But I would simply want to raise that point, because I do recall that.

And finally with regard to McMinnville, Oregon, I have to clarify I wasn't there for the museum. I was just traveling through. But anyway, I want to be completely up front on that, and did happen to bump into it, which was very impressive, as well as seeing the mill there.

But continuing in this area of thought, Mr. Darsey, you mentioned you talked about U.S. production compared to production in other parts of the world. This also jumped out. I'm looking at the staff report. In fact, I'm looking at Table 7-11 right here, and these are my notes that I made about a week before.

I wrote "Question: Why is stuff produced everywhere, because it has all the countries where -- or it has global reported exports in this table, which indicates this product is produced in this list of countries here, as well as likely other countries, where it is perhaps not exported.

I mean in this list of other countries where rebar is produced, you have France, Norway, Spain, Italy, a number of countries.

MR. DARSEY: Yes.

COMMISSIONER JOHANSON: What is the nature of this product once again, which results in it being produced in countries such as Norway, which I know is a very high cost country to do about anything?

MR. DARSEY: Yeah. You know, rebar is one of basic building blocks of infrastructure, and as countries grow, and there are a lot of countries in there that are emerging economies. I mean there's Egypt, there's Libya, there's Nigeria, as it's a basic building block of infrastructure, and it's often the first steel production that goes into a country when they start growing and building out their infrastructure.

In certain countries, and in Turkey in particular, they have built that country to an export platform, and they've got some 10 or 12 million tons of domestic demand, steel demand in that country. They have 45 to 40 million tons of steel capacity, which makes absolutely no sense, other than to build an export industry and to export their labor problems to the rest of the world.

It's clear that they provide their industry significant energy subsidies. They build an export platform and export their labor problems to the rest of the world, and in particular the United States. What we're seeing around the world is that as more and more markets get closed to countries like Turkey and Mexico, they're increasingly focused on the United States, which is a free and open market.

I'll just say again that it is imperative that we enforce our nation's trade laws, and that we provide the domestic industry and the American worker a level playing field upon which to compete.

COMMISSIONER JOHANSON: All right, thank you. My time's expired and once again, thank you all for appearing here today. I know that some of these questions can be a bit pointed, but that's what the process is, and I appreciate you once again sitting in front of us and informing us further on the industry.

CHAIRMAN BROADBENT: Round 2, Commissioner Kieff please.

COMMISSIONER KIEFF: Thanks. Just to dive right in, I'm embarrassed that it's been almost 25 years since standing in my ceramics and composites labs, and really thinking about the science of concrete. But it's kind of neat stuff for me. Just a quick technical question. When one stresses pre-stresses, does one use the rebar or another strand fiber to stress?

MR. DARSEY: It's a product known as PC strand.

COMMISSIONER KIEFF: Yeah, okay. Thanks. Burning question. Just a quick follow-up, and again, if it's easier to talk about this in the post-hearing brief, that's fine. But if you could just help us better understand why our staff report tells us that customers tell us that the price leader in the market is Nucor. Are they wrong, are they exaggerating, are they not seeing the whole picture? Are they seeing it but it doesn't matter? Help us better understand that.

MR. DARSEY: Okay. Jim Darsey with Nucor, and I haven't seen the staff report, so I'm not sure what it said. But I'll take it that it's what you stated, that Nucor is the price leader, and I can tell you today that we are a price follower, and we are following that price down and down and down, because there are dumped and subsidized imports coming in from Mexico and Turkey that are driving the market price down.

I'll also tell you that I believe the data clearly shows that over the period of investment, '11, '12 and '13, that you know, imports started coming in '11, really poured in '12. We lost market share, we lost volume, and to compete, we significantly lowered our price.

So I'm going to tell you that we are a price follower today, and I do not like where it's going, and we need some help.

COMMISSIONER KIEFF: And I appreciate it, and you mentioned that before, and I believe it in all its sincerity. I am just -- I think rather than further mine this for our discussion, let me just -- I always am aware that in my job as a decision-maker, I owe you and your colleagues on the other panel a duty of candor, to reveal to you the things that are weighing on my mind, so that you can -- you and your colleagues on this panel and they and their colleagues on the other panel can button things up with specific logic or specific evidence in the post-hearing.

So rather than belabor it longer now, let's just everybody follow up later, and the chips will fall where they may. The evidence will turn out to be that lots of people say Mexico and Turkey are price leaders, or lots of people say the opposite, or it's split. We'll have to wrestle with the evidence as we get it.

But rather than present more evidence here, just in the post-hearing, make just button it up. That will really be helpful, please.

MR. ALVARADO: Just one comment. Joe Alvarado, Commercial Metals. The fact that a company publishes a price announcement does not mean that it's leading a price increase or decrease. It could be reacting. So we ought not confuse the publishing of data with the leadership of pricing.

COMMISSIONER KIEFF: Agreed, and so I just will close by thanking you all again, and I'm aware that we're going back over territory. So I just please, for me at least, it's helpful to have the evidence of price leadership. It's helpful to have the evidence of customers that are switching because of price, and it's helpful to have the -- very thorough explanations of our statutory factors, and how the overall big picture of the case relates to the statutory factors.

And in particular with respect to the arguments we'll be hearing in more detail this afternoon, to foreshadow for the other panel, it would be important for me at least to hear why these discussions so far today haven't made a compelling case, despite the successful economic growth in Mexico, and despite the assurances that then the rebar will be sold in Mexico rather than in the United States at low prices.

We, of course, need the detailed evidence matched up to the statutory factors on which to hang our decisions, to base our decisions. I think that concludes my questions. Any other buttoning up that you want to do, by all means please in the post-hearings. I don't want to cut you off, but I'm aware of time. Go ahead if you'd like, and otherwise I'll yield the rest of my time.

MR. DARSEY: We've still got a green light. Can I go? Commissioners, thank you for your candor, and I appreciate you wanting to get to the bottom based on facts. And we'll submit in our post-hearing brief the details and the information that you've requested.

You mentioned something in your first round of questions that I would like to go back to, because I've been sitting here kind of stewing about it, and not -- stewing's the wrong choice of words.

Steaming about it, because you mentioned that the Mexican Ambassador came in, and he talked about the billions of dollars of infrastructure work that was going to be taking place in Mexico in the future, and he talked about '16, '17 and '18 and there's going to be a lot of money spent there on infrastructure.

Infrastructure drives demand, significant demand for rebar. I'm sitting there and also remember the Senator's testimony, that Mexico ships 300,000 tons of rebar -- ships, dumps, excuse me, 300,000 tons of rebar into the United States, and we ship 13,000 tons into all of Mexico. I want to make the point that the Mexican market is essentially closed to the importation of rebar from anywhere else in the world.

The Turks aren't there, the Chinese aren't there, and I can tell you the domestic industry does not have an opportunity to go there, because there are trade barriers that exist, and the business practices in the country of Mexico are not conducive to doing business in the rebar world.

So I just want to make that point, and I'll also point out that Turkey also has a closed market, and there are import barriers erected and import duties in rebar coming into Turkey. Don't get me wrong. They've got plenty of capacity there, and can completely supply their market, but they still have import duties on imported rebar.

DR. KAPLAN: Also given the green light, or maybe I should wait.

COMMISSIONER KIEFF: I'm nervous. I've yielded my time to Commissioner Schmidtlein. If she would like to use it, it's up to here.

(Simultaneous speaking.)

DR. KAPLAN: --in the post-hearing.

COMMISSIONER SCHMIDTLEIN: All right. If you're sure you don't want to answer that last question.

DR. KAPLAN: Okay. Well, I'll take a minute just to quickly address the price leadership question. Sometimes you have anecdotal information and sometimes you have complete information. When they contradict each other, typically you look at the complete information. On under-selling, I suggest you look at two pieces of data that will definitively answer your question.

The first is the under-selling. Look at who's under-selling and look at the increasing margins of under-selling. The second part is to look who's picking up market share. So if someone says oh, this guy's the price leadership, and it turns out when you have the whole data set that someone else is under-selling and someone's picking up market share, maybe their perception of the market and what's going on in the market is incorrect.

The second part is sometimes when people look at price leadership, they're looking in a direction. Who's trying to raise prices all the time? The domestic industry. They're trying to lead the prices up. They aren't doing so well. So sometimes the way the question is asked will also cause some issues.

But I would just say you have a complete data set.

Look at the margins of under-selling, look at the increases in the margins and look at increasing share, and that is much more definitive than any anecdotal responses given on a small subset of people's perceptions in the market. Thank you.

MR. PRICE: And I'll just add there's an issue of timing on all of that so-called growth in Mexico, which we'll also address, and if you look at Mr. Raul Gutierrez's own comments about what's going on in the market currently versus what might be happening 2017, 2018, etcetera.

COMMISSIONER SCHMIDTLEIN: Okay, all right. Thank you. So I had three questions. Hopefully we can get them all in in this round.

The first question, I'm going to shift gears a little bit, is about non-subject imports. If you look in the staff report at Table 4-9, and I don't know if everyone doesn't have access, although these numbers are not confidential, you see that between -- you know, from 2012 to 2013, a number of other countries were able to substantially increase their imports into the United States, including Dominican Republic, who's already here. But Spain and then either Peru, Korea, Japan.

So my question is, and you know, maybe this is really a question for Mr. Price or for Mr. Kaplan, is you know, can you discuss that and how the Commission should consider those import trends, because it looks as though non-subject imports are able, could be able to replace subject imports should duties go on.

MR. DARSEY: Yeah. Jim Darsey with Nucor, and I'll explain it from, you know, Nucor's perspective is that sure, other countries import into the country and bring in rebar, and while we keep an eye on that, the volume and the price from the non-subject countries is -- while we look at it, it has not been near the impact of the volume and the price from the subject countries. It's just nowhere even close and --

COMMISSIONER SCHMIDTLEIN: Do you have any concern about them continuing to ramp up?

MR. DARSEY: Well I do, and here's my concern, that if the United States does not tell the world that we have trade laws and that if you want to do business in the United States, you've got to comply with our trade laws. If you don't comply with our trade laws, we're coming after you.

So if we let other countries lie, cheat and steal and bring in significant volumes and undersell the industry, then everybody's going to do it. So that's why these trade cases are so, so important to our industry and our country.

DR. KAPLAN: Given the prices -- Seth Kaplan. Given the prices and the volumes of the non-subject imported it would, I believe, require very significant speculation to conclude that they would replace at the same prices the products that are in the market now, that are subject to this investigation.

You can see the quantities are low. The increase in volumes are a rounding error relative to the volume changes we've seen from the subject producers, and we'll discuss the pricing in the confidential brief as well. There's always a place in the steel industry for fairly traded imports. There always has been in the markets.

I've never seen the steel industry walk in and say anything otherwise. But the steel industry does monitor countries and imports, and they take actions if needed. In my discussions with the CEOs, they're aware of this. They don't believe it's a problem of unfair trade at this point, and they note that the Mexicans and the Turks are causing severe harm and have been and will do if the orders are not put in place. Thank you.

COMMISSIONER SCHMIDTLEIN: Okay, all right. So let me move on to another topic, having to do with the financial indicators for the U.S. producers, and Mr. Kaplan, maybe this question is best directed to you.

In the PowerPoint that you provided in page 19, you refer to the EBITDA margin, the earnings before interest, taxes, depreciation, amortization I think, and that the steel industry would require a 16 percent average to remain viable.

I guess my question is that percentage, I don't think, is specific to the steel industry or to rebar operations, if you look at the report. So can you talk about why the Commission should consider that to be a benchmark or relevant in looking at the financial performance of the U.S. producers?

DR. KAPLAN: Sure. I think it's indicative of a rate that would allow investment to exceed depreciation, so that the industry doesn't shrink. I think it should be taken as kind of an indicative number, and I think that the more important numbers to look at are whether the industry is actually shrinking, or whether investment does reach depreciation.

The answer is that the levels, at the current levels of EBITDA right now, the industry is shrinking. So my point is that for the industry to grow, to make investments that would actually increase production, rather than just lower efficiency or meet EPA standards, that the level of return is going to be higher.

Does it need to be exactly 16 percent? That's not our claim, but it's a claim that it's significantly higher than it is now. That's the purpose of this, just to give you some context.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. ALVARADO: Commissioner, your point is well-taken. This is Joe Alvarado from Commercial Metals, and I'd like to highlight that if one looks at data available from S&P 500 companies, as well as segments within the S&P, whether it's manufacturing, electrical components, automotive, that the return of all those industries far exceeds that of the steel industry.

The steel industry is hovering at about 1.2, 1.5 percent over the five-year period since the economic recession. So in order to invest, those kinds of margins are not the kinds of returns that would attract investors, that would allow us to sustain much less maintain or improve our domestic steelmaking base, and the jobs that are associated with it.

So when we talk about economic distress, most of it comes, at least in the case of rebar, from the pressure of imported product, that prevents us from getting reasonable returns on our business to sustain our business.

MR. PRICE: Alan Price, Wiley Rein. A couple of comments here. First of all, the report from McKinsey we're actually citing is a report that was prepared for the OECD Steel Committee by the OECD Steel Committee. Actually, it's steel industry-specific. It's not rebar-specific, but it is steel industry-specific here.

The rebar industry is a fully integrated industry, in that you have electric furnaces, you have rolling mills and so forth. So I think there is every reason to think that it's a reasonable benchmark. The fact is that the industry is over the POI investing at less than its rate of depreciation.

It's essentially telling you that the industry over time is disinvesting and not earning adequate rates of return, and in fact the conclusion of the OECD, as part of -- if you read that set of studies and some of the whole discussions of it, is that frankly there is a global over-capacity problem that is very significant and that it will be very -- that the industry really -- that there are a variety of challenges out there.

Regardless, this industry is not earning a reasonable rate of return based upon a variety of different benchmarks. That's just one indicative one.

MR. KERKVLIET: This is Jim Kerkvliet from Gerdau. The other thing that kind of takes it back as well is what we do. We make steel that is melted in furnaces at several thousand degrees. It's run through rolling mills, its run through casters at several thousand degrees, it's run through rolling mills at several hundred feet per minute and it's a very demanding process. It beats the heck out of mills and you have to invest in the mills to keep them productive.

The changes in the investments that are going on today are as we have talked a little bit about earlier, are unfortunately not 100 percent geared toward productivity but they are geared toward compliance. So you look at the rate of return and what we are talking about depreciation. Investments that have gone back into mills today have been primarily and at least in some of our examples, have been more toward environmental compliance than it has been towards productivity because the standards that we have to operate from a safety standpoint as well from an environmental compliance standpoint are very rigid and something that we are very proud of, not only do we comply but we exceed it.

COMMISSIONER SCHMIDTLEIN: Okay, well that actually I think you just answered my last question which had to do with some of the arguments of the Turkish Respondents who point to certain expansions and acquisitions as evidence of the domestic industry strength, that's what I was going to ask you to discuss those capital expenditures, you know, of course not in any confidential -- without using any confidential business information but and maybe you just answered that.

MR. KERKVLIET: I think we talked about in the staff conference as well so I don't think it's confidential but I won't say the numbers, but we have had to put a significant investment into our Rancho Cucamonga, California plant because of the environmental compliance. That's a significant investment and it doesn't help us make a ton of steel that much cheaper, it doesn't help to move tons productively through the plant, it just insures that we maintain the compliance of the Environmental Protection Agency regulations that we have.

MR. DARSEY: Jim Darsey with Nucor. I can tell you we have made investments as well in our operations and our rebar operations primarily driven by environmental compliance, but we did invest in a new re-heat furnace in our mill in Connecticut because they want -- the re-heat furnace that existed there was not capable of being upgraded to meet the new required AB standards and nox emissions so we ended up putting in a new one to comply with the law and I will just tell you you know, this decision-making process of allocating capital is a tough one and you know we are going to be safe and we are going to be environmentally compliant and we are going to do the right things and that has consumed a significant portion of our allocation of capital funds.

We would much rather be investing in the productivity and cost efficiency in lowering our costs but we just haven't been afforded that opportunity. So I just wanted to bring up Connecticut because that was a significant investment for us.

MR. ALVARADO: Commissioner, Arizona was another facility our CMC facility in Arizona was noted, I would like Tracy Porter to talk about what happened and what transpired there.

MR. PORTER: Tracy Porter with CMC. We embarked on a new technology in our Arizona mill that was built in Mesa, Arizona outside of Phoenix. We commenced construction on that in 2007, obviously in the midst of the height of the economy. As the economy got ugly on us in '08 we made the decision to go ahead and complete that plant so we saw that investment through. It's been a fair investment for us at this point in time despite the fact that it's the most technologically advanced mill of its kind in the world and we make rebar, while we believe cheaper than anybody and we still can't compete, but that's what we did in terms of I think it was our single largest capital investment ever.

MR. ALVARADO: Yes and during the previous investigation there were no increases. That mill was built before, but we did apply for an EPA permit to expand productive capability because we learned how to run that facility more efficiently, more cost-effectively and in order to comply with higher production levels we applied for the permitting, so there was no capital expenditure beyond the base investment Mr. Porter talked about, it simply was an acknowledgement of the fact that we run those facilities more efficiently than they were designed, in order to comply we had to apply for an APA permit.

MR. PRICE: Alan Price, one last note. One of the so-called investments that was cited, was for a proposed mill in Texas and if you read the announcement that guy is looking for capital for the mill too. So it's not like it's investment going on and say hey I want to build a steel mill, I just have to find some capital.

COMMISSIONER SCHMIDTLEIN: Um-hum.

MR. PRICE: That's not exactly an investment going on here, and maybe it will and maybe it won't so.

COMMISSIONER SCHMIDTLEIN: Okay, okay.

DR. KAPLAN: Under the understanding that they would be competing against fairly traded imports, so they were made years in advance and under the assumption that they would be competing against fairly traded imports. To turn around and say you know anything about that under the conditions that they should have you know anticipated unfairly traded and dumped and subsidized imports is I think an appropriate net analysis, thank you.

COMMISSIONER SCHMIDTLEIN: All right. Thank you very much, obviously my time is up and I would just want to thank the witnesses again for appearing here today.

CHAIRMAN BROADBENT: Okay. I wanted to talk a little bit about scrap prices, maybe Doctor Kaplan could start and then maybe industry witnesses. How much of the price reduction between January 2011 and March 2014 was caused by a reduction in the price of scrap? Since scrap is not 100 percent of the cost of rebar, what is the relationship between scrap and rebar prices that we should expect, Doctor Kaplan?

DR. KAPLAN: I will answer that in more detail later and the individuals here that deal with scrap and rebar prices every day could talk about it but the effects are plain by looking at the cost of goods sold to price ratio because as you just mentioned scrap is a large part of the cost of goods sold and what we have seen is that there has been a cost price squeeze that the gross margins have fallen over time so that prices have not fully reflected changes in scrap prices, either up or down in a way that has caused profits to fall, particularly from 2012 forward. And I don't know if any of the business folks want to say something.

MR. DARSEY: Jim Darsey with Nucor. I'll just tell you our goal and objective is to increase the margin above scrap because that's how we raise our price and in the market whether with rising demand, it was increasing, we should be able to increase our prices in the industry and unfortunately, it appeared that with rising demand we were not only unable to increase our price due to dumped and subsidized imports coming from Turkey and Mexico, we lowered our price so.

CHAIRMAN BROADBENT: The scrap price was falling significantly over the period right?

MR. DARSEY: I don't think it was falling significantly but we want to increase our margins.

CHAIRMAN BROADBENT: No your input prices are falling significantly so you want to increase the prices?

MR. DARSEY: I didn't understand that.

CHAIRMAN BROADBENT: Well I mean if your input prices are falling significantly which as I read the staff report that they are, should not your price to some degree reflect that?

MR. DARSEY: Yeah, yeah because the import prices set the market price in the United States, but in this because they are dumped and subsidized coming into the country and there are some --

CHAIRMAN BROADBENT: I'm talking about input price.

MR. DARSEY: Input.

CHAIRMAN BROADBENT: Raw material as scrap input sorry.

MR. DARSEY: I thought you said import. I'm sorry. So ask the question again.

CHAIRMAN BROADBENT: Sorry about that. My question is if your input cost, the cost of the raw scrap is continuing to fall, does that not have an effect on your prices, do we not take into that account in terms of the price, price falls that we have experienced over the period?

MR. DARSEY: Yeah, supply and demand has a greater impact. And obviously you can't sustain a business if you sell it below your raw material cost, so yes from that perspective it does impact it but in general you know we want to increase, we want to increase the spread between sales price and raw material price or raw material cost as much as we can. And we should have been able to do that during the growth and the demand in the United States and we were not able to do that due to the dumped and subsidized imports.

MR. ALVARADO: Yeah this is Joe Alvarado from Commercial Metals. If what I surmise you're asking if there is a correlation between scrap and finished bar prices I think that correlation is much stronger in periods of slack demand or low-capacity utilization. Whereas when there is increasing demand and higher capacity utilization Jim said those are opportunities where we all try to expand our margins to earn returns that we would like to return and continue to invest in the business.

So there are other factors, but ultimately the margin is driven by the price, even more by the cost.

DR. KAPLAN: So in periods of downward scrap prices, the actual prices fell more than the scrap prices putting a cost price squeeze on the industry. During periods of rising scrap prices, prices have not risen to cover those costs and that's why in 2000, from 2012 to '13 to the interim period you saw a cost price squeeze and a decline in gross margins, I hope that's helpful.

CHAIRMAN BROADBENT: Okay. Mr. Darsey you were talking about business practices in Mexico and them being impenetrable to U.S. exporters or you kind of implied that it was hard to do business there and you didn't sell much. Could you elaborate on the market restrictions that you see in Mexico?

MR. DARSEY: I can just tell you when it comes to rebar that is essentially a closed market. When you look at the numbers, you look at the statistics, 300,000 tons of rebar comes from Mexico to the United States and is dumped into the country. We ship 13,000 tons to Mexico and there aren't other imports of rebar that go into Mexico. I mean Turkey doesn't import into Mexico and China doesn't so it is essentially a closed market.

Believe you me, we have made attempts to sell down there and it's virtually impossible because of barriers that are put up and business practices that take place there, so.

MR. PORTER: This is Tracy Porter with Commercial Metals. We have sales people that operate in Mexico who work for the company. The difficulty we run into is that any offering that we provide into Mexico is often cancelled without any kind of explanation as to what's going on. Mexican prices today and this is all verifiable are significantly higher than the prices they are selling at in the U.S. So to me without saying too much, it's clear that the Mexican market is I wouldn't say closed from a legal standpoint or any other kind of barrier, it's trade practices, not trade practices, but business practices Mr. Darsey indicated.

We'd love to. We have a steel mill about 130 miles from Mexico. Now we can ship further distances north but we can't get into Mexico which in logical terms transportation-wise makes more sense to us so it becomes very, very difficult. It's very hard to get an order out of Mexico.

MR. PRICE: Alan Price, Wiley Rein, we will address some of this in the confidential brief because there is some specific stories here. A couple of different things here, for other products, the United States as a steel industry is actually automotive steels, can actually get a fair amount of steel into Mexico, it's actually desired by the Mexican government and by frankly the big automotive companies and so even in their import licensing schemes for example, it is a significant non-tariff barrier that has been put in place here.

They have exempted for example corrosion resistant sheet. Now you would think that corrosion resistant sheet is a steel product subject to import licensing but magically it is not because they don't need a non-tariff barrier there, they don't want a non-tariff barrier and that's even before we get to discussing the business practices in Mexico which are different.

CHAIRMAN BROADBENT: Mr. Price or maybe the industry representatives, we have a market here that the domestic market share is going to be 84 to 90 percent during the period of investigation. Seven countries, their imports are already controlled, I'm trying to get a sense of I know you believe the imports are significant but is there a level at which they wouldn't be significant?

MR. PRICE: We'll address that I think in, in the post-hearing brief. I don't want to speculate on an individual specific level I think it depends on the exact volume, the exact price, the amount of underselling going on, each one of those is completely different. It depends on the demand level, if you go back into 2006 and 2007 for example the U.S. market was consuming about 10 million tons. You have a different level of significance in that type of market than in our market today where the U.S. market is consuming seven to eight, somewhere between seven and eight million tons, I don't have the exact figure in front of me so those are constantly shifting benchmarks.

Here what we have is unfairly traded imports. We you know, the volume has grown very significantly, the pricing is underselling and the margins of underselling have grown significantly which is different than some other cases out there with this set of imports and in particular the subjects that even compared to your underselling, I have to be careful in saying that, I won't say that. I'll stop right there because there is some APO data, I just want to be careful, we'll address that in the brief.

And you have harm which is affecting the U.S. industry. That meets the statutory standards. In this case these volumes on a cumulated basis are significant. There isn't an abstract number out there.

CHAIRMAN BROADBENT: We are getting to a point where any import competition is being defined as injurious I think. And that would be kind of the line I'm trying to draw here.

DR. KAPLAN: I think there's -- I think you have to look at each industry. I think what you are seeing here is a product that's highly, highly substitutable the most generic of steel products, so small volumes have significant effects. The elasticity of substitution economists say would be really high because demand is so inelastic that any change in the supply will have big effects on price which you have seen. I think that historically at the Commission, the Commission has found many cases with imports in the 10 percent range being significant and imports in the single digits being significant as well.

Finally I want to point to other steel cases where there is a series of cases against imports of the same highly price sensitive product. Steel plate for example, which back in the '80's and '90's there were three cases in a row, because it's a lot like squeezing the balloon in terms of the dumped imports. Once that is taken there's a replacement, another set is taken and those were successful in terms of protecting the industry, the same thing is happening here, I'm sorry --

CHAIRMAN BROADBENT: I'm sorry I have taken up my time. Vice Chairman Pinkert please, thank you.

VICE CHAIRMAN PINKERT: Thank you Madame Chairman, I just have a few follow-up questions most of which will probably be better addressed in the post-hearing. First of all should we include transfer prices to related purchasers in our underselling analysis?

MR. PRICE: So first of all, the Commission put out questionnaires to comment in this case, okay. Respondents put in substantial comments on the questionnaires, it's not one of the comments they put in, okay. If they thought that was a significant issue they should have raised that at the time so the data could have been collected. There are 30 mills, there's an extended POI, I've seen questions well now we should have a POI a four-year period POI, well you didn't collect the data that way, you didn't collect data the other way, you didn't collect data extending this way or that way or resorting data in various ways so I think the Respondents have accepted the fact that this standard Commission practice of looking at pricing, using the unaffiliated data is the best benchmark here.

They did that when the questionnaires were put together, and I think that's the right way of doing that. That's the way the Commission traditionally does it, that's the way the Commission always does it and we think that's the way the Commission should do it and if they wanted it done differently, they should have asked for it in a timely manner honestly.

DR. KAPLAN: Commissioner you have the standard practice to look at unrelated sales however, as we've discussed we will provide related party prices to our own customers and unrelated party prices to customers of similar size so it reflects volume discounts and I hope that would help in your analysis so that you will have the data in front of you.

VICE CHAIRMAN PINKERT: Thank you. Now, Doctor Kaplan you talked about the threat analysis and why you believe that we should cumulate the two countries for threat analysis, for the post-hearing I would like you to look at volume of price trends and address how that relates to the cumulation issue.

DR. KAPLAN: I will thank you.

VICE CHAIRMAN PINKERT: Thank you. Finally, a question for the broader panel, how do you set the price for internally sourced scrap? There's been a lot of discussion about advantages and disadvantages of internal sourcing but I'm wondering how you set the price?

MR. DARSEY: Yes, Jim Darsey with Nucor and we don't set the price, the market does. Scrap is a globally traded commodity and you know the market says surprise so and I can tell you in Nucor we have an upstream scrap subsidiary DJJ and we basically pay market price for scrap so.

DR. KAPLAN: I would just like to point out on the questionnaires the Commission directs us to report it a certain way so we can discuss the differences but the staff has always wanted shipments out at price and shipments in at cost internally, whether or not the company does it that way, sometimes people will discuss that with the Commission but for the questionnaires we are following the Commission instructions on how to do that.

MR. KERKVLIET: Commissioner Pinkert, Jim Kerkvliet from Gerdau. To build on the comments from Mr. Darsey we buy our inputs at market, we buy our tread at market and we buy all of our raw material inputs at market based upon the local markets from whichever the radius is around the mill that they are competing with. Whether we are competing against DJJ or competing against Phillips or competing against another input provider and it's the same thing that happens from a global standpoint. It's based upon the market price based upon what someone will be able to pay for that commodity.

MR. PRICE: Alan Price, Wiley Rein, so again we did exactly what your Commission questionnaires direct us to do which is the standard practice just as we did on the pricing series, we did it here. So on the inputs we eliminated any intra-company profit that may have existed in those transactions, so your data already has eliminated any so-called distortion or advantage or whatever it is that existed.

What I can tell you is that we will provide to you what those eliminations were, actually I think the Office of Accounting probably has seen it already, okay on a percentage term it's very small, okay, it's not like you know there's some hidden profit bubble. It did inflate our profits as an industry a little but it's not like you see these, there is this magic, you know, magic series of profit out there in the fabrication side that is somehow or another hidden or a magic series of profits out there in the scrap side, somehow or another there's Respondent comments, there's something wrong on the data, there has to be something wrong on the data. No, there isn't, that's what the data is and the data comports with your questionnaire requirements.

VICE CHAIRMAN PINKERT: Thank you very much. Unless Mr. Alvarado has a comment, I have nothing further for the panel at this time. I saw you were looking up?

MR. ALVARADO: Oh no.

VICE CHAIRMAN PINKERT: Okay.

CHAIRMAN BROADBENT: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Okay, thank you. Following up with Commissioner Pinkert's question most of these things can be answered post-hearing. And we talked about transfers to related purchasers, is the product mix that you as producers transfer to related purchasers similar to the mix that is sold to unrelated customers? So when you answered the earlier question, you can address that too.

And what I'm going to -- in the business confidential information, for the big three, what would explain the difference in unit values between commercial shipments and internal transfers as noted in the pre-hearing staff report table 3-7 and table 6-1 so again something else for post-hearing.

Let's see, given the stable level of imports from Mexico since January 2011 is there a reason to conclude that a significant increase in imports from Mexico considered alone is imminent?

MR. PRICE: So actually we would say that imports from Mexico on an absolute basis have increased and they have increased substantially. We believe that there -- we will address the likely increase going forward and we believe that there is an imminent likelihood of increased imports if you are looking at a threat report, a threat based consideration but we believe the industry has been injured. We believe that obviously the statutory criteria for injury have been met in this case and we believe that the imports are a cause of material injury and that this analysis is on a cumulated basis.

COMMISSIONER WILLIAMSON: Okay.

MR. KERKVLIET: Commissioner Williamson Jim Kerkvliet. I guess rather than just from the legal perspective what we think about is the supply and demand and relative to Turkey and Mexico there is a lot of similarities between the two. Number one they both have a built significant over capacity relative to the market. Second, they have a flat or declining home market relative to what was said by the ambassadors as far as a rosy outlook, when you look at where the capacity utilization is now, as it was in the pre-hearing or post-hearing brief relative to the comments from the CEO of Deacero, relative as well, one of the big projects that they have been working the Panama Canal is in its wind-down stage, so we see a lot of additional capacities that are from external markets, not only because of the demand standpoint, but because there is also other markets are putting up trade restrictions.

Mexico is going through those as well as Turkey is so we have over capacity, a weak to flat home market and increased level of restriction in other trade markets which is meaning that everything is come back to the United States.

And the last thing that I would say relative to the similarities of what their going to market strategy is -- it's based on price, price and price.

MR. DARSEY: Jim Darsey Nucor. Commissioner, I'd add one more thing that since the preliminary ruling in April we have seen Deacero do what they traditionally and typically have done in the past and that's product shifting and while they are not bringing rebar into the United States, they are bringing other products and they are dumping other products in the United States and those volumes are growing.

This is a typical MO we had for Deacero so I'd say the threat is definitely there.

COMMISSIONER WILLIAMSON: Okay, thank you. The pricing data in the Commission staff report only accounts for 30% of U.S. product shipments which capturing most of the subject import shipments. Where are the other domestic shipments, and if you want to answer that post-hearing.

MR. PRICE: We can address the specifics of that post-hearing.

COMMISSIONER WILLIAMSON: Okay thank you. Okay another post-hearing question. The staff report noticed that the U.S. producers were not uniform in terms of the patterns of their profitability, of the terms of their pattern of profitability during the period please describe what factors explain that difference in company's specific profitability.

MR. PRICE: Again, we'll do that post-hearing.

COMMISSIONER WILLIAMSON: Good and I think that's all so I want to thank this panel for their testimony.

MR. PRICE: Thank you.

CHAIRMAN BROADBENT: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you Chairman Broadbent. I'd like to follow-up on an issue that was just raised by Commissioner Williamson involving the area of threat. Given the relative health of the domestic industry across a number of performance indicia, I know not all performance indicia but some, is it fair to say that this record fits a threat case and are there certain indicia in particular that you believe clearly indicate present material injury?

DR. KAPLAN: Yes, the Commission is charged to look at the data in the context of the business cycle, particular the industry being examined. So now you have an industry that is in an upward swing. You have comparisons to previous cases where the industry was in an upward swing and I think that that affected certain trends, particularly profitability, which are down during a period of increasing demand, speak volumes about the current injury being suffered.

What you would expect is that you would see volumes go up but you would expect them to go up along the lines of demand and in fact they have been captured by the imports. So if you can contextualize the key statutory data, I believe they clearly show injury by reason of imports.

If you look at it during a recession, the Commission sometimes has said well wouldn't you expect it to be down and that's, I think that's an appropriate way to look at things. Here you would expect everything to be up. The levels are well below what they should be and the trends are in the opposite direction of what you would expect so I think this is just as clear as day in terms of the trends of imports, import pricing and the trends of domestic industry indicia.

So with respect to the threat, Alan do you want to?

MR. PRICE: No, no go ahead.

DR. KAPLAN: I think you have the same issues arising in that the Commission has recognized during periods of upswings in cement and in other cases that now is the time that the industry has to start garnering the profits to be able to invest and prepare for the next downturn. So in fact the percentage changes of pain when you are going upward actually are larger, larger sales volumes and larger profits absolutely, because the same percentage at a higher base is going to be larger than the same percentage in a smaller base so a suffering several percentage points profits decline in an industry that is growing is very, very injurious and the threat of that continuing given the conditions of competition in the world, and the U.S. market being a prime target for these exporters speaks to threat as well.

MR. PRICE: I'll just add one item here which is as the Commission has seen a series of cases out there very similar to the OCTG case in many respects. We have a period of improving demand and the question is as demand improves, should the industry be capturing a greater portion of that and so like OCTG yeah you saw employment up, okay. You saw some production growth, you saw all the different things go up but then you saw a profitability decline, all right. You saw that profitability decline associated with lost sales and there was underselling and therefore concluded that there was material injury.

In many respects this industry is similar except that it didn't even have sort of that high point at the beginning, it just it was bad, it improved a little bit as demand was starting to recover. That recovery was suppressed in 2012 on the profit side as pricing continued downward in 2013 and the industry had to deal more and more with the unfairly traded imports. That was injury and so its injury in a financial sense, it's injury in the sense of that workers did not get the hours back that they should have gotten. It was injury that the industry produced less than it should have produced.

Its injury that financial performance was depressed and actually declined and a period of increasing demand. Rather than having profitability decline in 2013, this should have had a continued upward increase of some significant profit margins. That's you know, that's injury by reason of the subject imports. That's impact. That's impact that's more that inconsequential, unimportant, immaterial. These profit levels are real to this industry. These are critical to this industry, it's critical to the short-term, it's critical long-term.

MR. KERKVLIET: Commissioner Johanson, Jim Kerkvliet from Gerdau and I'll leave the statute and the professorial reasonings to Dr. Kaplan and Alan but when you look at it the industry is operating below capacity utilization in low levels in the mid 60's. Our operating profits are below one digit. Our EBITDA margins are below 3 percent. We have inventory growing and we have the more moderate benefits that we have had, although it's not a perfect ruling, at least it's a ruling in place, so that we get a little bit of benefit.

If the ITC does not find injury on this, I shudder to think what's going to happen to the rest of the industry.

MR. GERARD: I can't believe how quiet I've been but

I just know we are coming to the end with what Jim just said and in fact both Jims. This is very troubling for us as the representative of workers. We talked about this in the OCTG case and the same thing is going on here in that context that with all of the negative impact that this has had on the industry, the future of the industry, but in particular the workers, who are trying to make a decent living out of this industry.

If we can't prove injury on this case, then there's a blueprint for everybody else and everything else and you all know that we have a bunch of other cases coming from the steelworkers on paper, on glass, on more steel and we are just getting kicked around. And every time I show up here sitting behind me are workers who have lost their jobs first. We have never been able to succeed in a case where workers didn't lose their jobs and it's really important in the decision that you make and the direction that you send and the message you give out to others the way Jim and others have said.

If you want to trade in America, trade by the rules. I think the rules are lousy already, but at least trade by those lousy rules and quit cheating and putting our members out of work. It gets really frustrating Commissioners and I appreciate that you do your job under the rules and you do the best that you can do, but every decision you make has an effect on somebody's life that you may not ever get to meet.

COMMISSIONER JOHANSON: Thank you for your responses to that question. I would now like to turn to Buy America and Buy American requirements is something which you all know was raised by the Respondent. In addition to the part of the market to its Buy American or Buy America requirements apply, are there domestic companies that buy just American products to avoid confusion with their inventories?

MR. CROWE: Chris Crowe from Magnolia Steel. We specifically buy domestic but the Buy American numbers, the percentage of jobs that are Buy American are so far down from what they were, it's pretty much a moot point now. If the high percentages are down I would guesstimate over half.

COMMISSIONER JOHANSON: But during the period of investigation, the Respondents alleged that some buyers just in order to not have to deal with the whole issue having to try to segregate whether or not they can participate in programs in the Buy America or Buy American programs simply bought domestic product. Do you all know if that is the case in some instances?

Okay no one is answering, Mr. Darsey?

MR. DARSEY: Yeah Jim Darsey would you ask the question again?

COMMISSIONER JOHANSON: Yes, Respondents alleged that some buyers of rebar bought just U.S. product in order to not have to worry about segregating domestic from foreign sourced product, because they are concerned of running afoul of Buy American laws, does that make sense to you?

MR. DARSEY: It doesn't make sense. Buy American is such a small portion. You know in the Buy American and Buy America there are certainly economic thresholds that can be met where it doesn't apply and it's just, it is really just kind of confusing. I think this is nothing more than a smokescreen, or smoke bomb thrown up by the folks to just confuse the issue.

I can sit here and say well there is some folks who just buy Turkish rebar, just buy Mexican rebar so they don't have to worry about their inventory. It may be true, it may not, you know. I just know that rebar is a commodity-like product, it's highly fungible, it's interchangeable and you know it rusts, sinks in water and buried in concrete and from a lot of jobs where rebar is consumed in this country, that's what matters, not where it came from.

MR. MELVIN: Commissioner?

COMMISSIONER JOHANSON: Yes, my time is expired but why don't you go ahead and complete.

MR. MELVIN: Okay, it's Jim Melvin from Re-Steel Supply. I can tell you in our case that that is not the reason why we do not buy imports.

COMMISSIONER JOHANSON: All right, thank you for your responses.

CHAIRMAN BROADBENT: Thank you. Let's see

Commissioner Kieff any more questions? Do any of my colleagues have any more questions? Okay, I'm going to -- you do?

COMMISSIONER JOHANSON: Yeah I do, I apologize.

CHAIRMAN BROADBENT: No problem.

COMMISSIONER JOHANSON: I know that everybody is getting hungry and you have all been sitting there for a long time but indulge me for a moment or so. I'd like to ask one more question. Respondents argued that the increase in subject imports predominantly occurred in the distribution segment of the rebar market where the domestic industry is less focused. I don't know that you all contest that somewhat, but you all dispute that this is where the volume increase took place in the distribution segment of the market?

MR. KERKVLIET: Jim Kerkvliet with Gerdau. I think as Doctor Kaplan had said distribution is just a function, a channel of getting a product to the end consumer. And it was said earlier, but I forget who said it specifically but the lines of demarcation if you will between the distributor and a fabricator are very blurry. You have fabricators who distribute you have distributors that fabricate so I dispute that.

COMMISSIONER JOHANSON: Yes?

MR. WEBB: Rob Webb Southwestern. We have imported material and we are a fabricator. We fabricate the imported material a lot of my competitors are fabricating the imported material so it is a distributed and fabricated.

COMMISSIONER JOHANSON: All right, thank you for your responses, oh yes Mr. Alvarado would you like to speak?

MR. ALVARADO: Yes, Commissioner, Joe Alvarado of Commercial Metals. I guess I would go back to what I stated earlier about the end use application. So whether it goes to a fabricator or to a distributor to a fabricator, the end use application is the same, its construction of products to be buried in concrete. So ultimately, there's no market segmentation whether it's made by channel or it's made by size or it's made by grade, it all ends up in the same place and the preponderance of product that we produce, threes, fours, fives and sixes, constitute 70 to 80 percent of total production in the domestic industry and that's exactly what kind of product is coming in so the differentiation that is being argued or the segments that are being argued really don't make any sense in the final case because the end use application is the same.

MR. KAPLAN: Commissioner in the opening statement by the Mexican consul he said well you've looked at this many times before and concluded this, but it's really different. And we say nothing has changed, we have been here before, similar companies, similar distribution, still sinks in concrete, still used to make bridges and buildings. I would look closely at that, he's going to want you to rethink an industry that has probably been here more than almost any other industry. Nothing has changed, this is -- technology hasn't changed, the end use hasn't changed, distribution hasn't changed. Many of the players are the same.

I think that he's right, you have to conclude that something is radically different in this old industry with these same players to even start thinking about how there's not injury or that there's attenuated competition in this industry, that's all.

MR. PRICE: It's Alan Price, Wiley Rein. We'll address in our post-hearing brief this whole sort of attenuated competition argument in greater detail but for example not only do we think that the Respondents haven't actually reported their channels correctly or whether it was accidental or intentional, I don't need to speculate but I can tell you I can look at their questionnaires and say this person is this and their numbers means that they must have put them in completely different categories.

If someone is a fabricator and distributor and they constitute 10 percent of someone's exports to the United States and yet they are showing no sales to fabricators and distributors, there's something amiss in the numbers that first of all they submit. I just want to sort of say it in that kind of abstract way and we can go through the specifics in the post-hearing brief.

Secondly, you know the second trick they do is they say well now that I have misreported my information this way I'm going to say anyone who is a fabricator and distributor it's really just a fabricator. Well I can do the same thing and say anyone that's a fabricator and distributor is just a distributor, so instead of having 80 percent of the industry under their calculation just being fabrication that the domestic industry sells to, I can end up with 70 percent, 70 plus percent of the industry all being distributors, okay.

We can all have kind of fun with numbers here but that's kind of shameful honestly. What you have here is a highly overlapped marketplace without a lot of, you know where people have a lot of different functions going on and so people are buying and selling, one of the domestic producers bought from one of the distributor operations that is testifying from the Respondents and use it in their own fabrication.

I mean it's just, there's no clear, clean channel in the way that they are trying to make out. And even in that channel, there's just huge overlap and we can go through the numbers and we will show you in our post conference brief, but this dog doesn't hunt.

COMMISSIONER JOHANSON: All right, thank you for your responses. I have found them very informative and my time, well I guess it hasn't expired, but I'm done with questions thank you.

CHAIRMAN BROADBENT: Okay Commissioners no further questions. Does the staff have any questions for this panel?

MR. HENDERSON: Yes, one brief question for counsel to address in the post-hearing brief.   In light of the recent final determination by the Department of Commerce as we recall there was a scope issue in connection with deformed steel wire which was discussed in detail in the pre-hearing staff report. It was addressed by the parties their pre-hearing briefs.   Now that we have Commerce's final determination with the amendment to the scope, we appreciate if both the Petitioner and Respondents could address the significance of that scope amendment so the Commission understands it and how that should -- how the Commission should address that in connection with it's like product determination, thank you.

CHAIRMAN BROADBENT: Thank you Mr. Henderson.   Do Respondents have any questions for this panel?   It looks like I see heads shaking no.   Okay.   Thank you.

In that case it's time for a lunch break.   I'm going to speed up our normal lunch break. We are going to come back here at 1:40 in a half an hour, 1:40 we will reconvene.   Please note that the hearing room is not secure so please don't leave confidential business information out and I want to thank all of the witnesses on this panel for coming today, thank you very much.

(Whereupon, a lunch break was had to reconvene at 1:40 p.m.)

AFTERNOON SESSION

CHAIRMAN BROADBENT: Will the room please come to order. Madame Secretary, are there any preliminary matters for the afternoon session.

MS. ROHRBACH: Madame Chairman, the panel in opposition to the imposition of the orders has been seated. All witnesses have been sworn.

CHAIRMAN BROADBENT: Thank you, Madame Secretary.

I want to welcome the afternoon panel the ITC. I would like to again remind all witnesses to speak clearly into the microphone and state your name for the record for the benefit of the court reporter. You may begin when you're ready.

MR. BOND: Good afternoon. My name is David Bond. I'm with White & Case, and I'm here on behalf of Deacero.

Before our panel begins their presentation, I just wanted to mention for the record that one of our scheduled witnesses, Chris Casey, from the Independent Steel Alliance, was unable to attend the hearing today. He felt the need to not appear today because several of his members appeared this morning on the domestic panel, so he choose not to appear, but we do have a comprehensive statement by him in our pre-hearing report, which we think has a lot of important details and comments that we hope you'll pay attention to.

Our first speaker is Mauricio Gutierrez from Deacero.

STATEMENT OF MAURICIO GUTIERREZ

MR. GUTIERREZ: Good afternoon and thank you for the opportunity to appear at the hearing. My name is Mauricio Gutierrez. I am the Director of Export Sales for Deacero. I will give you an overview of Deacero's production and sales operations.

Deacero is a privately owned steel manufacturer. Our production operations include scrap recycling centers, steel mill which produce billets, wire rod, rebar, merchant bars, and structural shapes, and wire facilities, which draw wire from wire rod and produce nearly 4,000 downstream products such as barbed wire, steel nails, chain link fence, and many others.

We have a diversified business portfolio. We have more than 80 product families supplying to 90 different industries throughout the Americas to over 7,000 customers.

During the period of investigation, we produced rebar at three facilities, Celaya, Saltillo, and Ramos. Nearly all of our rebar production takes place at our Celaya steel plant. In 2013, 97 percent of our rebar production was at Celaya. The Celaya plant has four rolling mills. Two of the rolling mills, Mill 0 and Mill 2, are primarily dedicated to the production of wire rod and produce coiled rebar in limited quantities.

We would not shift production from wire rod to rebar in these mills in any meaningful way because wire products are our core business and the market for coiled rebar is low. Also, 70 percent of our wire rod production is for our own consumption to manufacture wire products.

The other two rolling mills, Mill 1 and Mill 3, are primarily dedicated to the production of straight rebar, and also may be used to produce merchant bar. These mills can only produce straight rebar up to 42 feet in length because our packaging lines are not equipped to handle longer rebar. Also, there's a limited potential to shift production from merchant bar to rebar on these mills because they are already used most exclusively to produce rebar.

The Saltillo Steel Mill has one hot rolling mill that is primarily dedicated to producing wire rod, but it is also used to make small volumes of coiled rebar. As I mentioned before, wire products are the Celaya's core business and the market for coiled rebar is small. So, we would not shift the Saltillo Mill's production from wire rod to coiled rebar.

Lastly, we produce small volumes of straight rebar at our new facility in Ramos. The Ramos plant has two rolling mills. The first is a hot rolling mill that is primarily dedicated to the production of merchant bars and structural shapes, and also produces small volumes of straight rebar.

In 2013, for example, merchant bars and structural shapes accounted for nearly 90 percent of production in this mill. We would not shift from production to rebar in this mill in any meaningful way because merchant bars and structural shapes are more profitable than rebar, and Mexico lacks production of merchants and structurals to meet local demand. Also, it is less efficient to produce straight rebar on this mill because the output is lower, making costs higher.

The second is a cool rolling mill that produces merchant bars from wire rod. We cannot produce rebar in this mill.

There have been some articles in the media stating that the Ramos plant is for the production of rebar and wire rod, but these articles are inaccurate. Most recently, the Deacero's commercial director of profiles was quoted saying, "With the construction of this facility we entered into the production of rebar." The quote is wrong its face. It was a translation error.

Deacero has produced rebar for many years. Rather with the inauguration of the Ramos facility in 2012 we entered into the production of merchant bars and structural shapes. Ducor, Gerdau, and CMC they all know this. They have visited our mill.

Turning to sales, Mexico has always been and will continue to be our most important market for rebar. We have long-term relationships with customers in Mexico, including large construction companies and distributors located throughout the country. We also sell rebar to small hardware stores. All these customers regularly purchase rebar from us and consider us to be a reliable source of supply.

Although the downturn in Mexico's construction sector has been well publicized, the sector is growing now that Pena Nietro's administration has begun funding projects under the 2014/2018 national infrastructure plan. The total investment will be roughly 600 billion U.S. dollars. That is more than twice the value of the prior administration's infrastructure plan.

Demand for rebar is also growing in Mexico's export markets in Latin American countries. Many of these countries have GDPs that are predicted to grow at 3 to 5 percent rates, and have deficits in rebar.

Petitioners argue that rebar experts from China and Turkey will crowd out Mexico's exports to Central and South America, but this is not occurring. Even if it did occur, Mexico's free trade agreements with Central and South American countries give our rebar exports a significant duty advantage over exports from other countries.

Moreover, Deacero has long-term agreements for the supply of rebar to customers in Columbia, Peru, and Guatemala. And we recently formed an alliance with a second Chilean distributor for the supply of rebar in Chile. We are also in discussions for long-term supply agreements with customers in Bolivia and Paraguay. From 2011 to 2013, our exports to Latin American markets grew by more than 350 percent and now exceed the volume of our shipments to the U.S. We have limited excess capacity.

Petitioners also argue that demand for rebar is declining in Panama, another top export market for Mexico. Arcelor Mittal Las Truchas is the main Mexican exporter of rebar to Panama, and it is related to a U.S. mill. Arcelor Mittal Las Truchas, which is in Mexico, just announced that they have won another bid for the Panama Canal Expansion that will require almost 200,000 tons of rebar and will not be completed until December 2015.

Last fall, Petitioners also stressed Columbia's safeguard investigation against rebar, but last March Columbia decided against imposing a safeguard. There are no foreign trade remedy measures in place against rebar from Mexico.

In contrast to our growing markets in Central and Latin America, our rebar shipments to the U.S. have been consistent and stable, growing slowly over time in response to increasing demand. We are a responsible supplier and do not behave in ways that disrupt the U.S. market. As a private company, we always look to the long term. Like any market we participate in, we want the U.S. market to be healthy now and in the future. We can prove this based on our consistently low U.S. market share over the years.

Based on our track record, it is clear that Petitioners are wrong when they warn that Deacero intends to substantially increase exports to the U.S. We didn't do it in

2012 and 2013 when demand was low in Mexico, and we certainly will not do it now that consumption in Mexico and other Latin American countries in increasing.

Finally, I would like to reiterate that the big three's power and how Nucor is the price leader and not imports. Let's remember that the big three have over 84 percent market share. Having three purchasers at the Petitioners' table who, by the way, never talked about Mexican imports because we rarely cater to their markets, prove the power and preference for domestic rebar.

Also, I would like to note the market is growing, but domestic and their customers don't see it because they are focused in the non-residential market that only grew a modest 6 percent during POI, unlike the residential market that accepts imports and that we cater to that grew 35 percent during the POI.

Thank you very much, and I'll be happy to answer any questions.

MR. BOND: Our next witness is Miguel Bazan from Deacero USA.

STATEMENT OF MIGUEL BAZAN

MR. BAZAN: Thank you for giving me the opportunity for this. Good afternoon. My name is Miguel Angel Bazan. As the U.S. Sales Manager of Deacero, I oversee the company's rebar sales in the U.S. Deacero has been supplying rebar to the U.S.

since 2006 and has been a steady source of rebar to the U.S. market. Most of our U.S. clients have been customers of ours for many years.

As I will discuss, we sell low volumes of rebar in the segment of the market in which U.S. producers focused. In this regard, we see ourselves as complementing U.S. production, selling the lengths and sizes of rebar that U.S. producers would prefer not to sell or don't have the capacity to sell.

U.S. mills have market share of 85 percent, which show high concentration. These mills mostly sell rebar to fabricators some of which also distribute rebar. We sell to only small volumes of these types of customers for four main reasons. I will address each of these points as they relate to Deacero, and Frank Bergren will elaborate on these points from the purchasers' point of view.

First, the three largest producers, Nucor, Gerdau and CMC sell very large volumes of rebar to their internal fabrication operation. We cannot compete for these sales. You should ask Re-steel and Southwestern how much rebar they sell to the big three fabricators. I don't think it's much, if any.

Second, significant volumes for fabricated rebar are sold to construction projects covered by domestic preference program like Buy America that require domestic rebar. Domestic rebar is also required for building projects seeking to qualify for LEED certification. LEED stands for Leadership in Energy and Environmental Design, and certification is desired to showcase that the builder is environmentally responsible. LEED standards block imports because they require the construction materials to be made within 500 miles of the job site.

Nucor recently fought hard to prevent North Carolina from barring the use of LEED standards for state building projects. So, it is clear that this important restraint is important to U.S. mills.

Third, Deacero does not offer the full range of lengths and sizes required by fabricators. Fabricators that service large construction projects prefer 60-foot rebar. As Mauricio explained, Deacero does not produce straight rebar longer than 40 feet. Fabricators also require rebar in all sizes, Number 3 through 18. The larger sizes, Number 7 and higher, are used primarily for heavy construction. Deacero, in contrast, only offers rebar in sizes 3 to 6.

Lastly, we are at the disadvantage to U.S. producers with respect to lead time. Nearly all of our U.S. rebar sales are shipped by rail directly from our plants in Celaya and Saltillo to the U.S. customers. As a result, our lead times are longer than those of U.S. producers, which gives them an edge with fabricators that demand just-in-time delivery.

The combined effects of these factors is that we sell very low volumes of rebar to fabricators. This is important because the fabrication segment accounts for the majority of the

U.S. rebar market, and U.S. producers focus on supply rebar to this segment. In other words, we compete very little in the segment of the rebar market where sales of U.S. rebar are concentrated.

For these reasons, Deacero overwhelming sells rebar to distributors and traders in the U.S. market. Roughly, 60 percent of our sales go to distributors and 35 percent goes to traders. Nearly all of these sales consist of 20-feet rebar that is sold to home centers, lumberyards, and other retail outlets for residential construction and do-it-yourself projects. Residential construction grew by 35 percent from 2011 to 2013.

In our experience, U.S. mills have given less priority to sales to distributors. The U.S. mills prefer to make the longer lengths and larger sizes of rebar because they can do so more efficiently. In fact, in 2012, we sold one third of our U.S. volume to CMC and Harris Supply, Nucor's distribution company. Nearly all of this consisted of 20-foot rebar in small sizes. In this manner, we believe that we are supporters to the U.S. mills by freeing them to focus on producing the longer lengths and larger sizes of rebar that are more efficient to produce.

As a final comment, we sell rebar in the U.S. at the market prices set by Nucor, which vary by region. We quote prices on our delivery basis. As a result, our prices on an FOB basis tend to be higher in markets like Laredo, Texas where we have a freight advantage and lower in markets like in the Northwest where we have a freight disadvantage. Thank you.

MR. BOND: Our next witness is Carlos Diaz from Grupo Acerero.

STATEMENT OF CARLOS DIAZ

MR. DIAZ: Thank you very much for your attention today. My name is Carlos Diaz, Business Development Manager for GASA Steel located in Texas.

GASA Steel is a subsidiary of Grupo Acerero, a producer of rebar in Mexico. I started working for Grupo Acerero in Mexico before joining GASA Steel. GASA Steel imports and resells rebar manufactured by Grupo Acerero to customers in the United States.

I want to add our perspective to the comments that have been made today.

First, I would like to emphasis that our participation in the U.S. market is quite limited. The great majority of our product is sold in Mexico where we have a strong and consistent customer base. Export sales are a small part of our business.

Like other Mexican exports, as you can see in our questionnaire responses, we sell only the small diameter rebar in mostly shorter lengths. These range of products are what we are able to sell because our equipment can handle the sizes we now produce. We also can't handle longer lengths because of the limits of our equipment. In addition, longer sizes are more expensive to us to ship, making our product un-competitive for the longer lengths.

Second, our reach in the U.S. is very limited, geographically. As noted in our questionnaire responses, our customers are limited to Texas and a couple of nearby states. This is related to the cost of transportation.

Third, we are limited to the distribution segment of the U.S. market. We have never been able to make significant sales to U.S. fabricators. That segment is virtually closed to us. This seems to be because many fabricators are affiliated with U.S. rebar producers and because many fabricator projects have Buy in America restrictions imposed by the contractor or by the ultimate project managers. Also, fabricators prefer larger diameters and longer lengths than we can make.

Sometimes fabricators do want smaller diameters, but in that case they want coiled rebar, which we have never made. We only sell straight lengths. To be more clear, our overall capacity is very small. We have the capacity to manufacture a maximum of 20,000 metric tons per month. This small quantity only allows us to sell in Mexico and in our state and few neighboring states.

Grupo Acerero has longstanding relationship with a large number of consistent customers in Mexico. It is possible for us to sell 100 percent of our production easily in Mexico. The main reason we started exporting to the U.S. a few years ago is to complement our steel scrap purchases in the U.S., combining purchases of scrap with sales of rebar in the U.S. in order to be most efficient using our own railroad cars.

That is, for many years have procured a consistent, small percentage of the scrap requirement from the U.S. since it is important for us to have an alternative to the domestic scrap suppliers. We realized that we could recoup some of the transport costs if we didn't send our railroad cars back empty, but instead could load them up with rebar for the trip back to Texas. Then we began to find U.S. customers. Our U.S. exports of rebar, therefore, are tied to our U.S. imports of steel scrap and their quantities match.

Selling rebar in the U.S. also provide us with currency protection. Since we have to buy U.S. scrap it dollars, it helped us to make sales in U.S. dollars with the purpose of having a protective edge against currency changes. The correlation of our scrap purchases and our rebar sales also explains why we sell rebar mostly in Texas because our scrap is supplied almost completely from Texas. This model has worked for us, and we have developed some solid or related low-volume relationships with a couple of U.S. customers. Those customers also purchase from local suppliers, but sometimes they need an alternative source.

Thanks for your attention. I'll be glad to respond to any of your questions you may have.

MR. BOND: Our next witness is Frank Bergren from Metal Partners.

STATEMENT OF FRANK BERGREN

MR. BERGREN: Good afternoon. I'm Frank Bergren, Managing Director of Metal Partners Rebar. We are one of the largest independently owned distributors and fabricators. We distribute rebar nationwide and have three fabrication shops who project a sale of approximately 280,000 tons of steel this year.

For our distribution operations, we sell to retailers, lumberyards, construction supply houses, and small, independent fabricators. We primarily distribute 20-foot rebar. This length is mostly used in residential construction and cut-and-bend on the job site without going through a fabricator.

As a national distributor, our main competitors are Harris Supply, which is owned by Nucor, and Adelphia. We also compete with some regional distributors such as BlueLinx and Weyerhaeuser. Our three fabrication shops are located in Bakersville, California, Chicago, Illinois, and Bala Cynwd, Pennsylvania, which is near Philadelphia.

We can't compete with fabrication companies that are owned by U.S. mills, so we don't try. The mill-owned fabricators bid for projects at much lower prices than we could. So, to avoid competing with them, we focus on supplying fabricated rebar to low-volume customers like construction supply houses and pre-castors. This niche market has been underserved, so we're filling a void.

In contrast, mill-owned, other larger fabricators focus on obtaining business directly with general contractors. We mostly buy domestic rebar and purchase imports for the balance of our requirements. We would prefer to buy only domestic rebar, but U.S. mills do not offer adequate supply. In particular, Nucor, the largest U.S. producers has consistently refused to sell us rebar since 2009 even though we have offered to purchase a minimum of 50,000 tons from them per year.

The reason Nucor refuses to sell to us is not a secret. On several occasions, Nucor senior management has openly explained that they will sell rebar to us because we compete with Harris Supply, their internal distribution company and with Adelphia, which is a top Nucor customer.

Nucor's refusal to do business with us cost us and them money every day, not to mention their employees who are paid based on production and labor hours. If I were a Nucor steel worker, I would be livid to know that Nucor is costing each employee by leaving that 50,000 plus tons of annual business on the table. Nucor management likes to talk about their people, but this example shows their disregard for their workers' interest.

CMC, another major U.S. producer, also will not sell us rebar. Although they refuse us outright like Nucor, CMC quotes us at prices that are so above domestic market it's clear that they don't have product available to sell us. From a geographic standpoint, CMC cannot supply us because they only have mills in the South. CMC obviously lack supply or else they would not be such a larger importer of rebar themselves.

We buy domestic rebar from Gerdau Steel Dynamics and Cascade and Arcelor Mittal, but can't get enough from these suppliers. Unlike Nucor and CMC, Gerdau has limited distribution operations. Nevertheless, Gerdau is unable to offer us sufficient volumes of rebar, in part, because they prioritize their sales to their downstream fabrication operations.

Steel Dynamics has shifted to producing more SPA and merchant bars because these bars are more profitable than rebar. SDI has reduced their rebar production by about half, and this problem will only worsen as the U.S. construction sector continues to improve. Other U.S. mills will also shift production to more profitable bar.

Cascade has sold us only in low volumes of coiled rebar for our fabrication operations and will not sell us rebar for distribution. Also, Cascade has been sold out of rebar as of late. Arcelor Mittal also lacks adequate supply even though they increased production at their El Paso mill. The remaining U.S. mills, Byer, Evraz, and Keystone are minor players and cannot service our needs, Byer's production is insignificant and the quality of their rebar is typically not accepted by the majority of our customer base.

Evraz and Keystone only produce coiled rebar for which the market is minuscule. Demand for rebar is high right now, better than I've seen it since 2008. Construction projects that were delayed last winter are now underway. Commercial construction has been more active. Agricultural construction projects like grain silos and hog farms have increased in the Midwest. Department of Transportation work has been busy in the Midwest and Northeast, and construction projects related to Texas's growing energy sectors are in abundance.

As a result, demand for domestic rebar far exceeds the supply, and we are unable to buy more than our historical purchase levels from U.S. mills. Notably, organizations like the CRSI forecast that demand for rebar will continue to increase. We would prefer to buy 100 percent domestic rebar for several reasons.

First, roughly half of our purchases are required to be domestic rebar because many of our customers insist on U.S. rebar, whether due to Buy America restrictions or simply based on their preference. These requirements, in turn, mean that we have to keep separate inventories of domestic and imported rebar. To avoid this hassle and expense, we would prefer to buy just U.S.-produced rebar.

Secondly, we normally have to buy imported rebar from trading companies. Purchases from trading companies are subject to high minimum quantity requirements and long lead times. Delivery to the port alone typically takes up to 90 days for rebar from Turkey and other offshore countries, the trader issues, the invoice when the rebar lands at the port, so you risk losing money if market prices decline in the interim.

Rebar is often mishandled and damaged at the port, creating another risk of importing. Also, we have to arrange for transportation from the port to our inland location, which adds cost as well.

For these reasons, we pay a premium of 7 to 10 percent for domestic rebar over imported rebar. The real driver of U.S. producers' prices is a concentration of their mills.

In the Southeast, for example, Nucor, Gerdau, and CMC all have multiple mills and their prices are lower. In contrast, only Nucor and Gerdau have mills in the Northeast, one each, and consequently, the charge higher prices for the rebar in this market despite the presence of imports.

This concludes my remarks. Thank you.

MR. BOND: The last member of our panel was described this morning by Mr. Price as being shameless, Jay Campbell of White and Case. I think that was shameful or shameless whatever. This is Jay Campbell of White and Case again. I will wrap up the Mexican Respondent's presentation by tying the testimony you just heard to the volume price and impact factors.

The Commission evaluates the volume of subject imports in context. Although subject import volume increased over the POI the lion's share of the increase occurred in the distribution segment where the U.S. industry makes only about 20 percent of its sales.

Subject imports overall market share increased over the POI while domestic rebar's market share declined. But look deeper. The fabrication segment where U.S. rebar is concentrated grew at a slower rate than the distribution segment where imports are concentrated. Viewed in this light, the U.S. producer's declining market share reflects divergent rates of growth in the fabrication and distribution segments, not competition by subject imports.

In the fabrication segment, where the U.S. industry focuses, U.S. mills hold a commanding market share throughout the POI and gained substantial sales volume. The price comparison data in the staff report indicate underselling by subject imports but the margins are inflated and should be discounted. Nucor and Gerdau are the price leaders and undersold other U.S. producers and each other.

Their underselling is most pronounced with respect to their internal transfers, which were priced lower than their commercial sales. This pricing reflects the big three's aggressive competition in the fabrication segment and strategic use of their downstream fabricators.

When the big three's internal transfers are included in the price comparisons, the underselling margins by subject imports are lower. The underselling by subject imports should also be discounted because of the concentration of subject imports and U.S. rebar in different market segments.

Subject imports largely consist of 20 foot small size rebar that is used in residential and light construction without going through a fabricator. These shipments do not compete with the overwhelming majority of U.S. producer shipments because those are made in the fabrication segment. The requirement to report prices FOB U.S. point of shipment also inflates the underselling margins.

Deacero's sales for example, are reported FOB Laredo, Texas which means that the reported prices for sales in the west and Midwest are generally lower than the U.S. mills prices in these regions due to higher freight costs.

Lastly, because of the significant advantages enjoyed by U.S. Mills, domestic rebar commands a price premium over imports. Frank Bergren testified that the premium ranges from 7 to 10 percent. The existence of a price premium is additional evidence that the underselling margins on the record are inflated.

Subject imports are not underselling, they are charged to prices the market will bear. Subject imports did not depress U.S. mills prices. Prices for domestic rebar increased substantially from 2010 to the first quarter of 2014, rising with U.S. demand. U.S. mills prices declined modestly from 2011 to 2013 but subject imports were not the cause, rather the lower prices resulted from declining scrap costs and were instigated by Nucor and Gerdau, the price leaders in the U.S. market.

Subject imports also did not suppress U.S. mills prices. U.S. industries cogs to sales ratio decreased from 2010 to 2013 as subject imports were increasing in volume and market share. The industries cogs to sales ratio also fell from 2011 to 2012, the same period during which subject imports have their largest gains in volume and market share. Thus there is no correlation between subject imports and the U.S. industry's ability to raise prices to cover costs.

Turning to impact, there is also no correlation between subject imports and the U.S. industry's performance. From 2010 to 2013 the domestic industry achieved substantial gains with respect to key performance indicators. While subject imports were increasing and also in the U.S. industry also enjoyed better results from 2011 to 2012 when subject imports registered their largest increase in volume and market share.

These counter-trends are not surprising. Again, domestic rebar and imports are concentrated in different market segments and domestic rebar is heavily insulated from import competition. Petitioner argues the U.S. industry should have done even better. That subject imports suppressed U.S. producer's profitability as demand was recovering from the recession, but U.S. producers are doing better, much better.

In 2010 when the market was done, the domestic industry had an operating loss of 47 million dollars and an operating margin of negative 1.4%. In contrast, the U.S. industry was profitable throughout the POI with an operating income exceeding 150 million dollars in each year.

And the U.S. industry would have performed even better if it weren't for the big three's aggressive competition in the fabrication segment. The record data shows that the big three sell to their related fabricators at lower prices than they charge in the commercial market.

I refer you to the figure of page 62 of Deacero's pre-hearing brief. This is the additional profit that the U.S. industry would have earned but for the big three's aggressive strategy. Subject imports did not suppress the U.S. mill's profitability, the big three did this to themselves.

It is also important to note that the U.S. industry performed better in the commercial market than it did in its captive market for internal sales. This result reinforces the conclusion that head-to-head competition between subject imports and domestic rebar is limited. This concludes the Mexican Respondent's presentation, thank you very much.

CHAIRMAN BROADBENT: I want to thank all the witnesses for coming so far today. We have more, okay. And also thank you for hosting us at the Deacero plant last week, we appreciated our trip and learned a lot about the industry and conditions in Mexico. Today we will begin the questioning with Commissioner Schmidtlein.

Yes, that's what I was asking about, sorry. Excuse me, I have got to take testimony from the back panel, from the Turkish exporters.

MR. NOLAN: Yes, please we would appreciate it very much.

CHAIRMAN BROADBENT: Thank you.

MR. NOLAN: We are in the back but not completely forgotten, thank you for that. All right so we will try to keep this brief so we don't repeat too much what's already been gone over today. My name is Matt Nolan again and I am with Arent Fox representing the Turkish industry. I have two witnesses here with me today, Mr. Ugur Dalbeler to my far right who is the CEO of Colakoglu Metalurji and a board member of the Turkish Steel Association. Colokoglu is a major producer of rebar and other steel products in Turkey.

To my immediate right is Murat Cebecioglu, I can never get that right, who is the head of the foreign trade division or trade manager for Icdas, which is one of their mandatory Respondents in this case. I am going to turn the mic over to Ugur to start followed by Murat and then I will close, thank you.

STATEMENT OF UGUR DALBELER

MR. DALBELER: Thank you Matt, ladies, gentlemen of the Commission good afternoon. My name is Ugur Dalbeler. I am the board member of the Turkish Steel Exporters Association and the Chief Executive Officer of Colakoglu Metalurji, it is a steel producer in Turkey. We did produce approximately 4 million tons of steel last year.

I have over thirty years of experience in this business and know the Turkish industry markets well and my colleague Murat I will make a brief statement but my chief goal is to answer your questions.

We do admire and respect the U.S. trade laws and regulations and have understood the Department of Commerce decisions up until this year. Today I have concerns with the practice of the Commerce Department after seeing what can only be described as a bad result regarding findings on OCTG and rebar from Turkey which we believe are politically motivated.

This approach only inspires other countries to apply similar practices to protect their domestic industries without having solid reasons and I believe as a result it will be difficult to talk about free and fair trade in future.

Turkey does not dump rebar in the U.S. market. We knew that already, but we are pleased to see that the Department of Commerce agrees with our view. The Turkish rebar industry is extremely efficient and productive and experienced in competing in the world market.

Unfortunately, as a world-class efficient industry, we are also the target of the trade complaints. In my position at Colakoglu, I faced more than once the U.S. rebar producers efforts to keep Turkish rebar out of the U.S. market. Rebar is not really a simple product as U.S. industry described this morning. It has different sizes, different standards, different units and different certifications all over the world. And Turkish steel industry is capable of compiling at all differences.

We would like to emphasize that Turkish steel industry produces the highest quality product and delivers these products all around the world with its advanced logistic infrastructure. Our country has a very favorable geopolitical location for reaching out to the world's markets and this enables us to export Turkish steel to more than 180 different countries.

The reasons of our success can be summarized as follows: Producing very high-end quality and good products in full compliance to the international standards and all certifications that exist throughout the world; competitive prices with reasonable profit margins in compliance with free and fair trade and competition rules; high levels of per-capital output, reliability that we gained with years of experience and trust to all of our customers.

All Turkish steel companies are profit oriented private entities and the sector receives no sector specific government support because Turkey has signed the Europeans still call agreement back in '97 so it is totally banned to have any state aid according to the European regulation.

But I do believe U.S. steel industry receive large amount of state aid. On behalf of Turkish steel industry we would like to express and share our deep concern against this subsidy finding. We urge the Commission to consider the nature of the subsidy and its origins in considering that the Turkish imports are indeed competing unfairly against U.S. producers.

We know that the Petitioners make several incorrect statements about Turkish market and the export markets for our rebar producers. Petitioners state that there is low demand for the rebar in Turkey as well as in our export markets. These statements are clearly not true. Turkey consumes over 8 million tons of rebar which is even higher than what today U.S. consumes.

We would like to provide the Commission staff with some information on the market situation in Turkey. The strength of the Turkish economy and its return to the growth creates resilient domestic market for rebar producers. We anticipate that growth in our construction sector will continue which in turn affects the consumption of rebar.

With respect to the production capacity, I understand the Petitioner's claim Turkish rebar producers have substantial excess capacity. We have not increased the rebar capacity for almost last five or six years and in fact for the last couple of years we see a downturn in capacity utilization. Any extra capacity that we have recently installed to us on flat products where country still faces a deficit.

The construction sector worldwide suffered as a result of recession in 2008 but Turkey remained in the export markets and export data for between 2008 to 2013 from official statistics show that five export destinations for Turkey were UAE, Iraq, Egypt, Yemen and Israel in contrast over the same period exports to U.S. represented only about 8 percent of the total rebar exports.

In 2008 Sunset Review like today Petitioner's argued that imports rebar from Turkey have flooded the U.S. market, took market share from their -- from domestic producers and depressing U.S. prices for rebar and caused by their alleged negative effects on the U.S. industry. These claims have no basis.

First as I have said earlier, Turkey is not dumping. Our sales are fairly priced and competitive. That said, we sell to a very few long-standing U.S. customers in the U.S. market. Second, U.S. producers enjoy significant advantages over here. They owned rebar plants coast to coast. They are vertically integrated, they have their own scrap subsidiaries, fabrication shops and they are operating in the most protected and supported market.

Third we have developed other markets that have grown and fester and offer us more opportunity, in particularly Asia, Middle East, North and West Africa and Latin America. And I should also emphasize that there are structure differences between Turkish and U.S. producers. Turkey produces more rebar than it consumes and that is the prove of Turkish export prices cannot be lower than its domestic prices, because for Turkey domestic or export, we don't differentiate our markets as domestic and export, the markets are markets, so we apply the same prices in all world markets.

And Turkey are capable of serving multiple markets worldwide continuously so we remain extremely efficient and profitable. U.S. mills I have been as I said, exporting rebars for almost like 30 years and I have come across with all kinds of different rebars all over the world, but never faced any U.S. competition other than U.S. at the American market.

I do not wish to offend but in my experience U.S. is the most protected market as far as steel is concerned. As a result the U.S. steel industry is far the most profitable all around the globe, thanks to the Commerce Department. Also the U.S. industry is subsidized, especially at the state level and with the restricted public works Buy America and they really enjoy lower prices of energy and raw materials.

They have a big advantage which they insist to take as additional profit. I agree, as they have mentioned this morning nothing has really changed for the last 15 years. Turkey keeps proving that they are not dumping rebars in the U.S. but U.S. steel producers never give up challenging this. I wish I could operate a steel plant here in the U.S. because operating in such an environment with such subsidies and protection I believe the mill would be the most profitable all around the globe. Thank you for your attention.

MR. NOLAN: All right, thank you I'll turn it over to Murat now.

STATEMENT OF KAMIL MURAT CEBECIOGLU

MR. CEBECIOGLU: Ladies and gentlemen of the Commission good afternoon, my name is Murat Cebecioglu, the foreign trade manager of Icdas, a major Turkish rebar producer. I have over 7 years in this business I am joining Mr. Dalbeler here to speak on behalf of my company and the Turkish rebar industry.

He and I are fierce competitors but today we are together here to answer your questions. Icdas is a major producer of rebar and wire rods in Turkey. We pride ourselves on the quality and the price competitiveness of our products. We do not dump rebar. We are pleased to find out that the Department of Commerce agrees with us in its Final Determination Icdas received a margin of 0.00 percent. Again, we do not dump rebar. Absolutely no dumping of any amount was found.

Unfortunately we were disappointed when Commerce also found a very small subsidiary, barely over the minimum on Icdas's purchases of lignite coal from a Turkish government's own company. This subsidy finding is false and we are very concerned about how it was calculated.

Icdas purchases less than 5 percent of its overall energy needs in the form of lignite coal from government sources during the investigation and we stopped all purchases of lignite coal from government sources at the end of 2012. Almost all of our coal energy needs are met by purchasing imported steel coal from world markets.

We buy steel coal from world markets in the range of 100 to 140 dollars per metric ton. Lignite coal is worth considerably less because it is a much lower calorific value. 250 kilocalorie as opposed to 6000 kilocalorie for steel coal and yet despite the fact that our highest private coal purchase price on the world market was $140.00 per metric ton, Commerce applied a so-called world market price benchmark of over $200.00 per metric ton, in comparing Turkish lignite prices. This is a false benchmark and is not supported by any published benchmark.

The only subsidies Icdas receives is a tiny interest of credit from our ExIm Bank, just as your ExIm Bank provides. In a very similar tax deduction for otherwise non-deductible expenses associated with export sales. These subsidies amounted to a total of 0.17 percent according to Department of Commerce.

Icdas doesn't sell rebar at unfairly traded prices in the United States. Despite all the allegations by the U.S. industry, no dumping of any sort was found. Despite allegations of dozens of regional program subsidies, gas purchase subsidies, investment subsidies, none of these were used by Icdas.

Icdas prices are competitively, because we are a very efficient producer of rebar. Our steel mill is located right on the coast in an area called Canakkale. We have our own ported mill and are able to move scrap in and steel out very efficiently. We make our own electricity from our own power plant to reduce costs further. We will sell excess power back to the grids.

Icdas many markets including the peninsula, North Africa, Central Africa, South America, Caribbean and the United States. We ship to 70 or more countries, our location and long-term commitment to these markets are the keys to our success. We adopted these conditions that develop in each of these markets when one market shrinks another one expands.

The domestic market in Turkey is very strong and will be strong with all the new projects coming. A new airport in Istanbul, a huge bridge, the third one and a new underground tunnel project is on the way and there are hundreds of building projects going on.

The population is growing quickly and the demand in Turkey is very strong and I want to thank you for your attention. I appreciate being here to present Icdas to you and will do my best to answer any questions you might have.

MR. NOLAN: Thank you Murat. All right I'll make a few remarks. I apologize technology has outpaced as my new laptop uses an aid to my cable system and it won't work on your pin cable system here so we will just follow along with the paper if you don't mind.

I'm just going to make a few comments here just to follow-up. And first and foremost I want to bring the conversation back to the centerpiece for Turkey, the dumping and countervailing duty margins that were found. We went through an exhaustive investigation by the Department of Commerce with allegations of huge dumping margins both in the press, in front of the Department by Petitioners.

In the end, after complete verification after exhaustive questionnaire responses, the result was 0.00 percent for Icdas and Habas and no dumping order. By definition there are no less than fair value sales. Any price underselling cannot be due to less than fair value sales because there were none.

Second, on the countervailing duty side, the two Respondents one got a deminimis rate of .74 percent and Icdas received 1.25 percent which is barely above deminimis which by the way the CVD standard is 1 percent not 2 percent for countervailing duty because Turkey does not quality as a developing country for purposes of these investigations although it does qualify under the GSP program curiously.

So what we have is basically .25 percent being the reason why we are sitting here today. I submit to you that that level of subsidization cannot under any economic analysis support a correlation between what has gone on in the U.S. market.

The staff report indicates that underselling was on the order of 9 percent. It is simply economically impossible for a 1 percent subsidy to cause a 9 percent degree of underselling, it cannot happen and it did not happen because imports did not, were not unfairly traded and did not contribute to injury in this case.

What we have on slide three is no less than fair value sales, negative subsidy determination Habas and a very low almost diminutive subsidy determination for Icdas which is as well said it is based almost entirely on a "calculated" subsidy for low-grade lignite coal purchases used to generate electricity.

Now I realize that the Commission is not supposed to weigh causes of subsidies in its analysis except when you get to a threat case in which the statute direction to look at the nature of subsidy that you are dealing with. So for your edification just in case this does become relevant to you, the lignite purchased subsidy that was calculated was based on a world benchmark of 200 dollars per metric ton over that much.

The average price of U.S. exports and imports of coal in 2012 were below 100 dollars a ton. The average price for steam coal in Northeastern Europe was below 100 dollars a ton in 2012. The maximum price that these guys paid for coal on an independent international world market was 138 dollars per ton during the period of investigation. And guess what, the average lignite price calculated by the Energy Information Administration in 2011 was $19.38, that's opposed to a calculated world benchmark price of 200 dollars, that's a little off.

Move to slide 5, what is the impact of the determination, of the final determination? Again we have no less than fair value sales, a significant percentage of Turkish imports are free of any duty finding and that is worth emphasizing. A large very significant producer Habas, not only has a no-dumping finding but has a no subsidy finding, therefore there are no duties at all applicable in that case and yet the margin of underselling was about the same for them as opposed to the rest of the Turkish industry. How do we explain that?

How can you reconcile the idea that there was underselling with a company that is adjudged to not be engaged in dumping or subsidies? The answer is you can't because the underselling isn't a result of unfair trade practices. It simply cannot be found. That begs the question of what is the causal link between supposed unfairly traded subject imports and material injury to the domestic industry.

Petitioners would like you to amend the analysis here, to completely throw out margin analysis and basically say volume equals injury. That is not your task and that is not what the statute directs. Despite what Petitioner's counsel suggested that when you find a subsidy it doesn't matter how big it is, it does matter. Because it determines in fact whether or not you adjudge that the industry is being injured by virtue of these unfairly traded imports. Do not lose sight of that fact.

The ITC determines on slide 6 whether a U.S. industry is materially injured or threatened with injury or materially retarded by reason of "by reason of unfairly traded imports". We have volumes but no dumped less than fair value sale. We have no subsidies for significant Turkish exporter, so their volumes are price competitive just as a non-subject import would be and reported levels of underselling that cannot be attributed to any less than fair value or subsidized sales. There is no correlation between them.

Note that in threat cases the nature of the subsidy is relevant and we have discussed that.

So what's explaining what's going on in here? I think in our view the conditions of the competition favor the U.S. industry greatly here and it's already been discussed so I won't dwell on it much. It is a fact that this industry is dominated, absolutely dominated by the big three. Nucor, Gerdau and CMC control this market. You can look at the staff report for the degree of concentration that's there, but it is unmistakable.

They are totally vertically integrated. They have gone through great pains today to tell you how their ownership of scrap operations doesn't really help, that they buy at world market prices or regular scrap prices and that they sell to their internal downstream fabrication operations at market prices. The data on the record does not support that conclusion.

In fact it supports the conclusion that they are giving their internals a favor. Now whether you call this security of supply, whether you call this a slight discount for internal sales or whether you call this profit shifting in order to create the appearance of lesser volumes or lesser profitability, when in fact you have moved the profit from one business to the other, the effect is the same. The data that you are looking at is distorted because a large percentage of this market is being sold into the downstream affiliated fabricators.

The data from the staff report makes that very clear. We urge the Commission to curvely study that in your deliberations. We also would like to talk about the concept of the Buy American which shields, and I take it that they said that it was not significant, that according to the published data and the staff report it's 10 percent of the market or more is Buy America protected, even today, I find that to be significant.

I couple that concept with the fabrication part of this industry. Remember fabricators build rebar frames and things like that that are used in more complicated structures. What kind of structures are those? They are bridges, they are highways, they are things that require special applications which tend to be larger public works projects which are off-limits which is why those downstream fabricators are so profitable for them.

So we have lots of indications of this vertical integration and continuing integration on page 8 of the presentation. David J. Joseph, the scrap broker was purchased by Nucor. Nucor is now the world's "largest" recycler in North America. They have many, many mills. They have a new mill which they discussed this morning in Arizona which is operating. They have downstream operations. Harris Steel is probably the largest downstream fabricator in the country with huge 70 different facilities.

We have Gerdau which has 19 mini mills, owns 62 scrap collection facilities, and has continued to build new capacity going online. It's hard to see why they are going through all this activity of buying and continuing to integrate if they don't see the benefit to it. I think that is one difference from the past. They have definitely increased their integration activities. A lot of these acquisitions occurred since 2007.

The current avenues, page 10 supports a finding of an improving U.S. industry. Sales values did increase over the POI, gross profit margins remain strong, operating income is healthy et cetera. You look at the chart on page 11 I'm giving you a bit of the good, the bad and the ugly here.

The statistics aren't perfect, I'll admit that and I'll admit the fact that Turkish imports have increased into this country. But take a look at the statistics for a minute. Apparently U.S. consumption went up 18 percent, we discussed that. Production capacity for the U.S. industry went up almost 3 percent their production went up over 7 percent. Their capacity utilization went up 2.7 percent their shipment quantity went up 10.8 percent. Their shipment value on average went up

5.6 percent.

Interestingly their AUV's went down 4.6 percent why, because their raw material unit cost went down 10.2 percent. Remember almost what is it 65 percent of the cost of rebar is in scrap or raw material. It is the absolute driver in pricing in this market and this evidence shows clearly that pricing tracks scrap prices and in fact they managed to recover even more than they would have lost in terms of the reduction in scrap price because their reduction in AUV's was less than the cost of the -- was less than their scrap production cost so they actually had a bene from that.

The suggestion that they are doing even worse in their first quarter of 2014 I would beg the Department to consider the context in which that is taken. We had probably the worst winter in 50 years in this country. We all remember, even in Washington, DC just how bad this past winter was. Ships were frozen in place, shipments could not be made, product, even rebar from Turkey could not get passed the docks because it was too cold and too snowy.

U.S. economic activity went down. The GDP lost 2 percent in the first quarter of this year. In that environment, imports are not the cause of any issue that the U.S. industry had, the weather was. I urge you to factor that into your analysis as you consider quarterly data, particularly as it concerns things like capacity utilization and profitability because not only did we have the weather as a hammer, but traditionally in this industry, capacity utilization and profitability are at their lowest level during the first quarter of the year.

If you do a quarterly analysis you will see that the money is not made in that quarter because that is when construction is at its slowest. Where you make your money is in the Spring through the Summer into the Fall, when the construction activity is at its apex and that is just the cycle that we are dealing here with on a quarterly basis.

We have lots of indicators however, of economic growth in the U.S.   Things are looking up the GDP was up 4.2 percent in the second quarter.   Census data shows construction activity up over 5   percent, if you look at slide 13 the indications are that total construction is up year on year to July 2014 9 percent with private construction up to 12 percent, all very healthy statistics showing the future of this industry is improving.

Now very quickly on domestic rebar or Turkish rebar production on where the product is going as we have already testified a very large percent of it is consumed in the domestic market in Turkey.   In fact Turkey consumes more rebar in its smaller market here than the whole United States did last year.

You will also note in the charts that Turkey ships to a large number of countries and as Murat said when one country wanes, another picks up the space so you look at the UAE was up 15 or 16 percent. You look at Iraq it's down 26 percent, but then you look at Israel it's up 35 percent. All the indicators are they have so many markets they can go to that they shift out as necessary to accommodate. The U.S. is not the only destination for this product, nor is the primary destination for it by any stretch of the imagination.

Finally you look at the domestic construction statistics in Turkey to show the domestic market, it is actually white hot there right now. I just threw in these photographs that you can look at, literally I took these out of the back of a car where I was in verification driving each day, going out to the rebar mills for the verification. There are so many construction projects there that all you have to do is pop out of your car and snap photographs and you have these masses. And these are not one-offs, look at these are building complexes, with four, five, ten buildings at a time being built simultaneously. It's not one it's hundreds of these projects going on in Turkey.

Not only do we have that but up at the end we have an international runway, highway or airport being built, a giant bridge being built and all the indicators are that this industry in Turkey is fully occupied, will remain fully occupied and the U.S. industry is not being injured, thank you.

CHAIRMAN BROADBENT: All right thank you very much.

COMMISSIONER SCHMIDTLEIN: I'll start by thanking all the witnesses again for appearing today. We do appreciate it very much. So I'm going to jump right in on this theme of where do the subject imports and the domestic product compete and so I'm not sure my question may be best directed towards one of the lawyers or maybe one of the fact witnesses.

But when you look at you know, one of the arguments here is well they don't compete in all sizes of rebar, at least that's my understanding of one of the arguments and if I misstate please correct me. But when I look at one of the tables in the staff report, which is table 4-5 which shows where different countries producers are and excluding Habas, we are always looking at the data excluding that company, where they are concentrate you see overlap in all of these areas, and when you look at the absolute quantities you are not looking at what percentage of their own shipments are concentrated in a different area, because I don't think that really tells you much to look at the comparison of those percentages.

But if you look at the absolute quantities you see overlaps in almost all of these areas Mexico does not sell in one of the areas and so my question is, isn't that enough to find that they compete and then I'm going to follow-up on this whole issue about the fabricators versus the distributors and so forth.

So my first question is doesn't that -- isn't that enough showing that there is an overlap in competition here?

Mr. Campbell: This is Jay Campbell of White and Case. I'll start and maybe some of the company witnesses might want to chime in. But with respect to length and size the point really is that fabricators in particular are looking for, unlike peer distributors, companies that do not fabricate also but companies that only distribute.

Fabricators in contrast to peer distributors are supplying to large scale construction projects and for these types of construction projects they need the full range of rebar. They need all lengths, they prefer 60 foot lengths because it is more efficient for their cutting operations and fabricating operations and they also require the full range of sizes from number 3 up to number 18, the large sizes in particular, number 7s and higher are needed for heavy construction.

And if you look at the table in the staff report, table 4-5 which you referenced, what you do see is some important differences. With respect to length you see heavy concentration of imports in the shorter lengths, very few in 60 foot and higher where the U.S. industry is I believe 44 percent of their shipments were in 60 foot length and higher, in contrast the imports are concentrated in shorter lengths and in particular the 20 foot lengths which are largely sold as is by peer distributors to Home Depots, lumber yards, et cetera for sales direct to, for residential construction without going through a fabricator.

With respect to size, you also see some differences that are important. The imports are concentrated in those smaller sizes, number 3 through 6. Yes, U.S. producers are also there, we are not arguing they are not but the difference is that when you get into the higher sizes you see a much smaller concentration of imports in the larger sizes and you see a pretty good distribution of domestic shipments in the larger sizes and this matters again because fabricators need the full range of lengths and sizes.

They prefer the longer lengths and they need the full ranges of sizes and this is just one layer, one reason as to why fabricators stronger prefer and overwhelmingly purchase domestic rebar and that's because it's much easier to obtain the full range of lengths and sizes that they need from a domestic mill than it is to obtain from import sources.

COMMISSIONER SCHMIDTLEIN: Right but I guess, okay, but I guess I still don't understand the full logic of the argument because yes they are more concentrated in some areas than in others and obviously they are not exactly matching up. The subject imports are obviously much smaller overall, obviously because the U.S. has such a large percentage so I'm not sure, are you saying that because they are in small amounts they couldn't affect the price of the U.S. product?

MR. CAMPBELL: The lengths and sizes again, it's just one layer, one qualitative explanation for why fabricators and fabricators with distribution operations overwhelmingly purchase domestic rebar and if you were to look at for example, it's our exhibit number 12 in our pre-hearing brief and in that exhibit we take the purchaser questionnaire data, the purchasers quantified for each year of the POI, the quantities of rebar they purchase from each source, domestic and import and we crunch those numbers and if you look at the questionnaire responses submitted by fabricators and fabricators with distribution operations, you see that they overwhelmingly buy domestic rebar.

So why is that and we are answering that question in a number of ways. There are many reasons, one is the domestic preferences like Buy America, but another is that U.S. mills are you know, strategically located throughout the country, there's proximity, it makes it much easier to buy from U.S. mills and when you look at the percentages of shipments of the imports and of domestic rebar, when you look at those percentages in the various lengths and sizes that are available and you look at table 4-5 you see a clear picture of hardly any imports in the preferred -- fabricators preferred length which is 60 foot and you see a much, much smaller concentration of imports in the larger sizes which fabricators need.

So it's just one piece, our argument doesn't rest on differences in lengths and sizes, but it is a piece that can explain why when you crunch the numbers in the purchaser's questionnaire data, and you take a look at our exhibit 12, you see that customers purchasers that identified themselves as fabricators, or fabricators with distribution operations overwhelmingly buy domestic rebar and buy very limited quantities of imports.

COMMISSIONER SCHMIDTLEIN: So is that, so just to finish it are you saying this translates into the price premium? This is all adding up to they prefer domestic producers because of the length issue, the logistics issue, what have you and the underselling is not really underselling it's just purchaser's willingness to pay a price premium for domestic product?

MR. CAMPBELL: Yes, those are factors that add up into that price premium, I believe Frank Bergren testified that from his company's perspective they are willing to pay an extra 7 to 10 percent for domestic rebar over the imports and yes that does explain why underselling margins in the staff report are inflated and why subject imports are really just being sold at the prices the market will bear.

COMMISSIONER SCHMIDTLEIN: Okay, all right I will have to take a look at the exhibit that you've cited. I guess, like I said I wanted to also understand the argument about the difference between selling to what's called a distributor and a fabricator because we have heard a lot of different witness testimony this morning about you know, and in the briefs and so forth, that geez you know, the U.S. producers some of them, all of them are fabricators and distributors.

We've got sort of a mismatch it seems to me and just to be honest my immediate reaction is well all of these people are ultimately reselling to an end user, right, who is going to use the rebar as we've heard in a construction projection and so forth and so does it really matter whether it goes through a fabricator or a distributor acknowledging that again I know that there is a you know, more is concentrated on one side for domestic producers, more is going to you know, fabricators for the other producers, but at the end of the day, isn't the competition at the end user point?

MR. CAMPBELL: It's not a mismatch in fact we think we are making sense of it all. With respect -

COMMISSIONER SCHMIDTLEIN: I wasn't trying to imply --

MR. CAMPBELL: Allow me to explain. First of all these purchaser categories we didn't create them, they are in the purchaser questionnaires they are in the U.S. producer and importer questionnaires. There are three categories, fabricators, fabricators that also distribute and then what we call peer distributors, companies that only distribute.

We've crunched those numbers, both on the purchaser's side and because purchasers identified themselves as one of those three categories and also on the U.S. producer importer side and when you crunch those numbers you see a clear pattern, it's unmistakable. I refer you to our exhibit 12 which crunches the number again, which crunches the numbers from the purchaser's questionnaire data and I will refer you to our exhibit 2 which crunches the numbers from the U.S. producer and importer questionnaire data and at the end of it you see a clear pattern, consistent across the board.

The companies that identified themselves as either fabricators or fabricators with distribution operations overwhelmingly buy domestic rebar and that's where obviously the U.S. shipments, the shipments of U.S. product are concentrated.

In contrast, the companies that are peer distributors are buying both, they still buy a majority of domestic rebar but that in the distribution segment the companies that identified themselves as peer distributors, that's where imports are predominantly sold and there is a difference in end use. There is a difference. The distributors are largely -- the peer distributors are largely selling shorter lengths, like 20 foot rebars, smaller sizes to retail outlets like Home Depot, Lowe's, lumber yards, which are in turn selling the rebar for residential construction. That rebar sold to residential construction largely like predominantly doesn't go through a fabricator so there is a clear difference in end use.

In contrast the fabricators become fabricators with distribution operations are buying rebar, processing it, fabricating it, and selling it to you know larger scale construction projects like your bridges, your highways, your hi-rise buildings, et cetera. So there is a clear distinction in end use so you know the other side says we are blurring things, no we are not, we are accounting for the fact that there are fabricators that do both that also distribute.

But we are categorizing them with other fabricators and when you segregate them from the peer distributors you get rid of that mismatch and you have a much brighter line between end use and also purchasing pattern.

COMMISSIONER SCHMIDTLEIN: Okay thank you very much. My time is up obviously.

CHAIRMAN BROADBENT: Yeah, just continuing on, where's the best data that we have showing the distinction and end use between the imports and the domestic?

MR. CAMPBELL: I think it largely it comes from a number of sources. It comes from testimony witness today, it comes from the testimony from last fall at the staff conference, I forget which of the purchasers that testified also today before the U.S. producers, but there were a couple of them that said look you know 20 foot rebar that is predominantly going to we are selling as is to lumber yards and retail outlets for residential use, it's coming from the purchaser questionnaire, their qualitative responses describing the nature of their operations and why they purchase rebar.

I would, I guess I would encourage you to ask me the company witnesses who are here today, Frank Bergren, to give their thoughts on where you know the shorter lengths and smaller sizes of rebar are going compared to the longer lengths and the larger sizes but we would submit there is a lot of evidence cited in our pre-hearing brief that demonstrates that's the 20 foot lengths and the smaller sizes are predominantly going through the peer distributors for residential use in contrast fabricators and fabricators that distribute are buying the longer lengths, they prefer 60 foot and they are buying all sizes of rebar.

CHAIRMAN BROADBENT: Okay anybody else want to comment on that?

MR. NOLAN: Just a quick comment from the Turkish side. Also all the rebar that we sell is going into the trade market to traders to sell to distributors. Some of that might be a fabricator but mostly it's to distributors. Just one thing I just want to make sure you maintain when you think about fabricators. Rebar itself is a low cost item in a building, right, maybe 5 percent of the cost of the building but when you start fabricating that rebar into shapes the value of that product then increases hugely. I mean much higher value added occurs in the fabrication segment which really in my mind explains a great deal why the U.S. Petitioners have dominantly engaged in downstream fabrication and acquisitions because that's where the money gets made here.

When you are making big projects you make a huge profit, a much higher profit not by just selling straight rebar to somebody but actually making the shapes that go into the bridge, that go into the building, going into the special architectural techniques that the Smithsonian needs for whatever they are building so that's where your profit is and what's happening here is the profit is not necessarily going to be reflected in the rebar sales, it's going into the downstream side which explains a lot of how the U.S. industry operates the way it does. It's giving itself a preference.

CHAIRMAN BROADBENT: Okay anyone else?

MR. Bergren: Frank Bergren Metal Partners Rebar. Just to sort of reiterate what was already stated, the distinguishing factor between the length is extremely important to be noticed when it comes to fabrication and distribution. At distribution the 20 foot, it goes into the retail yards, the construction supply houses, the non-critical end use applications.

The 60 foot is primarily purchased for fabrication operations. It's an efficiency factor as to why people purchase it. It does not typically come in in imported lengths and for that reason the option is primarily to purchase it from a domestic source, there are no other options.

When you are running a fabrication operation, your lead time is at best, you may get a four to six week lead time, you can't plan out this far to be able to bring in an imported length your only option typically is to purchase a domestic length.

CHAIRMAN BROADBENT: Okay. I have just an overall general question. Why didn't prices increase during this period of increasing demand during the period of investigation?

MR. NOLAN: All right I'll take it, we can start people can chime in, I think one of the reasons is you have to look at raw material prices. If you look at the cost of scrap during the period from 2011 through 2013 it went down I would say modestly between 2011 and 2012 but it went down quite more in an accelerated fashion between 2012 -- 2013 and as we've said before raw material prices, scrap prices drive rebar prices.

Interestingly enough if you look at the recent press rebar prices there's been at least three announced price increases I think in the last month and a half or two months which indicates the market is changing again. It's a very volatile market and it changes relatively quickly based on scrap prices and its changing again and it's going up.

MR. MAURICIO GUTIERREZ NORIEGA: Mauricio Noriega from Deacero. I would just like to reiterate what Matt said about the rebar follows scrap and that's why it has followed in the past years the scrap trend as well.

MR. DALBELER: I mean the other reason is because the iron ore prices came down considerably. The last year it was somewhere around the 130 level which was a 110 for the rest, let's say up until like three months ago but today it's somewhere around 85 dollars and as you know the information travels and influences of course the whole industry.

I mean the iron ore being at 85 is now putting a lot of pressure on steel prices in general which is also having pressure on the rebar prices and scrap prices as well.

MR. BOND: David Bond, just quickly from White and Case. This morning we heard repeatedly that domestic mills have approximately a third of their capacity that's not currently being used and they could easily fill or satisfy the entire demand of the United States. The question I ask myself several times this morning well if that's the case even if the imports weren't in the market wouldn't that excess capacity create a huge amount of price pressure downward?

I mean they have mills that are close to each other in all the major fabrication centers, et cetera throughout the United States so the first thing that occurs to me when I hear that story is well isn't the pricing pressure coming from you so that regardless of what material costs did, regardless of some increase in demand et cetera, wouldn't you still continue to have a lot of downward pressure because it is an enormous amount of excess capacity out there.

CHAIRMAN BROADBENT: Okay, all right. Can you help us assess the significance of the volume of subject imports in this investigation? I'll throw that open to maybe Mr. Campbell?

MR. CAMPBELL: Sure, well there are a number of things going on with respect to volume. Yes in absolute terms the volume increased, but again the increase did occur during a time of rising demand and also it should be noted that the lion share of the increase in subject imports occurred in that distribution segment, peer distributors buying largely 20 footers and small sizes and in selling it to the lumber yards and box stores without going through fabricator and that's the segment of the market where U.S. producers in each years of the POI only sold about a fifth, a fifth, one-fifth of their rebar production.

So you know, based on that we would submit that that demonstrates limited competition. The U.S. producers, it's hard to believe the U.S. industry is materially harmed by subject imports that are sold in a market segment where they only sell about a fifth of their product.

Meanwhile the U.S. producers have retained a commanding share of the fabrication segment which again consists of both fabricators and fabricators that distribute and again I would refer you to exhibit 2 where we crunch the numbers and based on the reported questionnaire data can report the volumes of the imports, subject imports and U.S. producer of shipments and the market shares by segment.

Distribution segment and fabrication segment and when you look at the data in that way it clearly demonstrates limited competition between imports and subject product.

The last thing I'd like to quickly say about market share is that the U.S. producers complain about their declining market share but again it should be noted that this is attributed to the different market segments and not subject imports. The distribution segment of the market which is again predominantly residential grew at a much, well the fabrication -- I'll say it this way, the fabrication segment of the market where the U.S. product is concentrated grew at a slower rate, a much slower rate than the distribution segment, a smaller distribution segment where imports are concentrated which is largely focused on the residential application so naturally U.S. producers, the U.S. industry will have a declining market share given that the segment in which they are concentrated, their shipments are concentrated grew at a slower rate but at the end of the day their market share is still 84 percent in 2013 which is very high, which is very dominant and it's higher than the average market share level that they held pre-recession.

MR. NOLAN: Just quickly for Turkey, just to pick up on that. In 2007 when we started the Sunset Review the U.S. industry percentage was 81 percent of the market. It's now 84 percent, so it really hasn't changed all that much if you look at it in the longer term.

But just curiously on the volume effects, Turkey is sort of the elephant in the room on this I'll admit it. I mean our imports did go up so let's accept that, but having said that look at the bulk of the imports from Turkey. The increase occurred predominant between 2011 and 2012. Look what happened to the profitability, it actually went up.

There wasn't a correlation between the imports and the profitability of the U.S. industry. So what was the volume effect of the imports particularly if they weren't being dumped, thank you.

CHAIRMAN BROADBENT: Okay, Vice Chairman Pinkert.

MR. DALBELER: Can I say something?

CHAIRMAN BROADBENT: Yes.

MR. DALBELER: Ugur Dalbeler from Colkoglu. Today the rebar in U.S. are sold almost like 120 to 130 dollars more than what it is sold in Turkey so there is such a big price difference and U.S. has the most expensive rebar because the American mills are asking so high numbers that attracts all the exporters, that's another reason why the import volumes are increasing, thank you.

CHAIRMAN BROADBENT: Okay, Vice Chairman Pinkert.

VICE CHAIRMAN PINKERT: Thank you Madame Chairman and I join my colleagues in thanking all of you for being here today and for coming such a long distance in many cases to help us to understand the issues in this case.

I want to begin with Mr. Nolan and a statutory question that was raised by your testimony and I ask this question with Commissioner Kieff's idea in mind that I should let you know where I've got a concern about the testimony and maybe you can respond to that.

You quoted some language from the statute and I don't have the exact language in front of me but it's something along the lines of considering the impact of the subsidized imports and my question for you is is it considering the impact of the subsidized imports different from considering the impact of the subsidy which is what I thought you were trying to get us to focus on in part of your testimony.

MR. NOLAN: Yes I accept, yes there is a difference. The impact of the subsidy is what you are measuring here. The subsidy, there was a found subsidy whether we disagree with it or not, you are faced with the prospect that the Commerce Department found a subsidy, however small. My point is that you still have an obligation to evaluate the impact of that subsidy.

It's not a binary analysis otherwise the second you find a subsidy we don't both to look at price effects or anything else, it's just there I mean how do you get into the issue of analyzing underselling or the volume of the price effects of imports if the subsidy is basically driving the analysis and then you end it? I don't really understand how you can continue without doing that analysis because if there's no injury to the U.S. industry as a result, there's no injury so you have to evaluate whether there's an injury.

VICE CHAIRMAN PINKERT: Thank you. Now we also heard testimony earlier today and I take it that this panel is going to disagree with that testimony but we heard testimony that Mexico is a closed market for U.S. exports of the subject merchandise and that Turkey is a closed market for U.S. exports of the subject merchandise.

I heard some testimony today that some folks on this panel consider the U.S. to be more protected than those markets, can you give me some perspective give me your perspective on the issue that was raised by the earlier panel?

MR. EUGENIO GUTIERREZ: Eugenio Gutierrez from Deacero. So I'll speak about Mexico. Let me just throw in some facts. Mexico's deficient with the United States in 2013 was 2.2 billion dollars, that's over one million tons. If we take into account Mexico consumption of steel which was 25 million and the production which is 20 million, it is a completely open market.

We import from all countries over 5 million. That being said, Mexico has serial duties on all of the products of steel. All the duties have been lowered to zero by the government so it is a completely open market.

VICE CHAIRMAN PINKERT: In the back?

MR. DALBELER: Regarding Turkey yes there is import duties on rebar because if you are located in a country where it is next to steel, I mean the country is like Ukraine and Russia where the steel industry is heavily subsidized and is almost 100 percent under state control, you have to protect yourself.

But on the other hand Turkey as I have said has an agreement with the EU so all the European 27 members can freely export their goods plus there is 14 countries where Turkey has a free trade agreement where there are no barriers for steel imports.

And Turkey today is the 7th largest steel importer in the world as well, thank you.

VICE CHAIRMAN PINKERT: Thank you now let me play devil's advocate for a moment and try to extend the discussion of this issue a little bit. What I heard the earlier panel talk about is it's not tariffs per se that are creating the problem, it is the relationships between the buyers and sellers within the market that are very difficult for the U.S. companies to penetrate so if you can and I know I'm putting words in their mouths, but I think it was something along those lines.

If you can respond to that I think that may be helpful.

MR. EUGENIO GUTIERREZ: Eugenio Gutierrez from Deacero. We'll comment more on that in the post-hearing brief but what I can say and Petitioners in the morning mentioned that they were covering the deficit on automotive steel. But it's not only on automotive steel. There's a big deficit also in long steel products but we will further expand because some of it is confidential.

VICE CHAIRMAN PINKERT: Thank you.

MR. DALBELER: I mean I'm exporting steel for almost thirty years and I've never seen U.S. steel in any of the markets around the world except U.S.

VICE CHAIRMAN PINKERT: Is that it?

MR. NOLAN: I don't know what to say, it's not only related to the rebar. If you're not going to average a hundred dollars over the world then you are not going to ship much outside of your country.

MR. DALBELER: And I don't think that U.S. mills are capable of complying with the needs of international market and I also don't think that they can, they are efficient enough to compete with steel plants around the world.

VICE CHAIRMAN PINKERT: We also heard from the earlier panel that loss of market share and loss of profitability in a market that's general improving is a sign of import injury and I want to give you an opportunity to respond to that.

MR. MAURICIO GUTIERREZ: Mauricio from Deacero. For Deacero and Mexico market shares it's as clear as water, we have an increased market share so with that said we don't really think that there's any injury and we've been in the market with the same market share for over 8 years.

MR. DALBELER: There was a statement in the morning about Turkey only consuming approximately 12 million tons of steel and producing 35 which is totally incorrect. The last year the country consumed approximately 31 million tons of steel, yes it was true that we have produced 35 million tons of steel but we have also imported 20 million tons of steel.

So if the market is free and you can trade fairly it's open for all steel producers.

MR. NOLAN: And on the question of market share, I would like to make sure that the Commission takes into context, we are going a little bit outside the POI but remember when the recession came Turkey very largely exited the market. The U.S. market share shot up well over 90 percent during the course of the recession, over 92 percent based on the statistics I'm looking at.

We can look at that from the Sunset Review and that's because Turkey largely exited the market because it wasn't good and they knew that they should leave the market and leave it alone. When the market got better they came back in. Historically they are running, U.S. market share runs in the 80 -- 81 percent range. We are back to 82.4 -- 83 so is this a return to historical patterns or is this an invasion?

I would submit that we had a very deep recession the imports left the markets by and large except for a few and then they are coming back to what they think is a normal pattern. Now is that going to be perfect timing? No. But I think that was the intention, this isn't a flood.

MR. CAMPBELL: Jay Campbell with White and Case, just to add to that again the U.S. industry's loss in market share is largely attributed to the fact that the fabrication segment where the U.S. industry's shipments are concentrated, 80 percent of their shipments throughout the POI grew at a slower rate than the distribution segment where they only sell about 20 percent of their shipments and that's conversely the same segment where imports are concentrated so in light of those diverging rates of growth in the different segments you are going to see that explains the loss in the U.S. producers market share.

And one last comment, related comment, I mean many times in the Petitioner's brief and also today you heard the comment that the public construction has declined, it was really somewhat inflated during you know, 2010 maybe 2011 because of the stimulus package. Now that those projects are winding down, with it you see the fabrication segment you know, is growing at a slower rate. It is growing because commercial construction increasing commercial construction, is offsetting the declining public sector construction but nevertheless, you know they make a lot of the facts that the Buy America projects they enjoy exclusively are decline but that we would submit helps to explain by the fabrication segment of the market is growing slower and why you would then see, why that would then translate into a lower market share for the U.S. industry there remains a dominant 84 percent and is higher than the pre-recession levels.

VICE CHAIRMAN PINKERT: Thank you very much. For the post-hearing Mr. Bergren I want you to expand on something that you said in your testimony. You said that you are unable to buy more than the historical level of domestic purchases. For the post-hearing can you explain whether you've asked for me than the historical level and what the response has been.

MR. Bergren: I could answer it for you right now if you would like.

VICE CHAIRMAN PINKERT: I don't have enough time in this round but I think that you should try to document this for the post-hearing so I think that would be useful.

MR. Bergren: Okay.

CHAIRMAN BROADBENT: Mr. Williamson?

COMMISSIONER WILLIAMSON: Thank you. I want to express my appreciation to all the panelists for coming to testify today and just to follow-up on Commissioner Pinkert, that was going to be my question to you, just documented the emails that you can show or any other kind of documents, various documents that show us to substantial what you are saying would be very helpful to us. Thank you.

Let me succeed this morning, I'm going to try with this panel. I'm trying to really get an idea what is the role of the fabricator in the U.S. market and how does that differ from the role of the distributor. I know they are both fabricators and distributors and there are substantial shares of sales of rebar to both distributors and fabricators but what is -- I know in commercial construction, a lot of construction, you can put the rebar into some kind of shape or something.

In the building next door you can see on the corners there's very complicated shapes of rebar and I assume that's one of the things that fabricators do or similar. But is a simple thing, because really when this morning said I'll be happy to buy two 30 foot lengths rather than a 60 foot length and I didn't -- I really meant to go back to him and get clarification on that.

So are fabricators sometimes people who just sort of cut long links into shorter links, because that's what the customer needs or what? I'm just trying to get this distinction clear.

MR. Bergren: To put it into context. The fabricator is typically the one that's selling to the general contractor or the one that is controlling the development of the building per se okay. A distributor is the one that is typically selling in the smaller quantity to the smaller general contractor. Now they can also be selling to the same general contractor that is also buying from the rebar fabricator, but the fabricator is ideally the one that is controlling the evolution of the rebar going into that building.

COMMISSIONER WILLIAMSON: So the fabricator was putting things together in shapes as opposed to just selling you 60 twenty-foot lengths to be put in a concrete?

MR. Bergren: Yeah, the rebar fabricator is the one building it to the spec designed by the engineer or the architect then getting the order the designation from the general contractor as to what to bring to the job site.

A distributor is typically the one selling the standard stock length which is going to the smaller retail yards or construction supply houses.

MR. MAURICIO GUTIERREZ: Mauricio from Deacero. Let me see if I can help here a little bit. In going over what Frank said, I think that the distributors mostly go through a type either to lumber yards or home centers where the regular Joe goes and buys their stuff or a small contractor that mainly focuses on residential go and buy the 20 foot or 30 foot rebar.

The fabricators basically go to larger contractors that don't get involved with residential construction and they need either it to be cut to a certain length or bent to certain ways. There might be another -- fabricators also do distribution but even though they do both I think on the distributional side of their business they sell, the home centers or lumber yards or there is very small contractors that do residential and in fabricators they go to the other contractors that do really big construction projects.

So to sum it all up, the reality is that the market is divided between residential and the non-residential. The residential business mostly uses 20 or 30 foot rebar which is numbers three, four, five and six and the non-residential market basically focus on the bigger bars, because they are bigger projects and normally uses 60 foot rebar.

COMMISSIONER WILLIAMSON: And if you're still getting the 60s -- are you still go to the person that you get the 60 from?

MR. GUTIERREZ: They can cut it from sixties, or they can buy it -- the same fabricator can go and buy it through a distributor, but it's hard to see that. Being a big project, it's hard to go to different suppliers, especially for a small amount of rebar.

COMMISSIONER WILLIAMSON: And if a fabricator needs a lot of twenties, they could buy it imported or they could buy it domestic, true, since the product's fungible, basically?

MR. GUTIERREZ: Well, we haven't seen it. We rarely sell to fabricators, so I think the data would show that they rarely buy 20-foot. I think frankly.

MR. BERGREN: I can tell you it depends upon what the job is requiring. Every job almost has a different expectation. They'll say it's a domestic-only job and that's all you can supply. So, sometimes you have to cut your sixties down to twenties. If it's a huge amount, then you try and buy your twenties from the mills, per say, or depending upon whatever your viable option is in that part of the country.

MR. CAMPBELL: Jay Campbell with Martin Case. And I would just add that with respect to your point, Commissioner Williamson, that why can't or do fabricators buy imported 20-foot lengths from a distributor again I refer you to our Exhibit 12 in our pre-hearing brief, which takes the numbers reported by fabricators, fabricators that distribute and pure distributors. And you'll see that the fabricators and the fabricators that distribute, again, overwhelming are buying domestic rebar and very limited quantities of imported rebar.

And that also addresses a comment this morning by the purchaser witnesses for Petitioner that we're having trouble competing with the independent fabricators who are buying imports from distributors. Well, again, look at our Exhibit 12. Look at the data. The data contradicts what they're saying. The data showed that fabricators, whoever they're buying it from, are buying very low quantities of imports. So, I ask you to look at that. I think data trumps antidotes.

And one last comment about the purchaser witnesses for Petitioner. I don't believe all of them submitted questionnaire responses, so I would strongly encourage you to rely on the data rather than antidotes they expressed today without backing it up with a purchaser questionnaire response.

COMMISSIONER WILLIAMSON: Okay. Thank you. Fair point.

One further question on this, if you look at Table 2-1 where we talk about -- and here were they use the distinction distributors and end users and firms that are both distributors and end users. How does that relate to the fabricators in the distributor issue or the role of the fabricators? Where do they fit in, in this?

And if you're not familiar with that, maybe there's someone who wants to address it post-hearing if both sides want to do that.

MR. CAMPBELL: I'm sorry? Are you referring to -- I'm just trying to get there, Table 2-1 in the staff report?

COMMISSIONER WILLIAMSON: On Table 2-3.

MR. CAMPBELL: Well, if you don't want to watch me fumble trying to find the table, we can just address it post-hearing.

COMMISSIONER WILLIAMSON: Thank you.

And the Petitioners also can do that. Thank you.

The purchaser questionnaire responses suggest that ISIS has had limited impact on the bargaining power of rebar purchasers to date. And I was wondering is this consistent with your experience in the U.S. market, and how relative is ISA's for smaller purchasers? This morning we heard that it wasn't really that relevant.

MR. BAZAN: Can you repeat the question? I'm sorry.

COMMISSIONER WILLIAMSON: How important is ISA's? From your experience, how important is ISA's in the U.S. market. What impact is this having, and how should we take that into account?

MR. BAZAN: ISA's is Independent Steel Alliance for the independent steel fabricators. We become a supply member last year, but we sell very limited amount. And since we figure out that the lead times, with the fabricators the lead times, the Buy America, the LEED certifications, and those details did not allow us to sell more tons on the rebar market because of that.

COMMISSIONER WILLIAMSON: So, it's impact has been very limited.

MR. BAZAN: Yes.

COMMISSIONER WILLIAMSON: Okay. Thank you.

If imported rebar is typically sold in shorter links and in limited sizes why is lead times a factor? Wouldn't most imports be sold from inventory? If you're selling all just twenties or thirties, it seems like you would have enough inventory around to deal with that and that lead times wouldn't be a real factor.

MR. GUTIERREZ: Mauricio for Deacero. I mean our capacity is pretty much full, so even --

COMMISSIONER WILLIAMSON: Excuse me?

MR. GUTIERREZ: Our capacity is pretty much full, so we really don't have that much capacity to build inventories.

COMMISSIONER WILLIAMSON: So, you're saying you continue to suffer from the longer lead times?

MR. BERGREN: Do you mind repeating the question?

COMMISSIONER WILLIAMSON: If importers are primarily selling 20 and 30-foot shorter lengths, why is lead time a factor? Why can't they just have enough inventory to be able to meet customers' demand? I mean it cost to stock inventory, but still seems like given the limited number of products you're selling you would do that.

Mr. Bergren, you've been trying to get in here. I'm sorry.

MR. BERGREN: I just think from our standpoint, again, from a production standpoint I can't comment on their behalf, but I can tell you that in our customer base lead time is why we exist. Our customers call us at the 11th hour and they need something on the site tomorrow for delivery. So, the availability of the product is critical, which gets back to the availability of the domestic mills. It is not readily sitting available to buy from the domestic mill option, so we have to source it elsewhere.

COMMISSIONER WILLIAMSON: And I guess you keep enough inventory to meet those demands?

MR. BERGREN: It's a very challenging issue for us. It's sometimes yes. Sometimes no. It depends upon the market at the time.

COMMISSIONER WILLIAMSON: Okay. Thank you. Thank you for those answers.

CHAIRMAN BROADBENT: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent. And I would like to thank the witnesses for being here today. I understand that actually many of you came a very long way to be here, so we appreciate you coming today.

I'd like to thank Deacero for letting me and two other Commissioners visit your plant in Celaya last week. And after visiting with the Celaya plant as well as the Gerdau plant in Sayreville, New Jersey last year, I think I have a pretty good picture of how the rebar industry works both in the United States and at least in one of the responding countries, Mexico.

Thank you also to Mr. Nolan for the photographs. I found them useful. I don't know much about the industry in Turkey, but the photographs were helpful in getting a picture of what is going on in Turkey today as far as construction goes.

I'd like to follow up on the last question of Commissioner Williamson. And I must admit I didn't hear the entire response. I was consulting with my staff on something. So, if you have to repeat I apologize.

But Mexican Respondents have noted that they cannot match the quick inventory times provided by U.S. mills in part because they don't keep inventories of rebar in the United States, and this is discussed in the pre-hearing brief. Why doesn't Deacero keep inventories in the United States, and does it have plans to do so?

Yes, Mr. Guti rrez Noriega?

MR. GUTIERREZ: Yes, Mauricio for Deacero. Like I said, we don't have enough capacity for a month to build inventories for the market, and so we really couldn't have enough to build inventories.

COMMISSIONER JOHANSON: But couldn't you just produce and then store?

MR. GUTIERREZ: But I can't produce any more.

COMMISSIONER JOHANSON: Your capacity is that full right now.

MR. GUTIERREZ: Right.

COMMISSIONER JOHANSON: All right. Thanks for your answer, and I apologize once again if you did answer that before, but I was engaged in conversations, so I think I missed oust on that part.

MR. NOLAN: Would you like to hear about the Turkish perspective as well?

COMMISSIONER JOHANSON: Actually, I would. Actually, that's what I was talking to my staff about. I was saying what's going on with Turkey, and then Mr. Williamson said, or concluded his questions, which I appreciated him doing that on time, so I wasn't able to get a full answer from my staff. If you could respond, I'd appreciate it.

MR. MUSAT: Ugur Dalbeler, from Colakoglu. We at Colakoglu we don't keep any inventory whatsoever. We just deal with international traders to sell to this market.

COMMISSIONER JOHANSON: So, it's just the spot market and whatever is there.

MR. MUSAT: I mean these international traders usually buys from us. They buy from us and they sell to among distributors or to fabricators or to end user, whatever.

MR. NOLAN: But the Turkish producers they don't produce small amounts and ship it. All right. When a Turkish producer is making rebar, they're going to fill a ship with rebar. It doesn't make sense. The economics of this business are such that these guys are really efficient at what they do because they don't ship unless they have enough orders in place to make a shipload. So, what they do is they'll say the lead times are going to be long for them because they'll wait until they can get a shipload of orders out.

MR. DALBELER: It's a matter of logistics. I think we're the exceptions. We're keeping little inventory in the

U.S., the reason being because the domestic prices being so high. In fact, one of the main issue is the lead time as Musat mentioned earlier. For a consumer, as the steel being spot traded commodity, the time is very important. As you know, the steel prices keep fluctuating, so the shorter the lead the time more secure they feel. So, for this reason at Colakoglu have decided to keep little inventory in the U.S. because when you shorten the lead time you get much better prices and get closer to the domestic prices, so for this reason.

But on the other hand, of course, there's some difficulties of having inventory because you have to keep all the sizes so that you can comply with the customer needs.

MR. NOLAN: And Colakogul would be considered the exception.

MR. DALBELER: As I said earlier, I mean there's about 120 to $130 of difference of rebars price between Turkey and U.S., so that really makes it worth to keep some inventory in U.S.

COMMISSIONER JOHANSON: All right. Thank you for your responses. And this next question was addressed by Mr. Mauricio Gutierrez Noriega, and I'd like to hear his response and also hear from the Turkish witnesses, but on a similar subject.

Mr. Gutierrez Noriega, you talked about the housing sector in Mexico absorbing a fair amount of your production.

And I've spent a fair amount of time in Mexico, and it does, indeed, appear that the use of concrete is much more common in housing in Mexico, and also in other construction sectors. Could you address that issue, please, as opposed to the United States?

MR. GUTIERREZ: Mauricio from Deacero. I'm confused. I did not say anything about the housing market in Mexico.

COMMISSIONER JOHANSON: I thought somebody addressed that today.

MR. GUTIERREZ: I said about the residential market in the U.S.

COMMISSIONER JOHANSON: I apologize.

MR. GUTIERREZ: What I said was the residential market, which the imports are focused more, grew 35 percent during the POI while the non-residential market during the POI only grew 6 percent. So, which comes to what?

In Mexico, the growth is coming a lot of it from the infrastructure plan.

COMMISSIONER JOHANSON: Not housing as much?

MR. GUTIERREZ: No.

COMMISSIONER JOHANSON: And once again, you'd stated that the shorter sizes, the shorter lengths of Mexican rebar is more useful in the area of residential construction?

MR. GUTIERREZ: Well, in Mexico, we only have one size rebar -- length rebar.

COMMISSIONER JOHANSON: The 20-foot.

MR. GUTIERREZ: No, we only do 12 meters, a little bit less than 40-foot. In the U.S., we mostly sell 20-foot or 30-foot, which is basically for the residential market. Everything over 30-foot, between 60-footers is more for the non-residential market. So, that's how we're focused on the residential market almost exclusively.

COMMISSIONER JOHANSON: Are the Turkish exporters -- how much is going into the -- ultimately ended up in the residential market? Do you all know?

MR. MURAT: I don't have the exact numbers, but the residential projects are very good in Turkey these days. And as I have also mentioned in my speech before, there are lots of infrastructure projects as well going on, and we are consuming more than half of our production locally actually, as my colleague who had also mentioned we are consuming more than what the United States consumes locally, and we are doing like more than 8 million tons. Well, predominately, it's smaller, like 20-footers and 30-footers maybe, yeah, up to 40.

MR. DALBELER: The other reason is, of course, 20-foot or 20-feet slows your production, slows your output. That's why the domestic ones in U.S. do not really wish to produce these 20-feet because they want to produce the easy sizes where the productivity reaches the highest level.

COMMISSIONER JOHANSON: And I think this might have been addressed, but isn't it possible simply to get a long piece of rebar and cut it for use? Let's say if the U.S. producer is producing a longer length isn't it easy for someone who's buying their product simply to cut the product into the appropriate size?

MR. DALBELER: More easy, theoretically, yes, but I don't see why would they just cut it and add extra cost.

COMMISSIONER JOHANSON: That makes sense.

MR. NOLAN: Theoretically, except you're going to affect the value of the rebar. If you have a 60-foot piece of rebar that you want to put into a skyscraper and then you say we're going to use 20-foot lengths instead you might want to think about that. So, once you cut the rebar, you can't uncut it. But if it's uncut, its usability in multiple applications is much higher. Am I right?

MR. DALBELER: Plus, less number of packages you make during the production line, so that also saves time for the rebar producers.

COMMISSIONER JOHANSON: All right. Thank you.

MR. DALBELER: They don't want to cut it.

MR. BERGREN: I just want to reiterate it comes down to pure efficiency. It's a matter of it you can buy it in a 20-foot length versus having to cut a 60-foot three times it's simple.

COMMISSIONER JOHANSON: That makes sense.

This is a question addressed to the Mexican Respondents. And these specific numbers are proprietary, so I won't mention them. But the trend during the period of investigation indicates that home market shares in Mexico declined from 2011 to 2013. Is it your position that the condition of the Mexican home market supports the case for a negative threat of material injury determination?

MR. CAMPBELL: This is Jay Campbell of White & Case. I'll start, and if any of our Deacero witnesses want to add to what I'm saying that would be great. But to answer your question, yes, in the sense that Petitioners make a lot of the downturn in Mexico's construction sector during 2012/2013, but the important point is that really that proves our point that -- or it demonstrates that with respect to a threat analysis there is no likelihood of a substantial increase of imports of rebar from Mexico to the United States because look at what happened before. Look at the Mexican industry's behavior during 2012 and 2013 when it's well known that Mexico's construction sector was depressed.

Did the Mexican industry shift to exporting a lot of rebar to the United States? No, they did not. In 2013, in 2011, the market share in the U.S. held by Mexican rebar was 4.3 percent. In 2013, the market share was 4.4 percent, so really with respect to looking forward in a threat analysis; the Mexican industry's behavior in the past is highly probative of its behavior in the future. And now with Mexico's construction sector growing because Nietro's infrastructure plan is starting to come to fruition that means that, if anything, what's likely is that the imports of rebar from Mexico will decline going forward.

COMMISSIONER JOHANSON: I guess to be fair to the Petitioners here relating to my question you could state that the decline from 2011 to 2013 could explain increases or the strong presence of Mexico or the fairly strong presence of Mexico in the U.S. market during that period of time.

MR. GUTIERREZ: I know that the red light is blinking. We're comment more on the post-hearing brief, but what I can say is that the Mexico GDP construction was really depressed in that time, 2011 to 2013. We'll throw out some figures on the post-hearing brief as to why it was negative. And now in 2014, it's already positive. So, we'll definitely comment more on the post-hearing.

COMMISSIONER JOHANSON: All right. Thank you for your answers. My time has expired.

CHAIRMAN BROADBENT: Commissioner Kieff?

COMMISSIONER KIEFF: Thank you. I join my colleagues in thanking you for coming today both from Turkey and from Mexico, and then also thank you for arranging the visit to the rebar facility. While I personally could not be there, my economist was and got a great deal out of the trip for our office, so it's very helpful.

Let me, if I could, just jump in with a few diverse questions. The first one is I'm still wrestling with price leadership. It's so common for everybody to want to be the leader and today everybody has told me the other guy is the leader. And they've done it with such earnest statements that I would feel horrible to view this as a mere question of credibility of a witness testifying here today. So, all I can instead do is encourage you each in your post-hearing to please provide some evidence, other than litigation-induced evidence of price leadership.

I take everyone's good faith assertion that they do not see themselves as a leader as well reasoned and well intended, but we still may have to make a determination about where price leadership lies, and it would be helpful to us to have some other ways of weighing evidence about price leadership.

Mr. Campbell, do you have something you wanted to add to that?

MR. CAMPBELL: I just want to make a very quick point. And that is that you have the evidence right now to break the tie. Just look at the purchaser questionnaire responses.

COMMISSIONER KIEFF: We have two bodies of evidence. You are pointing to the questionnaire response and the economics counterpart on the other panel pointed to the overall selling data, but we'll look at both and we'll rely on you each to explain in the post-hearing why one is more or less relevant, more or less accurate, more or less probative of the ultimate question, and more or less corroborated by other factors. But I think I really do hear what you're saying, which is why I asked that question this morning. And really do hear what they said, which is why I'm asking again in the afternoon so that you each could tie it down as much as possible.

The other area where there seems to be traction is on our statutory factors, and in particular, the overall legal framework. So, I'm hearing a great deal from the Turkish witnesses and the Turkish counsel that we should not lose track of the posture of the case, which is that there is no antidumping margin. That has not escaped me. And what I'm trying to understand, though, is what legal significance there is to the framework that we are asked to wrestle with.

And so let me ask a specific question to everybody, morning and afternoon, domestic, Mexican and Turkish. Is there a formal distinction we have to make between the analysis we apply to evidence about the Turkish entries into the U.S. as distinct from the Mexican entries into the U.S. market, and is that distinction because they're from different parts of the world, is that distinction because they compete in different parts of the U.S. market, or is that distinction because one is an antidumping postured case and the other is a countervailing duty postured case that just happened to have been brought at the same time?

Put differently, can we cross-cumulate antidumping and countervailing duty? And if so, what's the legal authority for that? And if not, what's the legal authority for that? And I would imagine you might want to pay attention to our internal domestic legal framework as well as how the WTO in the broader international context is asking the U.S. to reconsider these things. We will do our best to apply what domestic law we can with whatever logic and facts you can give us.

That's a very long question, but it's because it's a complicated topic. I don't expect us to get much traction on it today, but I think I heard from the morning panel that, in effect, we are to look at the entire volume and entire price effects. And I think I'm hearing from the afternoon panel a noticeably different approach, especially the Turkish. And so, if you could highlight for us in the post-hearing the reasons why we are constrained to one or another approach those constraints will, of course, bind us.

Recognizing that is long and complicated and that we won't answer it today, shouldn't seek to answer it today, let me just ask do you have clarifying questions about what I'm trying to get at.

Let me ask then a follow-up question. This is a hypothetical to the Turkish attorney, the attorney representing the Turkish imports, Mr. Nolan. If we had Turkey before us today without Mexico, are you saying this would be a very easy case for you to win?

MR. NOLAN: No, I don't think the Commission ever had an easy case. That's why you get paid. No. I would say that this case would have a different complexion, yes, because what we have is a question that is adjudged to have absolutely no dumping whatsoever in the record. And for purposes of subsidy, it's so small as to almost be trivial in the context of anywhere but the United States and the way we apply the subsidies law at a 1 percent de minimis level instead of 2 percent.

So, it's a very small number. And I guess my question is how can you cause an injury, a material injury to the U.S. industry on that basis?

COMMISSIONER KIEFF: Well, that's tricky, right, because presumably before the courts you could review Commerce's determination.

MR. NOLAN: Yes.

COMMISSIONER KIEFF: But we can't.

MR. NOLAN: Yes, I agree.

COMMISSIONER KIEFF: So, in a sense, I think, tell me if I'm wrong, but aren't we somewhat constrained once Commerce has found a margin isn't it quite possible that even a low margin could cause injury.

Put differently, just like you hypothesized, it would be silly for us to automatically decide injury when there's a large margin. Wouldn't it be equally silly for us to automatically decide no injury just because of a small margin?

MR. NOLAN: And I'm not suggesting that you should automatically do anything. I wouldn't be so presumptuous to suggest the Commission shouldn't analyze this thoroughly and do what it does best. But I would also say that when margins get this low then it starts to beg the question are imports, unfairly traded imports -- unfairly, let's focus on that. Are unfairly traded imports a cause of material injury in this context? There are other factors at work.

COMMISSIONER KIEFF: Well, I think their argument is that your volume is high enough that even if the price affect is low it's made up in volume.

MR. NOLAN: But if the volumes are attributed to fairly traded imports for a large percentage of it, then where does that take you?

COMMISSIONER KIEFF: So, that's helpful to crystallize as well in the post-hearing. And the perhaps Mr. Campbell or Mr. Bond or the witnesses, if they know the answer, is it the position of the Mexicans that there is no domestic product that competes with your product in the U.S. market?

Put differently, if I go to Lowe's or Home Depot and I say I want to buy rebar, but I want to buy domestic rebar I will be told here's an acetylene torch, go cut your own 20-foot lengths off a 60-foot rebar and good luck with you? No one's going to sell me domestic rebar in the home. I'm a home user. I love doing work, but I don't do it commercially on a house. If I want to do my own concrete work, can I go domestic?

MR. BOND: Yes, you could.

COMMISSIONER KIEFF: And would I be totally esoteric in that or is there a market for that?

MR. BOND: No, I think an important point, and I think you're implying it, is that our argument is not that the various distinctions that we've raised in our brief are black and white distinctions.

I think the point is that when did what Petitioners would like for you to do, which is to look at trends at the very aggregate level over a three-year period you don't get a very realistic or accurate picture of what's going on in the marketplace.

What we're saying is to understand that you need to understand where the competition actually occurs. And ultimately, we're saying it's not 100 percent limited to that, but that's essentially where it is.

COMMISSIONER KIEFF: And then I'll highlight because I recognize I'm over, but I'll also then end my questioning for the day by just encouraging everybody in the post-hearing to try to highlight as much as possible the extent to which the distinction that you're drawing then is a distinction with a difference.

Put differently, that these markets are different enough that we can't put them together because I think Petitioners are telling us there is enough competition. That there is enough harm that they do get a trade remedy. So, tell us why there's not, what authority we have for that.

That's all I've got for today. So, thank you very much.

CHAIRMAN BROADBENT: Thank you.

Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Well, that was a really good -- very good lead into the question I had. So following up on that, because I'm trying to understand this attenuated competition argument and exactly what your position is, if you look at Table Roman numeral II-1, and you see there where it reports that U.S. producers shipped 20 percent, roughly 20, you know, over the POI to distributors, okay.

So I assume this is what you're referring to when you say yes, there is a segment of the market where the subject imports compete head on head with domestic product, right? It's roughly 20 percent of U.S. producers' shipments.

So I just want to understand, you know, how far your argument goes. If you put aside for a moment the argument that the under-selling that's going on is due to a price premium because of preference for domestic product, and therefore it's not really under-selling.

Put that aside for a moment. Let's assume that the under-selling is under-selling. Is it your position that that segment of the market, because it's only 20 percent, that any under-selling and therefore price effects couldn't impact the price of rebar that the U.S. producer is selling to fabricators?

In other words, you've got a near commodity product, right, or maybe you disagree with that? A near commodity product. Are you saying that the price effects because of the channel of distribution, it's going to these retailers. They're competing head on head, but because the domestic producers are insulated in this other channel that goes to fabricators, they're different links and so forth, that any price effects in that segment of the market that's 20 percent couldn't impact the price in these other parts of the market?

MR. CAMPBELL: We would say that the -- so the competition, as you've correctly noted. So in the distribution segment, pure distributors, U.S. producers have traditionally sold about one-fifth of their product. So to the extent that putting aside, as you said, all the other reasons that margins of under-selling should be discounted, including the price premium.

But setting that aside, the head to head competition that does occur between imports and domestic product in that distribution segment, we would argue means that overall, the competition between subject imports and domestic rebar is limited, and because the --

It's not black and white, but because the end use, the construction end use that distributors are selling rebar to is distinct, largely distinct from the end use to which rebar that goes through the fabrication segment, the construction projects that rebar going through the fabrication segment is being sold to.

Because those end uses are distinct, on the distribution side you've got residential and light construction. On the fabrication side, you've got your larger-scale construction projects, commercial and public infrastructure projects.

Because those end uses are distinct, yes, the limited head to head competition that occurs in the distribution segment, any price competition that occurs there is also limited, and is not having any significant adverse price effects on U.S. producers' prices overall.

MR. EUGENIO GUTIERREZ: Eugenio Gutierrez from Deacero, and you made a question about -- we don't see it as a commodity, because we also think that there are non-price advantages other than price, such as service, quality and other aspects, and also on that, Judge Campbell was mentioning where we have limited head to head competition, it's in the commercial market, where they are in fact more profitable than their internal market.

MR. MAURICIO GUTIERREZ: And just to add to that, Mauricio for Deacero. No, there shouldn't be a change. Twenty footers shouldn't affect the 60 foot market in anyway, or a No. 6 shouldn't affect a No. 18 market. They're different.

COMMISSIONER SCHMIDTLEIN: You could see widely divergent prices between a 20 foot piece of rebar and a 60 foot piece of rebar?

MR. MAURICIO GUTIERREZ: There should be. I think Frank should probably give us more, a better idea.

MR. Bergren: Yes, just to answer your -- and it does exist.

COMMISSIONER SCHMIDTLEIN: And you know, as mentioned this morning, there's been -- I think there's orders on seven other countries for rebar so -- and this is really a question for the lawyers, I guess. Has this ever come up in any of the other cases, because since we have a lot of other cases to look at in terms of, you know, the conditions of competition for rebar? I mean --

MR. CAMPBELL: This is Jay Campbell again of White and Case. I mean based on my best recollection of those cases, no. We believe that in this case, you have better data and more precise data, and you can get a fuller picture of the market.

So you know, Mr. Kaplan and others on the Petitioners' panel want to argue look, nothing's changed. You've seen this all before.

Just you know, rely on your prior decisions and that's it. But we would submit no, you have better data here. You have excellent data, and we would ask you to look at these --

Our exhibits that make these calculations, based on the questionnaire data and clearly show a clear dividing line between the distribution segment and the fabrication segment, and we make a host of other calculations that show, for example, that look, the domestic content requirement is significant and real.

You can see this based on the fabricators' questionnaire responses and the distributors' questionnaire responses, and we have those figures compiled. I think it's in Exhibit 7 of our prehearing brief.

So there's a lot of layers to this, but again, we think you have much better data in this case, and you can make a better decision because of that.

COMMISSIONER SCHMIDTLEIN: And do you all know, even anecdotally, whether these -- say the non-subject imports in this case from the other countries, from Spain, Dominican Republic and so forth, do they compete in the market in the same way? In other words, are they sold predominantly through distributors? Are you competing with them selling to distributors, or are they sold to fabricators? Do you know?

MR. CAMPBELL: This is Jay Campbell of White and Case, and I'll give my sense and then, you know, industry witnesses can chime in. But our sense is that it's largely imports as a whole are really concentrated in the shorter lengths and the smaller sizes. So the same arguments we're submitting with respect to the subject imports really do apply to imports as a whole.

It's because the real distinction, the bottom line is that look, U.S. mills have very significant advantages when you add up everything, from their sales to their related fabricators and distributors, to domestic content requirements that include not only Buy America but Leed certification standards, and many customers just insist on domestic rebar. Then you get to the geographic advantages and what-not.

So when you add all those up, you know, domestic rebar just has a very big advantage over imports, and that's why you see imports limited to, you know, the shorter length and smaller sizes that are going through pure distributors to residential construction, and the competition between subject imports, all imports and domestic rebar is quite limited.

COMMISSIONER SCHMIDTLEIN: But you think this is different from the imports that were the subject of the prior orders? They weren't limited to competing with the domestic industry through distributors?

MR. CAMPBELL: No Commissioner, I'm not going that far. Again, I'm trying to say that I think on this case, you have much better data that helps you to appreciate the distinct segments in which imports and domestic rebar are concentrated.

COMMISSIONER SCHMIDTLEIN: Okay, all right. Someone else -- Mr. Nolan.

MR. NOLAN: I would just add from experience, having done rebar for quite a few years, that in our experience, the traders, the importers all compete, you know, in that segment of the market, that distributor segment of the market, and I think there has been changes in the U.S. industry.

I actually think, applaud them for their integration tactics, because I think that makes sense for them. Now what that creates is a huge amount of industry concentration here. Among the Big Three, it's pretty dominant.

So you know, why are they doing this if they don't perceive an advantage? I read one study, and I'd have to find that. I'll dig it up if I can find it and put it in a post-conference where, you know, the amount of cost of a piece of rebar in a building is very small.

But if you fabricate a structure, then the value goes up by something like ten times. Now all you're doing is bending and cutting, right? But you're bending and cutting to precise engineering standards, precise architectural requirements. So you're adding a huge amount of value to that piece of rebar by fabricating it.

The price effect at that point becomes very low if non-existent, because you've created something different. You've created a structure, which is then added to a building, which is a much value-added, more value-added concept than just a piece of -- a stick of rebar.

So you have to put it into context, that the price effect you're talking about will get lost in translation here, based on the value added that's created by being the fabricator.

COMMISSIONER SCHMIDTLEIN: Okay. I was just trying to understand, though, if you all knew, and maybe you do, since you've been doing rebar for 25 years, whether there had been a change in the conditions of competition, in terms of the other countries where orders have already been imposed, and how they competed in the market, and whether it was sold to distributors and therefore light residential construction versus a different end user, which is the argument here.

MR. CAMPBELL: Right. Predominantly light construction end users.

COMMISSIONER SCHMIDTLEIN: It was the same?

MR. CAMPBELL: Yeah.

COMMISSIONER SCHMIDTLEIN: Okay, all right. I don't have any further questions. Thank you all very much.

CHAIRMAN BROADBENT: Okay. I just had a couple of questions, I think. This would be a question for Deacero. Can you explain your efforts at entering the Central American and South American markets for rebar, maybe addressing investments that you've made to produce rebar in other Latin American markets?

MR. MAURICIO GUTIERREZ: Mauricio for Deacero. We've -- in Latin America, like I said, we are a privately owned company. We look in the long term. So in Latin America, we've made planning contracts in Colombia, Peru, Chile and in Guatemala, to have a certain market share of the market for the long term.

Although it's been publicized and said in the brief that about an investment in Colombia, we are looking at it. But it hasn't been approved by the board of either of the companies which we are -- we are in agreement with, and so that's not in -- it hasn't been approved. We're looking at it, but it hasn't been approved.

MR. EUGENIO GUTIERREZ: Eugenio Gutierrez from Deacero. I also head finance as well as international trade, and I can tell you that the investment has not gone through. There are still many things in evaluation in order to make the decision. Even the machinery and equipment supplier has stated that we cannot acquire any of the machines from them, which is Annelli, which we'd typically source our steel mills from them.

So this is a no-go still.

CHAIRMAN BROADBENT: Okay. If there is substantial growth in demand in non-U.S. markets for Deacero's products, would you be more interested in pursuing those markets than the U.S. markets, even if the price is so much higher than in the U.S.?

MR. MAURICIO GUTIERREZ: Like I say, we have contracts. But we really couldn't -- we couldn't take that from those markets, even if there was a higher price than the U.S. So really, and we look forward to having that market share in those markets. So it's independent of what other markets are doing.

CHAIRMAN BROADBENT: I think that concludes my questions. Commissioner Williamson. Excuse me, Vice Chairman Pinkert. I apologize.

VICE CHAIRMAN PINKERT: Not a problem. A question for Mr. Campbell that arises because Commissioner Kieff asked a hypothetical question of the Turkish side, and I want to ask a similar question of your side, and that is isn't your real problem on the present injury issue in this case the rules for cumulation, and the fact that Mexico would be considered normally in connection with Turkey, in considering the impact of the subject imports?

MR. CAMPBELL: This is Jay Campbell of White and Case. We will be obviously addressing that question with respect to cumulation and the way that, you know, Commissioner Kieff posed it very well and we will be responding to it. But I would say that we don't think there would be a case against Mexico today if it weren't for the import volumes that came in from Turkey.

VICE CHAIRMAN PINKERT: Thank you. Anything you want to add to that in the post-hearing would be thoroughly considered, I'm sure. Now turning to the question I asked you, Mr. Bergren earlier, I want to give you an opportunity to respond here. I know you're going to prepare something for post-hearing.

But I wasn't clear in your testimony, whether you simply felt that you couldn't increase the amount of sourcing from domestic suppliers, or whether you had been specifically turned down?

MR. Bergren: Specifically turned down on multiple attempts.

VICE CHAIRMAN PINKERT: Other than documentation for post-hearing, is there anything you wish to add to that?

MR. Bergren: I think probably the most important thing, just to take into account, is that it frustrated me to hear in the previous testimony this morning that Mr. Darsey sat there and opened up that he would sell rebar to anybody, when I had been told multiple times that they will not sell us rebar, because we compete against their downstream operation.

VICE CHAIRMAN PINKERT: Thank you. Now finally, there's been a discussion about the pricing of internally sourced scrap and the pricing of transfers to affiliated purchasers. This is not directly related to the answer that you just, Mr. Bergren. But generally speaking, does it matter for purposes of the arguments of this panel whether or not that pricing is market-driven pricing?

MR. CAMPBELL: This is Jay Campbell with White and Case. A key fact you should consider with respect to the domestic industry's internal transfers, and it speaks to -- it supports the finding that competition between subject imports and domestic rebar is limited, and that's that yes, based on the AUVs on the record, the U.S. industry, must be the Big Three, because they're the only ones with internal transfers, but they're charging lower prices to their related purchasers than they're charging on the commercial market.

How does that support attenuated competition? It's because direct competition between subject imports and domestic rebar can only occur in the commercial market. Their internal sales are closed to imports, despite their argument that that's not the case. So if the U.S. industry is actually performing better when we've calculated this -- I refer you to Exhibit 6 in our prehearing brief.

But we've calculated what the U.S. industry's profitability would have been had the industry priced their internal transfers at the same prices that they charged for their sales in the commercial market, and the profitability would have been -- for the industry overall would have been much, much higher.

The U.S. industry was performing poorer with respect to their captive operations than they were with respect to their commercial operations. So that's not what you would expect.

If there really were head to head, significant competition between subject imports and shipments of domestic rebar, you would expect the U.S. industry to be doing worse on their commercial operations than their captive internal operations.

Instead, you see the opposite. So those facts corroborate all the conditions of competition and market segmentation that we've argued and support, that competition between subject imports and domestic rebar is limited.

MR. BOND: Commissioner Pinkert please, David Bond. And even putting aside the points that Jay's making, which are important, assuming just for the sake of discussion that the transfers were actually occurring at equal prices, at market prices, there's a second important point, which is that the tonnage is assured to the mills of the Big Three's fabricators.

So from our perspective, that's a lot of tonnage each year that we have no access to. So regardless of the price, one of the points that we're making is that the competition for those sales is really non-existent, which takes a large portion of U.S. domestic consumption of rebar off the table from the perspective of Mexican and Turkish imports, regardless of the price.

MR. NOLAN: Just to add to that last comment, if you look at the rate with which the Petitioners supply their own internal operations, I think it will corroborate the idea that they do indeed like to sell to themselves internally, transfer quite a bit of the material to their downstream fabricators.

So they've created this market that they have closed. It's a closed loop. They buy almost no imports for that. I don't know if either statistics or in the staff report, as to how much they're using internally versus how much they're buying from outside.

There's either, you know, profit-shifting going on here to the downstream operation, or some type of favorable arrangement occurring. But the fact is that all that material is being internally transferred from a rebar operation to a downstream operation, and they're doing it internally. That's protected.

VICE CHAIRMAN PINKERT: Thank you.

MR. CAMPBELL: I'm sorry, excuse me. Jay Campbell. Just one very quick point. I would point you to

Exhibit 3, where we have calculated the data. We've aggregated the data and we can show that the related purchasers are buying rebar almost exclusively from their parent U.S. mills.

VICE CHAIRMAN PINKERT: Thank you very much. On the other side of the equation, the supply of scrap internally to the companies. Is that just about security of supply, or is there some point you want to make about the pricing?

MR. NOLAN: From the Turkish standpoint, I don't know if you guys want to chime in on it, but from my perspective, it primarily is a security of supply quotient. But to the extent that scrap operations are profitable, the profit stays internally inside Gerdau or the CMC or the Nucor system of affiliates, and the opportunity is to decide do we capture that profit internally at the scrap level, or do we take a little bit less and make the rebar operations a little bit more profitable?

You know, I can't comment on it, because we don't have enough data, other than the fact that anecdotally, they're all doing the Macarena together on this issue, and they're clearly wanting to have that secure supply and wanting to have the ability to fund their operations through internal scrap, which allows you to decide where you put profits.

VICE CHAIRMAN PINKERT: Mr. Gutierrez Noriega?

MR. EUGENIO GUTIERREZ: Eugenio from Deacero. Yeah, as for Mexico, we have a small deficit around -- we'll put that exactly on the post-hearing brief. About eight to ten percent of deficit on scrap consumption versus production in Mexico. So we need to import some, and Grupo Acerero also mentioned that before in their testimony, and as well as us, need to import minimal in order to balance it out and in order to secure enough supply.

VICE CHAIRMAN PINKERT: Please.

MR. DIAZ: Carlos Diaz from Grupo Acerero. In our particular case, as I stated on my comments, we buy scrap to have an edge on the exchange rate, between buying U.S. dollars and selling U.S. dollars. I find it contradictory that we buy from CMC and David Joseph, Nucor, and at this point we cannot sell rebar in the U.S. We have been doing business with them since a couple of years, and we buy scrap from them. Thank you.

VICE CHAIRMAN PINKERT: Thank you. For the post-hearing, if you could talk about whether going external for your scrap supply, even in part, is more costly than staying internal, I think that would be useful. But obviously that's a post-hearing issue. Thank you very much.

MR. BOND: Excuse me, Commissioner Pinkert. By external, you mean outside of the group of companies or outside the country?

VICE CHAIRMAN PINKERT: Well, you can go in both directions on that. I know that there was a discussion just now about importing a small amount. But I know also that sometimes the companies, even in Mexico, are able to source internally, and is that a more cost effective equation for the company than going external or having to import? Thank you very much.

CHAIRMAN BROADBENT: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Just a few questions. Let's go with Respondents. In your brief, you argue that the Commission should not cumulate subject imports from Turkey and Mexico for any threat analysis. While you point to differences in under-selling, don't Tables 5-3 through 5-10, the pricing tables in the staff report indicate uniformity in pricing trends in virtually identical frequency and extent of under-selling?

So the question is you argue there's difference, but we sort of see the same. The pricing tables say there's not that much difference. You're not clear about the question, or you want to do it post-hearing or what?

MR. NOLAN: A little of both, I guess.

COMMISSIONER WILLIAMSON: Okay. Well, we can do it post-hearing. You need clarification of the question.

MR. NOLAN: What you're saying that the data on the staff report is indicating that the prices are fairly uniform across the board?

COMMISSIONER WILLIAMSON: Right.

MR. NOLAN: Okay. We'll address that in post-conference.

COMMISSIONER WILLIAMSON: Okay, thank you. For

Deacero, sort of briefly, and you can do this post-hearing if you want to, would you describe the operations of the mills at Ramos and name, and address questions such as the mill's product mix during ramp up, its current product mix and its projected product mix, and also the time and expense required to alter production runs, as well as the lead time required to do so.

And then the commercial considerations for shifting product mix, including the relative value of different long products produced at the mill, and the importance of maintaining customer relations and meeting customer expectations, and the need to fill the mill to operate at peak efficiency.

So those are the elements I want you to address. But if you want to address that post-hearing, that will be fine.

MR. MAURICIO GUTIERREZ: Yeah. We'll address that in the post-hearing.

MR. EUGENIO GUTIERREZ: We'll address that in the post-hearing. Many questions, but let me just state again. Ramos is specifically for merchant bars, primarily dedicated for merchant bars and structural. But we'll comment on all of those issues.

COMMISSIONER WILLIAMSON: Okay, thank you. Again for Turkey, in your prehearing brief, you argue that the growth of the Turkish home market and other export markets, the high level of capacity utilization and stable inventories will not allow an imminent and substantial increase in imports of rebar from Turkey.

How are these conditions different from the conditions that existed during the Period of Investigation, when U.S. imports from Turkey rose significantly?

MR. NOLAN: I take it you're directing that to us?

COMMISSIONER WILLIAMSON: Yes, yes. Okay. Of course the Mexicans might want to answer it but --

MR. NOLAN: Well, I mean I think what you're finding is the construction market in Turkey has improved quite a bit. Other markets have picked up. I mean Turkey is a large producer. There's no question about it. They're also a huge importer of U.S. scrap, but that's another side to this.

What they're finding is that the Turkish market has increased, improved quite rapidly. You saw the construction charts on the handouts, that the curve went down and now it's going like that. So there's a huge amount of construction activity. As we said before today, this year, Turkey is consuming more rebar in that country than the United States as a whole does.

So that's a huge amount of rebar that they're taking internally on construction projects. So there are conditions that have changed. Things have changed in Turkey from a demand standpoint, and the mills are running at very close to capacity.

MR. DALBELER: In fact, it's not really different than the U.S. domestic mills. I mean we are running at around 70 percent of our capacity. But the local consumption, yes. It went up from 5-1/2 million tons more or less to 8-1/2 million tons within the last three years.

But Turkey has been exporting rebar of somewhere around seven million tons for the last, I can say, ten years, constantly. Why the quantity coming into U.S. have increased is simply because the U.S. domestic industry's charging so high to the rebar that makes it really attractive to sell over here. That's the simple reason.

It's overpriced. That's what I say. The U.S. rebar is really overpriced.

COMMISSIONER WILLIAMSON: Okay, and so you're going to continue to sell here. Okay. One last question, and this actually is probably post-hearing. I notice in our pricing tables we don't -- we didn't ask for prices based on the length of the product.

It was all -- and so I was wondering and positing would -- given the argument you made about the segmented market, will there be a difference if we were looking at it on the basis of -- if we included the length of the product that's being sold?

The reason I ask this question, I'm just trying to understand the basis for this segmentation, and if there is a difference, and as I said, this can be addressed post-hearing by both sides. But I'm just -- as I said, I hope I'm trying to get an impact of what are you arguing about the segmentation.

MR. NOLAN: I think the important thing to recognize in that question is that the domestics charge a premium price for the 60 foot bars, and I think that's important to take into context when you're looking at the average of the truth of what we're talking about.

COMMISSIONER WILLIAMSON: So a 60 foot Product A is going to be more expensive per ton than a 20 foot Product A?

MR. NOLAN: That is correct, throughout the country.

COMMISSIONER WILLIAMSON: Okay, and I'll ask the domestics post-hearing to address that. And with that, I have no further questions. I want to thank the panel for their testimony.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent. Commissioner Kieff and Commissioner Pinkert today said they'd be kind of directing some of the questions, and so I guess I'll do the same. It might actually be of your benefit. You know I don't -- I like to be polite, but also you all like to know what we're thinking about up here.

On page 49 of the Mexican Respondents' brief, the statement is made that subject imports did not sell -- did not undersell shipments of domestic rebar during the Period of Investigation. I'm having trouble squaring the statement with the quarterly comparisons evidenced on this record and summarized in the staff report at Table 5-10.

Mr. Campbell, you discussed this a bit earlier today. But could you discuss it a bit more, because this presents a real issue for us, with the amount of under-selling described in the staff report, and also if you could address it as well, Mr. Nolan, with regard to Turkey. Thank you.

MR. CAMPBELL: This is Jay Campbell of White and Case. I'm sorry, are you asking us to address it now or in post-hearing?

COMMISSIONER JOHANSON: If you could address it a bit more now if possible. If not, I assume you'll address it fairly substantially in the --

MR. CAMPBELL: I'm happy to --

COMMISSIONER JOHANSON: -- in the post-hearing brief. I know you addressed it as well in the prehearing brief, but it is something that we have to grapple with. It's a major issue.

MR. CAMPBELL: Right. Yes. As I said in direct testimony, you know, the underselling data in the staff report on their face indicate underselling, but we don't think it's true underselling for a number of reasons. And really what's going on is that rebar from Mexico is being priced at market prices and so there are various things going on that should be considered. One is that as Mr. Bergren testified, domestic rebar commands a price premium over imported rebar. So, if you have an underselling margin of 8 percent, but domestic rebar commands an 8 to 10 percent premium over imported rebar, does that indicate underselling with an intent to aggressively compete and take market share? No. It just shows that Mexican rebar is being priced -- charged at prices the market will bear. So that's one point we make. But we make additional points including that the underselling data on record also only include the quantities and values of the U.S. producer's commercial shipments, so it excludes their internal transfers which based on the AUVs were priced lower than their commercial sales. So that's another reason why the underselling margins in the staff report are inflated and should be discounted.

And another point we would submit is that Nucor is identified and to some extent Gerdau as well, as the price leaders in the U.S. market and actually we've compiled this data in Exhibit 24 to our brief, but we show that those two producers undersold each other and other U.S. producers throughout the POI and as price leaders that compete against the other U.S. producers in the fabrication segment where U.S. production is concentrated, we would submit that that's significant and far more important than any superficial underselling by Mexican rebar that's in the staff report.

But, again, I will address -- elaborate on these points in the post-hearing brief.

MR. BOND: Commissioner Johanson, just two more points. One to give some context, I don't think that at we would necessarily say that there's no underselling. I think we would say once you take proper account for various factors, there's not significant underselling. Several of the factors are those that Jay mentioned, but I think we need to add one which you mentioned previously, but didn't list right now, which is, the pricing data that you have for Mexico reflects prices FOB Laredo. It takes no account of the freight that's built into the price that they actually charge to their customer in the Midwest or the west or wherever else. They're competing with mills, U.S. mills, where they are competing with them that are much closer to those spots. So if you were to look at the price of the Mexican FOB price right up for their freight component, and compare that to the actual price that the domestics are charging delivered, we think you'd see a much smaller margin of underselling than what's suggested in your data.

COMMISSIONER JOHANSON: All right. Thank you for your responses. Mr. Nolan, do you or any of the Turkish witnesses have a response?

MR. NOLAN: We will address it at the post-conference brief. I think the staff report does show some degree of underselling. I think we would say just as the Mexican respondents that some of that is explainable by the conditions of competition, the longer lead times that Turkey has, the fact that we only work off of confirmed large orders, so it tends to be a little bit of a push on that. But we only deliver to the port, and then we're pretty much going to be done.

I would also say that if you look at the evidence of underselling, go back to one of the respondents, Habash, it has no CVD, no dumping, and yet the underselling exists there to the same extent as other Turkish producers. Why? Perhaps the underselling is simply a function of good competition. MR. DALBELER: There are also a couple of things that I would like to add. The Turkish mills, of course, when they sell, they get letters of credit so that the payment is done as soon as the shipment is affected which is even about 20 days before the rebar hits the shore in the U.S. But here in the U.S. domestic mills collect their payments 30 days after they deliver the goods to the customers. So there's at least like 50 days of difference in the payment after delivery has been affected.

And the second thing, the Turkish, as my colleague has just mentioned, selling to the large traders. So the traders are making profits on top of that the distributors are making money. So there are two more layers before each enter the same customer that the domestic mills are selling.

COMMISSIONER JOHANSON: All right. Thank you for your responses. And I look forward to reading further on this in the post-hearing brief on this issue.

I'd also like to talk to you about something that I raised this morning with the petitioners and that is the issue of buy American, buy American. Perhaps this is here in the United States. The staff report discusses the importance of purchasing domestic product as it relates to domestic content and this is at pages 224 and 227 of the staff report. And I know that a key argument of respondents is that the domestic industry is insulated from competition as a result of buy America and buy American preferences. However, petitioner points out that public instruction spending has fallen substantially in recent years as the federal government stimulus program tapers off and amid lingering uncertainty about the future of the U.S. Highway Trust Fund.

How do you all respond? If there's a part of the market that favors the domestic purchases, is it fair to state that this part has declined in size and will continue to decline in the imminent future?

MR. CAMPBELL: This is Jay Campbell with White and Case. I would start off by reiterating that Buy America is just one component of the domestic content requirements that foreclose a large chunk of the U.S. market to imports. And I would refer you again to Exhibit 7 in which we compile the percentages, fabricators and distributors, reported of their purchases in 2013 that were required to consist of domestic rebar. Not just because of Buy America and Buy American, but also for other reasons.

If you were to refer to Exhibit 7, we submit that those are very substantial percentages, so you should consider Buy American. Buy American is one piece of that.

I'll also point out that although, you know, there is evidence on the record that after the stimulus funds -- or stimulus funds dried up a bit and those projects tapered off, that public construction wound down a bit, but two points, one despite that look again at the figures in Exhibit 7, those percentages relates to 2013 and even with that winding down of public infrastructure projects, there are still very significant percentages of the U.S. market that's foreclosed to imports.

Secondly, the winding down of public infrastructure projects also addresses why or explains why U.S. producers lost market share over the POI. And, again, it's because the fabrication segment which also caters, of course, to the large public infrastructure projects, that segment of the market grew at a slower rate than the distribution segment where imports are concentrated. So really the decline in the Buy America/Buy American projects during the POI, that speaks to or explains why U.S. producers lost market share and it has nothing to do with subject imports.

MR. NOLAN: I would just reiterate what counsel for Mexico said. I would point you to our slide number 13 where we talk about construction statistics from the Census Bureau, you know, public construction, we're still running at 27, 28 percent of total construction value as of July 2014. The same in prior years. And it shows some increase. It certainly is the case that most of the recover funds were exhausted from stimulus. There was somewhat of a decline. But that's now on the rebound again and actually you can see some of that evidence in these statistics where in 2000 -- you know, 2013 early 2014 things were on the decline. Well, now they're on the upswing again. So public construction is coming back slowly but surely. But at a slower rate than private construction.

COMMISSIONER JOHANSON: All right. Thank you for your responses. I have to grapple with this one as well because it is a case, from what I can see, the major stimulus program has wound down. It was in function during the period of investigation. And that's a major program which I think of and that was politically a big issue in the United States and was something we heard quite a bit about and it did impact sales of rebar.

Anyway, if you all could address this in your post-hearing brief a bit more. I know you've addressed it somewhat so far, so I don't know how much impact it will actually make in my mind because I just had to figure out, you know, what's happening here. You all have addressed and petitioners have addressed it as well. But it is something, once, again, a major issue we have to grapple with.

And with that, I would like to thank you all for appearing here today. I know that you would probably rather be elsewhere, but the information you have given on both sides, with Turkey and with Mexico has been quite helpful. So thank you again.

CHAIRMAN BROADBENT: Okay. If Commissioners have no more questions, does the staff have any questions?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Madam Chairman, staff has no additional questions.

CHAIRMAN BROADBENT: Do petitioners have any questions for this panel?

(No response.)

CHAIRMAN BROADBENT: Okay. Thank you. I want to thank this panel for coming all the way to Washington. Many of you traveled a far way to get here with us today and we appreciate that. And I'll dismiss you now.

With that we'll come to closing statements and those in support of the petition have nine minutes from direct and five for closing for a total of 14 minutes.

Those in opposition have zero minutes from direct and five for closing for a total of five minutes.

As is our custom, we will combine those times. You do not have to take all of your time. We will start with those in support of the petition and you may begin when you're ready.

(Pause.)

CLOSING REMARKS

MR. PRICE: Good afternoon. We're going to start real briefly with Mr. Kaplan. Then with Mr. Webb and Mr. Stone who have brief comments.

MR. KAPLAN: I just have several rebuttal comments. On page 10 of the Turkish presentation they claim that gross profit margins remain strong over the POI and also that operating income was quite healthy, and I think that's factually incorrect. As you could see, gross margins are the difference between 91.3 percent and 100 percent. So gross margins were in the single digits which is extremely low for a steel industry or any industry. And if you could turn to 18 you could also see that operating margins were in the low single digits. That is the opposite of strong. They are declining while the industry is growing. In the interim period they are down to two-tenths of a percent. So I wanted to correct that factual error.

My second comment is that the U.S. and Turkey as represented by Mr. Nolan, agree that the conditions of competition have remained the same as I think he put it, for the last 25 years. And the only thing he found that changed was the degree of concentration of the domestic industry. We'll note that none of that happened during the POI and that all of the concentration in the industry was approved by the Department of

Justice that said the industry remained competitive after the mergers. So there has been no change.

In particular all conditions of competition, distribution, everything has been the same. Mr. Nolan confirmed what we know that the imports of the past are the same as the imports of the present, both physically and the channels of distribution that they've come in.

This is someone at the Mexican side walking in, and say you've gotten every case wrong. Although, the Turkish have said everything has remained the same. This is a remarkable series of statements he's made, having the Commission look over an industry that is looked over many times and say you've got it continuously wrong and let me tell you how it really works.

I think he's wrong. I think the Turks know he's wrong. I think we know he's wrong. And I ask you to conclude that the conditions have not changed, and are consistent with opinions that you've made within the last year. Thank you.

MR. PRICE: Thank you. Mr. Webb of Southwest Supply.

MR. WEBB: Yes, as a rebar fabricator and distributor, we purchase 20-foot, 40-foot, 60-foot from the domestic producers at the same price we pay price per pound. It doesn't matter what length the material is. Additionally, we fabricate imported material. We fabricate domestic material alike, again, no difference between the two.

Somebody indicated that there was about a 10 times markup for fabricated rebar. That's way off base. There's about a 20 to 25 percent difference between selling stock length rebar and fabricating rebar, and that's not considering the capital cost of the investments of machinery and equipment to do that, the labor intensity of estimating jobs and detailing the jobs to do that and the physical labor to bundle, tag, cut, bend, shape that bar.

MR. PRICE: Mr. Stone of Nucor to address the domestic industry selling the so-called home segment of the market.

MR. STONE: Good afternoon. Yes, it was alluded to that domestic mills aren't really interested in distribution. I could tell you that's not correct. Distribution is important to us, the fabrication market. We do sell to all distributors, including those distributors that sell to people like Home Depot and to Lowe's.

Now, the question was asked if I went to Home Depot and Lowe's would I find domestic steel or Turkish steel. Quite frankly, you could find anyone's steel in that situation. The steel buyers of the world and the warehouses that supply such companies, for instance, they go out and they look to get the best price for their steel.

So, getting back to what we said this morning is it gets to be about price, not so much about who made it in terms of who ultimately buys the steel and why. Thank you.

MR. PRICE: Thank you, Commissioners. We appreciate all your attention and all the hard work of the staff.

There were a lot of antidotes today. Actually, I would say we strongly urge you to rely on the data rather than the antidotes in large part. The data was collected in this case, and the Respondents don't like the data so they're trying to walk away from the data. They're trying to throw out all kinds of things. You just heard some rebuttals to that because if we throw out enough things out there maybe something will stick. It's a classic litigation tactic in the context of a quick ITC hearing. I urge you to be cautious about that.

In this case you heard a lot of speculation, and we'll address that speculation in more detail. We'll also address, by the way, Mr. Bergren in more detail. You heard Gerdau said they supply him and that he's a former Gerdau employee, et cetera, but there are other issues there. We'd rather not air out in public as to things like credit worthiness and so forth that are major factors in whether or not someone will sell and how much they sell.

So, some facts here are uncontested. Everyone agrees that imports increased by a large amount during the POI. The staff report indicates that over the three-year period the subject imports increased both absolutely and as a share of consumption. No one has contested that the market share of the subject imports of the three full years of the POI has increased.

Under the law, this is significant. And I would say under the statute you are required to cumulate in this case for injury purposes. That's clear because all the statutory criteria are met, and I would address Commissioner Kieff's question in the post-hearing brief, but regardless of any WTO decision that might be coming out, you're still required because it's domestic law here and domestic law is supreme in this case because Congress was clear.

No one can seriously contest that the data collected by the Commission staff doesn't demonstrate underselling, demonstrates in 100 percent of the comparisons just about, and by increasing margins. And again, there is every opportunity to request all kinds of underselling data, and the only material request that came in was request from some grade 40 data and don't look at grade 3 because we know we're underselling in that, and that was essentially the Turkish request. I'm sorry for mischaracterizing it exactly, but that's essentially what was said. I'm not characterizing it exactly the way you did.

And the health of the domestic industry declined over the POI. Demand was increasing, but capacity utilization was low and flat. Our operating profits dropped as underselling margins increased, particularly, in 2013, and clearly by 2014 the industry experienced a net loss.

So, essentially, the Commission has a causation question. Did the cumulated imports increase absolutely or relatively in volume? The answer is yes. Did they undersell the domestic production? Yes. Did they do it by increasing margins? Yes. And the other side has ignored the fact that they have margin of underselling increased radically as the volumes increased, or as Respondent contend is competition so attenuated there is no causal relationship here. And with this regard we have two charts we've handed out. And I think the copies are reversed here, but in fact, the domestic industry sells every size, every grade, every length, every channel, every end use, any geography, time periods.

And yes, this is the one they don't want to tell you is that if you look at their purchasers we all overlap with them. In fact, go to Chart 2 here and what you will see, this is the purchaser questionnaire that your staff collected, and it's all randomized and no real data is here, but you will see their purchasers all purchase from the U.S. industry. This is what the database is. This is about as overlapped as you come up with.

Now, you've heard some other comments here, and we'll show this in detail in the confidential briefs. You've heard some other comments here today as people try to make up reasons as to why things don't compete. First of all, by the way, most threes and a large number of fours only are produced in 40-foot length because they're just hard -- they're just to thin. They just wobble too much. You can't really do anything with them.

Two, I urge you to look at Tables IV-5, IV-6, IV-7 and just ask yourself is the U.S. a major supplier of everything they say the U.S. isn't a major supplier of. In fact, the answer is clearly yes. So, I mean you heard a lot of fiction out here today.

They sell to resellers. They sell to the home stores, again, fiction. And in fact, a large part of the residential improvement is in multifamily residential, which is largely a fabricated area of the marketplace. So again, that was all ignored by the Respondents.

You've heard from Southwest Supply. You've heard from CMC that they fabricate the subject imports. You've heard from Nucor. You have Deacero actually conceded that they, by the way, sell Harris Distribution, which is part of Nucor. Harris is also a fabricator. They concede that they sell CMC distribution of fabrication. I can point you to the responses and you can see the details on that.

With regard to underselling, I just want to put one thing out here. You actually have in this case detailed underselling data for the non-subject Turkish producers, and you will actually see even a difference between that, between the subject Turkish producers and the Mexicans and them. And we'll show you that detail in the responses, but you'll probably get an idea where I'm going because you can just compare what you have, and you start seeing the underselling trends. And the fact is that would there be underselling, maybe, maybe not. Would it be the same degree, are they going to replace on the same levels, volumes? The answers are no.

So, the question you have before you are imports a cause? Are the subsidized imports significant? Absolutely. Six dollars a ton, seven dollars a ton on energy is a huge subsidy. That is fundamentally distortive to a marketplace.

Congress gave you a number of factors to look at. They said look at all of these factors. And in this case they said cumulate dumped and subsidized imports. They said look at the impact. The impact here is significant. The impact is negative on the industry. It harmed profit. It harmed market share. It harmed production. It harmed pricing. The domestic industry did not employ as many people as it would have. The domestic industry did not restart production in the same way. You had layoffs. You had a variety of negative effects going on here.

The bottom line in this case is imports are a cause of material injury. And I will add that in this case while you have a variety of discussions about captive and non-captive and so forth, the pricing trends are the same. So, it's not like you have one going up and one going down. They're both going down at the same time. Imports affect both. Imports have an impact on both. And in fact, what they call related party fabrication is often related party distribution because the whole market is, in fact, intertwined and intermixed.

Thank you. That summarizes our direct presentation.

CHAIRMAN BROADBENT: Thank you, Mr. Price. Respondents, you may come up.

MR. NOLAN: This is Matthew Nolan for the Turkish Respondents. I think I will go first and be short and sweet. Thank you for listening for us today. It's been a long day. I dare say you have a difficult task ahead of you. There's quite a dichotomy in this case. I've not seen one like this in my experience as a trade lawyer, which goes back a fair ways. So, this is an interesting one.

There are some things, however, just a quick comment. I'm actually privileged that Mr. Kaplan felt compelled to rebut me directly. That's a sign that I must have hit something right. The one question I'd have about his gross profit numbers that they put up on the screen is he focused completely on the first quarter of 2014, and I have two issues with that.

One, the first quarter of every year is always week for the domestic industry or any industry in construction because of the time of year. And two, it was compounded particularly this past year by the bad weather we had. So, that's a bad indicator to use on profit margins. I would discount that data mightily.

So, let's get back to basics, as I like to say. We have a Turkish industry that has been adjudged not to be dumping in any way, shape, or form into the U.S. market. There are no less than fair value sales. There is no dumping going on. They are fairly trading on that side of the equation.

On the subsidy side of the equation, one major producer is completely out, having been adjudged not to provide subsidies, and the other has been adjudged to have a subsidy barely above de minimis over a questionable subsidy call.

The question then become is how do you relate that to the alleged underselling that's going on and the price effects? If, in fact, Turkey is found to be underselling at the rate of say 9 percent how do you square that with the idea that the maximum possible margin here is 1.25 percent? Very simply isn't a correlation.

There is, however, a big correlation between price and raw material costs. And clearly, the driver in this case for the domestic industry as well as imports on price is the cost of scrap, raw material. That is the chief driver. It has been always before and now the main factor. And I urge you to look at that data carefully because that tells you volumes about the profitability and the prices that are going up or down in this market, not imports, but raw materials. Thank you.

MR. CAMPBELL: Jay Campbell, White & Case. Petitioners' case is like a burger. It looks good. Maybe it even has some guacamole, but when you sink your teeth into it you realize it's a veggie burger and it taste terrible. No offense to vegetarians.

Petitioner says all rebar is interchangeable and purchased on the basis of price, price, price. Well, if that were true, how is it that the U.S. industry has a dominating 84 percent market share, even in 2013? They say that there are no market segments, but these are well supported by purchaser questionnaire data, which we compiled in Exhibit 12, as well as sales data reported by U.S. producers and importers, which we compiled at Exhibit 2.

They say that their sales to related purchasers don't insulate them from competition from imports, but look at the volumes they sell to their related purchasers. These are very big numbers. They also say their related purchasers operate independently, but look at our Exhibit 3. Their related purchasers are buying nearly exclusively from their parent mills. They say Buy America is not significant, but look at our Exhibit 7. Buy America is just a piece. Fabricators and distributors alike reported very substantial percentages of their purchases in 2013 were required to consist of domestic rebar.

Petitioner says there's no strong preference for domestic rebar, yet, they had three purchaser witnesses appear today that expressed just that. Petitioner says that subject imports gained volume and market share, true, but the lion's share of the increase in the subject imports occurred in the distribution segment where U.S. shipments are not concentrated, only one-fifth of their shipments.

Petitioner complains that U.S. market share declined, but ignore that the fabrication segment where their shipments are concentrated grew at a lower rate than the distribution segment. Petitioner also says that they have massive access capacity and can supply the U.S. rebar market, but the U.S. industry's capacity exceeds consumption by about 2 million tons and therefore would exist without subject imports.

Moreover, there's substantial evidence on the record that the U.S. industry is unwilling to satisfy U.S. demand, and I refer you to Frank Bergren's testimony for that, as well as evidence in our pre-hearing brief.

The U.S. producers argue that they suffered adverse impact, but the data on record show that there's no correlation with subject imports and the U.S. industry's performance as would be expected in a market where the domestic industry is heavily insulated from import competition. In particular, the U.S. producers are pointing to interim 2014, but in interim 2014 compared to interim 2013, the market share for subject imports decline.

The Petitioner finally they complained that their profits were suppressed by the subject imports, but they ignore that they would've done a lot better if they had charged the same prices for their commercial sales that they charged -- excuse me -- if they had charged the same prices for their internal sales that they charge for their commercial sales.

So, we ask that you please engage, eat, and digest our burger. It's made from 100 percent real beef, grass-fed American cows, and it points to no injury. Thank you very much.

CHAIRMAN BROADBENT: Thank you. I want to express the Commission's appreciation to everyone who participated in today's hearing. Your closing statements, post-hearing brief, statements responsive to the questions and requests to the Commission and corrections to the transcript must be filed by September 22, 2014. Closing of the record and final release of data to the parties will be on October 7, 2014. Final comments are due on October 9, 2014. And with that, this hearing is adjourned.

(Whereupon at 5:00 p.m. the hearing was adjourned.)

CERTIFICATION OF REPORTER

TITLE: In The Matter Of: Steel Concrete Reinforcing Bar from Mexico and Turkey

INVESTIGATION NO.: 701-TA-502 and 731-TA-1227-1228

HEARING DATE: 9-15-2014

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 09-15-2014

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: Christopher Weiskircher
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