

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
HEAVY WALLED RECTANGULAR WELDED)
CARBON STEEL PIPES AND TUBES FROM)
KOREA, MEXICO, AND TURKEY)

Investigation Nos.:
701-TA-539 AND
731-TA-1280-1282
(Preliminary)

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Place: Washington, D.C.
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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
HEAVY WALLED RECTANGULAR WELDED) 701-TA-539 AND
CARBON STEEL PIPES AND TUBES) 731-TA-1280-1282
FROM KOREA, MEXICO, AND TURKEY) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, August 11, 2015

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

1 APPEARANCES:

2 Staff:

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4 Officer

5 Sharon Bellamy, Program Support Specialist

6 Sonia Parveen, Student Intern

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8 Elizabeth Haines, Acting Director of
9 Investigations & Supervisory Investigator

10 Carolyn Carlson, Investigator

11 Gerald Houck, International Trade Analyst

12 Amelia Preece, International Economist

13 Craig Thomsen, Statistician

14 Karl von Schriltz, Attorney/Advisor

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1 APPEARANCES:

2 Embassy Witness:

3 Embassy of Mexico

4 Washington, D.C.

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

7

8 OPENING REMARKS:

9 Petitioners (Christopher T. Cloutier, Schagrin Associates)

10 Respondents (John M. Gurley, Arent Fox LLP)

11

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

14 Schagrin Associates, Washington, DC on behalf of

15

16 Atlas Tube, a division of JMC Steel Group;

17 Bull Moose Tube Company; EXLTUBE;

18 Hannibal Industries, Inc.; Independence

19 Tube Corporation; Maruichi American Corporation;

20 Searing Industries; Southland Tube; and Vest, Inc.

21 David Seeger, President, JMC Steel Group

22 Tom Muth, President, HSS and Piling Pipe, Atlas Tube

23 Patty Tassone, Steel Purchasing Manager, Independence

24 Tube Corporation

25

-- continued --

1 APPEARANCES (Continued):

2 John Tassone, Marketing Manager, Independence Tube

3 Corporation

4 Jim Searing, President and Co-Owner, Searing Industries

5 Glenn Baker, Vice President of Marketing and Sales,

6 Searing Industries

7 John Montgomery, Jr., Vice President and General

8 Manager, Southland Tube

9 Roger B. Schagrin and Christopher T. Cloutier - Of

10 Counsel

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12 In Opposition to the Imposition of Antidumping and

13 Countervailing Duty Orders:

14 Arent Fox LLP, Washington, DC on behalf of

15 Maquilacero S.A. de C.V.

16 Regiomontana de Perfiles y Tubos, S.A. de C.V.

17 Perfiles y Herrajes L.M., S.A. de C.V.

18 Felipe Rivero Ednet, Commercial Manager, Regiomontana de

19 Perfiles y Tubos, S.A. de C.V.

20 John M. Gurley and Diana Dimitriuc Quaia - Of Counsel

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22

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-- continued --

1 APPEARANCES (Continued):

2 Arent Fox LLP, Washington, DC on behalf of

3 Ozdemir Boru Profil Sanayi ve Ticaret Limited Sirket,

4 Istanbul Minerals and Metals Exporters Association ("IMMIB")

5 and its members,

6 and the Turkish Steel Exporters' Association and its members

7 (collectively, the "Turkish Producers and Exporters")

8 Matthew M. Nolan - Of Counsel

9

10 Rebuttal/Closing Remarks:

11 Petitioners (Roger B. Schagrín, Schagrín Associates)

12 Respondents (Matthew M. Nolan, Arent Fox LLP)

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P R O C E E D I N G S

(9:30 a.m.)

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2
3 MS. HAINES: Good morning, and welcome to the
4 U.S. International Trade Commission's conference in
5 connection with the preliminary phase of Anti-Dumping and
6 Countervailing Duty Investigation No. 701-TA-539 and
7 731-TA-1280 to 1282, concerning Heavy-Walled Rectangular
8 Welded Carbon Steel Pipe and Tubes from Korea, Mexico and
9 Turkey.

10 My name is Elizabeth Haines. I'm the acting
11 director of the Office of Investigations, and I will preside
12 at this conference. Among those present from the Commission
13 staff are Craig Thomsen, the statistician; Carolyn Carlson,
14 the Investigator; Karl von Schrietz, the Attorney-Advisor;
15 Amelia Preece, the economist; and Gerald Houck, the industry
16 analyst.

17 I understand that the parties are aware of the
18 time allocations. I would remind speakers not to refer in
19 your remarks to business proprietary information, and to
20 speak directly into the microphones. We also ask that you
21 state your name and affiliation for the record before
22 beginning your presentation or answering questions for the
23 benefit of the court reporter.

24 All witnesses must be sworn in before presenting
25 testimony. I understand parties are aware of the time

1 allocations. Any questions regarding the time allocations
2 should be addressed with the Secretary. Are there any
3 questions?

4 (No response.)

5 MS. HAINES: Mr. Secretary, are there any
6 preliminary matters?

7 MR. BISHOP: Madam Chairman, I would note that
8 all witnesses for today's conference have been sworn in.
9 There are no other preliminary matters.

10 MS. HAINES: Okay, very well. Will you please
11 announce our Embassy witness?

12 MR. BISHOP: Our Embassy witness is Kenneth Smith
13 Ramos, head of the Trade and NAFTA Office of the Ministry of
14 Economy, the Embassy of Mexico.

15 MS. HAINES: Welcome.

16 STATEMENT OF KENNETH SMITH RAMOS

17 MR. RAMOS: Good morning ladies and gentlemen.
18 Thank you very much. For the record, my name is Kenneth
19 Smith Ramos, and I serve as the head of the Trade and NAFTA
20 Office of the Government of Mexico in Washington, D.C. I am
21 closely involved in the bilateral trade relationship between
22 Mexico and the U.S., and in particular with the compliance
23 and implementation of the North American Free Trade
24 Agreement.

25 The Government of Mexico appreciates this

1 opportunity to share some remarks with the Commission
2 regarding this case. We also want to provide an overview of
3 the importance of a bilateral trade relationship amongst our
4 countries. I will briefly address two topics: the positive
5 impact that the North American Free Trade Agreement has had
6 on trade between Mexico and the United States and on steel
7 trade in particular, and I will offer some remarks that aim
8 at rebutting the claims of the Petitioners in this case.

9 NAFTA has created economic growth and opportunity
10 for both of our countries. Since NAFTA's implementation in
11 1994, the trade value of non-oil related goods between the
12 U.S. and Mexico has tripled, from \$99 billion to more than
13 \$530 billion in 2014.

14 Steel trade between Mexico and the U.S. has also
15 benefitted under NAFTA, growing by \$3 billion in the past
16 decade alone. The U.S. steel sector in particular has
17 reaped the rewards of free trade with Mexico. In 2013, the
18 U.S. had a net surplus of one million tons of steel in trade
19 with Mexico, which had a value of \$2.2 billion.

20 Since NAFTA was implemented, the U.S., Mexico and
21 Canada have continued to work together to advance our shared
22 economic interest. In 2002 for example, the NAFTA countries
23 created the North American Steel Trade Committee, a forum
24 through which our steel industries and governments work
25 together to develop common strategies to enhance the

1 competitive of North America's steel sector and respond to
2 international challenges.

3 This is a permanent and constant effort from both
4 governments and industries, to address common concerns and
5 enhance the integration and collaboration among the NAFTA
6 region and the steel region. The special relationship
7 between Mexico and the U.S. continues to prosper. Last
8 year, Mexico hosted the 7th annual North American leaders
9 summit in Toluca, Mexico, in which the NAFTA governments
10 reaffirmed their commitment to free trade and economic
11 growth in the region.

12 President Obama said that trade between NAFTA
13 partners supports millions of American jobs, and President
14 Peno Nieto noted that the summit's objective was to foster
15 shared and inclusive prosperity. The special relationship
16 with the U.S. under NAFTA distinguishes Mexico from the
17 other subject countries in this investigation, and we
18 believe that the Commission should consider this when
19 evaluating the case.

20 The Government of Mexico upholds that. In
21 accordance with Articles 2.1 and 3.1 of the agreement on
22 implementation of Article 6 of the General Agreement on
23 Tariffs and Trade, 1994, that is the anti-dumping agreement
24 or ADA, for the determination of dumping and injury, the
25 like product analysis is essential.

1 We consider that the petition is flawed in this
2 regard, as it did not provide sufficient evidence of the
3 likeliness of the domestic and imported products. We
4 observe that most of the statements regarding the likeliness
5 between the imported and domestic products rely on trying to
6 show that there is a reasonable overlap of competition
7 between imports from each of the subject countries and the
8 domestic like product.

9 However, these are mere allegations not
10 substantiated by adequate and sufficient evidence, or in
11 some evidence without any evidence at all. If for the sake
12 of argument one was to say that there is sufficient evidence
13 to substantiate these, that would only prove that there is a
14 reasonable overlap of competition between those products,
15 but not that the products are like products in the context
16 of an injury investigation.

17 It is the Government of Mexico's view as well
18 that Petitioners failed to provide sufficient and
19 substantiated evidence to demonstrate that there is a
20 reasonable overlap of competition between imported and
21 domestic products. The allegations put forward by
22 Petitioners are not supported by sufficient evidence,
23 according to the standard provided in Article 5.3 of the
24 Anti-Dumping Agreement, to initiate the investigation
25 regarding cumulative effect.

1 Therefore, given that the petition is based only
2 on unsubstantiated statements and allegations, we
3 respectfully ask the Commission to reconsider the alleged
4 cumulative effect of Mexico's imports.

5 Regarding injury and causation, the government of
6 Mexico sustains that the petition does not demonstrate the
7 existence of injury or threat thereof, as well as a causal
8 link between the alleged dumped imports and the domestic
9 industry. This conclusion is based on the following. The
10 petition does not properly address the magnitude of the
11 cumulated imports increase in the U.S. market, or the impact
12 of the prices of the allegedly dumped imports over domestic
13 prices.

14 Article 5.3 of the ADA provides that the
15 initiation of an investigation has to be based upon
16 sufficient evidence about the existence of dumping, injury
17 and the causal link between them. The Government of Mexico
18 believes that the lack of information in the petition, i.e.,
19 the failure to describe the installed capacity in the
20 investigated countries, the impact of the alleged dumped
21 imports on employment, the return on investments and the
22 effects on cash flow or ability to raise capital or
23 investments, raises serious concerns in that regard.

24 Amongst the allegations to prove the existence of
25 threat of injury in the U.S. industry, Petitioners argue

1 that producers of Mexico, Korea and Turkey may shift other
2 production lines to produce HWR, or to produce it with
3 installed but not used capacity. They state that the
4 subject countries, as a result of the imposition of
5 anti-dumping duties on Light-Walled rectangular pipe and
6 tubes, have been declining the capacity utilization in such
7 product, and the exports of HWR have increased to the U.S.

8 Nevertheless, Mexico is a leading exporter of LWR
9 to the U.S. despite the anti-dumping duties, and its exports
10 to the U.S. market have increased both in absolute and
11 relative terms. Therefore, to extrapolate a tendency
12 regarding the shift of production of importing countries is
13 a flawed allegation, since facts prove otherwise.

14 In conclusion, this petition is not substantiated
15 by sufficient evidence. Petitioners fall short to provide
16 any explanation or evidence on the relevant factors related
17 to the injury or threat of injury, and neglect other known
18 factors that may explain the price depression.

19 We appreciate the opportunity to participate in
20 this preliminary conference. Thank you very much.

21 MS. HAINES: Thank you for your testimony. Mr.
22 Secretary, let us proceed with the opening remarks. Thank
23 you.

24 MR. BISHOP: Opening remarks on behalf of
25 Petitioners will be by Christopher T. Cloutier, Schagrin

1 Associates.

2 OPENING REMARKS BY CHRISTOPHER T. CLOUTIER

3 MR. CLOUTIER: Good morning. I am Chris Cloutier
4 of Schagrin Associates, representing the Petitioners in this
5 proceeding. The current material injury being suffered by
6 the domestic industry has far-reaching implications. The
7 Great Recession hit the U.S. construction industry
8 particularly hard, and the recovery has been slow.

9 Although demand has increased, it has not
10 translated into commensurate increases in sales or profits
11 for the domestic industry. Growth in apparent consumption
12 has led to only limited growth in shipments of the domestic
13 like product. Moreover, because subject imports are
14 depressing or suppressing prices, shipments are not very
15 profitable for the domestic industry, and several U.S.
16 producers are losing money even as demand increases.

17 Growing volumes of subject imports with
18 increasingly lower unit values are preventing the domestic
19 industry from realizing its fair share of the upside from
20 the improving market. U.S. producers are losing sales and
21 missing out on the opportunity to profit.

22 The consequences for the U.S. industry will be
23 severe. Times like this are when industries like this need
24 to make money in order to survive the lean times that
25 inevitably follow. As reflected in the petition, subject

1 imports grew by more than 46 percent from 2012 through 2014,
2 from just under 150 to just over 215,000 tons.

3 These more than 65,000 additional tons are in and
4 of themselves bigger than many U.S. producers. This growth
5 is the result of increased imports from all three subject
6 countries. From 2012 to 2014, import growth from Mexico is
7 22 percent, Korea 48 percent and Turkey 83 percent.

8 Growth in subject imports was particularly
9 significant during the latter part of the Period of
10 Investigation. Subject imports increased by 27 percent from
11 2013 to 2014, adding approximately 46,000 tons to the U.S.
12 market.

13 Given this onslaught, it should be no surprise
14 that by the end of 2014, subject imports had growth to
15 account for more than half of all imports of structural
16 tubing into the United States. This is one of the reasons
17 why material injury is most evident starting in 2014.

18 The petition demonstrates that the domestic
19 industry lost market share to subject imports during the
20 Period of Investigation. This is not what one would expect
21 when demand is growing and the domestic industry has ample
22 additional capacity. It is, however, what happened here
23 because of pervasive, unfairly-traded imports.

24 The confidential record shows that the gains of
25 the subject imports came at the expense of the domestic

1 industry. The Commission will also see that some U.S.
2 producers tried to maintain market share, but efforts to
3 match dumped prices were unsustainable.

4 We believe that the material injury being
5 suffered by the domestic industry beginning in 2014 and
6 becoming more apparent in 2015 manifested itself first with
7 those U.S. producers located near the coast. Producers near
8 ports or the border were likely to display symptoms of
9 material injury earlier.

10 Although the low prices and increased volumes of
11 subject imports have impacted the entire U.S. industry, the
12 effects of the dumping are often clearest for those
13 producers located on the West or Gulf Coast. The effects of
14 dumped imports were particularly well-documented early on by
15 AMM with respect to California.

16 In July 2014, during a period in which subject
17 imports were increasing rapidly, the publication reported
18 that West Coast steel tubing prices have fallen about \$20
19 per ton over the last six weeks. In October 2014, the
20 publication similarly reported that West Coast structural
21 steel tubing prices continue to face heavy pressure,
22 notwithstanding that overall consumption in the region
23 appears to be improving.

24 Finally, only a few months before the domestic
25 industry filed these cases, AMM reported in March 2015 that

1 structural steel tubing prices on the West Coast have
2 dropped another \$20 to \$30, due in large part to stiff
3 pressure from Korea.

4 California is not the only place where subject
5 imports have caused injury, although it is perhaps the best
6 documented in the press. The Commission will see the same
7 story in the data with regard to Mexican imports in the
8 southern regions and Turkish imports into the east and
9 southeast.

10 We address threat in our petition and today we'll
11 add only a few points. Canada began imposing anti-dumping
12 duties on structural tubing from Korea, South Africa and
13 Turkey in 2003. A 2013 sunset review continued the orders
14 on Korea and Turkey, explaining that both were
15 export-oriented economies and had significant excess
16 capacity.

17 Canada also found that demand in China and
18 Europe, the traditional export markets for Korea and Turkey,
19 had declined, increasing the potential for dumping
20 elsewhere. The Canadian authorities were correct, and the
21 domestic industry in the United States has borne much of the
22 brunt.

23 Australia also in July 2012 imposed anti-dumping
24 duties on structural tubing from Korea. These duties
25 provide Korean exporters with another reason to continue

1 exporting to the United States.

2 In conclusion, as I hope I have been able to
3 impart, the domestic structural tubing industry has been
4 under siege for some time. We therefore urge the Commission
5 to allow these cases to go forward.

6 MS. HAINES: Thank you.

7 MR. BISHOP: Opening remarks on behalf of
8 Respondents will be by John M. Gurley, Arent Fox.

9 OPENING REMARKS JOHN M. GURLEY

10 MR. GURLEY: Good morning, everyone. My name is
11 John Gurley. I am counsel for the Mexican Producers here
12 today.

13 This summer has been a particularly busy one for
14 the Commission. It has already seen cases filed against
15 corrosion-resistant steel, as well as cold-rolled steel.
16 They expect today a petition against hot-rolled steel.

17 These three cases are all very huge and very
18 highly publicized. The size of this case against Heavy-
19 Walled pipe is much smaller. Of course the size of the case
20 does not diminish the importance of this case to the U.S.
21 producers or to our Mexican clients, or to other foreign
22 exporters.

23 There has been much talk about the use of big
24 flat-rolled cases, and there has been much talk about the
25 recent changes by our friends in Congress regarding the

1 legal standard for material injury. And it is our strong
2 hunch that these petitioners thought they could slip this
3 relatively small case in among a bunch of much larger cases
4 against flat-rolled products, hoping the ITC wouldn't quite
5 notice the less-attractive details of this case.

6 In fact, there are very few details for the
7 Commission to review. I am holding volume one of the
8 petition. This covers general issues and injury. They say
9 you can never be too rich or too thin. I am okay with the
10 rich part, but this petition is too thin. There is no
11 substance to it.

12 To be blunt, Petitioners have a bad case. While
13 much of the key data is confidential, the public version of
14 the petition makes it abundantly clear that Petitioners have
15 been making money throughout the POI, and good money.

16 Petitioners' whole case seems to be that in the
17 last six months profits aren't quite as robust as they
18 thought they should be. But employment indicators are
19 positive. Petitioners continue to make investments.

20 Petitioners have announced price increases as
21 recently as last month. Perhaps Petitioners thought the new
22 and improved Material Injury Standard would provide cover
23 for their very weak case. It does not.

24 Old law, new law, it doesn't quite much matter.
25 Petitioner's case is not strong, and they very much deserve

1 a negative determination.

2 Even if the Commission cumulatively looks at the
3 subject-country's exports--which you should not--the
4 Commission will see that subject-imports are, one, a very
5 small slice of the U.S. market. U.S. producers dominate the
6 market, and imports from our neighbors to the north in
7 Canada dwarf any exports that the three countries here
8 supply.

9 You rarely see a trade case against three
10 countries with such small market shares. Why not? Because
11 it's hard to prove material injury or threat of material
12 injury when imports are so small.

13 As we go through the testimony today, we hope the
14 Commission staff will focus on five important factors:

15 One, how can the Petitioners show material injury
16 when they seem to be so very profitable?

17 Two, how do Petitioners explain that their recent
18 modest decline in profits is not directly tied to the fact
19 that hot-rolled coil prices have also declined during the
20 same period?

21 Three, the very key point that, while
22 subject-imports gained volume and market share from 2012 to
23 2014, a time of steady profitability for the domestic
24 industry, subject-imports lost share in the first half of
25 2015. Unlike U.S. and subject sources, non-subject imports

1 actually increased by 20 percent, taking market share from
2 both U.S. producers and subject sources. The fact that this
3 increase coincided with the alleged decline in prices and
4 decline in producers' profitability suggest Petitioners have
5 a causation problem, a big one.

6 Four, how can Petitioners allege mortal threat of
7 injury when the market share of these three countries is
8 still quite small, when Petitioners have so many mills, and
9 they have built-in advantages with respect to the proximity
10 to their customers?

11 Fifth, we want the Commission to consider
12 decumulation for purposes of threat. These are three very
13 disparate countries involved in this case. One is in the
14 Pacific. One is in the Mediterranean Sea, and one is on our
15 southern border. Their prices and import shares do not move
16 in tandem. They all have distinct home and regional
17 markets. These three countries should not be considered
18 together for purposes of threat.

19 We think the Commission, after weighing these
20 factors, will find a negative determination is warranted.

21 Thank you, very much.

22 MS. HAINES: Thank you.

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

1 I would remind everyone to please state your name
2 when you speak for the benefit of the Court Reporter.

3 STATEMENT OF ROGER B. SCHAGRIN

4 MR. SCHAGRIN: Good morning, Ms. Haines and
5 members of the Commission staff. For the record, my name is
6 Roger Schagrin of Schagrin Associates, and we are counsel to
7 Petitioners.

8 A few brief remarks before we hear our industry
9 testimony, which will not take up the full 60 minutes
10 allotted, and then this panel with all its experience will
11 be happy to answer your questions.

12 I am glad that we had a representative here this
13 morning from the Mexican Government. I actually have been
14 an NGO member of the North American Steel Trade Council
15 since its founding, and I very much appreciate the
16 opportunity to share information between all of our steel
17 industries.

18 As we know, NAFTA did not change the antidumping
19 or countervailing duty laws, only at the appellate stage. I
20 found the remarks on Like Product surprising because I
21 thought the Petition said everything it needed to say about
22 Like Product, and we are happy to explore that here today.
23 You will hear that in our witness testimony as well.

24 I also found his remarks on Injury to be
25 interesting, and I would just contrast, as my dear beloved

1 father, may he rest in peace, would say, "People living in
2 glass houses shouldn't throw stones." There is currently a
3 case by Mexico against imports of large walled rectangular
4 pipe from the United States.

5 And in contrast to our case, which was filed in
6 late July and had information on Injury through the end of
7 June, including from all eight Petitioners, their first-half
8 results, the Mexican case which was started in December of
9 2014 and where we just had a preliminary determination three
10 weeks ago, was based on data from the Mexican industry
11 through the first quarter of 2014.

12 Mexico will make a final determination sometime
13 in 2016, and they will never update that Injury information,
14 despite several WTO panels that of course require that the
15 finding of Injury be contemporaneous with the record.

16 And finally, just as to light-walled rectangular,
17 the data will speak for itself but, as the Commission found
18 in a recent affirmative Sunset review as to imports from all
19 three of these countries subject to this heavy-walled
20 rectangular case, imports from Mexico fell by approximately
21 half after the imposition of duties. It's not true that
22 they increased and that the duties have no impact.

23 As to some of the remarks from Mr. Gurley, I
24 don't hold ourselves--I know he's part of a big law firm.
25 We, unlike some of the big law firms, don't believe that we

1 have to file a 5,000 page Injury petition here. As you
2 know, you require that we file those in hard copies. I am
3 an environmentalist. I don't believe in killing trees. You
4 can establish your own record. So thanks, John, but we
5 don't believe the size of the case is what matters, and I
6 won't go further in comments on that issue. I won't get
7 into being rich or thin.

8 What I will say to you is that Mr. Gurley must
9 not have read the recent decision of the Commission in CORE.
10 If you look at the data in the corrosion resistant case, the
11 imports from those five countries, and compare it here, you
12 will see actually the growth in market shares is similar.

13 The U.S. industry position in the markets in CORE
14 and in HWR are similar. So the idea that here where you're
15 going to see growth in import market share rising from let's
16 say about 8 percent to 13 percent of the market, more or
17 less, over the POI, we think that the Commission will find
18 that increase, 50 percent increase in imports, to be
19 significant, as we also point out in the Petition, while
20 imports in each country is not more than imports from
21 Canada. And imports from the three countries together now
22 make up more than half of all imports of heavy-walled
23 rectangular.

24 Finally, I am very pleased to inform the
25 Commission that we have on your Domestic Industry Panel

1 today representatives from four of the eight Petitioners.
2 Once again, hopefully Mr. Gurley won't object later and say
3 where were the other four petitioners? Not only is the
4 petition not 5,000 pages thick, they didn't bring all 8
5 petitioners.

6 We didn't think you needed all of them. We have
7 representatives here who, believe it or not, have over 175
8 years of experience in this industry. That is not counting
9 myself. I am a trade lawyer, not a member of the pipe and
10 tube industry. And they, one, have their locations on the
11 West Coast, the Gulf Coast, the Midwest--so they are
12 representative geographically of the industry. They include
13 the largest members of the industry. And, interestingly
14 enough, all four of these producers are family-owned
15 companies, which I think is very important.

16 I think we forget sometimes in this country that
17 family-owned companies contribute a lot to our economy, and
18 they are just as deserving of trade relief as extremely
19 large publicly traded companies.

20 So without further remarks, I would like to
21 introduce David Seeger, the President of JMC Steel.

22 Mr. Seeger?

23 STATEMENT OF DAVID SEEGER

24 MR. SEEGER: Thank you. Good morning, Ms. Haines
25 and the Commission staff. My name is David Seeger. I am

1 the President of JMC Steel, and Atlas Tube is a division of
2 JMC Steel, which is the largest producer of heavy-walled
3 rectangular and structural tubing in the United States and
4 North America.

5 I have been in the structural tube industry for
6 36 years. We produce structural tubing at three facilities
7 in the United States: Chicago, Illinois; Plymouth, Michigan;
8 and Blytheville, Arkansas.

9 We have the largest product range in the U.S.,
10 producing products from 2 square through 16 square, and all
11 of the attendant rectangular shapes. We also have a
12 marketing agreement with Nippon Sumitomo Steel, which allows
13 us to market squares up to 24 inches.

14 The vast majority of structural tubing is made to
15 the ASTM A-500 Grade B specification, which is sold
16 primarily through service centers and to the construction
17 industry, or to end users such as agricultural and machinery
18 equipment.

19 It is also sold primarily, if not exclusively, on
20 the basis of price. That is why, as Mr. Muth will further
21 explain, when imports are delivered to the market at lower
22 prices meeting the same specification as the U.S. industry,
23 they will gain market share.

24 If the U.S. industry wants to continue operating
25 its mills instead of shutting them down and reducing shifts,

1 then we have to lower our prices to our customers.

2 Atlas also has a plant in Canada where we ship to
3 both U.S. and Canadian customers, depending on the most
4 freight-efficient way to get our structural tubing to
5 customers on both sides of the border.

6 Because this is a commodity product and goods are
7 freely traded between the U.S. and Canada, we find prices
8 are very similar between both markets.

9 We ceased operations in our Blytheville,
10 Arkansas, plant in April of this year and laid off 150
11 employees. That plant produced both structural tubing and
12 OCTG and is one of our most efficient plants. We could have
13 operated Blytheville with one shift of employees, but we
14 could not compete on price with subject-imports coming into
15 the Gulf Coast and Southwest United States.

16 Therefore, we closed the mill. It was closest to
17 the ports at which the imports arrived from Korea, Mexico,
18 and Turkey, and continued operating our plants in the Upper
19 Midwest.

20 You can see from our questionnaire response that
21 we have lost volume and seen significant price erosion in
22 excess of reductions in our raw material costs. These
23 volume price and profit impacts at our Atlas Tube Division
24 are the result of imports, not demand.

25 Demand for structural tubing, which is closely

1 correlated with the nonresidential construction industry,
2 has been increasing since the 2008 and 2009 Recession.
3 Nonresidential construction has been slowly and continually
4 recovering, and we are now approaching pre-Recession
5 expenditure levels.

6 Our sales ought to be strong, but they are not.
7 I know from my experience in this industry that structural
8 tube mills require continuous reinvestment in order to stay
9 competitive. I also know that strong business cycles don't
10 last forever, and we are now six years on from the last
11 recession.

12 We need to make money in excess of our
13 debt-service requirements when demand is strong so that we
14 can weather the next recession and maintain our company's
15 strong competitive position as a nationwide supplier of
16 structural tubing.

17 For those reasons, and on behalf of all our
18 employees at our Atlas Tube Plants, I ask that you make an
19 affirmative determination of injury.

20 Thank you.

21 MR. SCHAGRIN: Thank you, Dave. Our next witness
22 is Tom Muth of Atlas Tube.

23 STATEMENT OF TOM MUTH

24 MR. MUTH: Good morning, Ms. Haines and members
25 of the Commission staff. For the record, my name is Tom

1 Muth and I am president of HSS and Piling for Atlas Tube,
2 Division of JMC Steel.

3 I have 24 years' experience in the structural
4 tubing industry. Atlas Tube sells structural tubing
5 primarily to service centers and a few direct sales to
6 end-user customers. Service centers are extremely price
7 sensitive buyers as they compete with other service centers
8 in their area for sales of structural tubing to steel
9 fabricators in a variety of OEMs.

10 As part of my daily job responsibilities, I am in
11 contact with our customers as to their tonnage requirements
12 and as to the competitiveness of our pricing. Throughout
13 2014 and early 2015, I heard feedback from these customers
14 of offers for sale of structural tubing from producers in
15 Korea, Mexico, and Turkey at prices significantly below our
16 prices and prevailing domestic prices. These customers give
17 us two choices, either reduce our business with them, or
18 lower our prices. Depending on how much lower our prices
19 have to be, we either choose to give up tonnage or to lower
20 our prices. For the past couple of years we have chosen a
21 combination of the two options.

22 We find often that when we lower our prices to
23 retain volume with customers, the foreign producers in Korea
24 and Mexico and Turkey will then turn around and offer even
25 lower prices with future deliveries. Amazingly, one example

1 of this occurred just two days after we filed the petitions.
2 We'd previously seen significant offerings of structural
3 tubing from Korea delivered to U.S. ports at \$605 per ton.
4 Then two days after we filed the petitions, we heard that a
5 Korean mill lowered their prices to \$520 a ton exdocks (SP).
6 This new price is about 25 percent lower than Korean price
7 quotes at \$720 a ton at the beginning of 2015.

8 With domestic steel costs at approximately \$470 a
9 ton, at the present time, and the need to account for
10 inbound freight, labor, electricity, overhead, and interest
11 expenses, you can see that these dumped prices will soon
12 force Atlas and other U.S. mills to shut down more mills and
13 suffer more injury.

14 We ask that you keep this from happening. Thank
15 you.

16 MR. SCHAGRIN: Thank you, Tom. Our next witness
17 this morning is Patty Tassone of Independent Tube
18 Corporation.

19 STATEMENT OF PATTY TASSONE

20 MS. TASSONE: Good morning, Ms. Haines, and
21 members of the Commission staff. For the record, my name is
22 Patty Tassone, and I'm the steel purchasing manager and a
23 member of the board of directors of Independence Tube.

24 I have been in the industry for 19 years.
25 Independent Tube is based in Chicago and was founded in

1 1972. It was founded by my dad and it is still a
2 family-owned company with a number of managers also being
3 shareholders.

4 I am accompanied today by John Tassone, our
5 marketing manager.

6 Heavy-Walled rectangular tubing or structural
7 tubing, as we would call it, is far and away our most
8 important product. We produce structural tubing at four
9 plants located in Chicago and Marseilles, Illinois and in
10 Decatur and Trinity, Alabama. Our sizes range from two
11 square to 12 square with all of the rectangular
12 combinations.

13 In 2011, unfortunately, our Decatur, Alabama
14 plant, which was first opened in 2006 was completely
15 destroyed by an EF5 tornado. Fortunately, there was no loss
16 of life or any injuries and we were able to maintain the
17 employment of our workforce throughout the one-year
18 shutdown. That plant has now been completely rebuilt
19 including the mill and the building. Our newest plant is in
20 Trinity, Alabama which is within ten miles of Decatur. It
21 really compliments Decatur by focusing on smaller sizes
22 while Decatur focuses on larger sizes, making both plants
23 more efficient.

24 You have to understand planning a new plant is
25 about a two-year timeframe from initial planning stages,

1 purchasing of the mill, building the building, hiring new
2 employees, and training the workforce and startup. Thus,
3 the Trinity plant which started up in late 2014 was
4 initially planned in early 2012 to compliment the Decatur
5 plant.

6 The good news is that our Alabama plants are
7 located in the southeastern region in which Independence
8 recognized that given the faster population growth in the
9 south than in the North that there would be good demand for
10 structural tubing.

11 Our planning was correct and we have seen steady
12 growth in demand for structural tubing as construction has
13 continued expanding in both the southeast and the southwest.

14 The problem is that this is also a main entry
15 point for imports from Mexico, Korea and Turkey. As the
16 steel purchasing manager, it is my job to buy steel at the
17 best price with the right chemistries for the ASTM A500
18 specifications that we are producing.

19 During your period of investigation steel prices
20 have been up and down. But the real problem for
21 Independence Tube has been that our margin between steel
22 costs and tubing have been depressed by the unfair import
23 competition from Korea, Mexico and Turkey. While we have
24 some major contract business with equipment manufacturers,
25 the vast majority of our business is spot sales to service

1 centers.

2 These service centers beat us up with import
3 prices from Korea, Mexico, and Turkey and in order to keep
4 our valued employees working, we have to cut prices to
5 maintain volume positions with these service centers.

6 While we have invested in the rebuilding of the
7 Decatur, Alabama operation and our new operation in Trinity,
8 Alabama, we have also worked on a substantial upgrade to our
9 Chicago operation, Independence Tube's first plant,
10 including warehouse and office expansions, mill upgrades,
11 and material handling. However, given the depressed volumes
12 and margins by the unfair competition from Korea, Mexico and
13 Turkey, we have been forced to put these Chicago expansion
14 and upgrades on hold.

15 We see structural tubing as a market that can
16 continue to expand both through the increase in
17 nonresidential construction in the United States and the
18 industry's efforts to convince architects and structural
19 engineers that structural tubing is a better way to produce
20 steel-framed buildings than structural sections.

21 At Independence we believe that the only problem
22 preventing our company from being successful is the surge in
23 unfairly traded imports. Therefore, on behalf of our family
24 owners and our 350 valued employees we ask the ITC to make
25 an affirmative determination and ensure that we have fair

1 trade in our marketplace for structural tubing.

2 Thank you for your time.

3 MR. SCHAGRIN: Thank you, Patty. Our next
4 witness is Jim Searing of Searing Industries.

5 STATEMENT OF JIM SEARING

6 MR. SEARING: Good morning, Ms, Haines, and
7 members of the Commission staff. For the record, my name is
8 Jim Searing. I am the president and chief executive officer
9 for Searing Industries. I have been in the tubing business
10 for 46 years.

11 We are located next to Fontana, California where
12 CSI has a mill producing hot-rolled coil. The input for
13 HWR.

14 I am accompanied today by Glenn Baker, our vice
15 president of marketing and sales who has 29 years of
16 experience in the structural tubing industry.

17 Searing Industries is a family-owned business
18 founded by my father Richard Searing who worked in a number
19 of positions in various pipe and tubing companies in the LA
20 area starting in the '50s. Owning a minority portion of a
21 large tube manufacturer in the '70s and early '80s, and
22 finally establishing his own business with his two sons in
23 1985. He has since passed away leaving my older brother Lee
24 and I, who worked with him from the start, to take over
25 management and ownership.

1 At our company we have one large structural mill
2 in Rancho Cucamonga, California, which only produces
3 structural tubing in sizes up to six square. 2012 we
4 embarked on our family's largest investment and we announced
5 a new structural tube mill in Cheyenne, Wyoming. This mill
6 makes structural tubing sizes ranging from four square to
7 ten square adding to our size range as well as serving the
8 construction markets in the Northern Rockies including the
9 Bakken Shale area.

10 We thought that given the freight costs for
11 tubing from the west coast or Chicago that putting a mill in
12 the market was absolutely the right thing to do. With
13 tubing you're shipping a lot of air, with coils, you are
14 not. It has been amazing to us that not only are we getting
15 hurt by structural tubing imports into the west coast at
16 ridiculous prices, but we are seeing imports that arrive at
17 both west coast ports and Houston absorbing the high truck
18 freight rates and undercutting us in the northern Rockies.
19 We borrowed a lot of money for the new mill in Cheyenne
20 which is world class. Between our two locations, we now
21 have more than 200 employees.

22 Unfortunately, not only are we not getting a
23 return on our investment in the new mill, but our present
24 cash flow is insufficient to service the high rent district
25 expenses making it necessary for us to deplete retained

1 earnings to service our debt. This is not a tolerable
2 long-term situation.

3 The nonresidential construction market is
4 recovering from the great recession and that is still the
5 main driver of demand. No matter how well demand for
6 structural tubing continues to increase, the volume and
7 ridiculous pricing of unfairly traded imports from Korea,
8 Mexico, and Turkey will prevent us from benefiting from this
9 improvement and actually threaten our ability to stay in
10 business.

11 I ask you not to let this happen to a true
12 American, well-run, family business with a great American
13 workforce. Please support us and make an affirmative vote.
14 Thank you so much.

15 MR. SCHAGRIN: Thank you, Mr. Searing. And our
16 final witness on this panel will be John Montgomery of
17 Southland Tube. John.

18 STATEMENT OF JOHN MONTGOMERY

19 MR. MONTGOMERY: Good morning, Ms. Haines and
20 members of this Commission. For the record my name is John
21 Montgomery, Jr. My father and I own and operate Southland
22 Tube located located in Birmingham, Alabama.

23 Prior to 1995 we were principals in Hanna Steel
24 Corporation, another tube mill located in Fairfield,
25 Alabama. And along with my grandfather have been active

1 participants in the tubing market since the '60s. Like all
2 the other companies here, we are very much a family owned
3 company and a family business.

4 I know most of the employees at the company. I
5 know most of their families as well. We do everything
6 possible to provide a safe, environmentally compliant
7 workplace with good wages, health care and retirement
8 benefits. We have three large mills which make HWR tubing
9 which we call structural tubing. The largest of these mills
10 was newly installed in 2005. And we constantly refurbish
11 the two other mills. We are fortunate that over 100 percent
12 of our steel purchases are from Alabama or Mississippi
13 mills. Most located within 100 miles of Birmingham. These
14 include U.S. Steel's Fairfield plant, which is only a few
15 miles away, Nucor Decatur, and the SDI Mill in Columbus,
16 Mississippi. Thus, we have relatively low inbound freight
17 costs and excellent quality steel.

18 Our structural tubing sales are made to
19 distributors for sales to end users. Price is the only
20 thing that matters. Dumped imports penetrate the
21 distributor markets instantly and distributors actively
22 search out dumped imports. So when foreign producers or
23 trading companies offer Korean, Mexican and Turkish
24 structural tubing to distributors at lower delivered prices
25 than Southland delivered prices, these distributors buy the

1 imports.

2 Southland can ship competitively throughout a 500
3 mile radius of Birmingham and sometimes further either by
4 truck or rail. Given that international shipping rates are
5 more than our labor costs, and are probably four or five
6 times our freight costs to our customers, I am amazed that
7 structural tubing from Korea and Turkey arrive in ports like
8 Houston, New Orleans and Mobile, at prices that are well
9 under our cost of production.

10 Mexican producers have even higher freight costs
11 when they ship anywhere other than the southern Texas
12 market. But we see them throughout the southeast. Our
13 company has reported numerous lost sales and revenues to you
14 in our petition. Luckily we know that the dumping laws can
15 work. Our LWR tubing business benefitted significantly from
16 the imposition of duties on imports from China, Mexico,
17 Turkey, and Korea.

18 I told you when I testified in the LWR sunset
19 review last year that foreign producers who stopped shipping
20 LWR because of the dumping duties, increased their exports
21 of structural tubing which has injured our business. We
22 would have liked these cases filed a long time ago when the
23 surge started. But I understand the Commission doesn't just
24 look at dumped imports causing injury but has to find the
25 right correlations. I'm not a trade lawyer. I'm just a

1 tuber. I learned this business from my father, and he from
2 his. But I can tell you that these imports are correlated
3 with our industry's problems.

4 We have over 250 employees with an average tenure
5 of over 20 years in this industry. We have the most
6 advanced and efficient capital equipment available in the
7 marketplace. We can compete with anybody in the world, but
8 we cannot compete against unfairly traded imports. The LWR
9 cases were the first time we participated in this process
10 and it has definitely helped our business and our employees.
11 In our structural tubing business, this is the first time we
12 have ever lost money when there wasn't a recession. In
13 fact, we are losing money while demand is good. The only
14 reason is unfairly traded imports. That is why I am here on
15 behalf of our employees to ask you to make an affirmative
16 determination. Thank you.

17 MR. SCHAGRIN: Thank you, Mr. Montgomery. Well,
18 I'm not going to fill this space, I'm hoping that Mr. Gurley
19 and Mr. Nolan won't ask you to draw any adverse inferences
20 by the fact that the industry panel didn't use our full
21 sixty minutes. I certainly won't do that to them if later
22 this morning given that they only have one industry witness,
23 if they don't use all their sixty minutes. So we will just
24 conclude here and happily answer all of your questions.
25 Thank you very much.

1 MS. HAINES: Thank you very much for your
2 testimony. We will start the staff questions with Carolyn
3 Carlson.

4 MS. CARLSON: Good morning. Thank you all very
5 much for being here today and special thanks to Mr. Seeger
6 for having me at your facility last week. I want to start
7 with a couple of questions about production. So do all of
8 you who produce this heavy welded, rectangular, subject
9 product, do you also produce the light-walled product? And
10 if so, can mills generally produce both?

11 MR. SEEGER: Just from our end, the small end of
12 the structural tube mills, because you usually have two or
13 three tube mills based on the size range that they can make,
14 so the small end that say make two square, they could make
15 the light-walled rectangular products, it would just be on a
16 small percentage of that mill capacity.

17 MR. SEARING: We have in California for example,
18 six mills. We have three mills that are capable of running
19 the LWR. So it is, to answer your question, it is quite
20 possible to be in tango, the same.

21 (Conversation with panel member.)

22 MR. SEARING: Actually, yes, we probably should
23 talk about the gauge range as far as the lower end of that
24 range.

25 MS. TASSONE: In our facilities, of the four only

1 one of them could go down and do anything on the Light-
2 Walled and it does not go very far down the spectrum of the
3 gauges in the light-wall.

4 MR. MONTGOMERY: Yes, Miss Carlson. We do
5 produce LWR at our facility and on some of our HWR mills we
6 are capable of producing LWR, but depending on the size of
7 the machine it is not very efficient and not profitable.
8 Thank you.

9 MR. SCHAGRIN: And then just to follow up because
10 I am familiar with some of the petitioner's operations that
11 I think this is pretty representative answers that most of
12 the structural tubing producers have a range of mills and on
13 their smaller structural tubing mills that would make let's
14 say four square down to two square, they can often also make
15 products like one-square, which is very much the heart of
16 the light-wall rectangular size range and in particular a
17 company like Bull Moose Tube, which is probably the largest
18 producer of light-wall rectangular in the US and therefore
19 has lots of mills.

20 They would probably have more mills that cross
21 over between a light-wall rectangular and a heavy-wall
22 rectangular than some of the members of the industry
23 represented here just because they have so many mills making
24 LWR that many of their mills making the larger sizes of LWR
25 would make the smaller sizes of HWR, so hopefully that

1 answers your question.

2 MS. CARLSON: Yes, thank you.

3 MR. BISHOP: Excuse me, Ms. Carlson. Could
4 everyone please make sure that you announce your name when
5 you speak, thank you.

6 MS. CARLSON: Are there certain types of
7 technologies that are significantly more efficient than
8 others at producing the subject, heavy-walled rectangular
9 product? Have there been any recent changes to the industry
10 such as new technology in recent years?

11 MR. SEEGER: Yes, this is Dave Seeger. Probably
12 the biggest technology change in the tube mills has been in
13 the area of changeovers. By that I mean they change over
14 different sizes. They can run multiple sizes on the mills
15 and then you shut it down, change the rolls out and that
16 allows you to make a different size.

17 Previously, we would take up to eight hours to
18 change over on our big mill. We can do that in two hours
19 today because of the new technology. There has been various
20 technological upgrades with welders and cutoffs, but I would
21 say that is the primary change in technology over the years.

22 MS. CARLSON: Okay, so can you divert the round
23 heavy-walled tubing into rectangular heavy-walled tubing?
24 My understanding was that the round is produced first and
25 then it gets shaped into the square rectangular shapes. Is

1 that the case for how this process works?

2 MR. SEEGER: Again, Dave Seeger. That would be
3 the case for the group that is here. There is one mill,
4 Bull Moose's Tube, that makes a direct form right into a
5 square and rectangular but the predominant practice within
6 the industry is to take a round and then it goes through
7 what we call a "Turk's head" that shapes it into a square or
8 rectangular at the end of the mill.

9 MS. CARLSON: Thank you. So what are the end
10 markets for round, heavy-walled tubes and are they similar
11 to the end markets for heavy-walled rectangular tubes and
12 are there any specialty shapes such as oval or hexagon that
13 are specific to end use or customer specification.

14 MR. MUTH: Tom Muth, Atlas Tube. In particular
15 the applications for round, heavy-walled product will be
16 similar to the products for square and rectangular so it
17 will be construction markets, some OEM applications,
18 produced as a five-hundred.

19 The primary end customers are service centers,
20 the same customers that would buy the square and rectangular
21 product. There are some very limited number of special
22 shapes that are sold in the market but it's a very small
23 percent of the hexagonal or some other kind of odd shape but
24 it is a pretty limited part of the market.

25 MS. CARLSON: Okay, so are there any instances

1 when the heavy-walled rectangular tube or pipe that are
2 imported, are not interchangeable with each other and the
3 domestic light product or are they always?

4 MR. MUTH: Tom Muth, Atlas Tube. They are always
5 interchangeable. They are sold to the 8500 specification,
6 that's how the product is bought.

7 MS. CARLSON: So, can members of the industry
8 describe a little bit of your relationship with
9 distributors? Is the subject product generally sold to
10 distributors and has this changed at all over the years?

11 MR. TASSONE: John Tassone, Independence Tube.
12 Speaking for Independence, about eighty to eighty-five
13 percent of our product goes through steel distribution.
14 That percentage has not changed over the years.

15 MS. CARLSON: Okay, is there any import
16 competition and further process downstream products that
17 would increase sales to distributors rather than end users?

18 MR. MUTH: Tom Muth, Atlas Tube. Could you
19 repeat the question again, just to make it --

20 MS. CARLSON: Well I guess my question is, is the
21 heavy-walled rectangular product further processed to any
22 downstream products? And if so, would that increase sales
23 to the distributors that might further process it or use the
24 further processed product rather than to end users of the
25 specific heavy-walled rectangular tube?

1 MR. MUTH: Again, Tom Muth, Atlas Tube. So the
2 question is do service centers process the product in some
3 way?

4 MS. CARLSON: Yes. Or would that also increase
5 sales of that product if they are going to further process
6 it?

7 MR. BAKER: Hi. I'm Glen Baker with Searing
8 Industries. Are you asking if they import a value-added
9 product other on top of just the basic structural tubing or?

10 MS. CARLSON: Yes. I suppose so.

11 MR. BAKER: Okay, speaking for us on the west
12 coast, not really. I mean what we see is just the straight
13 mill-lengths of structural steel tubing.

14 MR. SEEGER: Yes, if I could add to that. Dave
15 Seeger. What we find is we sell this product to the
16 distributors who sometimes they themselves will add value to
17 it by cutting it or performing some type of light
18 fabrication. Then they turn around and sell it to other
19 fabricators that will put further value into it, finishing
20 it, painting, it what have you. But very little of this
21 product, if any, comes in an already finished form. It
22 would come in as a raw, 8500 spec-type tube so then
23 value-add is really performed either at the service center
24 or post-service center sale.

25 MR. SCHAGRIN: This is Roger Schagrin. I would

1 just point out, I don't know what's behind these columns,
2 but there's a good chance in a building like this, ITC
3 building because I think it's only six stories high and
4 these are perfect in maybe a hundred stories high skyscraper
5 in New York, you wouldn't have structural tubing. But in
6 buildings like this, there's a very good chance that behind
7 all these, whatever fiber board columns you've got
8 structural tubing.

9 So the fact that the vast majority of structural
10 tubing winds up in building construction means that it's not
11 processed by either producers or even service centers. It's
12 just really utilized in the construction of the buildings.

13 MS. CARLSON: Thank you. Do U.S. mills export to
14 NAFTA countries and if so, is that a large market?

15 MR. SEEGER: Again, Dave Seeger. Yes we do. We
16 export to Canada. It's a very good market for us. We go
17 back and forth across the border both ways, both shipping
18 the product from Canada into the U.S. and shipping product
19 from the U.S. into Canada. The markets are very similar,
20 the pricing is the same, almost interchangeable.

21 The way we make that determination is really
22 based on freight. If it's freight efficient, it will come
23 out of our Ontario facility in just say the Northeast and
24 vice-versa, if it's going the other way. We ship a very
25 small amount into Mexico. That would be it as far as

1 exports.

2 MR. MONTGOMERY: John Montgomery, Southland
3 Tube. Yes, we have exported some of our product in the past
4 to Mexico. It's not a very large portion of our business,
5 and it's not a very good market for us.

6 MR. BAKER: Glenn Baker with Searing Industries.
7 We export very little to Mexico or Canada. I mean it's less
8 than -- way less than one percent of our total sales. It's
9 on a rare occasion that something comes up. And it's always
10 through distribution, actually, when it does.

11 MR. SEEGER: Dave Seeger again. If I could just
12 add: I think the biggest reason for that is this product
13 does not travel well. The freight expenses is the second
14 largest expense that we have after steel. So the further
15 away you get from the mill, the less competitive it becomes.
16 Even internally in the U.S., which is one of the reasons we
17 find it so difficult to believe that this can travel across
18 oceans into our markets.

19 MR. SEARING: We are literally in California, two
20 hours away from the border. We just cannot get takers.
21 We're just -- it's that kind of market. It is very much too
22 competitive for us. And we're right there.

23 MS. CARLSON: Okay, thank you. What are the
24 major parameters of demand for heavy-walled rectangular
25 tubular products? Nonresidential construction was

1 mentioned. Is there anything else?

2 MR. MUTH: Tom Muth, Atlas Tube. I'd say beyond
3 nonres construction, OEM markets would be the second biggest
4 one, so construction equipment/agricultural equipment would
5 be the other big markets. Material handling equipment,
6 maybe.

7 MS. CARLSON: Thank you. For counsel, have you
8 filed any change of scope at the Department of Commerce?

9 MR. COULTIER: This is Chris Coultier from
10 Schagrin Associates. We did, in response to a supplemental
11 questionnaire from the Department of Commerce, provide some
12 suggestions for a revised language that we anticipate will
13 be included.

14 MS. CARLSON: Okay. The petition identified
15 Harmonized Tariff Schedule Statistical Reporting Number
16 7306611000 to be the subject merchandise. When using
17 official import statistics, staff will use this HTS number
18 only. So, please comment or comment in your post conference
19 brief.

20 MR. SCHAGRIN: Roger Schagrin. We would agree
21 with that. I mean really the scope is contiguous with that
22 HTS, which is why people in the industry say, "Why do you
23 call structural tubing 'heavy-wall rectangular'?" We'll
24 say, "Well, going back to the early '80s when we were
25 bringing cases on both light-wall and heavy-wall at the same

1 time, we differentiated them by the HTS, which had, at that
2 time, a differentiation and wall thickness of .154 inch."

3 Now it's the metric equivalent. But, that makes
4 these cases on these products, both the light-walled and the
5 heavy-walled, really clean as compared to our cases on pipe
6 or OCTG or lined pipe where they're all round, and somewhat
7 at customs, or, you know, farm producers were importers
8 depending on what they call them, you know, can sometimes
9 call round pipe anything they want. But here, these
10 rectangular products scopes are defined just by their wall
11 thickness and their shape. And, we think it makes it very
12 easy.

13 MS. CARLSON: Thank you. Mr. Coultier, you
14 mentioned that there are a couple of antidumping
15 countervailing duty orders in Canada and Australia. If
16 there are any others, can you please include them in your
17 post conference brief?

18 MR. COULTIER: We would be happy to do that. I'm
19 not aware of any presently, but we will check.

20 MS. CARLSON: Okay, thank you. That's all the
21 questions I have.

22 MS. HAINES: Thank you. We'll turn to Karl Von
23 Schrilitz.

24 MR. VON SCHRILTZ: Good morning. Thank you to
25 everyone for being here. I have a few questions. I'm

1 wondering, uh, your petition indicates the U.S. demand for
2 heavy-walled rectangular piping increased between 2012 and
3 2014. How did demand in the first half of 2015 compare with
4 demand in the first half of 2014?

5 MR. SCHRAGIN: We're gonna have to, obviously,
6 add all the data from all of the members in the domestic
7 industry.

8 I believe, based on the APO release that we
9 received, that you actually have questionnaire data from
10 probably close to 100% of the domestic industry? We can use
11 that import data because we think it's very good to look at
12 imports.

13 And so I think what we're gonna find is that,
14 after increasing from '12 to '14 and, of course, we'll argue
15 that, in the context of the business cycle of increasing
16 demand, the fact that the industry's profits declined while
17 demand was increasing is already a sign of prez material
18 injury. That in the first half of '15, compared to the
19 first half of '14, that there was a small decrease in
20 apparent consumption.

21 And that is because, as you've heard from this
22 panel already this morning, that probably somewhere between
23 80 and 90% of the goods in this industry travel through
24 distributors to the end users. And so distributors gorge
25 themselves on these unfairly traded imports at the end of

1 2014. They then chose to reduce their inventory stocks in
2 2015.

3 So, nonresidential construction, based on GEP
4 figures, has continued to grow modestly. We're talking
5 about two to three percent increases among these three years
6 and in 2015.

7 But because of the change in distributors'
8 inventories, it appears that apparent consumption, import
9 plus domestic shipments, declined.

10 We actually think that's why, in contrast to
11 Mr. Gurley's comments, and he's gonna try to give you this
12 really simplistic, you know, I call it third grade--I don't
13 want to insult anybody--correlation analysis like, oh man,
14 the arrow started going down when the industry started going
15 down, so therefore, there can't be injury. I mean it drives
16 me crazy. You all know that at the Commission.

17 So, I wear my heart on my sleeve so to speak.
18 But, I think the jury's out. We don't have all the data as
19 to whether the small decrease in imports in 2015 actually
20 meant any decrease in market share of imports in 2015. And
21 if it did, we're gonna be talking about tenths, not
22 percents.

23 And, so that's the answer to your question. It's
24 that real demands probably continued increasing throughout
25 this POI based on demand from the nonresidential

1 construction sector. And apparent demand probably declined
2 somewhat in 2015 compared to the first half of 2014 as
3 distributors said, "Oh my God, we just bought so much
4 unfairly traded imports. It's the end of 2014 that we don't
5 need this much inventory on hand." We'll explain that to
6 you in our post conference brief.

7 MR. VON SCHRILTZ: Thank you for your answer.
8 What do you say in response to the opening statement of
9 respondent's counsel, that nonsubject imports gained market
10 share in the first half of 2015? At the expense of, I think
11 I heard them say, at the expense of the domestic industry
12 and subject imports?

13 MR. SCHAGRIN: I would say it's a gross
14 exaggeration and that it's, I think you're gonna see when
15 you get the data, that it's very small. I think as you
16 heard from Mr. Seeger there, his company is the largest
17 producer in Canada.

18 They don't trade unfairly between Canada and the
19 U.S. They don't have import surges from their Canadian
20 mills in the U.S. And so because they're supplying the same
21 producers, I think you're gonna see less variation and
22 there's no doubt between '12 and '14 that nonsubject imports
23 increased their market share at the expense of the domestic
24 industry by probably something in the range of five percent.
25 That's not of a small market. That's five percent of, you

1 know, a million and three-quarter ton market. Similar to
2 the increase in corrosion resistant.

3 And we think in the first half of 2015, as the
4 growth in subject imports slowed as the domestic industry
5 fought back on price. And for that matter, in some ways the
6 Canadian operations of Atlas are, kind of a part of the
7 domestic industry, that they would have done the same. And
8 so I think you're gonna see very, very small changes in the
9 nonsubject share compared to domestic industry share in
10 2015. I mean, maybe like a point. Not something I would
11 consider really significant. And I doubt the Commission
12 will either.

13 MR. VON SCHRILTZ: Thank you. I'm wondering, are
14 there Nah, I heard your testimony this morning that these
15 products are all produced to the same ASTM specifications,
16 and therefore they're highly substitutable. But I also
17 heard respondent's counsel suggest this morning that maybe
18 there are some factors that limit the substitutability of
19 subject imports for domestically produced products. Are
20 there any factors that limit substitutability somewhat?

21 MR. SEEGER: Dave Seeger. None. I'd be curious
22 to hear what they are, as well.

23 MR. SCHAGRIN: Yeah. This is Roger Schagrin. I
24 would add, I mean yeah. It's gonna be really interesting to
25 hear, you know, what they have to say. I mean if they're

1 gonna talk about "Buy American" and road construction, yes.
2 I mean when you see a sign and post over, you know, the
3 Beltway 495, it's gonna have to have domestic product.
4 That might be about one percent of total demand.

5 I don't consider one percent of total
6 demand a big limiting factor. These products are used
7 in construction. They have to meet a specification. If
8 they meet the specification, I don't think you're gonna hear
9 from them, Mexicans, Turks or Koreans, don't meet the
10 specification. They meet the specification and a
11 construction company will buy them from a distributor and
12 use them in building construction.

13 So, I just can't imagine what the limiting
14 factors might be on competition. If there was ever a case
15 for accumulation of a product, it would be heavy-wall
16 rectangular tubing.

17 MR. VON SCHRILTZ: I have a related follow-up
18 question. So, if subject imports are highly substitutable
19 with domestically produced heavy-walled rectangular pipe,
20 and they consistently undersell the domestic-like product,
21 they've been priced lower than the domestic-like product
22 according to your petition throughout the period of
23 investigation, I'm wondering. Why didn't the domestic
24 industry lose more market share to subject imports? I
25 understand subject imports gained something like five

1 percentage points of market share between 2012 and 2014.
2 Why didn't they gain ten or twenty percentage points of
3 market share? If they were priced lower than the
4 domestic-like product.

5 MR. SEEGER: Dave Seeger again. That's an
6 excellent question. Really, and the answer's borne out in
7 our financials. What occurred was, we at some point had to
8 draw a line in the sand and either get competitive with
9 those numbers or concede even greater market share. And we
10 did choose to get competitive with those numbers. Which you
11 can kind of see what happened in our 2015 results.

12 MR. SCHAGRIN: This is Roger Schagrin. Now
13 this could be a real stunner. But, these are family-owned
14 companies. They actually know their employees. I mean,
15 these imports increased by 50% between 2012 and 2014. I
16 consider that to be huge. I know it seems small.

17 I know Mr. Gurley wants to say, "Wah, this is a
18 petty little case." I mean, this is a fifty percent
19 increase in imports. Man, you got this other case file, you
20 know last week, there was a 100% increase in imports. So
21 let's set the standard really high. I want a new standard
22 at the Commission. You know, if you don't have a 100%
23 increase in imports, you're outta here. Your petition's too
24 thin. You know, you don't have 100% increase in imports.
25 You're outta here. I mean it's ridiculous. Let's face it,

1 it's ridiculous.

2 But here's the really amazing thing, as I think
3 you heard in your testimony -- in the testimony of the
4 witnesses. These people know the people that work in their
5 plants. They actually will lower their price and lose money
6 to keep employees working.

7 I mean I know that just seems foreign to the
8 people that work at this Commission, because you don't work
9 in family-owned businesses, where people really care about
10 the people that work for them.

11 But that's the reality of this marketplace.
12 Sometimes, and it screws up the correlation analysis that
13 everybody loves so dearly. Sometimes people actually lose
14 money to help people keep their jobs. And I think that's
15 the story of this industry. And then all of a sudden,
16 import increases slow down and it doesn't make it easy for
17 the trade lawyers. We have to explain human nature, not
18 just numbers on a piece of paper.

19 MR. VON SCHRILTZ: Thank you. Thank you for
20 your answer. I heard testimony this morning that your cost
21 for feedstock has gone up and down over the Period of
22 Investigation, that it's fluctuated. Have you had -- when
23 it's gone up, have you had trouble raising prices to cover
24 your increased costs of raw materials?

25 MR. MONTGOMERY: John Montgomery. Most

1 certainly. The competitive forces are such that when there
2 are unfairly traded imports available as an alternative to
3 our products, at prices deeply discounted to what we have to
4 charge in order to cover the increase in the cost of raw
5 materials, our customers just won't pay.

6 We're unable to raise our prices in line with
7 cost of steel, because the import alternative is there. It
8 is much cheaper and doesn't take into account the cost of
9 our feedstock.

10 MR. SEEGER: Yeah Dave Seeger, just to follow up
11 on that, and your questions on pricing are a little bit
12 sensitive with our competitors in the room. But I'd be
13 happy to answer confidentially our success in getting any of
14 those increases.

15 MR. VON SCHRILTZ: I'd really appreciate that.
16 Thank you. I would also ask other Petitioners sitting at
17 the table to provide any evidence of announced price
18 increases that didn't stick during the Period of
19 Investigation.

20 MR. SCHAGRIN: This is Roger Schagrin. We'll put
21 that confidential in our post-conference brief.

22 MR. VON SCHRILTZ: Thank you. Are you aware of
23 any change in product mix over the Period of Investigation
24 that would have influenced the trend in the average unit
25 value of U.S. shipments of either imports from any subject

1 country or the domestic like product?

2 MR. MUTH: No, I'm not aware. Tom Muth, Atlas
3 Tube. I'm not aware of any significant trends that would
4 impact that.

5 MR. BAKER: Glenn Baker with Searing. I agree
6 with Tom. I haven't seen any change in the trends. I've
7 been doing this quite a while, and the mix always seems to
8 be pretty much the same so --

9 MR. VON SCHRILTZ: Thank you. I'm wondering,
10 where there any factors other than subject imports that may
11 have contributed to the domestic industry's declining
12 profitability during the Period of Investigation?

13 MS. TASSONE: Patty Tassone. No, not that I'm
14 aware of.

15 MR. SEEGER: Dave Seeger with Atlas GMC. I would
16 agree with that. You know, the demand was about the same
17 was it was the previous year. So you know, it wasn't like
18 there was a collapse or demand or anything of that nature.

19 MR. VON SCHRILTZ: And there were no changes in
20 consumption patterns, maybe products that can be substituted
21 for Heavy-Walled rectangular pipe that cut into your market?

22 MR. MUTH: No, there's really been no major
23 change in what I call competitive products in the
24 construction like wide flange. If anything, there's
25 probably a higher percent of HSS used in construction now

1 versus a few years ago.

2 MR. VON SCHRILTZ: Thank you. Thank you for all
3 your answers. I have no further questions at this time.

4 MS. HAINES: Thanks. We'll turn to Amelia
5 Preece.

6 MS. PREECE: Amelia Preece, Economics. First I
7 want to thank you so much for all the information you've
8 given in your questionnaires. Both sides have been very
9 helpful and very responsive, and that's been very helpful
10 for me, especially in the prelim when we have very little
11 time. So I want to express my appreciation to all of you
12 for your assistance in this.

13 In this case, we asked for prices to be delivered
14 prices, and we did this because we were afraid that the
15 Mexican product would end up having a difficult time
16 determining what delivery was, since it could be delivered
17 directly from the Mexican plant, and there was no stop at
18 the border really, where they could sort of say okay, this
19 is the cost for non-delivered.

20 So the question I have, and I hope maybe you'll
21 address it a little bit now, but also I'd like to hear about
22 it in the -- in your brief, is for the final, if we go to a
23 final, would you think FOB or delivery would be better, and
24 explain why? And I would also like from the Mexicans and
25 when they've -- probably I'll ask this again, but whether

1 that they could do it not delivered but FOB.

2 So I just want to have you address that, because
3 I think this is important. You said that this is an
4 important part of the cost of the product. So that's all.
5 If you can help me with that, I would appreciate it.

6 MR. SEEGER: If I could, Dave Seeger again, and
7 it's a great question. Almost all of our requests for
8 product are based on the delivered price. The customer will
9 give the feedback in delivered price, and say look, you have
10 to be \$800 a ton delivered, and they don't care what our
11 freight costs are, what are tube costs. You've just got to
12 find a way to get to that delivered price. So the feedback
13 would come in that format.

14 MR. MONTGOMERY: John Montgomery. I think the
15 delivered price tells the whole story. If you look at the
16 structure of our pricing model, you have the delivered
17 price, and the largest component is the raw material. Then
18 you have the freight, the labor. The delivered price will
19 tell the whole story, because those other things are fairly
20 consistent and easily obtainable.

21 It clearly shows that a delivered price into a
22 port city, compared with the inputs, doesn't make sense,
23 that there's a rat. If you look at delivered price compared
24 to prevailing market prices for hot-rolled coil, it's easy.
25 It's easy to see.

1 MR. SEARING: Jim Searing, Searing Industries.
2 My only comment on this is 46 years in the business. I
3 don't know in exactly what year it started, but we strictly
4 are listening to day-in/day-out delivered prices. It's a
5 way of life now for us, and it originated from the imports,
6 and it is very difficult, as we all know what it costs to
7 operate rigs or outside carriers to deliver products.

8 So we are cutting margins big time to try to keep
9 our market share, and that's just really the way it is.
10 This is a rat. Thank you.

11 MS. PREECE: Okay, thank you. That was very
12 helpful. I'm interested that you sell it delivered because
13 that's, you know, something that I don't know, you know.
14 Some industries always work FOB, some do it delivered.

15 You've talked about what this product is used
16 for. Structural steel -- let's do this question first. Is
17 there any difference between the subject product and what
18 you call structural steel, or are they just two names for
19 the same thing, because people have been talking about them?
20 But I just want to be absolutely sure we don't have any sort
21 of ground structural steel or structural steel that's
22 different.

23 MR. SEEGER: Yeah, Dave Seeger. Yeah, I was just
24 going to say. You've got to be careful there. Structural
25 steel could be wide flange beam or another product, but

1 structural tube is yes, that's interchangeable with what
2 we're talking about.

3 MR. MONTGOMERY: John Montgomery. I'll add some
4 color to that comment. I think structural steel is a
5 descriptor of our product, which is structural tube or HWR.
6 It is structural steel, just like a beam is structural
7 steel. So I think it's really just a descriptor.

8 MS. PREECE: Okay, thanks. That's nice to get
9 that one out of the way, because I always like things to be
10 clear, and I think that is. You've talked about what HWR is
11 used to produce, and I just want to know is there any -- can
12 you kind of guess a share, and maybe a share by size?

13 Now this product goes from one inch size to big,
14 20 inches it sounds like. Is one inch more likely to be
15 used in sort of OEM fabrication that aren't structural, and
16 the large to be used mainly in big buildings? Or and what
17 share of the total structural tube that we're talking about
18 is used, and your guess. I don't want a perfect number, but
19 a guess in construction versus these other machines, let's
20 say?

21 MR. MUTH: Tom Muth, Atlas Tube. So to address a
22 couple of questions, all the product sold as A-500 is sold
23 based on its structural capability. So whether it's sold
24 into structural steel construction or an OEM for a piece of
25 ag- equipment, it's providing strength and structure. I

1 would say that size up roughly through four square, five
2 square and down would tend be more OEM-oriented.

3 But every day we sell four square product that
4 winds up in a building, some kind of canopy-type structure.
5 The larger you go, the higher the likelihood that will be in
6 the construction market, steel fabrication market. And just
7 a guess from our end would be, you know, 40 to 50 percent of
8 it winds up in the structural fabrication or the steel
9 construction market.

10 MS. PREECE: Okay, great. If everybody agrees
11 with that, I'm happy. In a building that uses HWR, what
12 share of the cost of the building would be this HWR? Now I
13 want just a guess, but I want your best guess.

14 MR. MUTH: A typical building, the steel frame or
15 whatever structural framing system would be of the building
16 is less than ten percent of the total building costs. So
17 things like carpet and furniture are obviously much higher
18 percentages. The actual steel percent of that would be 30
19 to 50 percent. So three percent, two percent, five percent,
20 kind of that rough number.

21 MR. BAKER: Glenn Baker. Just doing some
22 research for this, I came with about under five percent,
23 about five percent.

24 MS. PREECE: Thanks. It's always hard to get
25 that information. Would you have any guesses for the OEM,

1 whether that would be larger or smaller?

2 MR. SEEGER: Dave Seeger. That's going to vary
3 tremendously. Like say a rack manufacturer, it would be 80
4 percent. For an ag-equipment guy that he's hauling
5 something behind a tractor made out of structural tube, it
6 could, you know, be ten percent. So it will vary
7 tremendously depending on that application.

8 MS. PREECE: Thanks. That's very helpful.
9 That's gotten me really far on that. How has the reduction
10 in the price of steel recently affected your profits and
11 losses, and your prices? And also how has it affected the
12 distributors' behavior, because that was quite a -- the
13 price fell quite a bit, and obviously this is always an
14 important thing in the steel industry, this underlying price
15 of steel.

16 So if you could give me a little bit of a
17 background on that. Thank you.

18 MR. SEEGER: Dave Seeger. It certainly had an
19 effect on our price. As I mentioned earlier, probably the
20 biggest component of our tube price is the cost of steel,
21 which has come down considerably since the first of the
22 year. But what we've seen happen is what we call the
23 spread, which is the definition of is between the price of
24 steel and our sell price of the tube.

25 So while the price has come down, our spread has

1 actually compressed, to where we have lesser margins than we
2 did before. We average cost our steel into our inventory,
3 so it's not a LIFO or FIFO-type situation. It's not an
4 accounting measure. That spread's been compressed due to
5 import price pressure.

6 MR. MONTGOMERY: John Montgomery. The second part
7 of your question about how it's impacted the behavior of our
8 distributor customers, well in my view it makes them very
9 nervous. Because the largest investment that these
10 companies have in their business is their investment in
11 inventory. And so when they see the price of steel going
12 down, they get very nervous because their largest investment
13 is being devalued and it drives their behavior. It drives
14 them to consume less, to look for lower cost alternatives,
15 and it adversely impacts our business.

16 MS. PREECE: Okay, thank you very much. I have no
17 more questions at this time.

18 MS. HAINES: Thank you. We will move to Gerry
19 Houck.

20 MR. HOUCK: Gerry Houck from the Office of
21 Industries.

22 Mr. Schagrin, the Steel Tube Institute has a
23 brochure in which they describe three methods of manufacture
24 of hollow structural sections.

25 The first is what they call the ERW process that

1 involves forming a round tube, and then shaping that into a
2 square pretty much as Mr. Seeger described earlier.

3 The second is what they call a form square-weld
4 square process by which a square rectangular tube is formed
5 and welded at close to the near shape, and I think that was
6 described here earlier by Mr. Seeger as a process used by
7 another company.

8 And finally, the Steel Tube Institute describes a
9 submerged arc welding process by which two individual plates
10 are formed into the two halves of the large tube and then
11 are welded by submerged arc welding.

12 Do you agree that those three processes are used
13 by U.S. producers to produce subject product?

14 MR. SCHAGRIN: Yes, and I think as Mr. Seeger
15 spoke earlier, I think the ERW process of forming a round in
16 a rectangle predominates probably almost 90 percent or so of
17 U.S. manufacturing, and I would almost, that it might even
18 be 100 percent for the farm producers in this investigation.

19 I think, as he mentioned earlier, Bull Moose Tube
20 is the only mill in the U.S. that forms a square immediately
21 and then welds it and doesn't start with a round. And so
22 that's most of the remainder. And I believe that making
23 really large HSS by the submerged arc process with plate is
24 a real specialty product that probably accounts for less
25 than one percent of U.S. production and/or demand. It is

1 really a very specialized--it falls within the like product,
2 but it's probably a very minuscule segment of domestic
3 industry production.

4 MR. HOUCK: Okay. Thank you.

5 Mr. Schagrín, on page 4 of your Petition--I'm
6 trying to proceed carefully because there's some brackets in
7 this area. You note that you adjusted the estimated
8 shipment data in a confidential report to determine your
9 petitioners' production percentage of the industry.

10 And I'm wondering, in making that adjustment did
11 you take into account all the nonsubject tubing that might
12 have been included in the original estimated shipment data?
13 And if you want to respond later, or comment on that?

14 MR. SCHAGRIN: I will respond now. And I think
15 when you say "nonsubject," I don't think you're referring to
16 nonsubject imports, but you're referring to domestic
17 production of products--

18 MR. HOUCK: I'm talking about your estimate--

19 MR. SCHAGRIN: Of total domestic shipment--

20 MR. HOUCK: --of U.S. domestic shipments, yes.

21 MR. SCHAGRIN: We just subtracted. So we
22 received--you know, which is why we made confidential
23 estimates from an expert in the industry as to within the
24 overall universe of round and rectangular HSS, what share is
25 rectangular and what share is round.

1 One thing I should point out which I didn't point
2 out in response to earlier questions and I was remiss in
3 this, is that the Commission should be aware that round HSS,
4 or round structural pipe, is included in the scope of all
5 the orders we have on circular welded pipe from Mexico,
6 Korea, Turkey, Thailand, India, et cetera.

7 So those products are already subject to a number
8 of AD and CBD orders. And of course we can't include them
9 again because they're already subject. And so we do have
10 the separate HTS for just rectangular products with this
11 heavier wall.

12 And yet, because a lot of the data that tracks
13 the industry tracks round and rectangular together to arrive
14 for commerce purposes for standing, we had to subtract out
15 the round portion of the HSS shipments.

16 I hope that answers your questions.

17 MR. HOUCK: Well it does, and I was just wondering
18 whether, since you're clarified that that particular ratio
19 that you referred to was of HSS only, that it might not have
20 recognized any additional stuff that was in that original
21 estimate.

22 MR. SCHAGRIN: Yeah, I think it does. I think the
23 universe and you are much more of an expert at this than I
24 would ever be, but I guess for reasons of physics, which all
25 the industry members would understand and I wouldn't being a

1 humble lawyer, I guess the added strength of a rectangular
2 section is so much greater than the equivalent round that
3 that's why so much HSS is rectangular to get that added
4 strength in that size.

5 MR. HOUCK: Okay. I will communicate further to
6 you about this, and I have no further questions.

7 MR. SCHAGRIN: Thank you.

8 MS. HAINES: Thanks. We will turn to Craig
9 Thomsen.

10 MR. THOMSEN: Good morning and thank you all for
11 coming and presenting such wonderful testimony on this case.
12 I just had a couple of quick areas I wanted to delve into.

13 It seemed that there was a number of
14 location-based arguments that were brought up in here about
15 faster population growth in the Southeast and Southwest,
16 about imports coming in through Houston, or through the West
17 Coast.

18 In general, is there any kind of noticeable
19 difference in competition in different parts of the country
20 based on the source of the HWR that's coming in? I.e., is
21 there greater competition in the Southwest from Mexico? Is
22 there greater competition in, up by the back end by Canada?

23 Some of you I know have mills that are in
24 different parts of the country, so you may be best able to
25 answer this, noticing Alabama versus Chicago mills.

1 MR. MUTH: If you look at the whole U.S.--sorry
2 Tom Muth, Atlas Tube--our shipments cover all of the U.S.
3 and all the Provinces in Canada, and the most competitive
4 markets in over the last few years have been the Coastal
5 markets for us--least profitable and most competitive:
6 Houston, L.A.--but it's spreading. It's spreading up the
7 East Coast now, all the way up into Baltimore-Philadelphia.
8 So that import impact is spreading from the traditional Los
9 Angeles area, Houston area.

10 MR. BAKER: Glen Baker. Luckily for us in
11 California, we get all of them.

12 (Laughter.)

13 MR. BAKER: So we really do.

14 MR. THOMSEN: You don't notice more competition
15 from Korea?

16 MR. BAKER: Most recently, the Mexican is fairly
17 steady but we see big influxes in the Korean. They've been
18 really into L.A. I mean, you can see the numbers for
19 yourselves. It's been pretty crazy the last year.

20 MR. THOMSEN: And how about for your Wyoming
21 facility? Have you noticed competition coming from Canada?
22 Or are the mills in Canada far enough away to make overland
23 transportation difficult?

24 MR. BAKER: Honestly, I don't notice a lot of
25 competition from Canada into that area. We certainly see a

1 lot of it, of the import coming up through the Gulf of Texas
2 into that area. It seems to make its way there through
3 Houston port.

4 I mean, L.A. of course; but into that area I
5 guess they're really getting it from all sides.

6 MR. THOMSEN: Is there competition on the East
7 Coast, as well?

8 MR. MUTH: We see significant import penetration.
9 Obviously it starts in the Gulf, but it also enters through
10 Louisiana, Florida, Savannah Georgia, Philadelphia, would be
11 the primary ports.

12 MR. THOMSEN: And what countries are you seeing
13 the competition at those ports?

14 MR. MUTH: Turkey, primarily, but also Korean
15 product. And then we see Mexican product shipped. It
16 starts coming through Texas but it ships overland into the
17 East-Southeast.

18 MR. THOMSEN: And it's not cost prohibitive to go
19 those long distances all the way from Laredo all the way up
20 to, say, Maine?

21 MR. MUTH: I can't speak about Maine, but the
22 Southeast in particular one wouldn't think it would be
23 logical to do that. And we do see it on a pretty regular
24 basis, and even up into the Midwest.

25 MR. MONTGOMERY: I would concur. John Montgomery.

1 I would concur with Tom Muth. It baffles us when we see
2 Mexican product being offered up the Eastern coast, up in
3 places like Virginia and North Carolina.

4 We're the closest producing mill, yet they
5 undercut our prices up into the East Coast. It makes no
6 sense -- .

7 MR. THOMSEN: And so do you see--is that a rare
8 occurrence that you see in Mexico? Do you see more of
9 Turkey or Korea coming in? Or is there any--I assume
10 there's no overseas from Mexico. It seems to be all from
11 land. Is that correct?

12 MR. MONTGOMERY: John Montgomery. I believe so.
13 I believe it's all over land. We see the Mexicans
14 penetrating inland accounts more so than we do the Koreans
15 and the Turkish, but in any port of entry whether it be as
16 Tom mentioned Philadelphia, Savannah, Tampa, Mobile,
17 Houston, New Orleans, these offerings are pervasive and
18 consistent.

19 I hope that answers your question.

20 MR. THOMSEN: Independence, did you want to --

21 MS. TASSONE: Yes, I would say we used to ship all
22 over the country, and more and more particularly the West
23 coast, Texas, the East Coast down into Florida, the
24 competition from the unfairly traded imports have pretty
25 much shut us out of that market.

1 MR. THOMSEN: And is that more from Mexico because
2 it's so close? Or is it coming in through the ports of
3 Houston, or New Orleans?

4 MS. TASSONE: Both.

5 MR. THOMSEN: Okay. If I can switch gears to the
6 second question that I wanted to ask, I kind of wanted to
7 ask about something that no one has really touched on. And
8 that's about the specs.

9 You had noted earlier that as long as you make a
10 tube to spec, then it's all interchangeable. Do the tubes
11 that you produce exceed the specifications that are in the
12 market?

13 MS. TASSONE: Patty Tassone. No, they do not.
14 It's an ASTM-A-500 spec that is interchangeable.

15 MR. THOMSEN: And when you do tolerance testing,
16 or anything, it doesn't exceed those specifications at all?

17 MR. SEEGER: Dave Seeger. I would agree. The
18 biggest part of that specification, this is a load-bearing
19 product so the customers are interested in the yield and
20 tensile strength, and that's what the A-500B calls out for.
21 If you meet that yield and tensile, it would do you no good
22 to exceed it. In fact, it could hurt you actually because
23 it will change the properties. So it pretty much gets made
24 to that spec.

25 MR. THOMSEN: And how would it negatively affect

1 that specification if it were over and above that
2 specification? Would it become more brittle, or--

3 MR. MUTH: Tom Muth. If you're designing a
4 building you're designing around, there's actually a value
5 that's used by engineers, and it's their expected yield and
6 tensile. And if you significantly exceed that, you want to
7 be able to match up your expected yield and tensile with the
8 mating structural parts and welding wire. So you don't want
9 a lot of mismatch, significant mismatch in that.

10 So all the design work is done around the minimum
11 yields. So currently for Grade B, you know, 46,000 in
12 yield. That's what they design around. If you produce to a
13 higher spec, they're not going to design to it because they
14 don't know which one is going to come higher and which one
15 is not going to be. So they design to that minimum.

16 MR. THOMSEN: Okay. Thank you. Those are all the
17 questions I have.

18 MS. HAINES: Okay, thank you very much for your
19 testimony. I have no questions.

20 I think we will take maybe a 15-minute break
21 before the Respondents come up. So thank you. This was
22 very, very helpful. Thank you.

23 (Whereupon, a brief break is taken.)

24 MS. BELLAMY: Will the room please come to order?

25 MS. HAINES: You can start.

1 STATEMENT OF JOHN GURLEY

2 MR. GURLEY: Ready? Okay. Good morning. Again,
3 for the record, my name is John Gurley. I represent a group
4 of Mexican producers including Maquilacero, Regiomontana de
5 Perfiles, Perfiles and Prolamsa.

6 I'm here with my colleagues, Diana Quaia and
7 Felipe Rivero of Commercial Regiomontana de Perfiles.

8 As indicated in my opening statement the Mexican
9 industry believes to be -- this to be one of the weakest
10 cases they've seen in the Commission in many years.
11 Petitioner speaks sparkly of a huge spike in imports from
12 Mexico over the last three and a half years. But when you
13 look at the import data, all you can say is, there's been an
14 increase in imports from many countries including Canada.
15 We believe this is a function of improving U.S. economy.
16 Indeed, petitioners made a lot of money as imports
17 increased. In fact petitioners are really saying that the
18 real injury has taken place in the past six months. But as
19 you will hear today, during the last six months Mexican
20 imports declined by a startling 36 percent.

21 U.S. prices did decline in the first half of
22 2015. But as my colleague Diana will discuss, there is a
23 reason prices went down in the first half of 2015,
24 hot-rolled coil prices declined.

25 Mr. Felipe Rivero from Regiomonta de Perfiles

1 will now make a short presentation.

2 STATEMENT OF FELIPE RIVERO-EDNET

3 MR. RIVERO-EDNET: Good morning. My name is
4 Filipe Rivero. I am the commercial director for Regiopysta
5 in Monterey, Mexico. We have worked with Regiopysta since
6 2012. I have worked in the steel industry for over 30
7 years. Regiopysta is a user of pipe, tubes, and other steel
8 products. I am here today to speak about my company as well
9 as the Mexican industry.

10 We don't understand the basis for this trade
11 action against us. We really do not view ourselves as
12 competitors with the very large and very successful U.S.
13 industry.

14 Regiopysta sells most of its Heavy-Walled pipe in
15 the home market. Only about 20 percent of our entire
16 production is exported. That is for a good reason. The
17 Mexican economy is still strong and there continues to be
18 consistent growth in the construction and other sectors.

19 We have long-time Mexican customers who have been
20 our partners. Domestic sales require less effort than
21 export sales. Many of the Mexican producers do not even
22 sell Heavy-Walled pipe to the U.S. For example, to our
23 knowledge a company such as Ternium do not export to the
24 United States market. If the U.S. market is so attractive,
25 as Petitioners say, then why isn't there more interest by

1 Mexican producers.

2 By any measure, Regiopysta and the Mexican
3 industry have always had a very low market share and have
4 very significant quantities of Heavy-Walled pipe to the
5 United States. We have estimate that Mexican Heavy-Walled
6 pipe represent well less than 4 percent of the U.S. market.

7

8 When Mexico has exported Heavy-Walled pipe, it
9 has done so on responsible basis. Mexico's share of the
10 import market also has stayed quite stable. Indeed, our
11 share of imports has actually declined since 2012.

12 Even when demand in the United States has
13 increased, we still focus on the home market and have
14 increased our export only modestly. And when demand has
15 decreased, we respect the market and our shipments have
16 declined.

17 U.S. import studies show that Mexican import
18 prices are higher than the other named exporters. Our sale
19 prices to customers are higher as well. This is logical as
20 we typically sell in smaller volumes. For example, a few
21 truckloads at a time. While other exporters ship larger
22 volumes on ocean vessels.

23 We all know prices dropped in the first half of
24 2015. That is because hot-rolled coil prices have dropped.
25 We obtain our hot-rolled coil from suppliers in Mexico and

1 coil prices in Mexico have followed the same trend that you
2 see in the United States.

3 For example, from January to June 2015, coil
4 prices in Mexico decreased. Because our costs went down, we
5 are able to lower our prices.

6 Mexican exporters sells primarily to the U.S. in
7 the Gulf, southwest and Midwest. In fact, our biggest
8 customers are in Oklahoma and Texas. Freight is very
9 important in our business. We cannot really sell much to
10 the west coast because there are U.S. mills on the west
11 coast. I think Koreans have a presence there. We don't
12 compete with Korea. We sell mostly in the west.

13 With respect to Turkey, our customers had
14 mentioned some quality issues. But in reality our customers
15 do not really mention Korea and Turkey or even U.S. mills.
16 The companies we're seeing over major markets are other
17 Mexican mills. We pride our sales and service. We have
18 quick lead times due to being so close to our customers.

19 Unlike Korea and Turkey, we are very close to the
20 U.S. border. We typically sell in truckloads, not large
21 ocean shipments. We have many sales that are just one or
22 two truckloads of various sizes and that allows us to be
23 competitive with the needs of our U.S. customers.

24 We also have shorter lead times than countries
25 that must ship across the ocean. We sell on a spot basis

1 which means we respond more quickly to any change in U.S.
2 market. Our short lead times and smaller shipments make us
3 unlike exporters to Turkey and Korea and other countries.
4 Only Canada and Mexico have the advantage of being on the
5 border with the United States.

6 Regiopysta sells only a very limited range of
7 Heavy-Walled pipe with a maximum wall thickness of 4.55
8 millimeters (3/16 inches). That means that we cannot
9 compete for many sizes in the United States. We think this
10 is the same for many other Mexican companies such as
11 Maquilacero and Perfiles. These limited size range is due
12 to the fact that our companies focuses on Light-Walled
13 products where we devote most of our production. I also
14 think this is true for other Mexican producers such as
15 Maquilacero and Perfiles.

16 I do understand that at least one Mexican company
17 does have a larger product range.

18 The petition says that the subject products are
19 generally manufactured to ASTM A-500, grade B. But
20 Regiopysta does not even made to that steel specification.
21 We sell according to ACM, A513 which has a less demanding
22 chemistry. It is a less expensive steel specification and
23 the price of finished product reflects this fact.

24 This is the same steel specification that Mexican
25 customers require. This means, that we do not compete for

1 customers that require ASTM A-500, grade B. Our experience
2 is not unique. To my knowledge other Mexican exporters also
3 do not sell ASTM A-500, grade B pipe to the U.S.

4 But, again, I do recognize at least one Mexican
5 company does sell ASTM, A-500 grade B to the United States.

6 Regiopysta asks as its own importer of record the
7 staff will announce that Regiopysta does not provide pricing
8 data for any of the imported products. That is because we
9 don't sell any of the product on which data is collected. I
10 understand the same is true for most Mexican exporters.
11 That is pretty clear evidence that many Mexican companies do
12 not compete directly with the U.S. industry. The
13 Petitioners argue that Mexico, Korea and Turkey are blocked
14 from the U.S. market due to the antidumping and
15 countervailing duties on light-walled pipe. Based on the
16 sales we are focusing on Heavy-Walled pipe because of this.
17 This argument is completely false as to Mexico. The
18 light-walled antidumping order is no barrier to Mexican
19 exporters. We have increased our sales of light-walled
20 product to the United States in recent years. My
21 company, Regiopysta, has a market of only 1.45 percent of
22 light-walled pipe. I also want to mention that Mexico is
23 not subject to antidumping cases in Canada or any other
24 country on either heavy or light-walled products. We face
25 no real trade barriers.

1 It is important to note that Regiopysta is
2 focused sales in making light-wall, not heavy-wall pipe. It
3 is easier to make and U.S. import studies should show it can
4 be sold at higher prices. That is why we have exported to
5 the United States several times of much light-wall as
6 heavy-walled in 2014. This is very logical.

7 The Mexican industry simply has no incentive to
8 shift production to our lower-priced product. Regiopysta
9 produces at a very high capacity utilization. I understand
10 that other Mexican exporters also appear to be very busy.
11 We have long-standing customers in Mexico that we must
12 serve. We also have many long-term customers for
13 light-walled pipe in the United States and Mexico that we
14 sell to. Our export data shows that we remain a modest, but
15 consistent presence in the United States.

16 Remember our company focuses on the Mexican
17 market. When U.S. demand weakens, our exports decline. That
18 is the Mexican way.

19 I want to clarify to the Commission which Mexican
20 companies are active in the U.S. market. Potentially it is
21 ten Mexicans are heavy-walled pipe exporters, but rarely
22 there are only four or five companies that have shipped
23 meaningful quantities of product to the United States in the
24 period of investigation.

25 Conclusion. Last, I would like to argue my

1 American friends who have some patience, it seems they have
2 decreased profits in the first half of 2015 and they are
3 panicking and filing trade actions. But my customers tell
4 me that they expect that in the second half of this year to
5 show increased demand. I read in the press, that U.S.
6 producers are increasing prices. Indeed, we expect
7 ourselves to pick up a bit. Already our own prices have
8 increased in recent weeks. I am sure the United States
9 industry will see a nice rebound later this year as well.

10 Just watch.

11 STATEMENT OF DIANA QUAIA

12 MS. QUAIA: Good morning. My name is Diana Quaia
13 with Arent Fox assisting the Mexican Heavy-Walled industry
14 in this investigation. And I would like to ask if you could
15 keep our handout close because we will be referring to a few
16 slides that we've prepared for today's hearing.

17 So if we turn to slide one, the first comment we
18 would like to make is that the U.S. Heavy-Walled industry
19 dominates the U.S. market. The market share figures are
20 confidential, but industry publications such as Preston's
21 Pipe and Tube show that the U.S. industry's market share
22 averaged around the mid-80 percent range from 2012 to 2014.

23

24 At slide one we start with this quote from
25 Preston's Pipe and Tube because it expresses a key point.

1 This period has been a good period for the Heavy-Walled
2 industry. Demand for structural tubing as we heard this
3 morning is primarily driven by the non-residential
4 construction sector and although demand in non-residential
5 construction has not recovered to pre-recessional levels,
6 the shipments of structural pipe including Heavy-Walled
7 certainly did.

8 As illustrated in the chart at the bottom of
9 slide one, the Heavy-Walled industry certainly outperformed
10 the construction industry. And, in fact, shipments of
11 Heavy-Walled in this POI were close to an all-time high. So
12 this good result speaks well of the industry and the
13 industry's decision. But it also speaks well of the
14 favorable demand conditions in other economic sectors such
15 as a very active manufacturing sector, heavy equipment,
16 agriculture equipment, some of the same demand sectors that
17 you've heard from this morning's panel.

18 Now, if we go to slide two, as slide two
19 illustrates the good performance is also the result of
20 investments that were made during the period of
21 investigation. So, for example, three of the petitioners,
22 Searing Industries, we've heard from them this morning as
23 well as Maruichi Steel Tube, they have made investments in
24 new mills. And the investment from Maruichi is particularly
25 recent. It's an acquisition made in March 2015.

1 Other investments are more recent. Other
2 investments are planned. For example, we have here a quote,
3 also from June 2015, from Bull Moose Industries talking
4 about aggressive growth plans. And at the very least, these
5 investments show confidence in the U.S. Heavy-Walled market.
6 Petitioners are rational business people. The new capacity
7 editions will not have been planned and will not have been
8 put into action if the industry did not believe that it
9 would be profitable to expand capacity.

10 Now, I cannot discuss the specifics of the
11 questionnaire responses that the Commission has already
12 received, but it is possible to chart some movement in U.S.
13 apparent consumption in the U.S. industry's financial
14 performance and in the import volumes. And we think a clear
15 pattern emerges.

16 If we look over at some of the highlights on
17 slide three, slide three suggests there are some -- suggests
18 a few reasons why anyone looking at this industry would find
19 that it is doing quite well. Over the last three years main
20 economic indicators suggest overall capacity, production,
21 wages increased, shipments, domestic shipments and exports
22 increased as well, productivity, profits have remained quite
23 healthy. Operating income has also gone up during this POI.
24 The confidential data which, of course, we cannot really
25 refer to in detail also showed that there is quite some

1 variation among the companies in the industry and that some
2 have done better than others which may be expected as a
3 result of increased competition.

4 But overall the aggregate data from the domestic
5 industry does not paint the picture of an industry suffering
6 material injury.

7 There is no denying that in 2015 the financial
8 performance of the U.S. industry was weaker than in the
9 first three years of the POI. And just to be clear, it's
10 not that the U.S. industry in 2015 started to lose money
11 overall, it's simply that its profits were not as strong as
12 we've seen from 2012 to 2014.

13 Prices for Heavy-Walled pipe, as we heard also
14 this morning, have been declining in the first two quarters
15 of 2015, but that appears to be a result of a combination of
16 factors that have little to do in reality with subject
17 imports. There are two main factors that affected the price
18 and the financial performance in 2015. The first factor is
19 raw material prices. They saw a precipitous drop in 2015.
20 And when raw material prices declined so sharply and so
21 quickly, inevitably there is this squeeze effect which we've
22 heard about from this morning's panel and it's reflected
23 also in the data. And second the downward trend of coil
24 prices was lengthy and deep such that demand was affected to
25 some extent and we've also heard some of this morning's

1 panel's testimony talking about buyer nervousness, the fact
2 that buyers have been holding back and as we will discuss in
3 more detail, they're holding back in the expectation that
4 prices could go lower and keeping a minimum inventory
5 necessary on hand.

6 Now, if we go to slides four and five, and
7 probably best to skip to slide five directly, slide five
8 shows the evolution of hot rolled coil prices during the
9 POI. And what we charted right next to it based on
10 questionnaire data is an index of the U.S. producer's
11 weighted average price. And what we see is that there's a
12 clear correlation as much as petitioners' counsel does not
13 like to hear this, there's a clear correlation which can be
14 expected because the U.S. industry's performance is dictated
15 by the market.

16 Indeed industry prices and operating margins
17 mirror the trend line and coil prices to a T. Rising as the
18 market rises, and declining as the market decreases.

19 Now, these factors clearly do not support
20 petitioners' argument that they are suffering material
21 injury. What we've provided on slide four are just a few
22 range of prices from one of the price series that will give
23 you an idea of how big the decline in coil prices the
24 industry has faced from a level as high as 750 in 2014 to as
25 low as 497 in April 2015. And I think we've heard this

1 morning even lower. And the U.S. industry have -- prices
2 have followed those trends. So when coil prices went up in
3 2014, we've seen price increase announcements and when
4 prices went down in 2015, there's no surprise that the
5 prices also declined.

6 So this brings us to the issue of causation.
7 Because any alleged material injury that may be suffered by
8 the domestic industry must be by reason of subject imports.
9 And petitioners, as my colleague already set the stage this
10 morning, we believe they have a causation problem.

11 As you can see on slide six, subject imports
12 followed the same trend as domestic shipments. They're
13 rising and falling with the market. The U.S. industry's
14 operating margin fell when subject imports fell. And this
15 is a fact that really bear repeating. So what we've seen on
16 slide six and in particular if you would look at the last
17 column that tracks the percent of changes from 2014 to 2015,
18 subject imports increased when demand was high and the U.S.
19 industry's operating margins were highest. But in 2015 when
20 U.S. producers claimed to have suffered material injury,
21 subject imports actually decreased. Clearly subject imports
22 are not affecting the U.S. industry's profitability. To the
23 extent the U.S. industry is suffering material injury, the
24 causal connection is elsewhere. Their market conditions,
25 they are raw-material fluctuations and possibly non-subject

1 imports. What we see in the last column on slide six is
2 that in 2015 at the time of falling demand and falling
3 prices, non-subject imports increased 20 percent. And our
4 theory is that they took market share both from domestic
5 producers and from non-subject imports.

6 As mentioned initially, this phenomenon, the
7 market weakness in 2015 is a temporary phenomenon. As noted
8 on slide seven, prices have started to rebound. And we have
9 four examples of price increases that we've seen this year.

10

11 For example, domestic flat-rolled mills announced
12 price increases in April 2015, another price increase
13 announced by U.S. Steel in July. And very closely almost in
14 tandem, Maruichi American Corporation announced price
15 increases for heavy-rolled rectangular effective May 15.
16 Atlas Tube, Bull Moose Tube and other announced price
17 increases taking effect June 15, 2015.

18 So it may take time, but it's important to note
19 that the U.S. producers are well positioned to take
20 advantage of favorable demand conditions as this -- and
21 demand conditions are more than favorable for a recovery
22 from this downward cycle.

23 If we go to slide eight, a few words about
24 conditions of competition and what they may mean for the
25 Commission's injury analysis. So on slide eight, as we

1 discussed, the primary determinant of demand for Heavy-
2 Walled pipe is the non-residential construction which in
3 turn is tied to the macro-economic performance of the U.S.
4 economy.

5 And what we have charted here is -- we summarized
6 here is that the National Association of Business Economists
7 in their recent issue on the economic outlook their
8 consensus of economic outlook forecasts that for 2015 and
9 2016 GDP is expected to grow. For the remainder of 2015 the
10 National Association for Business Economics forecasts an
11 acceleration in growth of 3 percent and in 2016 of 2.9
12 percent.

13 But maybe more telling is the index information
14 that we have provided at slide nine. It illustrates the
15 consensus of market experts in the construction sector. And
16 it is where to see recently how all these indices are
17 showing -- are giving positive signals. They're all showing
18 growth. U.S. census data as of June 2015 shows growth of 12
19 percent compared to the same month last year. The
20 architecture building index is over a grade of 50 and 50
21 normally indicates growth. And importantly they indicate
22 growth in all U.S. regions. The same for Dodge
23 nonresidential construction contracts and for the Dodge
24 momentum index, both of which are up.

25 In other words, there is no reason to believe

1 that the positive demand conditions that the heavy-rolled
2 industry is fortunate to be looking at will be reversed.

3 I will turn now to my colleague John Gurley for a
4 few comments on threat.

5 Thank you very much.

6 MR. GURLEY: Good morning, again. As you hear in
7 every case, the Commission has the right to decumulate for
8 purposes of threat. And they look at three or four basic
9 issues to decide if a country should be decumulated. The
10 Commission has traditionally looked at factors such as
11 whether imports are increasing at similar rate in the same
12 markets, or the imports have similar margins of
13 underselling, and the probability that imports will enter
14 the United States at prices that would have depressing or
15 suppressing effect on domestic prices.

16 Let's look first at the level of imports. If you
17 could go back to slide six, please.

18 If you'll focus your attention on the right-hand
19 side, you'll see the percent changes for 2012 to 2014. You
20 saw all the subject countries did increase. But they
21 increased at much different levels. Mexico was at 22.9,
22 South Korea was at 48 percent, and Turkey was at 83.2.
23 Let's fast forward to the first half of 2015 and see what
24 happened when things started going a little bit south for
25 the domestic industry in their words.

1 Mexican imports declined over 36 percent. South
2 Korea's imports actually increased. And Turkish imports
3 declined 6 percent.

4 So, if we ask the question, did the -- were
5 imports increasing at similar rates, the data speaks for
6 itself, they do not. So a key indicia for decumulating has
7 been met.

8 Now, if you could turn to slide 11. Actually,
9 make that ten. I apologize.

10 We cannot look at the -- we can't really discuss
11 the import questionnaire data, but we do know that Mexican
12 prices in 2014 were higher than corresponding Turkey and
13 Korean prices. If we look at slide 11 you'll see the
14 January and June through the period starting 2013 the
15 Mexican prices were higher. And this is not surprising
16 given the evidence you heard today from Mr. Rivero. The
17 Mexicans tend to sell in truckloads and have shorter lead
18 times. The other countries ship by ocean freight and have
19 longer lead times.

20 There was a question raised today about the
21 impact of the Light-Walled orders on Mexico, Korea, and
22 Turkey. As Mr. Rivero explained today, Mexico is not
23 subject to any trade restraints on Heavy-Walled product
24 unlike the other subject countries.

25 The Commission also knows that there is an

1 antidumping case out there against Light-Walled product. In
2 their petition they made a big point that producers must
3 have shifted their production to Heavy-Walled in order to
4 avoid the sanctions against Light-Walled. Well, let's look
5 at slide 12, please.

6 Slide 12 shows the antidumping rates against the
7 Mexican companies today. The rate against Maquilacero is 0
8 percent, the rate against Regiopysta is 1.45 percent,
9 everybody else in Mexico was subject to a rate of 3.7 and 4
10 percent. I think the Commission can see that these are not
11 exactly onus rates that would keep the Mexicans out of the
12 U.S. market.

13 Thank you very much.

14 MR. GURLEY: Let's look at slide thirteen. Far
15 from being a barrier, the data show that imports of
16 Light-Walled rectangular pipe and tube have actually
17 increased since 2012. They go from 64,000 net tons in 2012
18 to over 95,000 in 2014. So these numbers are higher than
19 the imports of Heavy-Walled. Again, rather than being a
20 barrier, the Mexicans are doing what they do best, which is
21 make Light-Walled rectangular pipe and tube.

22 Let's look finally at Exhibit 15. You can look
23 at the import prices for Light-Walled and Heavy-Walled
24 product. You'll see that in every year the price, the
25 import price, for Light-Walled is higher than it is for

1 Heavy-Walled. It continues, even when prices declined in
2 2015. The price differential is ten dollars to
3 seventy-three dollars for 2002 to 2014.

4 I'm no economist, but I think most astute
5 business people operate on the premise that higher prices
6 are better, right? So the Mexicans are currently obtaining
7 higher prices for Light-Walled product. Why in the world
8 would they divert production of a product for which they can
9 sell at 5-10% higher to compete for Heavy-Walled sales which
10 command lower prices?

11 In summary, for purposes of threat, I think you
12 can see the Mexicans have a very distinct case.
13 Geographically, the three subject countries at issue are in
14 the Pacific, the Mediterranean and the American border.
15 They operate in different ways. The Mexicans have the
16 advantage of being next to the American border. Mexico is
17 the single country which has profited most from the
18 Light-Walled orders. They basically have unfettered access
19 to the U.S. Light-Walled market.

20 Lastly, Mexico has a large home market for
21 subject merchandise as well as Light-Walled rectangular pipe
22 and tube. Cautionary data will show that a large majority
23 of their production is sold in Mexico. Some of the major
24 Mexican companies don't even sell to America.

25 Again, the U.S., for such a great and attractive

1 market for Heavy-Walled pipe, why have several major Mexican
2 companies refused to export here? They don't need to. The
3 Mexican market is their clear focus. That concludes our
4 presentation and we look forward to any questions you might
5 have.

6 STATEMENT OF MATTHEW M. NOLAN

7 MR. NOLAN: Okay, I'm here for the
8 Mediterraneans. Good afternoon ladies and gentleman of the
9 Commission Staff. My name is Matt Nolan with Arent Fox. As
10 usual I represent the Turkish Steel Exporters Association
11 and its members in the Heavy-Walled rectangular pipe sector,
12 which includes Ozdemir, Boru, Profil, Sanayi, ve Ticaret and
13 that's a mouthful. I won't try to pronounce the other names
14 for you because it will take us all afternoon.

15 On behalf of the Association and Ozdemir, we
16 appreciate the opportunity to appear before you this
17 afternoon. Just as a quick aside, I always enjoy listening
18 to Mr. Schagrín when he does his presentations. They are
19 quite colorful and infused with lots of invective and things
20 and the only thing I could think of towards the end was we
21 found the best person to debate Donald Trump, and I mean
22 that with sincerity.

23 (Laughter.)

24 The Association regrets that it is unable to send
25 a representative to testify here before you today given the

1 limited time to respond, so they have asked me to respond on
2 their behalf. This case came as an unwelcomed surprise, not
3 surprisingly, to Turkish producers as you can imagine, but
4 the Association appreciates the opportunity to have its
5 views heard. The Steel Turkish Exporters

6 Association for your information is a business association
7 of all the producers and exporters in the Turkish steel
8 sector. The association supports all Turkish Steel
9 producers, so my comments today are to be understood to be
10 on behalf of all Turkish Heavy-Walled structural pipe
11 producers. The Exporter's Association's main objective is
12 to improve the potential of the Turkish steel sector, obtain
13 a globally sustainable competitive strength based on free
14 and fair trade and to act as the voice of the industry in
15 cases such as these.

16 Turkey is of course most distressed to be before
17 the Commission on yet another case with the probability,
18 actually the certainty of another case on the way since the
19 old case got filed last night. While Turkey admires and
20 respects U.S. Trade Laws, Turkey is convinced that the U.S.
21 Industry has declared "open season" on foreign steel
22 producers in order to close the U.S. Market from innately
23 fair competition.

24 The recent case decisions on OCTG and Rebar and
25 the Commerce Department and before this body, independent

1 cases on line pipe and structural pipe and the case on
2 hot-rolled only heightened Turkish Industry concerns.
3 Several recent decisions have made with reasoning which
4 Turks have some questions about. There is a consensus
5 abroad that U.S. Trade decisions are becoming more
6 politically motivated and not based necessarily on
7 principals of fair trade.

8 Indeed, the recent amendments to U.S. Law that
9 have been much ballyhooed by the U.S. Producers suggest such
10 an effort. We pray and hope that the Association is wrong
11 in this view and we respectfully request that the Commission
12 review this case subjectively as it always does and on the
13 facts because the facts do not support the Industry's
14 claims.

15 Simply, Turkey does not dump structural steel
16 product nor does it receive subsidies. Turkish producers
17 pride themselves on being fair, competitive traders and
18 world class producers. They are extremely efficient about
19 what they do and maintain competitive pricing as a result.
20 Turkey ships HWR structural pipe to over twenty countries
21 and I will give you a quick snapshot of that.

22 They are an export-oriented country. I am not
23 going to deny that and Roger I concede the point. They
24 export a lot of product. They also ship a lot of product
25 domestically, but they produce for all over the world and

1 that gives them a very different perspective than that U.S.
2 Industry. They look at managing twenty to thirty country
3 markets at a time and they're going to maintain all of those
4 markets because they want to have that flexibility to
5 maintain their production levels.

6 It's not as simple as it's us
7 versus them, it's all going to come to the U.S. That's not
8 the equation you get with turkey. In fact, shipments to the
9 United States historically have been negligible in the past.
10 I think it was less than 700 metric tons as of 2010. It's
11 only during the POI that shipments increased somewhat,
12 prompted by requests from importers and the perception that
13 market growth here was quite robust with the recovery of the
14 construction industry. But the United States is far, and
15 will always be, far from Turkey's primary market.

16 Turkish producers are fortunate to be considered
17 very efficient producers. They enjoy very favorable raw
18 material coil costs relative to U.S. producers. This is
19 both production inside Turkey for coil and imports of coil.
20 The Turkish producers make product from both imported coils
21 and by buying coil internally from Turkish producers. They
22 focus on core products for high-capacity utilization which
23 translates into higher or better pricing, more competitive
24 pricing.

25 Having said this, Turkey does have to contend

1 with greater shipping distances to markets like the United
2 States, which means imports are limited to made-to-order,
3 larger, single shipments types of tonnages with longer lead
4 times. Pricing may be CIF or FOB with Turkey but in either
5 case the customer must pay for the shipment of material from
6 the U.S. port of entry in advance, either a letter of credit
7 or cash. It's a little different model for them and that
8 allows them to be more competitive on pricing.

9 Finally, Turkish producers do not make the entire
10 range of sizes that U.S. Producers are capable of making.
11 With the focus on of course the more commodity sizes which
12 they can sell under the trading markets, so they don't
13 compete across the entire spectrum that the petitioners do.

14
15 I have some slides that I'm going to refer to
16 now. Slide two, I only put up there as a picture of some
17 structural rectangular. You can see it. Just for point of
18 order, if the Commission is going to look at any export
19 statistics coming out of Turkey, there is a slight
20 difference in the definition for the HDS code and I put that
21 down there for your information so you know that it exists.

22
23 My colleagues, let me go back. My colleagues
24 have already outlined for you an innate weakness in the U.S.
25 Industry's Material Injury Case. In short, there isn't an

1 indication of material injury and there is no causal
2 connection between import volumes and alleged injury. The
3 petitioners have talked to you this morning about how
4 imports from Korea, Turkey and Mexico have flooded the
5 market and are responsible for the current issues facing the
6 U.S. Industry.

7 I believe they said there was a correlation
8 between all of the industry's problems and imports. We
9 acknowledge that Turkish exports did increase from 2012 to
10 2014 and there was a rate of growth there but it's modest
11 when compared to total import levels, but it's hardly a
12 flood given the level of non-subject imports, especially
13 coming from Canada.

14 By the way, let's get back to that for a second
15 because the U.S. mills have indicated quite plainly that
16 they maintain production facilities in Canada and they
17 freely move product across the border both ways when it
18 suits them. I don't know exactly how that should impact the
19 Commission's analysis other than the market that we are
20 talking about is either bigger than just the U.S. or that
21 those Canadian mills are easily used as a surrogate for
22 production rather than U.S. mills.

23 If you didn't have the Canadian mills, would you
24 have a higher capacity of utilization rate in the U.S.?
25 Maybe, maybe not but there certainly is the ability to shift

1 production when you have mills on both sides of the North
2 American border. So think about why all this material from
3 Canada has been coming in relative to U.S. production. If
4 you look at the import numbers in slide three, Canada has
5 consistently increased every single year during the POI and
6 that has accelerated. Why is that material coming in,
7 unless it is substituting for U.S. production?

8 By the way, the U.S. owns those mills. I would
9 urge the Commission to examine that carefully. Turkish
10 imports, while having increased during the 2012-2014 also
11 showed significant declines during the January to June 2015
12 period. So it would suggest to me that there isn't a good
13 correlation between issues that the US industry has faced
14 and what's coming in from Turkey because when they started
15 having some issues with profits going down, Turkish imports
16 were going down. There is a correlation there and that is
17 there is no correlation between Turkish imports and the U.S.
18 industry's issues.

19 I also would acknowledge, I ask the Commission to
20 examine the concept, the underselling analysis with respect
21 to Turkey because it is a distinctly mixed bag and the
22 questionnaire responses and the level of underselling is
23 relatively modest.

24 A lot of it can be accounted for with the idea
25 that when Turkey ships to the United States when it hits the

1 port of Galveston or the Port of Philadelphia, that's the
2 delivered price for Turkey. They don't take it inland.
3 They don't deliver it to the customer's premises. So that
4 extra freight cost has to be added onto it and that more
5 than accounts for a lot of the underselling that allegedly
6 has occurred.

7 Now my colleagues have already provided data to
8 the Commission regarding the health of the industry. I'm
9 not going to belabor that too much other than to highlight a
10 couple of things. Obviously we have discussed that U.S.
11 Capacity sales and shipments all increased during the
12 2012-2014 period when subject and non-subject imports were
13 all increasing, and I say
14 subject and non-subject. You have got to remember, Canada
15 is the big dog in this.

16 Gross operating profit, operating income, net
17 income; all healthy for this industry particularly when you
18 think about it relative to the last time we went through
19 this case in 1986. Had to go through the archives to find
20 this old Commission report, but the analysis there suggested
21 an industry that was a lot weaker than it is right now and
22 the Commission voted negative.

23 Having said that, almost all of the reported
24 weakness that the U.S. industry is experiencing now occurred
25 in the most recent period, January to June 2015. Why? My

1 colleagues for the Mexican industry have already discussed
2 it to some extent, but it bears repeating. Number one, coil
3 prices drop precipitously. Starting in October of 2014 and
4 going into the middle of 2015. We've already shown you that
5 chart. I've recopied it on my slides, on slide four so you
6 can see that.

7 So we've got a huge slide in coil prices which is
8 the single biggest component for structural pipe. When that
9 declines, the price is necessarily going to decline because
10 it accounts for so much of the value of the product. But
11 there are a couple of other things that you have to bear in
12 mind as we go along with this because while coil prices did
13 decline and while that was the reason why U.S. prices
14 declined during 2015, the spread between the coil price and
15 the U.S. price actually increased a little bit in terms of
16 there was more distance between them. So what's going on
17 here?

18 Number one, U.S. distributors, when faced with a
19 market that is dropping rapidly for the main raw material
20 are not going to buy a lot of pipe for their inventory.
21 They are going to sit on it and wait until it hits the
22 bottom and then they are going to buy. This is not a case
23 of U.S. producers or distributors gorging themselves on
24 imports and then getting too fat and not being able to sell.
25

1 What this is a case of is U.S. distributors
2 seeing that the market is in a freefall for coils and saying
3 I'm going to wait until this drops down because I might get
4 a better price tomorrow than I'm going to get today. So
5 let's wait until it bottoms out. Well, guess what? The
6 market has bottomed out and it's starting to go back up
7 again with the recent price increases so we're going to see
8 distributors buying a lot of material from the U.S.
9 industry.

10 The other part that this affects the U.S.
11 industry is quite easy, through macroeconomics. When you
12 buy and put material into inventory, using an average
13 cost-basis, an average cost inventory, that is what the
14 producers said this morning. When prices start to go down,
15 you have a high-priced raw material inventory or finished
16 goods inventory on your hands while prices are declining.
17 It's harder to move that. It also squeezes your profit
18 margins during the period when that is going on.

19 Naturally, for some period of time when you're
20 working off that high-priced inventory or high-cost
21 inventory, your profit margins will be squeezed. The
22 opposite is also true. When the market bottoms out and
23 prices and material start going up, you have a relatively
24 low-priced inventory and you are going to make more money so
25 we would expect that trend to occur here. Finally, they

1 note things like demand was soft and yes indeed I would say
2 demand was soft in 2015 during that first six months.
3 There's a lot of press articles saying that the first half
4 of the year, construction demand was off. A lot of large
5 projects got put on hold. The Bakken, we all know about the
6 Bakken.

7 We know of the collapse in the energy tubular
8 business is largely attributable to the loss, because of
9 energy prices collapsing, which means fewer projects,
10 construction projects in that whole sector which means there
11 is going to be softness in demand that is offset by
12 non-residential construction increases but it's not a
13 perfect match and so that's been a factor that has softened
14 demand, nothing to do with imports. It has to do with
15 innate, domestic demand consumption patterns in the U.S.

16 One other item on hot coil prices. If you look
17 at page five, the impact of relative coil prices is even
18 greater when you consider the cost in various markets around
19 the world. The U.S., I took a snapshot just from the last
20 week on hot-rolled coil prices. The U.S. pays the highest
21 of any country in the world for hot-rolled coil.

22 It's a high cost environment and I can appreciate
23 that isn't the most pleasant thing for a producer of
24 structural steel to have to deal with because if you were
25 Turkey and you were buying it, you'd be paying a hundred

1 bucks less a ton for it. If you were Chinese, and I don't
2 even want to get into the Chinese, that is a whole other
3 thing that we all have an issue with right now, you'd be
4 paying even less than that.

5 But the fundamental point is the competitive
6 pricing is a function of lower raw material cost, not a
7 function of predatory activity on the part of the Turks. So
8 we have this situation on our hands where the entire injury
9 case to me seems to boil down to what happened in the last
10 six months.

11 It certainly looks like the correlation between
12 imports and what's going on with the industry doesn't appear
13 very strong because you have declining imports from most of
14 the producers except for Korea and except for Canada but you
15 have also the issue of the U.S. having issues with its
16 pricing and it's basically due to the dynamics of the
17 domestic market. I don't know how else to explain this
18 other than it's a simple, fundamental economics. It may be
19 simple but it's true.

20 So, we have Canada increasing. We have U.S.
21 mills with plants in Canada. We suggest to you that there
22 are other factors at work that are causing the U.S. Industry
23 to either shift production into Canadian product aware from
24 U.S. Mills, which I can't explain why they are doing it but
25 they certainly seem to be doing it and that has a lot more

1 to do with what's going on in the industry than what's
2 coming in from Turkey.

3 Canada has a far greater influence on U.S.
4 producers than subject imports did. As for threat, we see
5 some diversion trends as Mr. Gurley has already pointed out.
6 Korea did not follow the trend to reduce import volumes in
7 2015 as did Turkey, as did Mexico and was far more
8 aggressive in its pricing tactics if you look at the
9 confidential data on the record. That is a distinguishing
10 factor.

11 In fact, I would say at least one Turkish
12 producer has informed me that they are going to exit the
13 U.S. Market. They are not going to ship here anymore going
14 forward if they don't see, with the Koreans around that it's
15 worth doing it. Maybe that's one of the reasons why Mr.
16 Schagrin is professing more issues with the Koreans.

17 But for Turkey, I just want to say a few final
18 words and that is the Turkish market is a lot more
19 diversified if you go to page seven on the slides, you will
20 see a rough breakdown of how Turkey ships product to other
21 countries. The United Kingdom accounts for about a third of
22 Turkish export material. The U.S. even after all the
23 increase is only accounted for twenty-two percent and that
24 number is going down.

25 Other markets in Europe, twenty-four percent,

1 Middle East eight percent and again, you know, this is also
2 taking into account that European economies are still soft
3 and they are still shipping this much tonnage into those
4 markets. Those markets will improve over time, not get
5 worse. You will see, also in slide eight, interesting slide
6 that shows a change in sales of Turkish Heavy-Walled by
7 market. You will see the domestic market and the U.S.
8 Market is the one that's dropping the most currently and we
9 expect that trend to continue.

10 As for domestic capacity utilization on slide
11 nine, the Turkish producers have maintained a relatively
12 high capacity utilization rate I would say for this
13 industry. Characteristically, in the seventies is a pretty
14 good capacity utilization for a structural pipe producer and
15 they have maintained that throughout the period.

16 I think it's also easy to say or relatively
17 simple for us to say that the Turkish construction sector
18 has been strong in Turkey and is improving and it's going to
19 absorb a lot of production going forward. I would point to
20 you in particular the pipeline project on page twelve which
21 is going to take some product offline, which is going to be
22 moved over for a pipeline project.

23 The new Amberban Transformation Law in Turkey
24 which is requiring that all buildings be reset for
25 earthquake strength and that project is now going on and is

1 going to use a great deal of building material including
2 capacity in Turkey and of course we always like to talk
3 about the new Istanbul Airport, which is a huge undertaking
4 and is going to use a lot of structural steel in building
5 that place.

6 Finally, the phosphorous bridges and other
7 bridges on pages fifteen and sixteen of the slides which are
8 either in process or about to commence, all of which use
9 heavy-weld structural rectangular steel. Thank you.

10 MR. NOLAN: We would like to take any questions.

11 MS. HAINES: Thank you very much. We will start
12 staff questions with Carolyn Carlson.

13 MS. CARLSON: Good afternoon. Thank you all for
14 being here today and traveling all the way from Mexico. We
15 very much appreciate it. So thank you for being here and
16 traveling all the way from Mexico. We appreciate it.

17 I also want to start again with a couple of
18 production related questions. So this production in your
19 country, whether it's Mexico or if counsel wants to comment
20 on any of the other subject countries. Does it follow the
21 same production standards and processes as the production of
22 the subject heavy-walled rectangular tubes in the United
23 States? And to your knowledge how about other producers in
24 your country?

25 MR. RIVERO-EDNET-EDNET: Well, Ms. Carlson, in

1 the case of Mexico, we are really oriented to produce a
2 mostly light-wall products. So, even our domestic steel
3 market demands a few quantities of heavy-walled product. If
4 you saw these numbers I have sent you last week. We really
5 produce a very small quantity of the total production of my
6 company.

7 I am talking about the -- no more than 2.60% of
8 the total capacity that we have installed at Regiopysta the
9 pizza, no? And so we serve mainly the Mexican market in
10 this case. And we export more or less 20% of our total
11 quantity of the whole production of the company. But even
12 very short quantities so for heavy-walled rectangular
13 product. Is less than, I think, the total production, less
14 than one percent.

15 MS. CARLSON: Okay. So in that small percentage
16 of the heavy-walled product that you produced, is any of
17 that the round heavy-walled product? Or is it all square
18 rectangular?

19 MR. RIVERO-EDNET: No, is basically the -- for
20 the square and rectangular tubing. The figures I gave you.

21 MS. CARLSON: Okay, thank you. So can you
22 describe the market in general for the heavy-walled
23 rectangular tubular products in your country? Is it
24 significantly different from the U.S. market, and what about
25 end uses? Is that different from the end uses that we see

1 here in the United States?

2 MR. RIVERO-EDNET: Could you repeat that again,
3 please?

4 MS. CARLSON: Sure. So I'm wondering if you
5 could describe a little bit about the market in your country
6 for heavy-walled rectangular tubes. And is it very
7 different from the U.S. market? So, for example, what about
8 end uses? Is that different? Do you see end uses that are
9 different than we see here in the United States?

10 MR. RIVERO-EDNET: Okay. No, I've seen that the
11 end users in the States basically are for -- for main
12 products like trailers, like light buildings, like the
13 warehouses, for farms, for ranch, for that kind of
14 appliances. That's -- in Mexico, the people -- our market
15 is oriented basically to distributor people. We have 14
16 distributors in our Mexican Republic, and they sa-- sell
17 basically the light-walled product. They asking us a little
18 bit of heavy-walled product. And this is for same purposes,
19 is for make light constructions and very light warehouses
20 and those kind of products, basically, no?

21 JOHN GURLEY: This is John Gurley, if I can just
22 add a couple of things. It came out today in his testimony
23 which I think is something important for the commissioner to
24 understand, is that a lot of the Mexicans are not selling to
25 ASTM A500, and there was a very pointed discussion among

1 petitioners today about everything is spongeable because
2 everything must meet ASTM A500. And the reality is, in
3 Mexico they don't -- they really don't use that standard.
4 They use ASTM A513, and the product that rigs you a pizza is
5 seen in the United States, as well as some of the other
6 Mexican companies, is ASTM513. So they talked about the
7 tensile strength and how important it is for big buildings
8 to have ASTM A500. This is an area where many of the
9 Mexican companies simply do not compete.

10 MS. CARLSON: Yes, that follows into my next
11 question about interchangeability. Will you say that is the
12 main instance where -- where any product that you export
13 into the United States is not interchangeable with the
14 subject product? Are there any other examples?

15 MR. RIVERO-EDNET: Well, this is more or less the
16 same thing that John helped me to answer this question.
17 That in Mexico where the market is oriented basically to --
18 to -- to the ASTM A515 norm of this commodity. And in some
19 cases, the norm ASTM A500B, we don't produce that norm in
20 our plans for any purposes. We only are making the standard
21 product with ASTM A515. This answer your question?

22 MS. CARLSON: Yes. Mr. Nolan, is there a -- what
23 about the Turkish market? Do they produce any other grades
24 or any other standards that would not be interchangeable?

25 MR. NOLAN: I will have to go back and address

1 that in the post conference. I think they make the product
2 to the U.S. -- to make U.S. specs, because they couldn't
3 sell to the U.S. otherwise. I'm sure they use European
4 specification in Turkey 'cause everything I know about
5 Turkey is all European spec on their material. But I'll --
6 we can address that in post conference.

7 MS. CARLSON: Okay, thank you. So have there
8 been any recent developments regarding technology I asked
9 this earlier today that can produce the heavy-walled
10 product? Or any other changes in the industries, such as
11 consolidations or changes of ownership that might affect the
12 industry at all?

13 MR. RIVERO-EDNET: In the -- In the -- Basically,
14 in the most of the cases, we are sending over certain
15 material to, in Mexico, to the over long-term contract basis
16 with a -- with our customers. But then the -- the -- the
17 specification for the States are basically the same. We
18 just send the standard product for ASTM A515. We don't send
19 nothing A500. In our case.

20 MS. CARLSON: Okay, thank you. Do you compete
21 with U.S. producers in your domestic market at all?

22 MR. RIVERO-EDNET: Pardon me?

23 MS. CARLSON: Do you compete with U.S. producers
24 in your domestic market in this product?

25 (Interpreter repeating the question.)

1 MR. RIVERO-EDNET: Oh yes. We're basically the
2 same market, in the same segment or sector. The Mexican
3 market producer or competitors. You know, you said, no?

4 (Interpreter clarifying the question.)

5 MR. RIVERO-EDNET: Oh yes.

6 MS. CARLSON: And would you agree that subject
7 imports on the whole into the U.S. market are present
8 throughout the United States? This just talks about various
9 regions where, you know, it's been spreading through
10 different entries, ports. Would you say that it's
11 throughout the United States? That's all.

12 MR. RIVERO-EDNET: (speaking with interpreter)

13 INTERPRETER: I'm sorry. Could you ask one more
14 time?

15 MS. CARLSON: Would you agree that subject
16 imports on a whole from all the different countries in
17 the domestic U.S. market are present throughout all the
18 different regions within the United States? Or is it
19 more -- would it be more concentrated in one region?

20 MR. RIVERO-EDNET: (speaking to interpreter)

21 INTERPRETER: I guess he wants -- Maybe he can
22 tell what his experience where pizza sells their product.
23 The United States, what are your primary markets in the
24 United States?

25 MR. RIVERO-EDNET: Okay. Sorry. Well, my main

1 markets in the States is concentrated basically in the south
2 side of Texas or the country. Oklahoma something. And
3 basically are for people who are distributor of our products
4 through -- for trailers, (Spanish word remolques), and
5 warehouses, for ranch, for farms. It's oriented basically
6 to that market in the -- in all the cases that we have in
7 the States -- the customers. I have visited my customers,
8 and all of them have some small warehouses and they
9 distribute to the -- basically to the ranch and to the kind
10 of planes, you no? In the country. We have some customers
11 that take material from perhaps Houston, some customers in
12 Dallas, some customers in San Antonio, but basically it's
13 the same thing, no? We -- we don't get more far away from
14 this area. Because we are -- we are very fast, you know,
15 with service. We are like a sheep. We have a model
16 inventory. We have 14,000 tons in our warehouse. And some
17 customers ask me some items, and I send him the items in two
18 days. I think that this competes so much with the even the
19 producers in the States, no? But we are very close. We are
20 partners in that way, no?

21 MS. CARLSON: Okay. So to what degree are your
22 country's producers, who are also exporting and selling this
23 product in the United States, competing with other subject
24 country imports?

25 MR. RIVERO-EDNET: With other -- no. No, I don't

1 compete with other -- just for our competitors in Mexico who
2 are sending the same product I sent to the States.

3 MS. CARLSON: Okay. So what is the role of
4 currency and how does that affect your business in the
5 United States at all?

6 MR. RIVERO-EDNET: Currency?

7 MS. CARLSON: Yes. Whether Mexico or any of the
8 other countries?

9 MR. RIVERO-EDNET: The currency you mean how
10 often I make the business...

11 INTERPRETER: Exchange rate.

12 MR. RIVERO-EDNET: Ah, the exchange rate? Is now
13 is in Mexico is positive for economy, no, for the country.
14 But the exchange rate is good for us right now, for
15 exporting material. Is this your question?

16 MS. CARLSON: Yes.

17 MR. RIVERO-EDNET: Ok, yes. That's why the
18 prices are a little -- comes down, because we have profits
19 with the exchange rate in the same units of sales? I sells
20 metric dollars, but I return with dollars in our Mexico's,
21 the business is down against the dollar, no?

22 MS. CARLSON: Okay, thank you. And if any of the
23 other counsel wants to address that in your post conference,
24 please feel free to do so. And also in the post conference
25 brief, or, you know now, if you could estimate the total

1 production of the subject product in the subject countries
2 or in any of the countries that you know of, to the best of
3 your knowledge, that would be very helpful.

4 MR. GURLEY: We can provide that.

5 MR. NOLAN: Same for Turkey.

6 MS. CARLSON: And I asked this earlier, to the
7 best of your knowledge, if there are any other antidumping
8 or countervailing duty orders in third country markets that
9 weren't mentioned, if you wanted to address those in your
10 post conference briefs, that would be very helpful as well.

11 MR. GURLEY: We will.

12 MS. CARLSON: And I have no further questions.
13 Thank you.

14 MS. HAINES: Turn to Karl Von Schrilztz.

15 MR. VON SCHRILTZ: Thank you, and thank you to
16 all of you on the respondent's panel for coming and
17 answering our questions. I appreciate it.

18 My first question, I heard Mr. Ednet, you
19 testified this morning that your company and most Mexican
20 producers produce heavy-walled rectangular pipe to a
21 different ASTM standard. ASTM A513, I believe I heard.
22 Whereas the domestic, the U.S. producers produce the pipe to
23 ASTM A500, which is a stricter standard, that's suitable for
24 demanding construction applications. What I'm wondering,
25 can ASTM A513 be used in the same applications as ASTM A500?

1 If they're not as sensitive? In other words, if their
2 applications -- are there other applications other than
3 sensitive construction applications where the two can be
4 used interchangeably?

5 MR. RIVERO-EDNET: Yeah -- No. They are two
6 different products. The product ASTM A500 is an upgrade
7 product if you compare with the ASTM A513. Because it is
8 the mechanical properties, the tensile strength, the
9 elongation, the drill point, are higher. In that case, the
10 A500 is using for strong buildings, for other purposes.
11 Mechanical purposes, of course, but with more operate
12 mechanical properties. You can forge two products, no? Is
13 different. Is a little bit high chemistry, high mechanic
14 and properties in general the 500. And we don't produce
15 that. We just produce the commercial quality.

16 MR. VON SCHRILTZ: So to follow up, I thank you
17 for that answer. To follow up, so what is -- what are --
18 what are the uses for ASTM A513 imported from Mexico? What
19 are the end use applications for that pipe?

20 MR. RIVERO-EDNET: Basically, it is used for
21 making light structures that doesn't charge nothing in the
22 ceiling, things that are light buildings like warehouses in
23 the ranch, in the farms, and for making remolques how do you
24 say remolques trailers for horses, for different -- for
25 fencing, for put some doors, put some kind of appliances,

1 no? It's different from the other product.

2 MR. GURLEY: This is John Gurley. This morning,
3 Mr. Schagrín mentioned that perhaps this building was used
4 as subject merchandise in it, and I think it's -- the only
5 thing they can tell me is that their -- what they sell would
6 not be used to make a big building.

7 MR. RIVERO-EDNET-EDNET: That's right, that's
8 right.

9 MR. VON SCHRILTZ: Thank you. So it's your
10 understanding, Mr. Ednet, that domestically produced Heavy-
11 Wall rectangular pipe would not be used in these
12 applications that you just listed, that the U.S. produced
13 product would not be used in the light buildings or in the
14 towing trailers for horses or indoors or in products like
15 that? The U.S.-produced product wouldn't be used in those
16 applications?

17 MR. RIVERO-EDNET-EDNET: The U.S. product people?

18 MR. VON SCHRILTZ: Right.

19 MR. RIVERO-EDNET-EDNET: Well, I don't know what
20 market they are marketing their products. But I think they
21 are into the products of other people. Perhaps the same
22 distributor, but the distributor takes the product for other
23 appliances in the building. If you have the -- that who are
24 going to be some specific characteristics, like an engineer
25 I have to select that preferred piece, and I prefer that.

1 This is expensive, this is cheaper. It depends whether I'm
2 going to produce or to elaborate them.

3 MR. VON SCHRILTZ: Thank you.

4 MR. RIVERO-EDNET-EDNET: You're welcome.

5 MR. VON SCHRILTZ: Now more generally, and I
6 think this is sort of getting at some of the questions that
7 my colleague just asked, I heard a lot of testimony from
8 your panel about discretionary accumulation. I think you
9 argued that the Commission should not cumulate subject
10 imports for purposes of this threat analysis for various
11 reasons that you've given.

12 What about for purposes of material injury? What
13 about reasonable overlap of competition? Either here or in
14 your post-conference briefs please address whether there's a
15 reasonable overlap of competition between subject imports
16 from each subject country and the domestic like product, for
17 purposes of the Commission's material injury analysis?

18 MR. GURLEY: We'll put that in our brief of
19 course, but I think you got a bit of foreshadowing, talking
20 about just the difference in the grades and also the fact
21 that the Mexican industry, a lot of the Mexican industry is
22 oriented toward Light-Walled products, and they don't have
23 -- they don't make all the gauges that are sold in the
24 United States. So there's limitations and certainly there's
25 attenuated competition.

1 MR. VON SCHRILTZ: Thank you. Next I'd like to
2 ask about relative prices between your home market in Mexico
3 and the Turkish producers' home market, and third country
4 export markets, because I understand that the Turkish
5 producers export a lot, to 20 or 30 different markets.

6 How do prices -- well first, with respect to
7 Mexico, how do your home market prices compare to prices in
8 the United States?

9 MR. RIVERO-EDNET-EDNET: We're in the home market
10 in certain level, and I have export (microphone noise) I
11 don't sell the material. But always I always try to be up
12 with the domestic prices when I export material.

13 MR. VON SCHRILTZ: So you look for -- you export
14 materials where you can get better prices in the U.S. than
15 in Mexico?

16 MR. RIVERO-EDNET-EDNET: Yes.

17 MR. VON SCHRILTZ: And what about the Turkish
18 producers? How do prices in the U.S. compare to prices in
19 the --

20 MR. GURLEY: If I could just interject. I think
21 what he said, he's a trained dumping guy. So Regiopysta is
22 a Respondent in the Light-Walled rectangular pipe and tube
23 cases. So he's been trained by Roger and a series of other
24 Petitioners' lawyers, to know that when you sell to the
25 United States, it should be just a smidge higher than your

1 home market price.

2 MR. VON SCHRILTZ: Thank you for that.

3 MR. NOLAN: I would say the Turks are pretty
4 savvy about U.S. dumping laws. But a couple of points.
5 One, I think the U.S. price levels are somewhat higher than
6 in Turkey, both because of transportation. I mean they make
7 it; it comes out of the mill and goes right to a
8 construction project in Turkey, and freight rates inside of
9 Turkey are not anything like they are here. It's a lot
10 cheaper to move merchandise in Turkey to projects.

11 The second thing is the market in the U.S. has
12 been a little bit higher. I mean the price levels here have
13 always been a bit higher. I would say probably United
14 Kingdom prices are probably more comparable. But still U.S.
15 is probably slightly higher than the UK prices.

16 MR. VON SCHRILTZ: So would you say the U.S.
17 prices are generally higher than prices in the third country
18 markets for the Turkish markets?

19 MR. NOLAN: I would say yes, generally especially
20 during the POI, generally a bit higher in the U.S. I would
21 also say that Turkey is very keen on maintaining its market
22 share in its other main markets, in Europe and the United
23 Kingdom. It doesn't want somebody quote-unquote poaching on
24 their territory.

25 So that they maintain those markets because they

1 realize long term they need to maintain diversification.
2 They have no interest in losing that 30 plus percentage
3 points they keep in the UK.

4 MR. VON SCHRILTZ: Thank you. Here's a question
5 for Mr. Ednet. I was reading an article this past weekend,
6 that the Mexican economy is slowing, that the growth of the
7 Mexican economy has slowed. As you mentioned earlier, the
8 peso is weakening relative to the dollar. What has the
9 impact of the slowing Mexican economy been on demand for
10 heavy-walled rectangular pipe in Mexico?

11 MR. RIVERO-EDNET-EDNET: It's not impact really,
12 because we have certain customers that use on a normal basis
13 the quantities of Heavy-Walled product. That is not so --
14 for many company it's not so a product that I sell or
15 affecting me, affect me so much because the economy's a
16 little down.

17 For me, the -- it's okay, but for my market in
18 Mexico, I think is more stable and in other cases, for
19 instance for construction basically, and the government has
20 problems for continuing with the life, building for people,
21 for poor people, and they are demanding us this product too
22 much.

23 In south of the country, in the Gulf of Mexico,
24 near Vera Cruz, some of them kind of states, they are very
25 active with these problems.

1 MR. VON SCHRILTZ: Thank you. I have no further
2 questions at this time.

3 MS. HAINES: Next would be Amelia Preece.

4 MS. PREECE: Thank you. Thank you again. I
5 wanted to thank you for the quick work and hard work that
6 the people that have been working on these questionnaires
7 have done. It's been very helpful to me that they've done
8 such a good job. I see from what people you've been saying
9 that imports, not particularly from Mexico but from Turkey
10 and Korea, may be sold not delivered but FOB.

11 And frequently, if that is the case, people do
12 not estimate delivered cost. So I would want you to make
13 sure that to the extent you can, people are aware that they
14 should have provided a delivered price, and also we heard
15 clearly from the U.S. producers that delivered was the way
16 they thought, the best way to get price.

17 But I would like to have you as well weigh in on
18 whether or not a delivered price or an FOB price is best,
19 and which way that might buy us the data in your opinion, in
20 your circumstance.

21 MR. NOLAN: For the Turks, I mean it is clear. I
22 know that at least some of the producers that responded to
23 the questionnaires sell on an FOB basis. That's just the
24 way they do it. They just don't want to deal with delivery,
25 right.

1 Actually, it's a competitive disadvantage,
2 because the U.S. traders, when they come in, they have to
3 arrange shipping. They have to get the ship, they've got to
4 go pick it up. The Turks basically put it on the dock and
5 say here it is, come get it and you've got to pick it up
6 within two weeks, right.

7 Others do sell CIFs. So there's going to be a
8 little bit of a mish-mash there. All of the Turks, we could
9 probably get delivered prices to the dock in Houston or to
10 the dock in Philly or something like that. But once it gets
11 there, the Turks say we're done with it at that point,
12 right? We don't take it any further.

13 If you're selling to a distributor, the
14 distributor is then responsible for taking over that
15 merchandise, getting it to its stock yard or delivering it
16 to whatever end customer it has. So I can't tell you if
17 somebody buying it in Houston is going to take it up to
18 Wyoming or not, right.

19 We don't know that. The Turks won't know that.
20 They only know they sold it to a trader down in Houston. I
21 will say that when you're trying to compare pricing, at the
22 end of the day here, the price to that end customer is going
23 to be significantly higher if it's going to Wyoming from
24 Houston, because you've got to get it there.

25 So there are going to be a little bit of issues.

1 This affects the underselling analysis to me more than
2 anything else. You've got to look and see if somebody's
3 claiming there's underselling going on in a specific sale.
4 Well where is the end -- where is that sale going?

5 Because if the Turkish price is quoted, it's the
6 price getting off the ship in Houston. But if the delivered
7 price has actually got to go five or six hundred miles
8 north, then the actual price is different. There's a
9 limited -- we have a limited ability to compensate for you
10 with that, but we'll try.

11 MS. PREECE: For the Mexicans, the price is
12 usually delivered?

13 MR. RIVERO-EDNET-EDNET: Ms. Preece, would you
14 please repeat me the question?

15 MS. PREECE: Sorry. The Mexican importers
16 typically deliver to the distributors that they sell to.
17 They do not leave it at a dock or at the border or someplace
18 else. They deliver to the customer?

19 MR. RIVERO-EDNET-EDNET: Yeah. We sell our
20 material, place in Laredo, Texas, in the warehouses of our
21 customers. Sometimes if we have customer in San Antonio,
22 Houston or Dallas, we charge on our price list the freight
23 to that place. Depends. Most of the customers buys in
24 Laredo, Texas, and we are importer. We are the importer of
25 record. But we place the material there and after the

1 customer take material and takes it to his place.

2 But we have it in both cases. In other cases, we
3 can place the material and therefore we do Dallas, San
4 Antonio, Houston. That is more or less where we place the
5 material, and we charge the freight in the list, the price
6 list.

7 MS. PREECE: Thank you. I would like the lawyers
8 to address this in their briefs, to the extent that they're
9 able to, how this delivery affects the price, and I think
10 this is an important issue. So I would appreciate it if
11 they would.

12 Mr. Ednet, you say the Mexican product is to a
13 different specification than the U.S. product. We had the
14 U.S. producers give us an estimate of how much was used in
15 construction and how much was used in other products. Would
16 you say, given that -- would you be able to give me an
17 estimate of how much of the Mexican product is used in
18 construction and how much is used in other products please?
19 Thank you.

20 MR. GURLEY: Yeah. We will provide that in our
21 brief.

22 MS. PREECE: That's great, thank you. Is there
23 any difference for the other countries which how the product
24 is used, if it's more likely to be used in construction
25 versus other uses?

1 MR. NOLAN: Excuse me, this is Matt Nolan. I can
2 only speak for Turkey. I think it's predominantly
3 construction, but I'll ask the question and we'll respond in
4 the post-conference.

5 MS. PREECE: Give me an estimate, you know. Ask
6 them to give an estimate, because that's just helpful to
7 have that kind of information.

8 MR. NOLAN: Will do.

9 MS. PREECE: Thank you. There was some
10 discussion of commodities. I think the Turks were supposed
11 to be bringing in commodity product. Is that what you were
12 saying?

13 MR. NOLAN: Well, I mean I would say that -- I
14 mean I think the Petitioners would say most of this is a
15 commodity product. It trades on the basis of price. I
16 would say Turkey would be focusing its attention on the
17 more, what I would say the more mundane common sizes of
18 prices. Either there's two inch or the size is two inch,
19 four inch.

20 They're not going to run 20 inch structural,
21 right? They're not going to run unusual shapes or large,
22 super-large shapes or things. They're going to be more in
23 the mid-section of the market, the trade section of the
24 market. The only distinction I want to make there is that
25 there is sort of pieces to this market, you know.

1 We're kind of dancing -- we're not dancing.
2 We're sort of touching on it a little bit here, and I'm not
3 going to say I'm an expert on this. I need to go back to
4 the Turkish producers and talk to them a little bit more
5 about this. But my sense is Turkey has a more limited range
6 with which they trade with the U.S.

7 They're going to do more popular sizes, that sort
8 of thing. They're not going to get into the more esoteric,
9 because part of it's the production pattern. When Turkey
10 takes an order, it takes an order for 1,500 to 2,000 metric,
11 you know, a large order, because it's going to put it on a
12 ship and move it over here, and it's not going to do -- it's
13 not going to take small pieces out of inventory.

14 It's going to get a production run from a U.S.
15 order, fill that order, put it on a ship and move it here.
16 That's the way they do business. So it will be something
17 that is a defined range of sizes that they can deal with in
18 their production, to put on a single ship to send over to
19 the United States. They're not going to run a full range.
20 They're not going to do odd sizes and things when they do
21 that.

22 MS. PREECE: I'm sorry, I can't keep track of
23 people very well, but somebody was telling me that 75
24 percent capacity utilization was pretty much the normal, or
25 the good, or something like that. And I'd like some kind of

1 explanation of--

2 MR. NOLAN: Yeah, that was me.

3 MS. PREECE: You?

4 MR. NOLAN: Yes.

5 MS. PREECE: Wonderful. Well tell me, why is 75
6 percent such a happy number?

7 MR. NOLAN: Well, I mean everybody would love to
8 be 100 percent, obviously, but in this industry--and I think
9 you can look back to the older cases to see a sense of what
10 capacity utilization numbers are like in the industry as a
11 general proposition. They tend to be more in the 60, 70, up
12 to 80 percent range.

13 There's also a lot of down time in this industry
14 because if you look at the Turkish questionnaire responses,
15 they do have other things that they make, right? And so
16 they're switching material out. They're switching
17 production runs out. And so it's not like you're running,
18 you know, I hate to use this example because Roger will call
19 me on it, but like a pipe mill. At a pipe mill you're
20 running pipe, and it's the same pipe, boom, boom, boom.
21 This stuff you may be switching things out to do more
22 different things with it. And so that down time affects
23 your capacity utilization rates.

24 It is also a relatively--in my mind, a relatively
25 simple product, so you're not having to have the same

1 capacity utilization numbers to get your profit margins that
2 you're looking for.

3 MS. PREECE: Is that also true for the Mexicans?

4 MR. RIVERO-EDNET: I think it's the same, modeling
5 the same thing in the Mexican market. So if--

6 MR. GURLEY: We have capacity utilization figures
7 that we're going to put in the--in our legal brief, which
8 are going to be a compilation not just of the experience of
9 Regiopysta but the whole Mexican industry, which I think
10 will be very instructive.

11 MS. PREECE: Okay, and if you can develop that in
12 any way, that would be really helpful. Because it's always
13 useful to know when, you know, somebody says it's 75 percent
14 capacity utilization, well is that low? Is that high? Is
15 that reasonable? That's very helpful.

16 Does anybody want to tell me more about the price
17 of steel? I think you did talk about this, and I did ask
18 the U.S. producers. Is there any way--anything you want to
19 explain more about how the price of steel has affected this
20 market?

21 MR. NOLAN: Well while you're talking, obviously
22 the single most important component of structural
23 rectangular Heavy-Walled pipe is hot weld coil that goes
24 into it. That is the majority of the cost.

25 And if you look at the raw material costs that

1 the producers put in--you know, I'm not going to get into
2 specifics, but it's pretty clear where the baseline number
3 is coming from.

4 So it obviously is going to be very sensitive to
5 changes in the price of that hot-rolled coil. I have more
6 experience, for example, in the rebar industry. And when
7 steel prices or scrap prices go down, you can just track
8 rebar prices with what's going on in scrap in Turkey. It's
9 almost a perfect correlation.

10 You get a similar type of correlation here
11 because it's such an important component. And the
12 distributors, the traders, the buyers know this. They
13 absolutely know it without a shadow of a doubt.

14 So if they see coil prices going up, they're
15 going to want to buy it so they get it before it goes up,
16 because they've got a lower priced inventory and they can
17 charge higher prices out of their inventory.

18 The opposite of that is when coil prices start to
19 go down, and particularly if they go down rapidly, the
20 traders are going to sit on the sidelines and say I'm going
21 to sit with my hands like this until I think the coil prices
22 have dropped enough that I'm going to get the better deal.
23 Because then I can go off and sell that material in the
24 market and get the best profit for it.

25 And to me that's pretty simply what has been

1 going on here for the last six months. It's really easy to
2 see coil prices have really taken a nosedive, and the coil
3 producers have taken it on the chin as a result. But the
4 impact of that is, it's like a domino effect in the
5 downstream industries that are using that coil. They all
6 have to get affected by it. On a positive side, they pay a
7 lower cost for coils. On the negative side, as long as it
8 is in that downward trend people who know that the product
9 is based at that principle Roget thrill are going to want to
10 wait. It is simple demand patterns for the buyers. They
11 know it is going to happen, so they are going to wait.

12 MR. GURLEY: This is John Gurley. I'll just add a
13 couple of things. We did provide at slide five in our
14 presentation charts that show the correlation between
15 hot-rolled coil and the finished product. And also I think
16 Ms. Quaia pointed out that there were already signs that
17 hot-roll coil prices are starting to move in the other
18 direction. So this six-month phenomenon which was the basis
19 for this petition I think is going to be a short-lived one.

20 And then we considered that there was a hot-roll
21 coil case filed today, right? So those typically don't
22 serve to drive down hot-roll coil prices. They tend to give
23 a little goose to the market. So I think you will see
24 hot-rolled coil prices going up pretty quickly.

25 MS. QUAIA: And just to follow up, what we have

1 provided at slide five, those are index values. But for the
2 post-conference brief we will have the actual data price
3 series, at least one or two data price series we can
4 provide, as well as articles from various industry
5 publications that essentially echo what Matt Nolan was
6 saying: the attitudes of buyers in the market and their
7 statements and their words that they're waiting. They're
8 buying at the minimum possible today because they're waiting
9 for prices to go down further, and they do not want to be
10 stuck with a lot of high-priced inventory.

11 And on the other hand, we will provide also
12 copies of announcements that show price increases both at
13 the hot roll producer level and pipe producer level.

14 MS. PREECE: Thank you. I have no more questions
15 at this time.

16 MS. HAINES: We'll move to Gerry Houck.

17 MR. HOUCK: Gerry Houck from the Office of
18 Industries. Thank you for your presentations.

19 Mr. Rivero, you don't mean to imply, do you, that
20 the fact that your company does not produce A500 means that
21 none of the Mexican producers does?

22 MR. RIVERO-EDNET: Well, as far as I know, one of
23 our customers produce A500, but I don't know the quantities
24 and the marketing in Mexico, or even in the export. I don't
25 know the numbers. It's just one people that are producing

1 this product.

2 MR. HOUCK: There's one Mexican producer producing
3 A500? Is that what you're saying?

4 MR. RIVERO-EDNET: Yes, that's what I'm saying,
5 yeah.

6 MR. HOUCK: Okay, now, Mr. Rivero, the
7 distributors to whom you are selling your product, are they
8 also distributing A500?

9 MR. RIVERO-EDNET: No, not really. All my
10 distributors use the commercial norm A500-15.

11 MR. HOUCK: So they're not buying from domestic
12 producers?

13 MR. RIVERO-EDNET: No. I, I, I don't know, but my
14 Pos are always with the specification of the product -- ,
15 and they put me always A500-15. And I don't have--I have
16 had some requests from people in Houston that I oriented
17 through the petroleum and other things, but we don't take
18 that market, no. Really, our vocation is to sell material
19 to commercial market because we're -- is working very well.
20 We have 14 mills, and they are running, and running
21 production for Mexico and even for the States, and with the
22 standard norm. We don't take new products or new
23 development of the materials.

24 MR. HOUCK: Well the direction I'm going is to try
25 to determine whether your experience is the same as the

1 experience of the other Mexican producers. You'll have to
2 excuse me, Mr. Gurley, I guess I should have looked before I
3 came down here to see whether the three clients whom you're
4 representing are the entire Mexican industry, or whether we
5 have other importers also. But are you implying that we
6 should determine that all the Mexican product is not A500?

7 MR. GURLEY: No, not at all. I mean, the
8 questionnaire data is the questionnaire data. And--

9 MR. HOUCK: Well the questionnaire data doesn't
10 ask for A500. It asks for everything.

11 MR. GURLEY: No, understood. But what the
12 questionnaire data does show, it shows you people who had
13 sales in the United States of ASTM A-500. And I think
14 you'll see that most of the Mexicans don't sell that product
15 in the United States. Of course some do.

16 MR. HOUCK: That's on pricing products. But on
17 the total shipments, there's no limitations.

18 MR. GURLEY: Understood. So we'll actually--
19 you've heard from him today that they don't ship to America
20 that--

21 MR. HOUCK: His Company.

22 MR. GURLEY: Yes. And we'll provide data. We'll
23 find out for every company and we'll give you a listing of
24 who does and who does not. And if they do, we will try to
25 be able to show you exactly how much.

1 MR. HOUCK: Okay. That would be very helpful.

2 I have no further questions.

3 MS. HAINES: Thank you. We'll switch to Craig
4 Thomsen.

5 MR. THOMSEN: Thank you again to the panel that
6 showed up this afternoon, and thank you to my colleagues who
7 have preempted my questions as well. So I will turn it back
8 to you, Ms. Haines.

9 MS. HAINES: I have no question. I found it very
10 helpful. Thank you.

11 Madam Secretary, what are the times for closing
12 statements?

13 MS. BELLAMY: Ten minutes only.

14 MS. HAINES: Okay. Okay?

15 (Pause.)

16 Are you ready to do your closing statement now?

17 Or do you need a few minutes?

18 MR. SCHAGRIN: I'm ready.

19 MS. HAINES: Okay.

20 CLOSING REMARKS OF ROGER SCHAGRIN

21 MR. SCHAGRIN: Thank you, Ms. Haines, members of
22 the Commission staff, I am Roger Schagrin on behalf of
23 Petitioners.

24 The discussion by the Mexican and Turkish
25 producers and representatives today was a little bit like

1 deja vu all over again for me because they made virtually
2 the identical arguments in the light-wall rectangular cases.

3 The Mexicans said we don't compete with China,
4 Korea, Turkey. And at this stage of the proceeding the
5 Commission doesn't have purchaser responses. Light-wall
6 rectangular like heavy-wall rectangular made by the same
7 mills is sold basically to distributors.

8 When you got purchaser responses from
9 distributors, one of the reasons this Commission cumulated
10 the imports from those four countries, and many of these
11 distributors are nationwide distributors. They may have
12 some regional subsidiaries, but they have the same national
13 owner.

14 I think you found in that case there was an
15 overlap of competition. You will find in this case there's
16 an overlap of competition. A vast majority, probably 85
17 percent for the domestic industry, maybe more for some of
18 the subject imports, goes through distributors.

19 I think you're going to find when we get to
20 purchaser responses in the final investigation that you're
21 going to find the major U.S. distributors are buying imports
22 from multiple subject countries and the domestic industry.
23 That's why we need cumulation.

24 You also heard in that case the Mexicans say,
25 gee, our pricing isn't, you know, similar. Well you look at

1 the trend. They gave it to you on a chart. They gave you
2 the imports from these three subject countries, and they
3 gave you imports from Italy and Canada.

4 You might ask yourself. There was this big
5 increase in imports from Italy. They're more than 3
6 percent. Why weren't they sued? Well, we asked that to our
7 clients. We said, what's up with these imports from Italy?
8 You know, their AUVs are like \$1200 a ton. The subject
9 countries are between \$700 and \$800.

10 They said, we don't even see Italian product. It
11 could be galvanized for solar. I don't know what it is, but
12 our clients were not seeing it. And they probably weren't
13 seeing it because our clients don't get \$1200 a ton. So the
14 fact that the Italian prices were so much higher than the
15 subject probably meant they might have been in a different
16 niche. And we still don't have an answer to that. Maybe
17 we'll find out in the final.

18 Canadian prices, which were not in their charts,
19 are consistently higher than the prices from these three
20 subject countries, which you find are moving in tandem. So
21 that's the first thing.

22 Terms of cumulation, I think you'll see there's
23 every reason to cumulate for current injury as well.

24 In terms of these countries shifting from LWR,
25 you heard the representatives of the Mexicans say, look, we

1 are selling a lot of LWR but they didn't tell you how much
2 they were selling before the cases were brought. We'll give
3 you that data in our post-conference brief.

4 As I remember it, it was in the range of about
5 150,000 tons before we filed that petition. So it did go
6 down a lot. That's one of the reasons you continued the
7 Order in the recent Sunset review. And they say, look, our
8 prices for LWR are higher than HWR. That's why we want to
9 sell that.

10 I would argue, because I am a trade lawyer, I
11 want to teach people not to dump; that they are subject to
12 the pricing discipline of being subject to the dumping
13 orders on LWR, which are on HWR.

14 In terms of them selling different products, I
15 asked my clients, I believe that Arent Fox is representing
16 Regiopysta. I'm very glad Mr. Ednet was here. I love
17 representatives of foreign producers. And Maquilacero and I
18 thought they were representing a third producer. I don't
19 have it down. Oh, Perfiles.

20 Well my clients tell me that Prolampsa and
21 Procarsa, who are not represented by Arent Fox, are selling
22 truckloads of A500 every day coming across the border.

23 So I don't think Regiopysta, obviously you will
24 have the data from questionnaires. I haven't looked at any
25 Mexican questionnaires yet. If I had, it might color my

1 view since I'm sworn under oath here. I can just tell you
2 that between Friday and today I had a bunch of cases we're
3 involved with were filed, as well as questionnaire responses
4 in cold-rolled. I didn't have a chance to look at them.

5 Of course we love all our clients. I've known
6 Jim Seering's dad, may he rest in peace, since 1982. I've
7 been working for all these clients. You know, a trade
8 lawyer, any lawyer is with their clients like a father is
9 with their children. You love all of them, whether they're
10 giant publicly traded companies like Steel Dynamics, or
11 small family owned companies, you love them all. I want
12 them to stay in business. I don't want them to have to shut
13 down their plants.

14 What did you hear from Respondents? You heard,
15 oh, how could you find injury? These people have always
16 been profitable. Hey, that's just not an argument against
17 injury. I recognize that the Congress just changed the
18 statute on Injury and said profitability is not a bar to a
19 finding of Injury.

20 So the key is the trend. Between 2012 and 2014,
21 we had an increase in demand. We have a recovery in the
22 nonresidential construction market. We also had an almost
23 50 percent increase in subject imports.

24 What happened to the profitability of the
25 domestic industry? It should have been increasing. That's

1 what economics tell us. That's what the statute tells us
2 when we look at injury in the context of the business cycle,
3 which was improving.

4 Instead, profits were declining. And in fact you
5 will see in both 2014 and 2015 that a large number of
6 producers in the industry are actually losing money. And as
7 we said, a condition of competition is when you match up the
8 producers who are losing money with where they're located,
9 you'll see the members of this industry who are located on
10 the Coasts are the ones that are losing the money. And
11 that's because of imports.

12 There is no other reason. There's nothing
13 special about construction in California, construction in
14 Texas. In fact, I would say it's the Coastal areas that are
15 growing faster than the inland areas in terms of
16 construction spending, but these are the people doing badly
17 because they're facing the imports.

18 In terms of correlation, look, there is a lag
19 effect. It's not just because steel prices were falling
20 this year. You heard witness after witness for the domestic
21 industry say we decided to cut our prices to get closer to
22 the imports. We had to fight back on volume. We didn't
23 want to lay people off.

24 So there is a lag effect. I urge you.
25 Respondents' counsel, wants to say just look at the C tables

1 and look at what's happening with imports, and look at
2 what's happening with the domestic industry. And don't
3 think. Don't use your brains. Don't think about the
4 conditions of competition. Don't think about the business
5 cycle.

6 That's not the way the statute works. We all
7 know that.

8 Finally, they talk about investments. You heard
9 from two of the three companies that made investments.
10 Those investments were planned in 2011 and 2012, not in
11 2014. So they were planned before the import surges.

12 Maruichi bought the assets of Everad's Portland
13 mill, just the assets. We understand within the industry
14 that it was bought for pennies on the dollar. It was just a
15 nonstrategic asset for the seller, and they just said we
16 want to get rid of this asset.

17 So we urge you to look at the entirety of the
18 record. You have looked at some of these industries, and
19 they are export dependent. If you look at the fact the
20 United States is the Turks' second largest market; that
21 Turkey unfortunately, one of their largest markets, the
22 Mideast, is in a lot of turmoil. That's not a good thing.
23 The Mexican economy is contracting. It's a very
24 energy-oriented economy. It is contracting.

25 The Turkish economy is not doing well. We'll

1 give you some of those GDP figures. Asia is getting
2 battered by the Chinese.

3 Finally, let me end on a not-too-pleasant note
4 but it's one of the main reasons you should make an
5 affirmative determination on this.

6 I found out on Friday that a client I represented
7 from the beginning of my career in 1982--so that is some 33
8 years ago, yes, I have spent my entire adult life practicing
9 before this Commission; I respect this Commission--well,
10 they are completely getting out of the circular weld pipe
11 business.

12 They are shutting a plant in Philadelphia, 225
13 middle-class people will lose their jobs. They're not going
14 to make fence or sprinkler pipe at either Phoenix or Harvey,
15 lay off about another 75 to 100 people.

16 They used to be the biggest producer in those
17 areas. But you can, if you go shopping here at a Home Depot
18 or at a Ferguson, you will find all the pipe there is from
19 Vietnam, Oman, and UAE. Mr. Schriltz, you worked on these
20 cases with me before the courts. I failed that part of the
21 industry. So did this Commission.

22 I don't think anyone on this Commission ever
23 admits that they failed anything. But if you make a
24 negative determination on thread and then imports double,
25 and the largest or second largest producer in the U.S.

1 industry exits the industry and hundreds of people lose
2 their jobs, we're not serving American industry well. And it
3 is my responsibility, as well as yours.

4 So a lot of people say one should never criticize
5 the Commission and the Commerce Department. It's not in my
6 nature. I would rather be like John Paul Jones and Donald
7 Trump. So I have yet begun to fight. Make an affirmative
8 determination.

9 Thank you.

10 CLOSING REMARKS OF MATTHEW M. NOLAN

11 MR. NOLAN: All right. This is Matt Nolan again
12 for the Turkish Respondents. I am going to first for a few
13 minutes and then turn it over to my colleague, Mr. Gurley,
14 on behalf of the Mexicans.

15 With respect to the Italian product, all I can
16 say is it must be Ferraris they are supplying, too, because
17 that's the only way I could understand those pricing
18 patterns, either. I looked at them and I agree with Roger
19 that it is bizarre what is going on with the Italians.

20 Mr. Schagrin just made an impassioned plea to you
21 about the need to protect American jobs, about the need to
22 think about, you know, the U.S. as being number one and
23 protecting the industry. And I sympathize with him. The
24 U.S. industry has gone through a hard time. The steel
25 industry in particular, the recession hit it hard. We've

1 all seen it.

2 If we want to have a debate on global steel
3 policy and overcapacity, we could have it, but this isn't
4 the forum for it. This is the forum for determining whether
5 a particular product is injuring, materially injuring or
6 threatening to injure a U.S. industry.

7 Your job is to look at the facts objectively and
8 to consider objectively, as the Commission always does,
9 whether the components are there to support a case.

10 Heart strings notwithstanding, that is what we
11 are here to do today. So let's stay focused on that.

12 I would also say that Mr. Schagrín mentioned--I
13 was waiting for it to come--you know, about the change in
14 the U.S. law, and about profitability not being the
15 indicator that it used to be, and you can't just make a
16 decision based on relative profitability.

17 And it is true that the U.S. industry has managed
18 thought legislation to nibble around the edges of the injury
19 standard. But fundamentally it has not changed, right? It
20 is still an indicator.

21 Is this industry doing well or not? Is this
22 industry being hurt, materially hurt, by reason of subject
23 imports? Or are there other causal connections, or a causal
24 nexus of items to be looked at that are really what's going
25 on here?

1 And so you've got to keep your eye on that. It's
2 not so simple, except when you look at the components of
3 supply and demand here. The U.S. industry fundamentally was
4 doing pretty well through the first three years of this POI.
5 It's the last six months that we're really having this
6 argument about.

7 And the last six months are clearly attributable
8 to a catastrophic drop in oil prices, which has affected
9 their ability to move higher priced inventory into the
10 market, putting a profit squeeze on them while at the same
11 time having to deal with the fact that their traders, their
12 buyers, are sitting on the sidelines waiting for the bottom
13 on pricing because they know that coil prices have done
14 down, or were doing down.

15 And so that has very little to do with import
16 penetration. It has everything to do with the fundamental
17 economics of the hot-rolled coil markets in the United
18 States and raw material impact on finished goods.

19 So I would urge you to consider that and pay
20 attention to that as the main driver here.

21 Imports. They did increase. We're not going to
22 say they didn't increase. Turkish imports did increase from
23 a very low level. You know, the numbers are the numbers.
24 We can't argue with that.

25 They did retreat in 2015, are continuing to

1 retreat as we speak. And while Turkish imports were
2 increasing, I would say nonsubjects were increasing as well.
3 And I would again point out to you that Canada is the
4 biggest producer exporter to the United States by far, by
5 far.

6 It takes everyone else combined and it's more
7 than that. So Canada is a big driver. And curiously, the
8 U.S. industry has production facilities in Canada. That
9 tells me a couple of things.

10 One, you know, Canadian production is a material
11 part of this investigation for you to consider. How does
12 that impact capacity utilization in the U.S? How does
13 product shifting affect it? Why are Canadian prices higher?
14 Why would they be higher?

15 Well perhaps because there are geographic
16 limitations on competition here. And that product from
17 Turkey is not going to go up in the Northeastern or up in
18 the Midwestern United States very much because it costs too
19 much; whereas, a Canadian mill right across the border is
20 competitive at a higher price level for that product.

21 So again, freight. Transportation factors are
22 critical here to pay attention to. I would also say there
23 are other limitations on competition. And we will get into
24 this in the post-conference brief. The Turks have a more
25 limited range they sell to. Their terms of sale are

1 different fundamentally than the U.S. They don't sell
2 delivered. They sell delivered to a port, at best, and then
3 give it to the customer or the trader who then has to ship
4 it and price it again with the freight component to the end
5 customer. That's a difference.

6 I think that affects your underselling analysis;
7 that affects your relative price analysis to some extent.

8 We heard that in various parts of the testimony
9 today that, you know, there's this huge surge of material
10 coming in, and that it's all due to imports. All the price
11 effects are all due to imports. And yet there weren't that
12 much price effects in 2012 and 2013 when imports were going
13 up.

14 I can't explain it to you other than the fact
15 that they weren't the contributing factor. The contributing
16 factor, the factor, is coil prices. And I'll leave it at
17 that to my colleague.

18 STATEMENT OF JOHN M. GURLEY

19 MR. GURLEY: Again, John Gurley for portions of
20 the Mexican industry.

21 I will just pick up on Matt's last point, that
22 when the producers were asked a question about is there
23 anything else out there that could have possibly caused
24 injury to your industry, they all basically said, no, no,
25 no, and no. Right?

1 And then five minutes later after some series of
2 questions from the Commission, they started admitting, well,
3 yes, actually the inventory, the value of the inventory has
4 made distributors somewhat reluctant to purchase the
5 product.

6 So the reality is, shortly after they said
7 there's no other reason except dastardly imports, they
8 admitted what is true out there, that hot-rolled coil prices
9 went down and it made distributors reluctant to buy product.
10 But this is of course going to be a temporary phenomenon in
11 our view, and we'll try to buttress that in our brief.

12 My last comments are going to simply be on the
13 issue. I have said it enough times, so I will just
14 summarize it very quickly. I think Mexico does have a unique
15 story. One, that it is on the U.S border and is selling in
16 particular regions.

17 Second, their level of underselling I think is
18 going to be different than the Koreans and the Turks. But
19 also on the most important once, whether the imports are
20 increasing at similar rates, you saw that the Mexicans had a
21 much different level of imports compared to the Koreans and
22 the Turks.

23 And in response to the downturn, which everybody
24 sort of admits happened in 2015, Mexican imports declined 36
25 percent. That's pretty stark. And so their threat case,

1 have we been injured these last six months and we're really
2 hurting, the Mexicans had nothing to do with that. And I
3 think the Commission should look at the Mexicans in a
4 special way here because they have behaved responsibly--not
5 to say anybody has behaved irresponsibly--but they've
6 certainly been able to react more quickly to the market
7 because they're sitting in Mexico, which is next to Texas.
8 So they can respond quickly.

9 They have a different story also because of the
10 fact that a portion of their product is being made to A513,
11 which the domestic industry didn't even seem to know about
12 today, which I found a little bit stunning.

13 Now I'm not saying there isn't ASTM-500 in the
14 market from Mexico. The questionnaire data will show it
15 is. But again, this is an attenuation argument. A big
16 chunk of many of the companies do not participate in that
17 market.

18 So with those fine words, I will leave it for
19 today. Thank you, very much.

20 MS. HAINES: Thank you very much. On behalf of
21 the Commission and the staff, I would like to thank the
22 witnesses who came here today, as well as counsel, for
23 helping us gain a better understanding of the product and
24 the conditions of competition in the Heavy-Walled
25 Rectangular Welded Carbon Steel Pipe and Tubes industry.

1 Before concluding, please let me mention a few
2 dates to keep in mind.

3 The deadline for submission of corrections to the
4 transcript and for submission of post-conference briefs is
5 Friday, August 14th. If briefs contain business proprietary
6 information, a public version is due on Monday August 17th.

7 The Commission has tentatively scheduled its vote
8 on these investigations for Thursday, September 3rd, and it
9 will report its determinations to the Secretary of the
10 Department of Commerce on Friday, September 4th.

11 The Commission's opinions will be issued on
12 Monday, September 14th.

13 Thank you all for coming. The conference is
14 adjourned.

15 (Whereupon the hearing was adjourned at 1:28
16 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Heavy Walled Rectangular Welded Carbon Steel Pipes
and Tubes from Korea, Mexico, and Turkey

INVESTIGATION NOS.: 701-TA-539 and 731-TA-1280-1282

HEARING DATE: 8-11-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

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