THE UNITED STATES

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:
CIRCULAR WELDED CARBON-QUALITY ) 701-TA-549 AND
STEEL PIPE FROM OMAN, PAKISTAN, ) 731-TA-1299, 1300, 1302,
THE UNITED ARAB EMIRATES, AND ) AND 1303
VIETNAM ) (FINAL)

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

Thursday, October 13, 2016
The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Irving A.
Williamson, Chairman, presiding.
APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Chairman Irving A. Williamson (presiding)
Vice Chairman David S. Johanson
Commissioner Dean A. Pinkert
Commissioner Meredith M. Broadbent
Commissioner Rhonda K. Schmidtlein

Staff:

Bill Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist
Tyrell Burch, Legal Documents Assistant

Jordan Harriman, Investigator
Karen Taylor, International Trade Analyst
Lauren Gamache, Economist
Mary Klir, Accountant/Auditor
Nataline Viray-Fung, Attorney/Advisor
Elizabeth Haines, Supervisory Investigator
Congressional Witness:
The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana

Opening Remarks:
Petitioners (Paul W. Jameson, Schagrin Associates)
Respondents Donald B. Cameron, Morris, Manning & Martin, LLP)
In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Schagrin Associates
Washington, DC
on behalf of
Bull Moose Tube Company
EXLTUBE
Wheatland Tube
Western Tube & Conduit
  Michael Blatz, President, Bull Moose Tube Company
  Ted Schulz, Chief Financial Officer, Bull Moose Company
  James Charmley, Executive Vice President, Bull Moose Tube
  Bill Snyder, President, EXLTUBE
  Randy Boswell, President, Wheatland Tube
  Kevin Kelly, Future President, Wheatland Tube
Roy Houseman, Legislative Representative, United Steelworkers

Roger B. Schagrin, Paul W. Jameson, Christopher T. Cloutier and Jordan C. Kahn - Of Counsel

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

Morris Manning & Martin LLP
Washington, DC

on behalf of

International Industries, Ltd. ("IIL")

Riyaz Chinoy, Chief Executive Officer, IIL

Peter Blair, Vice President, Connectors, Inc.

Jim Dougan, Vice President, Economic Consulting Services, LLC

Emma Peterson, Staff Economist, Economic Consulting Services, LLC

Julie C. Mendoza, Donald B. Cameron, R. Will Planert and Mary S. Hodgins - Of Counsel
Morris Manning & Martin LLP
Washington, DC
on behalf of
Universal Tube and Plastic Industries, Ltd.
UTP Pipe USA Corporation
Prime Metal Corporation USA
Ajmal Steel Tubes & Pipes Ind. L.L.C.
(collectively "UAE Respondents")
Mervyn D'Cunha, Financial Controller, KHK Scaffolding & Formwork
Jim Dougan, Vice President, Economic Consulting Services, LLC
Emma Peterson, Staff Economist, Economic Consulting Services, LLC
Donald B. Cameron, Julie C. Mendoza, R. Will Planert and Mary S. Hodgins - Of Counsel
Law Offices of David L. Simon
Washington, DC
on behalf of:
Al Jazeera Steel Products Co. SAOG
Alagraman Nagarajan Venkataraghavan, Chief Executive Officer, Al Jazeera Steel Products Co. SAOG
Indranil Chowdhuri, Chief of International Marketing,
Al Jazeera Steel Products Co. SAOG
David L. Simon and Ayla Simon - Of Counsel
Trade Pacific PLLC
Washington, DC

on behalf of:

Midwest Air Technologies Inc. ("MAT")
Vietnam Haiphong Hongyuan Machinery
Manufactory Co., Ltd ("Hongyuan")

Jonathan M. Freed and Jarrod M. Goldfeder - Of Counsel

Rebuttal/Closing Remarks:
Petitioners (Roger B. Schagrin, Schagrin Associates)
Respondents (Julie C. Mendoza and R. Will Planert, Morris,
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9:38 a.m.

MR. BISHOP: Will the room come to order?

CHAIRMAN WILLIAMSON: On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-549 and 731-TA-1290, 1300, 1302 and 1303, final, involving Circular Welded Carbon Quality Steel Pipe from Oman, Pakistan, United Arab Emirates and Vietnam.

The purpose of these investigations is to determine an industry in the United States is materially injured or threatened with material injury, the establishment of an industry in the United States is materially retarded by reason of imports of circular welded carbon quality steel pipe from Oman, Pakistan, the UAE and Vietnam.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that the parties are aware of the time allocations. Any questions regarding the time
allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into the microphone and state your name for the record for the benefit of the court reporter.

If you will be submitting documents that contain information you wish classified as business confidential, your request should comply with Commission Rule 201.6. Mr. Secretary, are there any preliminary matters?

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

CHAIRMAN WILLIAMSON: Okay, good. Will you call on our first Congressional witness?

MR. BISHOP: The Honorable Peter J. Visclosky, United States Representative, 1st District Indiana.

CHAIRMAN WILLIAMSON: Good morning Congressman Visclosky and welcome.

STATEMENT OF THE HONORABLE PETER J. VISCLOSKY

CONGRESSMAN VISCLOSKY: Commissioner, thank you very much for allowing me to testify again as always. So I do want to thank each one of you for your good work and for your serious consideration of the case before you. It
concerns, as was mentioned, the welded carbon quality steel pipe. I do hope as the weather turns, we end the summer of steel, that we can move forward now to the fall of their trade.

I do also would like to point out that there are seven states involved, with facilities that manufacture this product, and most importantly American citizens who work or used to work at these plants, facilities in the state of California, Missouri, Ohio, Illinois and Pennsylvania. Unfortunately, several plants have also now been idled in the states of Arizona and Iowa. The coincidence again today is seven states, and this happens to the seventh time I have been in this room this year testifying because of the importance of ensuring our laws are enforced.

I will simply conclude, and you have a copy of it on behalf of the Congressional Steel Caucus in the House, a letter prepared by Chairman Murphy and myself, and would want that entered into the record as well. And again as always, thank you very much for giving me this opportunity.

CHAIRMAN WILLIAMSON: Thank you very much, and we will of course enter that in the record. Any questions for the Congressman? No.

CONGRESSMAN VISCLOSKY: Thank you very
much.

CHAIRMAN WILLIAMSON: Thank you very much

for coming.

(Pause.)

CHAIRMAN WILLIAMSON: Okay, ready? I'm

sorry.

MR. BISHOP: We will now proceed with

opening remarks. Opening remarks on behalf of Petitioners

will be given by Paul W. Jameson, Schagrin Associates.

CHAIRMAN WILLIAMSON: Welcome, Mr. Jameson

and you may begin when you're ready.

OPENING STATEMENT OF PAUL W. JAMESON

MR. JAMESON: Good morning Chairman

Williamson and members of the Commission. For the record my

name is Paul Jameson of the firm Schagrin Associates, here

today on behalf of the Petitioners, U.S. producers of

circular welded pipe or CWP. The domestic industry has

petitioned here, last petitioned here at this Commission in

2012, with most of the same countries involved.

As in the current investigation, subject

imports in the 2012 investigation declined following the

filing of the petitions, and the four Commissioners voting

in the negative in that case found no threat that imports in

these countries would surge back into the market, but they

did. We're now here to second-guess the analysis last time,
but we would like to point out the numerous differences between these cases and the last one.

Once again, CWP imports from these countries surged into the U.S. market, but they're competing against a smaller U.S. industry. Two major CWP producers, U.S. Steel and Allied Tube and Conduit, decided to abandon the market during the POI. Part of Respondents' prehearing brief argued in effect that you should vote a negative because Allied left the market. I'm not sure why they didn't mention U.S. Steel.

When the four corners of the data of the POI in support of the affirmative determination, Respondents love to cherry-pick data from 15 years ago to argue that it shows that the U.S. industry is not being injured now. The Commission should not entertain such arguments when it has set out a Period of Investigation from the last three and half years, and Respondents have plenty of data from the industry that is much different than it is now.

In the 2012 investigation, domestic shipments had increased in each year of the POI. In this investigation, domestic shipments declined each year into the period following the filing of the petitions. In the 2012 investigation, CWP prices increased during the POI, while in this investigation CWP prices declined in each year. There are a number of causes of that price decline,
including the reduction in the cost of materials.

But as we discussed in our prehearing brief and we'll discuss today, the increasing volumes of unfairly traded subject imports remain as a significant cause. In the 2012 investigation, the U.S. CWP industry moved from showing losses at the beginning of the POI to profits at the end of the POI. Here, net loss has increased between 2013 and 2015.

The circumstances facing you now are much different from those that faced the Commission four years ago. How individual Commissioners voted back in 2012 should have no bearing on how you assess the facts of this POI. Respondents here of course have argued that they are not a cause at all of any injury experienced by the domestic industry. They are compelled to argue in such absolute terms because they know that if the Commission finds any causation by subject imports above a trivial amount, the Commission must vote in the affirmative.

We anticipated a number of the Respondents' arguments in our prehearing brief, and will discuss them further in our post-hearing brief. Unfortunately, the public version of the prehearing report bracketed a lot of information that is normally public. So we are constrained in addressing the Respondents' arguments here today.

We will do the best we can to address those
arguments today and within the confines of the administrative protective order. Suffice it to say here that yes, changes in raw material cost have an impact on prices, but this one factor does not alone all the injury. Yes, there are substantial amounts of subject imports and the non-subject imports in the market, but again this factor does not explain all of the injury. The market is not bifurcated into a lower quality market that is the exclusive domain of subject imports and everything else.

The very substantial margins of underselling did have a depressive effect on domestic prices. The domestic industry's operating margins only improved when the subject imports began to the leave the market, thereby demonstrating the negative impact when they were surging into the market. The record in short supports an affirmative determination of material injury by reason of subject imports, and we ask the Commission to make such a determination.

CHAIRMAN WILLIAMSON: Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be given by Donald B. Cameron, Morris, Manning and Martin.

CHAIRMAN WILLIAMSON: Welcome Mr. Cameron, and you may begin when you're ready.
MR. CAMERON: Mr. Chairman, members of the Commission, good to see you again. In 2011, Petitioners filed a case virtually identical to this one against small suppliers that were not already covered by AD/CVD orders. The Commission determined in that case that imports from India, Oman, UAE and Vietnam did not injure or threaten the domestic industry with injury.

The salient features of that case were first, none of the domestic imports, none of the non-subject -- first, that non-subject imports dwarfed subject imports, still the case. Second, despite claims of massive underselling and increased subject imports, Petitioners could not identify one single sale lost to subject imports, or one instance of lost revenue where they had to cut prices to meet an offer of subject product.

Petitioners claimed that the mere fact that subject imports had increased their market share was in and of itself indicative of lost sales by the domestic industry. The Commission properly rejected that theory. The new cases against essentially the same suppliers is no stronger. These imports are neither causing nor threatening to cause injury.

We don't claim that the situation today is identical, but there are striking similarities. First, third country non-subject imports continue to be far more
significant in the market than subject imports. Many of the non-subject suppliers such as Korea and Canada have a much stronger reputation in the market. Most of the decline in domestic industry market share is due to the increased market share of non-subject imports.

Non-subject imports undersold domestic producers more frequently than subject imports, and subject imports still have a relatively small presence in the U.S. market. These volumes have been declining since April of 2015, not since after the petition. Since April of 2015, six months before this petition was filed. Petitioners would have this Commission believe that any increase in market share by subject imports is by definition volume that the industry lost to subject imports. That wasn't correct in 2012 and it's not correct today.

Petitioners still have difficulty identifying any sales lost to subject imports. An important reason for that is the relatively insignificant role the subject imports play in this market. What we have discovered in the previous case is that lost sales were not being lost to subject imports, but primarily to non-subject imports and even to other domestic producers. This is not uncommon.

With respect to price effects, the data do not support the conclusion that imports have depressed or
suppressed domestic prices. Price declines are attributable
to declines in raw material costs, not to competition from
subject imports. Nevertheless, domestic industry net sales
AUVs declined by less than the unit raw material cost. As a
result, the domestic industry's metal margin increased over
the period, as its sales ratio declined over the period.

There is underselling, just as there was in
2012. But there's a significant condition of competition in
this market that the Commission has long recognized, and
that is that there's a premium for domestic material in the
market. This proposition was fully supported by witnesses
on the Petitioners' panel in the 2012 case, and the record
in this case substantiates that proposition.

Purchasers reported that they are willing
to pay 18 percent more on average for domestic CWP than for
imports from subject imports. In addition, two other
factors having nothing to do with subject imports should
also be looked at carefully. First, the downturn in the
OCTG market as a result of the decline in oil and gas demand
has led to a reduction in production and sales of OCTG.

This has led in turn to higher factory
costs as additional factory overhead and SGA expenses are
allocated to circular pipe from OCTG. Secondly, the
Commission should examine very closely the financial data of
this industry. There are anomalies in the data that need to
be examined as discussed at length in our brief. Finally, a variance analysis using the methodology normally applied by the Commission shows that U.S. producers' profitability did not decline because of any reduced market share or volume, or because of lower prices.

Domestic industry profitability instead has improved, driven by declining raw material costs. Therefore, the improvement in the industry's profitability in 2016 has nothing to do with the filing of this case. We appreciate your time, and we look forward to discussing this with you. Thank you very much.

CHAIRMAN WILLIAMSON: Thank you.

MR. BISHOP: Would the panel in support of the imposition of anti-dumping and countervailing duty orders please come forward and be seated?

(Pause.)

CHAIRMAN WILLIAMSON: Mr. Schagrin, you can begin when you're ready.

MR. SCHAGRIN: Thank you Chairman Williamson. For the record, my name is Roger Schagrin of Schagrin Associates, counsel for Petitioners, and this is another case where I think the record speaks for itself, but of course we'll discuss all the issues with you today. We are fortunate to have as witnesses for the domestic industry
what the staff report details are the three largest U.S.
producers of CWP, as well as a representative of the union
that represents the vast majority of workers in the
industry. With that, I'd like to turn things over to our
first executive witness, Randy Boswell, the president of
Wheatland tube.

STATEMENT OF RANDY BOSWELL

MR. BOSWELL: Good morning Chairman Williamson and members of the Commission. My name is Randy Boswell. I serve as president of Wheatland Tube, a division of Zekelman Industries. I have been in the pipe and tube industry for 27 years. I am joined today by Kevin Kelly, incoming president of Wheatland Tube.

Zekelman Industries' predecessor, JMC Steel, was founded by John Maneely in the 1850's and began producing pipe in the 1900's in Wheatland, Pennsylvania. JMC purchased other CWP producers, including the Sawhill Tube Division of AK Steel and Sharon Tube Company. So we were major consolidators of the CWP industry. We are also the largest producer of CWP in the United States.

Early in 2016, reflecting its ownership by the Zekelman family, JMC Steel changed its name to Zekelman Industries. At present, we produce CWP in Wheatland and Sharon, Pennsylvania, Warren, Ohio and Chicago, Illinois. The story of our mill in Sharon, Pennsylvania demonstrates
injury caused by the subject imports.

In late 2008, because of the major recession, we idled the Sharon plant. In 2011, demand strengthened and after the preliminary injury determination by the ITC in the original cases against UAE, Oman and Vietnam, we reopened the plant and recalled the workforce. The Sharon plant specialized in making product below two inches in diameter. Operating this plant made our Wheatland, Pennsylvania plant more productive since it was better suited to producing the larger sizes, from two to four inches rather than the small diameters.

The Commission can see in your staff report the massive import surge from UAE, Oman and Vietnam that followed the previous negative finding on threat of material injury. In addition to the surge imports from these countries, imports have also increased significantly from Pakistan. As a result, in spite of ever-strengthening market demand conditions, we sent out warning notices to over 100 workers in this plant in June of 2015, and idled the plant in September 2015.

This time, we did not restart the plant after the Commerce prelims, but will instead wait until after you vote -- your vote to decide on restarting our plant. Restarting an idling plant is extremely expensive and is very disruptive to workers' life. We saw demand for
standard pipe improving in 2014, as the economy continued to
recover from the recession and construction and other
industries continued to pick up.

But Wheatland was unable to take advantage
of that increase in demand because imports surged into the
market at prices that we could not compete with. Demand
continued to improve in 2015, but at first we were again not
able to take advantage of it because of the continued
presence of unfairly traded imports at prices well below our
prices. Our losses increased.

Our mills in Wheatland and Sharon,
Pennsylvania do not produce LCTG or line pipe, and they were
not affected by the decline in the oil and gas market in
2015. But they were affected by competition from imports.
Only when imports began to decline in the latter part of
2015 and into 2016 did we begin to see a change in our
fortunes. Our raw material prices fell and because of less
competition from unfairly-traded imports, we could reduce
our prices less than our costs fell. We finally started
seeing a profit.

We are concerned that this trend is
temporary, and that if the Commission votes in the negative
we will once again see unfairly traded imports surge into
our market. Our mills in Warren, Ohio and Chicago, Illinois
are ERW mills. Our mills in Wheatland, Pennsylvania and
Sharon Pennsylvania are continuous weld mills. It is not
cost effective to operative CW continuous weld mills at low
capacity utilization rates, because it is a hot process and
you have to keep the furnaces hot whether you're operating
the plant or not.

In 2013, we extended our labor agreement
with the USW. Shortly afterwards, we announced almost 50
million in investments in the Wheatland, Pennsylvania plant.
The biggest portion of these investments was to reduce
material handling expenses and improve efficiencies in
throughput and our galvanizing operations. As you are aware
from the staff visit to our Wheatland plant, those
investments were finished in 2016, and we are seeing big
productivity improvements in our galvanizing and finishing
operations.

Wheatland Tube is committed to our CWP
business for the long term. However, given our losses, that
commitment will certainly be challenged. After considerable
consolidation in this industry, the number two domestic
suppliers, Allied Tube, exited the market in 2015, as it
could no longer absorb the losses. We are now entering a
phase of risk, where the landscape could be bereft of
domestic production and yet another industry disappears due
to unfairly traded imports.

With construction continuing to increase,
we believe we can grow this business and rehire laid off
workers if fair trade is restored. On behalf of our
employees, we ask that you make an affirmative injury
determination. Thank you.

MR. SCHAGRIN: Thank you, Randy. Our next
industry witness is Michael Blatz, the president of Bull
Moose Tube.

STATEMENT OF MICHAEL BLATZ

MR. BLATZ: Good morning Chairman Williamson and members of the Commission. For the record,
my name is Michael Blatz, and I serve as president of Bull
Moose Tube. I've been in this position for nearly three
years. I am accompanied today by Ted Schultz and Jim
Charmley. As one of the largest producers of heavy walled
rectangular pipe in the U.S., I want to thank you on behalf
of our employees for your affirmative vote in that case a
few months ago.

As you may recall, I am a graduate of the
U.S. Military Academy at West Point, and then received both
an MS in Mechanical Engineering and my MBA from MIT after I
left military service. I spent a number of years in
different industries before I was recruited to run Bull
Moose Tube. Bull Moose makes circular welded pipe in plants
located in Ohio, Arizona, Missouri, Illinois and Georgia.

Our circular welded pipe business is
focused on fire suppression sprinkler pipe. This is made to
an A-135 specification and is tested in line instead of
hydrostatically tested. It also has lighter walls than
A-53. However, sprinkler pipe installers will use imported
A-53 instead of domestic A-135 when it is cheaper per foot
and that is the case with the subject imports.

The market for fire suppression sprinkler
pipe has been expanding over the last several years because
non-residential construction spending has been rebounding
since the end of the Great Recession. It appears that more
homes for the formation of new family units are apartments
or condominiums. These multi-story buildings require
sprinkler systems unlike single family homes.

In addition, there has been big growth in
construction of distribution centers by companies like
Amazon, Walmart and others and these all require sprinkler
systems. In mid-2015, after trying unsuccessfully for a
year to sell their sprinkler and fence business, Allied shut
these businesses, abruptly closing two mills and laying off
300 workers.

We eventually bought some of these assets,
but have not yet installed the equipment at our plants. We
are waiting for your decision in these cases. We want to
hire new workers, expand our production and grow our
business. We had to reduce our prices of CWP significantly
in 2015 in order to stay competitive with imports. The imposition of preliminary dumping duties very much helped our business.

We have seen a big drop in import pressure from Pakistan, Oman and UAE in particular, who have been big volume exporters of the type of pipe that compete with our business. All we ask for is for fair trade through the imposition of remedial duties. On behalf of our more than 500 employees at Bull Moose Tube, we ask that you make an affirmative injury determination as to circular welded from Oman, Pakistan, UAE and Vietnam. Thank you.

MR. SCHAGRIN: Thank you, Michael. Our next witness is Bill Snyder, the president of EXLTUBE.

STATEMENT OF BILL SNYDER

MR. SNYDER: Good morning Chairman Williamson and members of the Commission. My name is Bill Snyder, and I am the president of Steel Ventures LLC, d/b/a EXLTUBE. I have been in the industry for 30 years and assumed my position in January of this year. We are located in North Kansas City, Missouri, and we have only the one plant. We make ASTM A-53 pipe ranging from two to six inch diameters. This is one of our two most important products, the other being heavy walled rectangular, or as we call it HSS.

I want to thank you for your recent
affirmative decisions in those cases. It has really helped our business and our workers. Being right in the center of the country, we can market CWP nationwide. However, imports of A-53 seemed to own the coast. In the last year or two, imports from these subject countries have been arriving at such low prices that the entire country, including the Midwest, which used to enjoy some protection due to freight cost, is seeing these imports.

In 2016, because imports were becoming less of a presence in the market, we were able to restore price reductions, which improved our material gross margin. As a result, we returned to profitability on A-53 in the first half of 2016. Still prices have been very volatile, so we need relief against these unfairly traded products if we're going to be able to maintain any profits. I may also note that distributors like Ferguson and MRC never say the quality of the imported pipe is lower than our pipe, or that they have long lead times before they actually get the imported pipe.

They just say this is the price for the imported pipe. You need to lower your price if you're going to get any of the business. They, of course, don't let us keep a copy of the offer sheet, but we can see the country of origin on the sheet, so we know when we're competing against the imports that are subject, that are the subject
of these cases or from another country.

I understand that in all your steel cases, the Respondents argue that the driver of price is raw materials. I won't sit here and tell you that my steel costs don't impact my pipe price. But these economists and lawyers don't sit across the table from pipe distributors like Ferguson and MRC. Sure, they know about steel prices, but they have an offer sheet from a mill in one of those countries under investigation on their desk, and if it's $100 below our delivered price, then I either lower my price or cut my production.

It's supply and demand for A-53, and direct competition between the imported and domestic that sets the price. Period, end of story. During 2015, steel prices fell constantly, as you know from the hot-rolled cases, and unfortunately A-53 pipe prices fell even faster, and that is why we went from profits to losses in our pipe business in 2015. The reason why our A-53 pipe prices fell faster than our cost is because we had to compete against these very low-priced imports from the countries we are here about today.

EXLTUBE has invested heavily in our pipe business over the last seven years, including some new welding technologies and also expanding our product capability size up to eight inch. We want to continue to
reinvest in this business. EXLTUBE is a great company with
great quality, good management and a great workforce and an
advantageous location. I am honored that the owners
entrusted me with the responsibility of managing the
company.

We were hammered by the subject imports
that were taking about a quarter of the market. They put
every pipe company at risk. That is why I'm here to ask on
behalf of our employees for an affirmative decision. Thank
you.

MR. SCHAGRIN: Thank you Bill, and our next
witness is Roy Houseman, a legislative assistant for the
USW. Mr. Houseman

STATEMENT OF ROY HOUSEMAN

MR. HOUSEMAN: Good morning. Good morning
Chairman Williamson and members of the Commission. For the
record, my name is Roy Houseman and I'm a legislative
representative for the United Steel, Paper and Forestry,
Rubber, Manufacturing, Energy, Allied Industrial and
Steelworkers International Union, also referred to as the
USW. The USW represents workers at the vast majority of
American pipe companies producing circular welded pipe,
which I will call CWP for short.

In particular, we represent workers at Bull
Moose Tube Company, Maverick Tube Corporation, Mariachi
Levitt Pipe and Tube, TMI IPSCO and Wheatland Tube Company. We also represent workers making CWP at Allied Tube and Conduit and the United States Steel Corporation making CWP, before those companies decided to exit the market for this product. To the best of our knowledge, these companies comprised approximately 80 percent of the workforce producing circular welded pipe in the United States during the POI.

Three years ago, my union's vice president, Tom Conway, testified before the Commission at a hearing addressing imports of the same product from many of the same countries at issue today. In his testimony, he enumerated mill shutdowns and the consequent loss of union jobs in Arkansas, Pennsylvania and South Carolina. He also pointed out the loss of upstream jobs because domestic pipe mills tend to source from domestic producers of flat-rolled product.

Whereas imported CWP is made with foreign steel, this means that every time an unfairly-traded ton of imported CWP edges out a ton of domestic-made CWP for sale, U.S. and U.S. represented workers lose twice, once for the pipe itself and another time for the steel used as an input. Unfortunately, the Commission denied relief to the domestic industry in 2012. We are back again today because we think things have gotten much worse.
The massive import surge increased market share for imports and loss of sales for the domestic industry that seriously negative consequences for American workers. In particular, Allied Tube and Conduit announced its departure from the CWP industry in August of 2015. Allied was traditionally one of the largest producers of CWP, and now another 317 good-paying, family supporting U.S. jobs are now gone. U.S. Steel idled its McKeesport plant in Pennsylvania and its Lone Star plant in Texas where these products were made.

Finally, you have already heard from the president of Wheatland Tube that the Sharon, Pennsylvania mill was idled because of these unfairly traded imports, and could be reopened if relief were granted. You also heard that jobs lost at Allied could be replaced with new jobs at Bull Moose. The U.S. CWP industry has lost a lot of jobs. The USW wants these workers back.

Consequently, we ask you to reach an affirmative decision on behalf of all those U.S. workers whose jobs and livelihoods hang in the balance. Thank you.

MR. SCHAGRIN: Again Roger Schagrin. Well Chairman Williamson and members of the Commission, you've now heard from the three largest producers, CWP and their union representative. You've got a great and really comprehensive staff report from the Commission staff in this
investigation. No offense to Respondents, but I don't think you have to hear a lot more from lawyers and economists, at least on our side. We're all just talking heads, only our music's not as good. So with that, we'll be happy to respond to your questions.

CHAIRMAN WILLIAMSON: Thank you, Mr. Schagrin. I want to welcome the Panel and express our deep appreciation for all of you coming here today and giving your testimony. This morning we will begin our questioning with Commissioner Broadbent.

COMMISSIONER BROADBENT: Good. I want to thank the witnesses and I appreciate the brevity of the opening panel presentation. CWP is duty free under MFN Tariff, is that right Mr. Schagrin? Okay.

MR. SCHAGRIN: That is correct.

COMMISSIONER BROADBENT: Okay. And how did we get there? Was that a zero for zero in the Uruguay round or something?

MR. SCHAGRIN: Exactly. That was part of the zero for zero in the Uruguay round which was completed in 1994, enacted in 1995 and there was a 10-year-phaseout so the duties went to 0 in 2005.

COMMISSIONER BROADBENT: Okay. Did your industry folks generally support that or?

MR. SCHAGRIN: Yes, we did because interestingly
enough there had been dating from the 1920's, a tariff
inversion between flat-rolled steel and pipe and tube so
normally in the tariff schedules the value-added products
have a higher tariff than their inputs but as I remember it
the tariff on hot-rolled sheet was 5.1% and the tariff on
all pipe products, welded pipe products was 2.9 so we
supported the elimination of all the tariffs in order to
resolve that tariff inversion.

COMMISSIONER BROADBENT: Good. That's
interesting. Okay. Let's see. How can you describe to me
sort of the connection between prices for oil and gas and
prices for CWP?

MR. SCHAGRIN: There is no connection but let Mr.
Boswell or Mr. Blatz respond.

MR. BOSWELL: Oil and gas prices has a direct
impact on OCTG and line products. We haven't seen a
significant impact at all on standard pipe from oil and gas
prices. I don't know that there is a correlation.

COMMISSIONER BROADBENT: So they're completely
insulated from each other, kind of?

MR. BOSWELL: Different demands. One; CWP
products are driven primarily by construction and mechanical
applications. Oil and gas, the big drivers we've seen in
our energy business is LCTG in-line pipe and it's the
exploration that changes with price of oil.
MR. SCHAGRIN: I could address this now, Commissioner, with my conclusion. I think the allegation that Mr. Cameron has been repeating since the opening that the reason this industry is doing poorly is because a lot of members of the CWP Industry also produce OCTG? It's just not true. We gave this to you in our post-conference brief and I think the Commission drew the right conclusion. At Zekelman Industries they have very little overlap between the mills that produce energy tubular products and those that produce CWP.

Major producers such as Bull Moose Tube and EXLTUBE and others have no production, they don't have the licenses to produce energy tubular products and the producers who do make energy tubular products and some CWP are relatively minor players in the CWP Industry. So the overlap is very, very minor, not massive as Respondents would try to have you believe.

COMMISSIONER BROADBENT: Okay. Let's see. I know that you're disagreeing with the Respondents' contention that there is a segmented or bifurcated market here in the United States for CWP. How do you explain your all, the Domestic Industry's ability to retain the market share in light of all the increasing imports, Subject and non-Subject?

MR. BOSWELL: We are able to maintain market
share on a couple fronts. There are orders we take that we lose money on to make sure we maintain our position and stay in that market. The product is sold to a specification so when you talk about a bifurcated market, it's all the same product. It's a cheap market that we decide to lose money on some products or a fairly-priced market.

I think as you look at where we maintain market share I think Mr. Schneider had mentioned at the center of the country where freight from the port cities is a little bit higher. We were able to maintain market share better in those regions. We are starting to see that erode over the last year and a half as well. There is a relationship component to the product that there is a certain amount that people want to support domestic manufacturers but it's getting less and less as the price gap continues to be larger.

COMMISSIONER BROADBENT: Are there other Buy America requirements that --

MR. BOSWELL: On a specific job?

COMMISSIONER BROADBENT: That weigh in favor of your product?

MR. BOSWELL: On specific projects there are some projects that require Buy American, made and melted, that type of thing. It's a small segment of the industry that requires a Buy American -- certain federal jobs, certain
state jobs do though.

COMMISSIONER BROADBENT: Okay.

MR. BLATZ: Michael Blatz with Bull Moose. To
maintain market share, these products are pure substitutes. You maintain market share just by meeting price and that's
our contention. There is no separate or bifurcated markets. If we want to maintain market share we have to meet price.

COMMISSIONER BROADBENT: Okay. Can you all
address the arguments on negligibility that the Vietnamese
Respondents are making?

MR. SCHAGRIN: This is Roger Schagrin. I'm going
to also allow Mr. Cloutier to make some comments on this but
a lot of the record here is confidential. One of the main
arguments that they have raised, which we will address
confidentially in our post-hearing brief, I think you're
find that the law is on our side. The only other issues
I'll just mention as the Vietnam-specific and then I'll let
Mr. Cloutier address this is that you know, we, as you, will
have to wait the Commerce final determination so right now
Se Ah is considered non-Subject Vietnamese and we are of
course hoping that in the Commerce final determination, we
spent a lot of time briefing these issues and appearing at a
hearing that that will become affirmative and that will
change things. So a lot of this will be in our post-hearing
brief.
MR. CLOUTIER: Thank you. This is Chris Cloutier from Schagrin Associates. In the Petition, we proposed a methodology based on what the Commission has done in 30 years of cases involving this product. How the Commission adjusted Canadian and Mexican Imports for the preliminary Determination is not on the public record so we're constrained today but we have prepared a lengthy response to these arguments for the post-hearing brief.

But suffice it to say that considering the 30 years of experience we believe that the Staff Report, its approach was reasonable and we are surprised that the Respondent brief ignores completely certain binding precedents with regard to adjustments on imports from Mexico. We are also surprised that the proposed adjustment for imports from Canada has nothing to do with the special import, steel import monitoring program or ASII data as they claimed but rather it appears to be just the desire to make an adjustment from mechanical to only being a single HTS category that is mechanical tube less than 1/16th of an inch in wall thickness. Mechanical tube often has thicker walls and there is no reason that the Commission shouldn't adjust to tube with thicker walls.

Respondents' discussion of duel-stenciled line pipe also ignores that most duel-stenciled line pipe is not subject to this investigation. Just finally, this is not
the argument of the Vietnamese but rather the Pakistan Respondents that if you look at our prehearing brief you will see that we have quoted large parts of the financial reports of the company IIL, VIIL. Financial reports state that one of their business plans is to leverage countries that don't have remedial duties on their products and use this in advantage in order to sell more. So if the Commission were to let Pakistan out of this case we would expect to see more imports from IIL in the future.

COMMISSIONER BROADBENT: Mr. Cloutier, I missed what you said about the steel monitoring program.

MR. CLOUTIER: Part of the Respondents arguments is that the Commission should homogenize or use some of the data as reported under a SEMA. We think that it's really not so much that the Respondents want to be consistent with this program but rather that doing so would allow thicker-walled mechanical pipe to be excluded as well.

COMMISSIONER BROADBENT: I guess I didn't quite get that?

MR. CLOUTIER: I think we'll be allowing --

MR. SCHAGRIN: Just to clarify. We will do it in our post-hearing brief but in other words the Staff has relied in the Staff Report on a combination of two items: USHTS Import Information and Canadian HTS export information. What the respondents proposed to you is that
instead you use something that the Commerce Department puts out, which is called a Steel Import Monitoring Program or SEMA --

COMMISSIONER BROADBENT: Right.

MR. SCHAGRIN: And that you use that and that does not in any way give the same kind of detail as HTS Data that you would have on the ITC Trade Data Web and that's the difference that Mr. Cloutier was trying to explain.

COMMISSIONER BROADBENT: So you have issues with how the Steel Import Monitoring System is measuring steel imports?

MR. SCHAGRIN: Yes, it's broader. It's not as finite as the HTS Items.

COMMISSIONER BROADBENT: Okay.

MR. BOSWELL: We're going to address this in great detail in our post-hearing brief.

COMMISSIONER BROADBENT: Okay.

CHAIRMAN WILLIAMSON: Okay. Good. Thank you for coming. I was wondering, are there specific products that are produced rather than shipped directly from inventories?

MR. BOSWELL: Randy Boswell, Wheatland Tube. In the standard pipe CWP business is a very homogenous product ordered to standard length, standard wall, standard size. Everything is essentially produced or shipped from inventory, ordered from inventory.
MR. SNYDER: Bill Snyder, XLTUBE. Everything that we ship is shipped from inventory. It's, as Mr. Boswell mentioned, very homogenous for us. Standard lengths, standard chemistries. No difference.

CHAIRMAN WILLIAMSON: Okay.

MR. BLATZ: Michael Blatz, Bull Moose. I agree.

CHAIRMAN WILLIAMSON: Okay. Do you have any idea how the importers do this? Are they, the subject product, are there any reasons for any differences? I mean, you're not inside their business, so I can understand why you're not --

MR. BOSWELL: Randy Boswell from Wheatland Tube. Again, we're not an importer of sintered pipes, I don't know but I do know that there is a large amount of import inventory that is on the ground in the United States at all times and essentially is sold similar to how a distributor would sell product out of inventory from what we see as a competitor.

CHAIRMAN WILLIAMSON: Okay, thank you. How do you respond to the Pakistani Respondents' argument that competition between Pakistani products and other products is limited due to the nature of the Pakistani product?

MR. SCHAGRIN: This is Roger Schagrin. I have two comments and I invite folks from the Industry Panel to
comment as well. First, their main argument seems to be that even though they sell the ASTM-A53 Schedule 40 product that they don't hydrostatically test it, which means they can't be selling it because the ASTM-FD3 Schedule 40 specification requires hydrostatic testing. So that's kind of strange.

Their own website, and we'll put this in our post-hearing brief, the IIL website says on it "guaranteed compliance to ASTM-FD3 Schedule 40 and Schedule 10" and it highlights the fact that they hydrostatically test. So it's kind of odd for them to say "well, we're you know, selling a product that we don't test". The important thing to point out is to the extent and this is one of the reasons that our scope has always been quite broad sometimes in the past maybe not broad enough, is that to the extent that Pakistani product is galvanized.

When a product is galvanized, if it doesn't meet ASTM-FD3 Schedule 40 then it's perfect for use as fence tubing because the reason that we have ASTM-FD3 be hydrostatically tested is a lot of ASTM-FD3 carries water. It's used in your building plumbing system here. I'll guarantee that virtually every floor in this building taking stuff out to wastewater. It's all going to be ASTM-FD3 product because it's carrying water and you don't want it to leak.
On the other hand, galvanized product used outdoors as fencing, there's no need for that to be hydrostatically tested because we just want it to have, not we -- the consumer wants it to have zinc on it so that it doesn't rust. So one way or the other the Pakistani Product is either the real deal that can be sold into the galvanized FD3 plumbing market or it's the unreal ASTM-FD3 which then gets sold into the fence market and competes with everyone in the U.S. Industry that makes galvanized pipe for fencing.

So in either case, we would say to the Commission that the Pakistan product is good enough to be sold in the U.S. for end uses that are identical to products that the U.S. Industry sells for those uses in the U.S. Market.

CHAIRMAN WILLIAMSON: Thank you. You mention that Respondents state that the record indicates that while CWP may be substitutable as a technical matter, there are perceived differences in quality and reliability between domestic pipe and imports and particularly between domestic pipe and Subject Imports. Do you agree with this?

MR. BOSWELL: No.

CHAIRMAN WILLIAMSON: Okay and why?

MR. BOSWELL: You lost me a little bit on going through that but --

CHAIRMAN WILLIAMSON: Okay. They say that
technically you may be able to substitute the Pakistani pipe for domestic pipe but that there are perceived differences in the quality and reliability between the domestic and imports and there are particular differences, that this is particularly true with respect to Pakistani pipe? So what's the market feel about Pakistani pipe versus the other pipe.

MR. BOSWELL: For the applications, the applications -- this is Randy Boswell for Wheatland Tube.

For the applications that their product and our product goes into, the quality is acceptable in either case. You know as far as the purchaser's perception, I can't speak to that, but I know they do hold us to the type of pricing that they would get just like it was a 100% substitutable product.

CHAIRMAN WILLIAMSON: Okay.

MR. SNYDER: We never heard of perceived differences. I would just tell you that --

CHAIRMAN WILLIAMSON: (Laughs) What do your purchasers say to you about --?

MR. SNYDER: It all comes down to price. That's what it all comes down to. One product can be substituted for the other interchangeably and it all comes down to price. It depends on the scope of the coverage from the products that they're offering as to which buyers they get to. So you have different competitive situations depending on the end use customer. There is no perceived differences.
MR. BLATZ: This is Michael Blatz from Bull Moose. I agree. Either the product meets a spec or doesn't and after that it becomes a price. We never hear about quality or other issues because if it doesn't meet the basic specification it's not acceptable so price is determinate. An analogy is almost gasoline. It doesn't matter as long as it hits the grade that you're looking for, you're going to go shop for your gas based on who has the lowest price. So as long as it hits the grade that you want to put in your car, now you're looking for the price.

CHAIRMAN WILLIAMSON: It's interesting. I just got something from the Triple A about additives do matter. First time I had seen that so --

MR. BLATZ: And do you believe it?

CHAIRMAN WILLIAMSON: (Laughs).

MR. SCHAGRIN: To just conclude, I was just having a -- maybe it's musical themes it was like a NNY moment, d j vu all over again because I think I just heard this two weeks ago even though the case was stainless pipe from India. Then I thought "Oh my God, it's the same lawyers and economists" so you know, sometimes you just try to push the same issues before the Commission and they'll see when they throw it up against the wall, if it sticks or not.
I think the perceptions of the U.S. Industry
based on the market place is that these perceived quality
differences by purchasers just don't come out in the wash on
these products made to common specifications. The
purchasers just never tell the U.S. Industry "hey, you know
we want to pay you a lot higher prices because you know,
import ASTM-FDS or A135 or A795, it's just not as good as
your product." That's just not what purchasers and
distributors of CWP say.

CHAIRMAN WILLIAMSON: Can you address Mr.
Cameron's argument about there being a premium for the
Domestic Product?

MR. SCHAGRIN: Unless I'm wrong, that came out of
the last Staff Report. Not this one so I think it's a
different record but I mean here --

CHAIRMAN WILLIAMSON: Was there a premium then?
There's not one now or --

MR. SCHAGRIN: I don't think there's ever a true
premium. I think what is true is that purchasers often,
because they're located in Kansas City, Missouri which is
pretty far from any port, pay a higher price because of the
freight from the imported product from the ports are paying
maybe a higher price for Domestic Product. On a delivered
basis it probably isn't higher. It's just the difference in
freight rates or for the exception of less than 10% of the
market where there is Buy America requirements because
there's a system going into an airport or into a new subway
in New York City which has federal funds supporting it where
they have to get domestic, but these are common products.

If you take that price premium argument to its
extreme then why is Allied Tubing Conduit the second largest
producer, say we're going to exit this business six months
before we're going to go public because we don't want to
have this trashy, money-losing, lousy business be a part of
our company as we're trying to sell it to the public. So
the idea and why does this industry lose money in '13, '14
and '15? So I just don't think the numbers bare it out. It
doesn't mean you can't get a purchaser who might primarily
buy imported pipe to say "hey the lawyers tell me if I tell
the Commission that domestic pipe sells at a premium, it's
better for our case" maybe they'll say that to you.

It just can't be true, economics tells us for
products sold to common specifications unless there is a
certain legal reason such as Buy America, which is maybe 5
percent of the demand in this product, it just doesn't work
that there can be a consistent major price premium or else
imports wouldn't take such a gigantic market share. They
will eventually drive everyone out of business. They've
driven the number two producer. The number one producer
says "we're on the cusp. If we don't get relief, our
owners may not allow us to continue." Then Don and Julie win their 30-year war.

CHAIRMAN WILLIAMSON: Good. I think you've mentioned that. I'm sure we'll hear from Mr. Cameron this afternoon about it. Let's turn to Vice Chairman Johanson.

VICE CHAIRMAN JOHANSON: Thank you Chairman Williamson. I would also like to begin by thinking all of you for appearing here today. I'll note that I visited both the Wheeling, Pennsylvania and the Warren, Ohio facilities of AMC Zekelman Industries. That was back in 2012 I believe when I was relatively new at the Commission. I learned a lot at those facilities. In addition, a member of my staff, Michael who is sitting behind me visited those facilities just last month and so my office is quite familiar with what you all produce and how you do that.

Now getting to my questions, the Petitioners -- you all state on page 57 of your pre-hearing brief that the Domestic Industry has antidumping orders on eight countries and countervailing duty orders on two of those eight countries. Yet, as you state at page 34 of your prehearing brief, the Domestic Industry suffered operating losses throughout the Period of Investigation. Are you all reasonably confident that affirmative determinations here will bring the Domestic Industry back to profitability?

MR. SCHAGRIN: Commissioner, Roger Schagrin.
Yes, and the reason that we're confident is your Prehearing Staff Report that shows after the filing of these cases we had a very big drop in Subject Imports. I'll just characterize the data as a drop of more than half in Interim 16 compared to Interim 15 and this industry returned to profitability. So I think as was in Mr. Jameson's opening statement, the data during your POI shows that during the whole period where imports were increasing their market share, which was a really significant increase, you know and most of that market share came at the expense of the U.S. Industry and very little over the POI of what the U.S. Industry lost in market share was the non-Subject Imports that when Subject Imports declined significantly the U.S. Industry regained market share and regained profitability.

Luckily in this case we have the answer to your question in your Staff Report.

MR. SNYDER: Yes, Bill Snyder from XLTUBE. We are making an investment this year of over 20 Million dollars in this particular product and I will tell you after the preliminary determinations were made that our business significantly improved and we're very happy with the results of the FD3 profitability in 2016. That's not to say that we won't continue to chase future importers of products into this country that unfairly trade their products. That's just the world we live in in the steel business.
VICE CHAIRMAN JOHANSON: Thank you for your responses.

And Mr. Snyder, or any of the other witnesses, the financial performance of the domestic industry indeed markedly improved in January to June 2016. Other than the alleged post-petition effects, are other factors associated with this improvement?

MR. SNYDER: We were able to restore on price back to levels that they were, so it improved our material gross margins. So that was the primary driver in improving our profitability on the product.

MR. BOSWELL: Randy Boswell with Wheatland Tube.

We agree that we were able to restore some of the lost prices as we got through the first part of '16.

MR. BLATZ: Michael Blatz with Bull Moose. Again, concur.

VICE CHAIRMAN JOHANSON: Okay, thanks for your responses.

Also, Mr. Blatz, I have a nephew getting a degree in mechanical engineering, so I'm hearing all about it these days. It sounds very interesting.

MR. BLATZ: A good career ahead for him.

VICE CHAIRMAN JOHANSON: We're happy for him. He studies a lot.

Anyway, okay, I'm now going to delve into the
whole area of product differentiation between a product produced in the subject countries and a U.S. product. This is something which of course has been raised by the Respondents.

What share of the U.S. market is for end uses that convey water? The Pakistan Respondent at page 35 of its prehearing brief notes that imports from Pakistan are not certified to safe drinking water standards. Is this a significant factor which could limit competition?

MR. BOSWELL: Randy Boswell with Wheatland Tube. I don't have a number. I do know that as the application of product to convey drinking water, potable water, is very low, 20 percent or less of the market.

Our product goes into natural gas lines, steam lines, compression systems where it's not required to have a drinking water safe product.

MR. SCHAGRIN: We'll put more in the posthearing brief, if we can learn more, Commissioner Johanson, but I would agree that that's a minor portion of the market compared to the other uses of CWP, which would be much more prevalent for transmitting either water or for other uses, sewage, sprinklers, and then of course all the fencing and all the support. Very often in residential construction such as a house I had in Annapolis, Maryland, you have round CWP supporting underneath let's say a beam between the
basement and the first floor. It's just, you know, pipe.

It's not going to have a huge amount of weight in a
two-story house like a big building like this where you'd
have to use HSS, but you just have round pipe to help hold
up that weight of the floor above. And so you do have a lot
of structural support uses for circular pipe.

But potable water is going to be minor, and we'll
see if we need to amplify Mr. Boswell's that it's probably
20 percent or less of the U.S. market.

VICE CHAIRMAN JOHANSON: That would be helpful.

We had a hearing earlier this week on copper pipe and tube,
and it's my understanding that--my impression that that
product is more commonly used, that and PVC, in individual
houses, but then again I'm thinking about the pipes leading
to the houses. Let's say the city-owned pipes. That's
usually steel, correct?

MR. SCHAGRIN: No, I think that's usually cast
iron, but we'll look into that.

VICE CHAIRMAN JOHANSON: Okay, if you could--
MR. SCHAGRIN: Or even concrete.
VICE CHAIRMAN JOHANSON: --if you could color that
in more for me, I'd appreciate it because, once again, this
is on my mind due to our hearing earlier this week. I'd
appreciate it. And it's also something which of course was
raised by the Pakistan Respondents.
And sticking with the Pakistan Respondents, they characterized the market for fence tubing as attenuated between higher quality U.S. produced fence tubing and that made to ASTM standards. And Pakistani fence tubing that is not certified to any standards. And I realize that Commissioner Williamson touched on this subject awhile ago, but I'd like to delve a bit further into that since it seems to be a major part of the Pakistani's arguments.

MR. BOSWELL: This is Randy Bosewell, Wheatland Tube. There are certain fencing applications that require higher grades for wind resistance, that type of thing, that there are specifications for.

The vast majority of the fencing products for around construction sites, residential fencing, that type of thing, is a product that's sold in varying degrees of specification. You know, there's pre-galv product mills in the United States that run product out of a pre-galv strip that is the same thing as we would run as an in-line galv product. So there's a pretty wide range of what's acceptable with only a small sector of the market that is a specification-required product.

And so we sell product into those markets, just like Pakistani Tube would be sold into as well.

MR. SCHAGRIN: And, Commissioner Johanson, this is Roger Schagrin. Maybe I'll get an affidavit for our
posthearing brief. I can just tell you that, you know, the
first decision here was the CVD determination against
Pakistan, their only subsidy case.

And one of the Petitioners, Western Tube and
Conduit, which was not able to attend here today, they're
out in Los Angeles, California area, they were just
overjoyed by the high subsidies, because the only CWP
product they make is fence. And they said, man, the
Pakistani product is in all the fence companies in
California. So this was really going to help them because
this would mean that they weren't going to have to compete
with subsidized fence.

So here's Western Tube, which makes an in-line
galvanized fence product which was facing very direct
competition with fence product from Pakistan. So they're
clearly the Pakistan product substitutes in the fence
business for domestic product.

VICE CHAIRMAN JOHANSON: Alright. Thank you for
your responses. My time is about to expire.

CHAIRMAN WILLIAMSON: Thank you. Commissioner
Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman.
And I thank all of you for being here today to help us to
understand these issues.

I want to begin with kind of a technical
question. We've been talking about movements in apparent consumption, and I'm wondering whether apparent consumption in this industry is a good measure of demand?

If you look at the staff report, the reports about whether demand has improved over the period seem to be somewhat at variance with what we have on apparent consumption. So I want to get your view on that.

MR. BLATZ: Michael Blatz with Bull Moose. I think it's hard to say because of the inventories at distributors, and so that can collapse and mask what true demand is.

MR. CLOUTIER: Commissioner Pinkert, I'd also just like to point out that our witnesses today have been unable to review the staff report because that information was bracketed. So it may be difficult for them to respond.

MR. SCHAGRIN: But in general, Commissioner Pinkert, because I was able to review it, I mean real demand I think the staff report is very good on this. This product really follows GDP. Construction overall is a pretty big part of GDP. And so, you know, let's face it, over the last three years you've had very modest increases in overall GDP. And so you would have seen very modest increases in overall demand for this product. Maybe a little bit, as Mr. Blatz pointed out, there's been a change in the demographics related to I guess where millennials choose to
live. Of the overall new home units that go on the market, many more seem to be apartments and condos as a share of the total market, and fewer are single homes in the suburbs.

And apartment and condo buildings per, you know, square foot will use more CWP than a home. Homes usually have copper tubing in them, and large buildings tend to have more CWP, and generally by code have to have sprinkler systems and single-family homes don't.

So there might be a little acceleration there. And then I think what kind of explains '16 is that, I mean if you think about it, the first half of this year we've had almost no GDP growth.

And I guess the only other comment is, besides looking at GDP, if you look at construction spending, because of inflation--most construction spending is actually on labor, not on goods. You know, it's the people who put up the construction. So you can have an increase in construction spending and not have an increase in the amount of square feet of construction built.

I was looking over some data as we were preparing for this conference, and that seems to be the case that over the last several years you've had increasing construction spending but fairly flat in terms of the amount of new square footage being built.

So in general over this whole POI, it's pretty
flat to modest gains. And then any other changes would be weather. Because almost all this product goes to distributors, where the distributors are slightly increasing or slightly decreasing inventory over the POI.

So in general, apparent consumption is a pretty good figure for demand. And it would only change somewhat if there were any major changes in inventory. And to my knowledge, unlike some other product areas, there's no real good data on inventories held by distributors of just CWP.

COMMISSIONER PINKERT: Thank you.

Now there's already been some testimony on this panel about what the impact of the preliminary relief in this case might have been. But if you look between the interim periods, it does not look like the unit sales values improved between the interim period.

So what accounts for the improvement in profitability for the industry?

MR. SCHAGRIN: Commissioner, once again members of the industry couldn't see the data in the staff report, but as was testified to, the margins were restored. And even though you don't see increases in average unit values, because these products are sold, you know, somewhat on a lead-time, perceptions of when prices are increasing versus being realized in invoices sent out, you know, can be somewhat different. But the industry certainly was able to
pass along some of the announced steel price increases on CWP in 2016 that they were not able to do let's say in 2014 when steel prices were increasing. And you just see a lot of fluctuations in steel prices over the POI.

And then, you know, you can't miss out on the fact that even if you don't see AUVs moving up, as the industry's shipments increase in '16 that benefits them on the other aspects of their, you know, cost of goods sold that reduces the other per-units. And what was great here is that in the first half of '16, their interim period, as the subject imports were leaving the market most of those gains in market share went to the domestic industry, and not the nonsubject imports.

So this industry has got plenty of excess capacity. It would like to soak them up. We hope that, you know, importers of this product, or distributors who sell imported product, decide to buy more domestic product. I get this feeling that maybe there's just a sense of patriotism, you know, going through the United States of America now. And people who have always said, just buy the cheapest import every day are starting to think a little bit more about that. So they're coming over to my side of the world, not Don and Julie's--that's the dark side--

(Laughter.)

MR. SCHAGRIN: --and so I mean you just see it in
the data, and I think these gentlemen would say that, as they testified to, they are really seeing benefits of the relief, and we would like to see that continue.

COMMISSIONER PINKERT: Just to follow up for the posthearing. If you can, respond to the notion that the improvement in profitability between the interim periods was entirely driven by cost, not the impact of improved volumes, but by costs that were being passed on to your—to the domestic industry rather than being driven by their own production process, I think that would be helpful.

MR. SCHAGRIN: We'll do that. And the other misnomer, I don't know if Mr. Dugan will talk about it today, he's talked about it in the last two pipe and tube cases, HWR and stainless pressure price. It's nice going against the same economist every couple of weeks. Is that, you know, we talk to all these folks about how much coil inventory do you carry? And it's amazing how small. I mean Mr. Blatz says the MBA from MIT, I mean today throughout the system it's all about lean inventory and all that stuff. And so the idea that, you know, there's these gigantic inventory profit gains, I mean these guys generally have like two weeks of steel inventory. I mean, how much is that going to change over a six-month POI? The fact that you had two weeks of steel inventory. So we'll address that in our posthearing brief,
Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you. I obviously realize that you have to look at proprietary data to answer that question, so I look forward to seeing that in the posthearing.

And as I'm already near the end of my round, I'll wait for the next round for my next question.

CHAIRMAN WILLIAMSON: Okay, thank you.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Thank you, Mr. Chairman. Mr. Houseman, thank you for appearing today. Can you give us a perspective on how these Orders affect Union negotiations in the steel industry?

MR. HOUSEMAN: Well in our--when we negotiate contracts, we do the best we can in the current environment. And we've done what we can to try and create a profitability for the company while maintaining good pay, good wages, and good benefits.

And so, you know, there's been a number of contract negotiations and there are some ongoing contract negotiations with some of the companies currently, but it is a factor and, you know, being compliant versus warfare pricing, it will help provide so that we don't have to run into concessionary contract negotiations.

COMMISSIONER BROADBENT: Wait, is it a factor?
Say that again?

MR. HOUSEMAN: So, I mean obviously if imports continue to increase during the Period of Investigation—you know, if imports continue to increase, it's going to impact the ability for the workers to compete. And, you know, I look at what we've seen already at Allied, USS, TMK, and Wheatland where we have certified TA facilities already, these workers are already impacted. And it impacts the contract bargaining.

COMMISSIONER BROADBENT: In the sense that the wages might be lower if we didn't put remedies in place?

MR. HOUSEMAN: Correct.

COMMISSIONER BROADBENT: Okay.

Alright, Mr. Schagrin, what role did the Canadian imports play in this market?

MR. SCHAGRIN: Very minor. I'll let Mr. Boswell, because they have plants on both sides of the border. There is, outside of probably New England, very little Canadian CWP that enters the U.S. market.

MR. BOSWELL: Randy Boswell, Wheatland Tube. We do have, in the Zekelman Industries Group, plants on both sides of the border. There is trade, obviously, back and forth across the borders. There's only one producer that I'm aware of that we really compete with that is a Canadian CWP producer. So it's an impact, as Mr. Schagrin said, in
Quebec. It's an impact for us in the Northeastern United States, but outside of that area, very little.

COMMISSIONER BROADBENT: But I guess I'm looking at 2013. I mean Canadian imports were three times as much as Vietnamese imports? Is that right?

MR. SCHAGRIN: Commissioner, that would only be if they hadn't been adjusted. That would be the imports that would come into all HTS numbers. That would include circular pipe. But since mechanical tubing is excluded from the scope, the vast, vast majority of imports from Canada of round, not-drawn pipe and tube, are what's called "off the welder mechanical," which goes into automotive applications where the Canadians are just very, very big in supplying both U.S. auto parts industry with mechanical tubing, as are we in supplying the Canadian plants that make auto parts for the auto industry with mechanical tubing as well. And there's just no differentiation--I'm looking at our industry exports here from the Office of Industries, but they could tell you there's no differentiation in the tariff schedules between round pipe that is mechanical and round pipe that is CWP.

`So mechanical product enters in the same HTS. So I think the numbers that you're looking at are not adjusted, as the staff has for purposes of negligibility for imports from Canada.
As Mr. Boswell states, really just one
significant CWP producer in Canada. They're located in
Quebec, and they primarily sell into the New England and
Northeast area. And I know you asked some importers about
information on their imports. We'll comment confidentially
in the posthearing brief about any importer responses you
got on Canadian product.

COMMISSIONER BROADBENT: Okay. Does the staff
have any comment on the statistics?

MS. HAINES: Elizabeth Haines. Not at the moment.

COMMISSIONER BROADBENT: Okay, thanks.

Mr. Boswell, you mentioned in your opening
statement that the domestic industry consolidated, and now
Wheatland is the largest domestic producer.

How much of this had to do with just general
business decisions versus injury from the imports that we're
discussing today?

MR. BOSWELL: Through the consolidation piece?

COMMISSIONER BROADBENT: How much--what were the
reasons for the consolidation?

MR. BOSWELL: Most of the consolidation was done
prior to my time at Wheatland. I understand it was driven
at the time by nonsubject imports for this case, as well as
some of the business conditions. I wasn't at Wheatland at
the time. We didn't own Wheatland at that time. But they
have been a consolidator of the CWP industry, particularly in the Eastern United States.

MR. SCHAGRIN: Commissioner Broadbent, I did represent both Sawhill and Sharon and a lot of that consolidation came about because these companies hadn't done well, and therefore they were purchased by a stronger company that thought that there would be benefits of consolidating, which normally there are absent unfair trade. There's a lot of reasons--Mr. Blatz would know more about this than I would--to reduce the number of domestic competitors in the industry. Normal economics says that ought to enable you to have more market power and produce better results. And I think that would have happened but for unfair trade. The Commission would have seen more of those benefit going to the consolidator.

MR. BLATZ: Michael Blatz with Bull Moose. You know, it's hard to say how much of it is driven just by imports and how much of it is business. But I think the point that Roger is making is, some of the benefits of consolidation were probably masked by the import compression on pricing.

COMMISSIONER BROADBENT: Say that again?

MR. BLATZ: I think there's more benefits that could have been yielded through the business consolidation that were masked, or not able to be enacted, because of
compression on pricing. So they made the effort to buy the companies. They expected to get better benefits. And they have competitors that are forcing them to continue to lower price, as we've said, continuously.

Our customers buy on price.

COMMISSIONER BROADBENT: And these are just the Vietnamese and the Pakistani and the Oman? These guys are the one who are driving this price reduction?

MR. BLATZ: They are a big driver, for sure.

COMMISSIONER BROADBENT: Because it's just hard for me to see--Commissioner Johanson I think was getting at this a little bit in terms of the remedial effect that this Order on these countries would have when purchases are still going to countries that are under Order already.

MR. SCHAGRIN: Once again, I think it's a matter of comparisons, which you're able to do in the staff report. I think you see over this POI, because this is a very price-sensitive market, that imports from Oman, UAE, Pakistan, and Vietnam increased rapidly because they charged the lowest prices.

So they gained market share from both the domestic industry and nonsubject imports. I would disagree, but we have to do it confidentially. Mr. Cameron says, hey, nonsubject imports undersell by more than subject. That's not true when you look at the data on a quantity basis, not
a numbers of underselling. And this business is all about volume.

So we'll do that in the posthearing brief. And then you see that when these imports exit the market because of the imposition of preliminary duties, you see most of the benefits going to the domestic industry instead of to nonsubject. And so I think the staff report tells you that yes, these subject imports had an impact. We do not deny, given the level of nonsubject imports, but really what stuns me--and I've done this since 1982 against Don, hard to believe. We were both really young, and I didn't have hair, and he always has, very jealous. But if anyone at this Commission had said in 1982 that in 2015 the single largest import source of CWP into the United States would be the United Arab Emirates, I would have just said--I probably didn't know what the UAE was in 1982. I mean, but we're talking about a tiny country. Can you imagine? They shipped over 100,000 tons? This is a country of less than, like it's several million people. What are they doing making all this pipe to ship to the United States? We don't even hardly know where they are in the world.

So it just shows you the way, you know, things change in unexpected ways.

COMMISSIONER BROADBENT: Okay.

MR. SCHAGRIN; But it's all about price.
COMMISSIONER BROADBENT: Alright, got it. Thank you.

CHAIRMAN WILLIAMSON: Thank you. And posthearing, while you're addressing this question of the role of nonsubjects, you might also include to what extent the loss of market share in 2015 was due to nonsubjects, as opposed to subject imports. So if you would, touch on that specifically.

MR. SCHAGRIN: We'll do that in the posthearing, Chairman Williamson.

CHAIRMAN WILLIAMSON: Thank you.

How do the longer lead times for imports affect price negotiations?

MR. BLATZ: Michael Blatz, Bull Moose. I don't think long lead times will impact it. Inventories, you know, whether we're selling to distributors or importers, sell to distribution houses, the inventories there lead times don't really matter.

CHAIRMAN WILLIAMSON: Okay. Anyone else?

MR. BOSWELL: Randy Boswell, Wheatland Tube. The long lead times may be on the front end for a few purchasers. Most of the purchasers are buying out of inventory that's already on the ground. The supply chains are set up from countries to bring product in on a regular basis.
And as we talked about earlier, we sell the vast majority of our product as an inventory stock sale rather than any type of make-to-order product.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. SNYDER: Bill Snyder. I would certainly agree with those comments.

CHAIRMAN WILLIAMSON: Okay. Mr. Houseman, I was wondering to what extent you might feel, either now or posthearing--because we often think about, you know, the domestic industry workers when they're in an industry under pressure, that they're making concessions, but they're also doing things to improve their competitiveness. And so I was wondering if your workers have seen any change in technology that they've been asked to apply. And in relation to that, what training have they received?

So to what extent have workers adapted to new technology by getting training, how has that affected the competitiveness of the industry? And has the pressure of the imports had an impact on that?

MR. HOUSEMAN: Well, I would say that we talk a bit more about changes in the industry in post-hearing, but you also have to recognize that there are four or five facilities now that I have members on layoffs with TA certifications. So they're getting training for something entirely different, potentially, and hoping for a recall and
that ultimately is what the driver would be.

CHAIRMAN WILLIAMSON: Okay, thank you.

This issue has come up in a number of cases.

How can we distinguish the price effects of falling raw
material costs and the price effects of subject imports in
this case?

MR. BOSWELL: This is Randy Boswell, Wheatland
Tube. The volatility in coil prices has been evident over
the period of investigation. Raw material costs coming down
does allow us to become more competitive with some of the
subject imports, but the reverse is also true. When our
costs are going up, we still have to keep our prices
competitive with those subject imports to stay in the
business, so in effect, the subject imports while we may see
steel pricing going up we, in turn, have to remain
competitive and that's where we lose margin and lose money
on pieces of business that we have to stay in to be in the
business.

CHAIRMAN WILLIAMSON: Are there things driving
your costs up more than, say, your competitors costs in
foreign countries?

MR. BOSWELL: This is Randy Boswell, Wheatland
Tube, again. Things driving our costs up versus --

CHAIRMAN WILLIAMSON: Yes, maybe driving them up
more than, say, things that are driving the costs of your
competitors up. It may not be, but I'm just asking.

MR. BOSWELL: Not that I'm aware of.

CHAIRMAN WILLIAMSON: Okay.

MR. SNYDER: Bill Snyder. Not that I'm aware of either. I'm not aware of our competitors' costs. We focus on making our operation as efficient as possible.

MR. SCHAGRIN: Chairman Williamson, this is Roger Schagrin.

So in the staff report there's a chart called V-1 and it has from January 13 to June 16 the trends in hot rolled steel and zinc costs. And then it talks about the differences in hot rolled steel, how much it fell between January of '13 and December of '15, which is totally accurate. But you do also see almost all of that decline was in the latter half of '15 and you know you all just finished the case on hot rolled sheet from a number of questions.

So to me, to kind of turn your question around, which is how much is it imports versus how much is it steel because the other side is going to come up this afternoon and say, hey, there's a high correlation, like 90 percent, between steel and pipe prices and that's no surprise when something is 70 or 80 percent of your costs there's got to be a high correlation or else there's no such thing as economics.
But you know correlation is causation, so the real answer to your question is how we can see that it is imports having as big an impact on suppressing prices as changes in raw material is profitability because you see in this chart, Figure V-1, throughout much of '13 and '14 steel costs were going up, but pipe prices were not and that's why this industry is losing money in each of the three years of the POI.

And when steel prices fall in '15, instead of saying, well, let's not drop our prices fast. You heard testimony saying that the prices for pipe as imports were flooding into the U.S. from the subject countries were actually falling faster than the steel. It may only be faster by two or three points, but that's their profit margins. So the change for these guys when steel is 70 or 80 percent of their costs of a 5 percent operating profit or a 5 percent operating loss it's only 10 percent compared that maybe a 10 or 20 or 40 percent change in steel costs, but it's a huge change in the profit margin. And so their inability to get margin between costs and price is what caused them to have losses.

And a few points one way or the other, the difference between 5 percent profits and 3 or 4 percent losses it's only seven or eight points out of 100, but it's huge for these companies and it causes people to shut down.
If you're constantly losing 5 percent operating margins, you might say, hey, it's only 5 percent, but if you're constantly losing it, they owner says let's shut the plant.

I hope that answers your question.

CHAIRMAN WILLIAMSON: I think it did. Okay, thank you.

I was also wondering how can we distinguish between price effects of subject imports and the price effects of non-subject imports.

MR. SCHAGRIN: I wish I could've afforded to spend five or six or 800,000 or a million dollars on Dr. Houseman because he does that being that he's an MIT economics professor, but you can tell from looking at this industry compared to the size of the flat rolled industry we can't do it.

Dougan would say, hey, I would do it for you for a hundred grand. You don't have to hire Jerry Houseman for a million dollars, but I think Dougan may have a conflict. Maybe, I don't know. I don't think those people have conflicts like lawyers, but anyway, they might say whatever anybody pays them to say.

CHAIRMAN WILLIAMSON: Let's not disparage the economists.

MR. SCHAGRIN: We love economists. And I'm glad that your nephew's studying mechanical engineering because
one thing we know is we don't need more lawyers. We need
more mechanical engineers, so that's a good thing.

CHAIRMAN WILLIAMSON: Now that you've said all
that.

MR. SCHAGRIN: Yeah, I think we'll do it in the
post-hearing is that we're not going to deny that
non-subject imports have an impact in this marketplace. We
would just say we'll demonstrate that subject imports also
have an impact and I think that's what you need to reach an
affirmative determination.

CHAIRMAN WILLIAMSON: Okay, thank you.

Now how long does it usually take for changes in
raw material costs to be reflected in prices for pipe? Does
anyone have a thought on that?

MR. BLATZ: Michael Blatz with Bull Moose.

It really depends on the supply and demand
dynamics that's going on in the market. It can be
instantaneous or if we're trying to recover some of the
margin due to people lowering price through imports we might
try and hold onto some of that, so it varies. You know
steel mill announce a price decrease or price increase and
everybody has that information. You have to make your own
judgment.

CHAIRMAN WILLIAMSON: Okay.

MR. BOSWELL: Randy Boswell at Wheatland Tube.
As Roger stated earlier, the inventory management systems that I think all of us use now are much cleaner than they were in the past and it's relatively quick and that we're not carrying 60 or 90 days work of coil inventory to operate through time of price increases or decreases. We're carrying a much shorter -- you know 30 days or less, so it can happen relatively quickly to our costs.

To our price, it's going to be dependent on the market as far as the supply side. What's happening and what's available there.

CHAIRMAN WILLIAMSON: Okay, good. Okay, thank you for those answers. Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you.

First, let me apologize for being late this morning and missing what I understand was a shorter than expected testimony, so here we are in already one or two rounds of questions. And again, let me apologize if this has already been covered in some of the earlier questions, but I can just get right to the point and maybe, Mr. Schagrin, this is a question for you, but I welcome any of the industry witnesses to answer as well.

Can you respond to the argument with regard to the purchaser questionnaire answers that indicated that there was a premium for U.S. produced product and that, on
average, it equaled roughly 18 percent, I believe, and that
that accounts for the underselling in the pricing data?

MR. SCHAGRIN: Well, first, welcome Commission
Schmidtlein. We missed you at the last hearing. Hope
you're fully recovered from the surgery. That's the
important thing. I hope your health is good because it's
more important than these cases and our data. There's more
important than our health.

COMMISSIONER SCHMIDTLEIN: Thank you.

MR. SCHAGRIN: Two comments. First, you got
really good purchaser questionnaire responses in this case.
I think over 50 of them and a couple things really stood out
at me. First, Respondents talk a lot about a bifurcated
market and yet, you see that almost all purchasers are
buying product from everyone and it's amazing how many
purchasers were buying from the subject imports. So you
wouldn't think that everybody would be buying from
everywhere if there's a bifurcated market. It just shows
that these big distributors, and there really are a number
of large, national distributors and regional distributors
that they're buying on price and they're buying from whoever
hast he lowest prices and these are perfect substitutes.
We'll talk about it further in the post-hearing.

If, in fact, the U.S. industry was able to
always get a price 18 percent above imports for the exact
same product you would have to scratch your heads and say
why is this industry losing money over each of the three
years of the POI? It just doesn't make sense if they're
always able to sell at such a gigantic price premium and
they know their costs and that, I guess, Respondents say,
well, that means that domestic producers and the imports
don't even compete with each other then these guys would be
fools and Michael Blatz ought to be able to get a refund
from MIT for his MBA.

You know why are they making business decisions
if they're not competing with a lower-priced product to try
to get volume to keep their steel workers employed. Why
aren't they just selling and making 20 percent operating
profits instead of losing money. So let us dig into the
data further and respond further in the post-hearing brief.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CLOUTIER: Commissioner Schmidtlein, if I
may? This is Chris Cloutier.

I think you will find, if you look at the
calculations that the Respondents presented, there are some
interesting mathematical acrobatics.

COMMISSIONER SCHMIDTLEIN: To get to the 18
percent?

MR. CLOUTIER: Yes. I can't really discuss much
more than that, but we'll address it in the post-hearing
brief.

COMMISSIONER SCHMIDTLEIN: Okay, yeah, I wondered. I'm looking at it right now in their summary.

Okay, the second question I had is with regard to the argument that when you look at the loss of market share for the U.S. industry most of it occurred in '14 to '15, but that's when non-subjects gained the most and subjects gained in the prior year more. Can you respond to that argument that that indicates there's a lack of correlation between the effect of subjects on the U.S. industry's loss in market share?

MR. SCHAGRIN: We can talk about the trends, but just because all the data's confidential, I think we can address that much more exactly using the actual data in the post-hearing brief.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. SCHAGRIN: So let us do that.

COMMISSIONER SCHMIDTLEIN: Okay. And then again, I apologize if this has already been asked, but the Respondents make an argument that the apparent consumption numbers are understated for '15, I guess, and if they were correctly stated that you wouldn't see this increase, and maybe one of the industry witnesses can speak to this as well. Is it you all's experience that demand has not been increasing? They argue that it's, at best, flat.
MR. BOSWELL: This is Randy Boswell at Wheatland Tube.

We've seen slightly increasing demand over the period of investigation, but -- you know and apparent consumption demand looked to be better, but you know it tracked GDP pretty historically, so not anything significant in terms of changes from that.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BLATZ: Michael Blatz, Blue Moose.

I concur.

COMMISSIONER SCHMIDTLEIN: Okay.

Again, I'm sorry I'm sort of jumping around, but I'm just sort of hitting the things that I had in my mind to ask about.

They also make an argument with regard to historical context for capacity utilization of the industry and that, in general, capacity utilization has been consistent or hovering right around that level for the past 15 years and that therefore this speaks to causation and whether or not there's any effect. And Mr. Schagrin, maybe you want to speak to this. Is that something the Commission has done before, to look back that far at capacity utilization for purposes of assessing causation?

MR. SCHAGRIN: Commissioner Schmidtlein, no, the Commission has never done that and you shouldn't start. No
one after me is more familiar with the industry than Don Cameron. I think you missed the part where I said Don and I first case on this circular welded pipe product was 1982. He'd just left the Commission. I'd just become a first-year associate at another law firm. It's hard to believe we're still here this many years later. Congratulations, Don and Julie. It's good just to be here.

You know I remember times I visited the Allied plant in Philadelphia maybe 15 or 20 times because it was the closest EWP plant to Washington. We often took the Commission and its staff to visit that plant. It was an incredible plant. That plant used to operate seven days a week for years. It's now shutdown because of imports, subject and non-subject, but it's now shutdown.

The Wheatland plant, which as Mr. Boswell said, is the last continuous weld mill operating. I remember that plant operating for years at 20 shifts. So that meant out of 168 hours that 8 hours of maintenance and 160 hours that ran through. I understand now, thanks to the relief, it's running 24 hours a day, five days a week. So they could still add a sixth and seventh day. They've done that for many years in the past.

So this is not an industry that always has a lot of slack capacity. There has often, because import share is so significant, the additional available capacity and even
with the shutdowns we think there's enough capacity in the U.S. where we could hire back a lot of workers. The Sharon (phonetic) plant could be restarted and 100 people recalled and we could service that.

And the other thing I would say is -- and I don't know if Respondents want to complain about the way you do capacity, so that Sharon plant, which has not run since September of 2015, that's in all of the Wheatland numbers on capacity. That mill could within a period of 30 or 45 days for retraining, it could be rolling and it could be operating seven days a week. So it makes capacity utilization look very low when you have a plant that's idled, but it's not shut down.

So when they say, oh look, you know capacity utilization is always low in this industry. Well, if imports are high and plants are idled, but not completely shut down, it's going to make capacity utilization look low, but you know we, and particularly Mr. Housemen, as union members, we want to see that ratcheted up and this industry can do it. But bottom line is you shouldn't look over 15 years of data because the industry has had so many changes in members that it's just an inconsistent data set.

COMMISSIONER SCHMIDTLEIN: Alright, I'll save this question for next round. And I guess before my time runs out, Mr. Blatz, are you from North Kansas City? Do I
understand that -- no? Who is it? Mr. Snyder, you're from
North Kansas City, okay. My hometown is not far from there, Carrollton, Missouri. I don't know if you're familiar.
Yeah, I was on the phone with Carrollton this morning. My parents are still there, so they're going to ride it out right there.

MR. SNYDER: I actually live in Parkville.


CHAIRMAN WILLIAMSON: Thank you. Vice Chairman

Johanson.

VICE CHAIRMAN JOHANSON: Thank you Chairman Williamson.

And Mr. Snyder, I visited Kansas City for the first time last year and I thought it was great. You have a very good museum, the Steamship Arabia Museum. Have you been to that?

MR. SNYDER: Yes.

VICE CHAIRMAN JOHANSON: Fascinating.

MR. SNYDER: It is fascinating.

VICE CHAIRMAN JOHANSON: Steamship Arabia there's a steamship that sank like prior to the Civil War and it was encased in mud and like perfectly preserved and so it was like stepping back in time and have all these products from the 1840s or so.
MR. SNYDER: Did you have a chance to go to the World War II Museum?

VICE CHAIRMAN JOHANSON: We did not. We went to the Pony Express Museum up in St. Joseph and so that was kind of a higher priority.

MR. SCHAGRIN: Did you eat the ribs?

VICE CHAIRMAN JOHANSON: Oh, yes, I did.

MR. SCHAGRIN: Alright.

VICE CHAIRMAN JOHANSON: They're better in the Lone Star State, though. They really are, but anyway.

COMMISSIONER SCHMIDTLEIN: That was hard for him to admit, yeah.

COMMISSIONER PINKERT: That's an objective path.

VICE CHAIRMAN JOHANSON: They are simply better, but they were very good, I have to say.

COMMISSIONER BROADBENT: How did a sunken ship make it to Kansas City?

VICE CHAIRMAN JOHANSON: Well, it's on the Missouri River and the Missouri River's changed course and so this was -- it was sunk and then the river changed course. I guess everything dried out, but it stayed preserved somehow. Anyways, it's just absolutely fascinating.

Okay, that took a minute and 13 seconds. Now I'll move on to what brings us here today. And I'm going to
go back to fencing because this is something that I finished
off on a minute ago and it's quite interesting because I see
pipe everywhere now on fences, which is something I did not
notice prior to my coming to the Commission, so I know that
it's important for your industry.

For pricing Product 4, fencing tubing, the
Pakistani Respondents at page 36 and 42 of their pre-hearing
brief claim that U.S. production of that product offers
enhanced performance characteristics and it's used primarily
in prisons and to guard military and government facilities.
According to the Pakistani Respondents, such differences
explain any observed underselling.

Do you all know what share of the domestic
industry's Product 4 sales are enhanced performance product?

MR. SCHADRIN: I'm going to show Randy the
description of that product in the staff report, but I would
just say, having done this forever, that that statement is
just plain simply not true. That Product 4, which this
Commission has used repeatedly for like 30 years that is the
main fencing products that is used in everything -- you know
all over the board. You can walk by it, Commissioner
Johanson, now that you notice it, in D.C. around all the
government buildings and for the entire U.S. market, man,
the amount of new prison construction over the POI and the
amount of use for prison and enhanced security it can't be
more than a minimal share of the entire U.S. market. We
just haven't been building prisons, thank God, like we used
to.

I read something on that recently. We'll do
some research in the post-hearing. We finally are not
seeing our prison population growing and so we're not
building new prisons like we were 10 or 15 or 20 years ago
when they changed all the mandatory sentencing rules on drug
cases. We're rolling that back, so I mean that statement's
just not true and Product 4 covers a tremendous part of the
overall fencing market and very little of that is used in
high security.

VICE CHAIRMAN JOHANSON: Well, we're not
building new prison. There is an increased attention being
given to --

MR. BOSWELL: Randy Boswell, Wheatland Tube.

The high-performance products that are
referenced, our W240, F1083 are a very small percentage of
what we produce in fence products and we can give details in
the post-hearing information that we supply as far as what
percentage of our product it is, but the vast, vast majority
of our product goes into fencing around construction sites,
residential fencing, same things that the product of subject
imports goes into.

MR. SCHAGRIN: And actually, Commissioner
Johanson, I misspoke, misquoted the staff, at the request of the Respondents, changed our traditional fence product. It used to be the large volume, lighter wall products, not the Schedule 40 product and so they did change it to Schedule 40 and that is not the majority of the fence market in the United States, which is a lighter wall product because you get more steel in Schedule 40 than you do in a lighter wall.

And for most fence applications, you're not going to need a Schedule 40 and yet, even as Mr. Boswell says, you know, even within Schedule 40, which gives you higher strength than a lighter wall product the amount that's going to be used in super/duper high security keep the prisoners in is going to be a small share of the total market.

VICE CHAIRMAN JOHANSON: Alright, thanks for that response. And staying on the same subject, what role do ASTM standards play in this pricing product? On page 50 of the Pakistani pre-hearing brief it is suggested that some U.S. Product 4 sales are to a higher standard than even A53.

MR. BOSWELL: You know we sell product to specification. There are applications, again as I said previously, very, very small volume, a very small part of our business where there is a higher-end product, but you know the vast majority of our product is sold to a pretty common ASTM specification or equivalent, which is -- you
know in the fence industry it's about form and function more than about -- you know it will be an A53 Grade B, non-hydro tested which isn't actually a spec. The A53 spec doesn't allow for a product that's non-hydro tested, so to bring it in as an A53, non-hydro tested to then sell it as a fence product is very similar to what we would sell as a fence product under another ASTM specification.

VICE CHAIRMAN JOHANSON: Alright, thanks for your responses on that.

The UAE Respondents on page 24 of their pre-hearing brief state that any attempt by Petitioners to deny the relationship between hot rolled steel prices and CWP prices should be viewed with skepticism. My question to you then is do you deny such a relationship? And it seems from your brief that you're not completely dismissing the correlation between raw material and CWP prices.

MR. BLATZ: There is correlation, but I think the issue is profitability, and just the fact that raw material or coil price changes, our price is going to change. The issue is, is it changing in a higher percentage? In other words, are we having to decrease our prices more than our cost decreases have had, and hence there's price compression. So again, as we said earlier, there is correlation, but that's not causation of the issues
here, which is profitability.

VICE CHAIRMAN JOHANSON: Okay. Thanks,

Mr. Blatz. And Mr. Boswell, the Pakistan respondent on Page
77 of his prehearing brief has a quote from you from the
preliminary staff conference. The quote as excerpted
appears to indicate that you believe that there are some
quality distinctions between U.S.-produced CWP and imported
CWP. Is that a fair assessment of the quote?

MR. BOSWELL: I think it's a little bit out of
context. I do think that, depending on the application,
there are varying degrees that may be looked at, but again,
everything is sold to a specification and if it doesn't meet
that specification, it's not acceptable for that product.

MR. SCHAGRIN: And just to add, because the
second part of that is about electrical conduit, and I think
it was some question at staff conference about, you know,
why do you have certain products you might make -- like
Wheatland is probably the largest, or second largest, U.S.
producer of electrical conduit besides being the largest
producer of CWP, and I think what Mr. Boswell was saying is,
hey, in electrical conduit, because if the product fails,
you don't have a leak, you wind up with your whole building
burning down.

You're going to have a much greater preference
for domestic -- the potential problems with any kind of
failure of a conduit product is fire. Think about it in the context of the different products we have here. You see, Commissioner Johanson, if the product isn't great, maybe that means somebody can push it over more easily than you could if the product was as sturdy.

And yet you're going to have some areas like the fence around the White House which isn't even made out of pipe, which is going to have maximum protection. And the same is true in this building. If there's a failure of a pipe or a fitting, you're most likely to have a leak, and yet, why is there combined subject and non-subject import penetration of more than half of the U.S. market?

It's that people have confidence in the products, the imported products. They meet a specification, such as ASTM and to the extent that there's any problem, there's a sense that, so what? You know, the plumber for the GSA is going to run over to Ferguson and buy some pipe to replace your leak. So I don't think that what Mr. Boswell was saying and what Mr. Cameron, who has such a distinctive laugh, was laughing about, was saying, oh, yeah, we completely agree with the respondents, that all subject imports are all crappy quality and all domestic product is all super-duper. So I think that the quote was taken somewhat out of context.

VICE CHAIRMAN JOHANSON: Thank you for your
responses. My time has expired.

CHAIRMAN WILLIAMSON: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you. I think these questions might be for post-hearing, but if you want to take a crack at them during the hearing and then also look at them for post-hearing, that's fine.

First one is, the domestic industry had a big loss of market share in 2015, but U.S. producers' U.S. shipments hardly declined at all. What conclusions should I draw from this?

MR. SCHAGRIN: We'll do it in the post-hearing. Your conclusion should be that as demand was increasing, the domestic industry wasn't getting the benefit because I think in the post-recession years, '15 was probably the one on the better side of GDP growth -- I know the GDP figures are the in staff report -- and I think also exhibited probably a little bit more of a bump in construction spending than '13 or '14. So as demand was increasing, the subject imports were going up and the domestic industry wasn't benefitting, which was the case really over the whole POI, which is why shipments over the POI for the domestic industry didn't increase.

COMMISSIONER PINKERT: Thank you. Next, looking at Page 4 and Exhibit 2 of Al Jazeera's brief, do you agree that subject producers have a competitive advantage over
domestic producers because the subject producers have
implemented certain technological advances?

MR. SCHAGRIN: I'll bet the answer in the
post-hearing brief's going to be no, that we don't agree.
But let's do that in the post-hearing as to the actual
analysis of the technologies they're claiming.

COMMISSIONER PINKERT: Thank you. And finally,
what information is there with respect to the reasons for
Allied's departure from the industry in 2015?

MR. BLATZ: Various factors -- I think part of
it is that they couldn't compete at a profitable margin.
Part of that's due, perhaps to the way they managed the
company. But a large part of it's due to marketing
conditions.

Again, as we've reiterated this product's sold
on price and as price goes down, at some point owners may
have their own judgment on what's acceptable profitability
and they decided that they couldn't compete with imports.

MR. SCHAGRIN: I would just add, Commissioner
Pinkert, that while respondents, I believe, claimed at the
preliminary conference that when Allied shut down their
plants in Philadelphia and Arizona and exited the CWP
market, they said, well, they didn't say it was because of
unfairly traded imports, so it must not be at all.

And yet, at least as we believe that was a major
factor in depressing their profit margins and making their owners want to not have that be part of their business as they took the company public in IPO, and at least the department of labor granted trade adjustment assistance to the United Steel Workers Union in March of 2016, based on a finding that increased imports -- and I admit, the Department of Labor doesn't differentiate between subject and non-subject imports -- but you do have a finding by the Department of Labor that that plant was closed and the United Steel Workers who applied for the TAA, deserve TAA assistance, being as the plant closure was related to an increase in imports of the products made there.

COMMISSIONER PINKERT: Thank you very much.

CHAIRMAN WILLIAMSON: Thank you. Commissioner Broadbent.

COMMISSIONER BROADBENT: I just had one question I was just curious about. Maybe for Mr. Boswell or Mr. Blatz or Mr. Snyder. Can you discuss the process to get certified as lead-free under the Safe Water Drinking Act? Is that lengthy or complicated?

MR. BOSWELL: The process itself I'm not familiar with what we go through as far as the audit process. The certification process is in our galvanizing shop and making sure that we are lead-free as far as the contents that we use to put the coating on the pipe. And
it's a matter of your process in putting the procedures in
place for your checks, your monitoring of your systems, and
there's a cost to that.

COMMISSIONER BROADBENT: Anybody else want to
commit?

MR. SNYDER: We don't manufacture the galvanized
product, so it wouldn't apply to us.

MR. BLATZ: Same here.

COMMISSIONER BROADBENT: All right. Mr.
Chairman, I have no further questions. Just want to thank
the witnesses very much.

CHAIRMAN WILLIAMSON: Thank you. Commissioner
Schmidlein.

COMMISSIONER SCHMIDTLEIN: Thank you. Can one
of the industry witnesses address what the response of the
U.S. industry was when Allied exited? Was there an effect
on price from that? Was there a supply shortage caused by
that? Did you see an impact in terms of imports that could
be said to be related to that?

MR. BOSWELL: There was an initial 60 to 90 day
window impact in terms of customers wanting to make sure
they had secure supply. So I think there was a little bit
of impact in the beginning with that. And that impacted our
inventory levels. Within 90 days or so, I think the market
was back in balance.
We've seen that with Allied not in the market -- I mean you took the largest producer of the fire-suppression byproducts out of the market. With them not in the market, we've seen that spread out among the domestic vendors, as well as the import product. And we're relatively back in supply at this point in time, you know, nine months later, and probably were three to six months later.

COMMISSIONER SCHMIDTLEIN: And did you see any bump in price during that 90-day period? Because of, you know, one less producer, so --

MR. BOSWELL: There was some price impact in that period of time, yes.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. SCHAGRIN: There were specific questions in the purchaser questionnaires about Allied and I think the majority of the -- eight purchasers reported buying from Allied. Six said Allied didn't price below the market, and six of seven purchasers said that Allied prices did not affect their negotiations with other suppliers.

So it seems that overall, while you may have had, at the time of the stoppage, my understanding was that Allied had very, very little inventory left at the end. They had kind of managed their exit, so it's not like they shut down and all of a sudden put tens of thousands of tons out on the market. They evidently had only a few thousand
tons left at the time of the shut-downs, which in a market
this size would have no impact.

But the perception by purchasers was that
Allied's leaving the market didn't have an impact, but
obviously had a huge impact on the employees leaving, and
that's because this is a market with plenty of available
capacity to supply the market and subject imports taking
nearly a quarter, non-subject imports taking nearly another
quarter or more of the market, so you've got a lot of supply
in the market.

And of course, I think we saw that the subject
import supply was much bigger than the Allied supply and
that's probably why we saw a much bigger impact of the
reduction of imports from the subject countries after the
finding of the cases that we did from Allied leaving the
market. It was a bigger volume impact.

COMMISSIONER SCHMIDTLEIN: Okay. Anybody else?
No. And I apologize again if this was covered earlier. How
long does it take for a change in the price of the raw
materials to affect the price of circular welded pipe? Is
there a standard -- maybe Mr. Boswell, it looks like maybe
you answered this already. Okay.

MR. BOSWELL: The inventory programs that we
carry, we use as a company, we're carrying very low coil
inventories, 30 days or less.
COMMISSIONER SCHMIDTLEIN: Okay.

MR. BOSWELL: So the impact on our costs is relatively quick. The impact on the price that we sell out of the market is driven by other factors. We may not get to see the immediate change in price that we do on our coil costs in the market. That's going to be driven by this availability of supply --

COMMISSIONER SCHMIDTLEIN: Do customers generally -- are they generally aware of what's going on with raw materials? And so they're asking for --

MR. BOSWELL: They're generally aware that -- and they all ask for a price decrease, whenever they have a lower price on anything. They've never come to us and asked for a price increase.

COMMISSIONER SCHMIDTLEIN: But you generally try to pass through price increases in raw materials to the customers?

MR. BOSWELL: We certainly attempt to. And in general, we will get part of it at times, but we have continued to see where the price of import product has held our pricing down even when we're facing an increase in raw material cost.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you very much. I don't have any further questions. Thank you.

CHAIRMAN WILLIAMSON: Thank you. On this
question of Allied's exit their market, there was also an argument -- and I give permission for Mr. Schagrin response if you don't agree with this -- that inventories that Allied sold, inventories and how they discounted prices and that contributed to declining prices?

MR. BOSWELL: From our experience with dealing with -- Allied is also a customer of ours on certain products and we have looked at their inventory when they were looking at exiting the market and there was not a large volume of inventory. I mean, on a monthly consumption basis, you're talking about less than a weeks' worth of product that they were dumping into the market at that point in time. They had managed through their inventory very effectively, I think, to get to a small amount of volume that they put out in the market. So it was a very short window that that volume was out there. If they did discount it at price, it didn't have market impact by any means.

CHAIRMAN WILLIAMSON: Okay. Thank you. Given the industry's COGS to NET sales ratios, what would be your best argument that there's been price suppression by subject imports? You can do it now or post-hearing.

MR. SCHAGRIN: Chairman Williamson. Just because all the data's confidential, we'll do it in the post-hearing.

CHAIRMAN WILLIAMSON: Fine. Thank you. Now,
also in post-hearing, can you respond to the arguments raised by respondents regarding cumulation for threat analysis? You can do that now or post-hearing.

MR. SCHAGRIN: Yes. We'll do that in post-hearing.

CHAIRMAN WILLIAMSON: Good. Okay. Thank you. That's all the questions I had. Vice-Chairman Johanson?

VICE CHAIRMAN JOHANSON: Thank you, Chairman Williamson. Regarding price depression, the Pakistani respondents argue on Page 68 of their pre-hearing brief that U.S. producers' prices declined by less than their unit raw material costs. Could you please address this argument either now, or to the extent that you can in a post-hearing brief?

MR. SCHAGRIN: Yeah, we'll do it in a post-hearing. The changes are such a tiny bit they're referring to, it's like trying to make a mountain out of a molehill of very, very small changes, but I think we would rest on the fact that over a period of increasing consumption, we have decreasing domestic shipments and changes in operating profits which are very tiny over the POI, were not enough to have set net losses over the entire POI, which just shows how poorly this industry was performing during a time period where demand overall, '13 to '15, is pretty darn good and this industry's continued to do
very poorly right up until the time of the filing of cases.

We'll contest in our post-hearing brief this idea that imports really started falling in April, when you look at the first nine months of '16 before we filed the petitions in October and you see that subject imports were higher than the first nine months of '15 and the real fall in '16, which was dramatic, was after the filing of the cases and that's when this industry regains profitability. So we'll go over it in more detail in the post-hearing, but we think that the analysis adds up to a clear impact by the subject imports on price depression and profitability.

VICE CHAIRMAN JOHANSON: Thank you, Mr. Schagrin. I had just one more question. This is kind of a general question, but as I mentioned in the beginning, I visited CWP Pipes in the past, and I've observed both continuous weld and electric-resistance welding and I was wondering -- do customers specify continuous weld or electric-resistant welding products?

MR. BOSWELL: No, they specific based on grade. Continuous weld products are made to A53 Grade A Type F versus our ERW products are either fire suppression and A135 or ERW products of A53 Grade B. So those are specified by specification, and that will determine for us what products we ship.

VICE CHAIRMAN JOHANSON: All right. So the
production process does not, of course, impact the grade?

MR. SCHAGRIN: Even though the specification
requires that you mark it different grade, the products are
interchangeable. They have the same ODs, wall thicknesses
and PSI strength, characteristics, and hydrostatic testing
capacities for how much pressure they can take with how much
water, steam, other things, so they're identical whether
they're CW or ERW. They just, based on the specs, have to
be marked with a different letter. But other than that, the
products are interchangeable.

VICE CHAIRMAN JOHANSON: All right. Thank you
for your responses. That's all my questions for now.
Thanks.

CHAIRMAN WILLIAMSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: I had one more
question. And this you can answer in the post-hearing
brief. Can you respond to the argument that the drop in
energy prices has affected the OCTG market and therefore
producers of CWP are using their equipment to produce more
CWP instead of OCTG and therefore allocating more fixed
costs and that's what's impacting the financial position of
these companies, and not subject imports?

MR. SCHAGRIN: Yes, Commissioner Schmidtlein, we
can respond. First, it's just not true. So look at this
panel. You have the three largest producers of CWP in the
United States here. Almost to no API license, no effect of
changes in energy products on any of their financial
results. Steel ventures, doing business as EXLTUBE, no API
licenses, no energy tubular production. So no impact on
them.

For Zekelman Industries, largely different
plants making CWP and energy products, and so you have very
little, and I believe that most of the plants making energy
products were actually shut down in maybe mid-2015 or so, at
some point. Yeah, even early 2015, so to the extent there
was any impact, it would have been '13 and '14, not 2015.

Look at the other producers. First of all, most
of the producers that even made energy products have already
shut down their plants. So from shut-down plants, you're
not having much of an impact at all. And I think you'll
just see, and we did this in our post-conference brief,
we'll do it again in our post-hearing brief, the amount of
the CWP subject to this investigation that is made by either
companies or by companies in common plants, is just a very
small portion of the total CWP.

So the idea that -- I'll throw out a
hypothetical number, that 10 or 15 or 20% overlap could have
an impact on the whole 100% CWP financials, I just think
it's creativeness by people to say the problem with CWP is
the energy industry. It's just not. They have different
demand drivers. They're largely made in different plants and they're largely made by different producers.

COMMISSIONER SCHMIDTLEIN: OK. And then I assume that before I arrived at this, the data issues were being discussed, and so I would just invite you to address those arguments with regard to whether the data is accurate, especially with regard to Pakistan's argument on negligibility, if you could address that. I'm guessing that was already addressed.

MR. SCHAGRIN: We'll do that. Just because of the confidentiality and the fat that, between now and our post-hearing brief, we'll have the finals from Commerce. That's going to change some of the negligibility arguments as well. So we're going to do a lot of that in our post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay. All right. Thank you.

CHAIRMAN WILLIAMSON: Thank you. Any other questions for Commissioners? Any questions from staff of this panel?

MS. HAINES: Staff has no questions.

CHAIRMAN WILLIAMSON: Thank you. Do the respondents have any questions for this panel?

MR. CAMERON: No.

CHAIRMAN WILLIAMSON: Okay, thank you. Well, I
think it's time for a lunch break. I want to thank this panel for their testimony. Appreciate it. We'll now take a lunch break and we'll resume at 1:00. I just want to remind everybody that this room is not secure, so please take all business, confidential business proprietary information with you, and so we'll see you again at 1:00 p.m.

    Thank you.

    (Whereupon a lunch recess was taken to be reconvened at 1:00 p.m. this same day.)
AFTERNOON SESSION

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

CHAIRMAN WILLIAMSON: Okay, good afternoon. I apologize for being late. Gentlemen, Ms. Mendoza. You can begin when you're ready. Thank you.

MR. CAMERON: Thank you, Mr. Chairman. Before starting, I just have a brief remark, a brief comment to make with respect to the issue that came up this morning about the 18 percent price premium. In the Chairman's -- in response to the Chairman's initial question about the 18 percent price premium, Mr. Schagrin said that it was -- he referred to it as somehow being from the last case.

Actually, the price premium was not quantified in the last case, as those of you who were in the last case will remember. It was calculated in this case in direct response to a question from the Commission, and as Commissioner Schmidtlein observed, we calculated that premium from the purchaser questionnaires and the tabulation is in Exhibit 4 of the UAE brief.

We'd also refer the Commission to page seven of the UAE prehearing brief discussing conditions of competition, because we think that this is a significant condition of competition. The question that arises, of course, is the one that you asked and that was not answered
this morning, which is well, why would there be a price premium for domestic material if competition is purely based upon price and all of the pipe and tube is fungible.

Certainly, the existence of a premium such as this suggests that there's a significant bifurcation in this market, as we have stated and the Commission has found in the past. With that, I'd like to turn it over to our economist. Thank you.

STATEMENT OF JIM DOUGAN

MR. DOUGAN: Good afternoon Commissioners and staff. I'm Jim Dougan from ECS, and I'm joined this afternoon by my colleague, Emma Peterson. I will address the analysis of volume effects, and Ms. Peterson will address the analysis of price effects and impact. Since significant portions of the prehearing staff report were bracketed as confidential, we have prepared two versions of our presentation today, a public version that will be projected on screen and distributed on the public table, and a confidential version that has been distributed to those under the APO and that you have before you now.

In sum, our presentation will demonstrate that the record evidence supports a negative determination on the question of whether subject imports caused, or threatened to cause material injury to the domestic circular welded pipe or CWP industry. Petitioners' theory of the
case, particularly with regard to causation, has a number of holes in it, as their key arguments are contradicted by the record evidence.

With regard to volume effects, Petitioners argue that subject imports only declined in volume with the filing of the petition at the end of October 2015. Petitioners' prehearing brief states that "Importers' response to the prospect of the imposition of anti-dumping duties and countervailing duties was to curtail purchases of subject imports, so that the first half of 2016, after the filing of the petitions, saw a steady decline in import volume." You heard this again this morning.

This claim is demonstrably false. As Slide 1 shows, subject import volume peaked in April 2015, and had declined by a significant percentage as shown on a confidential slide by October 2015 when the petition was filed. The percentage decline is virtually the same whether or not one includes subject imports from Vietnam in the total. In fact, that's true for the other volume arguments I'll present today.

Respondents recognize that the Commission typically doesn't look at monthly import trends, but may be interested in making a comparison between first half 2015 and first half 2016. To aid in this comparison, Slide 2 presents the subject import data in half year increments.
As is obvious from the slide, substantially all of the decline in subject import volume observed in the comparison between first half 2015 and first half 2016 actually occurred in second half 2015.

Given the long lead time involved with shipments of CWP from subject countries, there's no way that this decline reflects the filing of a petition on October 28th, 2015. As the industry witnesses on our panel will explain, this decline in imports from subject countries reflects the risk aversion to foreign producers, importers and purchasers related to hold inventories during 2015, a time of volatile and uncertain hot-rolled prices.

Contrary then to Petitioners' argument, the Commission should not reduce the weight accorded to the data for the period after the petition in making its determination of material injury and, as Ms. Peterson will demonstrate, the industry's performance in 2016 severs any causal link between subject imports and the condition of the domestic industry.

Another claim made by Petitioners is that the domestic industry responded to subject imports by slashing prices in 2015, in hopes of increasing its market share. First, as Ms. Peterson will show, the decline in domestic industry prices was simply a reflection of declining prices for hot-rolled steel, and the domestic
industry actually reduced its prices by less than its cost decline, which increased its metal margin and reduced its COGS to sales ratio in 2015.

While Petitioners claim that this price-cutting led to an abatement in subject import volume, it clearly did not have the same effect on non-subject imports. See Slide 3, the confidential version of which provides the change in volume for subject and non-subject sources. Petitioners even state in their prehearing brief that non-subject imports from Turkey, Thailand, China, Taiwan, India and South Africa increased by "more than usual amounts" in 2015.

This morning, Commissioner Broadbent correctly pointed out also that imports from Canada were very significant relative to subject imports. Petitioners' counsel incorrectly stated that this was because the data she was referring to had not been adjusted. This is wrong. Staff Report Table IV-11 shows that Commissioner Broadbent was correct, and as explained at page IV-11 of the Staff Report, these data have been adjusted by and you can see this by comparing the staff report data to the Census Bureau data.

Petitioners state in their prehearing that in 2015, despite their price-cutting, the domestic industry lost market share to both subject and non-subject imports,
which makes it seem like the industry lost share to both
sources equally. This is not the case. See Slide 4, the
confidential version of which provides the changes in market
share. The relevance of this fact pattern is twofold.

First, if CWP is a fungible commodity
traded solely on the basis of price, domestic producers
cutting prices should have led to increases in domestic
market share. This did not happen, which undermines
Petitioners' theory of the case. Second, Petitioners have
offered no explanation or evidence why trends in subject and
non-subject imports should have diverged so substantially,
even before the filing of the petition. This likewise
undermines Petitioners' causation case.

It isn't apparent from the record evidence
that changes in market share had an adverse impact on the
domestic industry to begin with. But even assuming that
they did, it is even less clear that any adverse effects can
be attributed to subject as opposed to non-subject imports,
especially given the pricing patterns that Ms. Peterson will
discuss.

With regard to domestic industry's
production and shipments, Petitioners contrast this case
with the fact pattern in the 2012 case, where the industry
increased its production and shipments over the POI. But
subject imports aren't the cause of the industry's decline
in production and shipments here. An important factor
during the current POI not present in the previous case was
the collapse in the oil and gas market from 2014 to 2015.

Most domestic producers actually reported
increases in production and shipments. The downward trend
is fully explained by a small subset of producers that were
highly exposed to the oil and gas segment. Despite the
claims of Petitioners' counsel this morning, Respondents
have never claimed that all or even most U.S. producers were
impacted by the oil and gas market.

Rather, we have argued that the impact of
oil and gas on a subset of U.S. producers has a
disproportionately large effect on the condition of the
domestic industry. Again, most U.S. producers reported
increases in production and shipments, and the decline in
production and shipments is fully explained by a minority of
producers. You can see UAE prehearing brief at pages 11 to
13 for the confidential analysis.

In the preliminary phase but not in the
final phase so far, Petitioners argued that the increase in
imports led to an inventory overhang that caused adverse
volume effects to the domestic industry. They made some
comments about that this morning, but they haven't made it a
central argument. This claim too is unsupported by the
record. The analysis presented at pages 15 and 16 of UAE
Respondents' prehearing brief provides the confidential domestic producer and importer data supporting this conclusion.

In the final phase, we also have access to data on purchasers' inventories, and these tell the same story. See Slide 5. As noted at the Prehearing Staff Report pages II-5 and II-6, purchasers' inventories were composed predominantly of CWP from non-subject and unknown sources, 43 percent, and domestically produced CWP, 38 percent. Less than 20 percent of purchaser inventories consisted of imports from Oman, Pakistan, the UAE and Vietnam. If Vietnam is treated as non-subject, this proportion is even smaller.

In summary, subject imports played a relatively small role in the U.S. market, declined substantially well before the filing of the petition, and played no material role in any inventory buildup occurring in the U.S. market. Therefore, subject imports caused no adverse volume effects. I turn now to Ms. Peterson for a discussion of price effects and impact.

STATEMENT OF EMMA PETERSON

MS. PETERSON: Good afternoon, Commissioners. I'm Emma Peterson from ECS. There have been no adverse price effects by reason of subject imports. First, there was no price depression. As shown at Slide 6,
U.S. producers' prices closely tracked prices for hot-rolled coil, which is the main raw material used to produce CWP. This is the case for both sales into the distributor channel, as well as sales into the end user channel, as shown at Slide 7.

The fact that this relationship between U.S. producers' prices and hot-rolled coil holds for both sales to distributors and sales to end users is important, because importers of CWP from subject sources did not report any price data for sales to end users. See Slide 8, which shows that U.S. producers' prices followed the same trends regardless of whether or not they were competing with subject importers.

Commissioners, you have a confidential version of this slide, which is non-indexed AUVs for U.S. producers' sales of the pricing products. That version shows even more clearly that U.S. producers' prices followed the same trends in both channels with or without import competition. In their prehearing brief, Petitioners highlight the fact that in the 2012 investigation, domestic prices increased over the POI, whereas in this current investigation, domestic prices declined. This is not evidence that there is now price depression.

Rather, this reinforces the idea that U.S. producers' prices are closely tied to prices for raw
materials. Slide 9 shows raw material prices from the 2012 publication, where hot-rolled steel prices increased by 23 percent, and zinc prices increased by 57 percent over that POI. Slide 10, which reproduced Figure V-1 from the Staff Report in this current investigation, shows that between January 2013 and December 2015 hot-rolled steel prices declined by nearly 40 percent and zinc prices declined by nearly 20 percent.

There has been some recovery in 2016 which, as shown at the earlier slides, allowed U.S. producers to increase prices for some pricing products in 2016.

Next, there has been no price suppression. U.S. producers' net sales AUVs declined by less than their raw material costs, as shown on Slide 11. Again Commissioners, you have a confidential version of this slide which shows the AUVs and raw materials costs in dollars per ton, as well as the calculated metal margin in dollars per ton. For confidentiality reasons, these numbers cannot be displayed on this public slide, but you can see that the gap between net sales values and unit raw materials costs widened both over the three full years of the POI as well as between the interim periods.

Additionally, as shown as Slide 12, U.S. producers' COGS to sales ratio declined over the POI. COGS takes into account not only raw material costs but also
direct labor and other factory costs. So this metric
provides further evidence that U.S. producers' prices were
not suppressed by subject imports.

The underselling on the record is not
significant. Purchasers themselves confirm this by
reporting that they are willing to pay 18 percent more on
average for domestic CWP than for CWP from subject sources.
You can see that the source for this, as Mr. Cameron
mentioned earlier, is purchasers' questionnaires from this
current investigation, not the previous investigation, and
we arrived at this number just by calculating by simple
average, not by any sort of mathematical acrobatics as
Petitioners claimed this morning.

Commissioners, you will note the
significance of this premium for domestic merchandise on
your confidential Slide 13. The lower prices for subject
imports are a logical reflection of increased risk due to
longer lead times, as well as perceived quality differences,
both of which will be discussed by industry witnesses.

In their prehearing brief, Petitioners
claim that subject imports undersold the domestic industry
more frequently than non-subject imports did. However,
Petitioners use AUVs to support this claim, not the detailed
price data collected in the Commission's questionnaires.
The Commission generally does not rely on AUVs when there
are better more detailed data available, since AUVs can be influenced by product mix.

Appendix E of the prehearing staff report rebuts Petitioners' claim, stating that aggregated non-subject imports were priced lower than domestic product in 48 instances, and priced higher in only eight instances. In other words, non-subject imports undersold the domestic industry 86 percent of the time. In contrast, as Slide 14 shows, subject imports undersold the domestic industry less frequently, 73 percent of the time.

As shown on Slide 15, subject imports and non-subject imports were priced similarly, with non-subject imports being priced lower than subject imports in 27 of 56 comparisons, or roughly half the time. While Petitioners' lost sales and lost revenues allegations are confidential, we believe these underselling data cast doubt on any such allegations and we invite the Commission to refer to IIL's brief at pages 80 through 84.

There has been no adverse impact on the domestic industry by reason of subject imports. Consistent with the other data on the record, U.S. producers' financial data provide no evidence of a causal link between the domestic industry's condition and subject imports. In fact, the domestic industry's gross and operating margins improved over the POI as subject import volume increased, which is
the opposite of what the Commission would expect to see if subject imports were adversely affecting the domestic industry.

A variance analysis of U.S. producers' financial data show that the decline in costs, primarily driven by declining raw materials' costs, had the largest effect on the domestic producers' improved profitability. See Slide 16. It is important to note that this is true both for the period 2013 to 2015, as well as between the part-year periods shown at Slide 17. This morning, Petitioners attributed their improved performance in 2016 to the reduced volume of subject imports in the market.

However, what this variance analysis shows is that the volume effect on their operating income was actually quite small, and that the industry's improved performance was due to a favorable net cost expense variance driven by a positive raw materials cost variance. Thus, while we understand that the domestic industry's improving profitability does not on its own warrant a negative determination, we do believe that the reason for the industry's improving profitability, that is declining raw materials costs, severs the causal link between the domestic industry's condition and subject imports.

There is further record evidence that refutes Petitioners' claim that their improving
profitability in entering 2016 was due to a decline in subject import volume. First, as my colleague Mr. Dougan discussed just a moment ago, subject imports peaked in April 2015 and declined substantially by the time the petition was filed in October 2015. Second, the underselling data on the record undermine Petitioners' theory that they were only able to improve profitability in 2016 because of reduced pricing pressure from subject imports.

In fact, subject imports undersold domestic producers with greater frequency and in greater volumes in first half 2016 than in first half 2015. This morning, Petitioners pointed to U.S. producers' declining net income as evidence of injury. As discussed at pages 94 to 95 of IIL's prehearing brief, this decline is not representative of the industry's experience as a whole, and is certainly not attributable to subject imports.

The Commission should view Petitioners' claims with skepticism, especially given that the trend in net income is divergent from the trends in gross and operating income. These differing trends indicate that other factors have affected U.S. producers' net income. Again, the details are confidential but are discussed in Respondents' prehearing brief.

In summary, the weight of the record evidence indicates that subject imports have not caused
material injury to the domestic industry. Thank you.

STATEMENT OF MERVYN D'CUNHA

MR. D'CUNHA: Good afternoon. My name is Mervyn D'Cunha, and I'm the financial controller for the Universal Group, which includes Universal Tubes, Universal Pipes and KHK Scaffolding. KHK Scaffolding does not export standard pipes to the United States. Our foreign producer questionnaire, however, provided information on the pipe and tube operations of all the three companies. The UAE industry is composed primarily of four producers, Universal, Ajmal Steel Tubes and Pipes Industries, Conares Metal Supplies and KD Industries.

Together, these producers represent a vast majority of the UAE producers and exporters of standard pipes to the United States. Universal provides, produces a wide range of standard and non-standard pipes, including square and rectangle, line pipe, conduit and OCTG. We have expanded our portfolios of certifications for pipe and other than standard pipe, such as line pipe and OCTG.

The UAE industry in general and Universal in particular focuses primarily on UAE and the countries of the Gulf Cooperation Council, which we regard as our second home market, and where we enjoy a natural competitive advantage over other suppliers. Demand within the UAE is strong. In UAE, private and public developers have regained
confidence in Dubai's residential property market, after the
turmoil of the Arab Spring, and relaxed rules in the UAE has
made Dubai a global tourism hub.

This has further enhanced by Dubai's plans
to host the 2020 World Expo, which is expected to attract 25
million visitors and will require significant investment in
hotel and infrastructure sectors. In addition, demand in
the GCC countries remains strong. Governments in the region
continue to spend on new projects including hotels,
commercial and residential apartments, shopping malls,
schools, hospitals and universities, etcetera.

These projects all require standard pipe
for plumbing applications, firefighting systems, chilled water
systems and structural applications. Regional construction
growth is expected to continue to grow between now and 2020,
which should drive demand for steel products. In
particular, Saudi Arabia and Qatar have plans to further
develop their infrastructure and expand their urban areas,
with Qatar set to benefit from hosting the 2022 FIFA World
Cup.

We have seen a steady -- we have seen this
growth already with the rapid expansion and demand for
finished scaffolding, which we produce from internally
consumed standard pipe. We have also seen demand grow in
the UAE and other export markets for products produced from
the same machinery as standard pipe, especially square and 
rectangle products.

This growth in demand is why KHK Scaffolding has expanded its capacity to produce square and 
rectangular merchandise in small sizes below three inches. 
As noted, KHK sells to domestic markets and has never 
exported to the United States. In addition, with its vast 
oil and gas production, the GCC countries are among the 
largest consumers of line pipe in the world. Universal Pipe 
started commercial production of line pipe, and we have 
focused our efforts on exploiting that product sector in the 
GCC.

We have also sales offices in and have 
expanded sales in the United Kingdom and Australia. In this 
regard, Australian authorities just found no injury on 
imports on welded standard and square and rectangle pipes 
from the UAE. Although the Universal Group has increased 
its capacity, the new capacity is at KHK Scaffolding which, 
as noted, has no export of standard pipes to the United 
States.

The new capacity is directed at producing 
square and rectangle tubes, and extra thin wall standard 
pipes for the domestic and GCC market. Moreover, Universal 
Group companies are currently at our full practical capacity 
for both standard and non-standard pipe production.
Producers have a strong preference for domestic products over imports, because U.S. producers are located close to the market and are normally able to ship from inventory. This results in much shorter lead times and lower inventory costs when purchasing domestic products. In addition, many customers choose domestic production over imports because of access to technical services, warranties and product liability concerns. This built-in customer preferences for domestic supply allows domestic producers to command a price premium over imports.

In the case of Universal, we sell almost exclusively on the basis of confirmed orders. Lead times for sales to the U.S. customers average two to three months. As we discussed in the 2012 case, and in the preliminary conference of this case, customers demand a discount when they have to wait for two to three months for delivery.

Another consequence of this lead time in 2015 is that because of the volatility and the uncertainty with respect to the hot-rolled prices, foreign producers were reluctant to commit towards forward purchases of hot-rolled coil, and U.S. importers were reluctant to maintain inventory of standard pipe. This led to a reduction in imports from these subject sources that began well before the filing of the petition in this case.
domestic price premium has been in place so long that today there is a structural feature of the market and are understood by all suppliers and sellers. Universal's primary competition are other importers, both subject and non-subject. Customers typically determine a balance among domestic and import sources, and we compete for the import portion of their purchases. Thank you.

STATEMENT OF INDRANIL CHOWDHURI

MR. CHOWDHURI: Mr. Chairman and members of the Commission, my name is Indranil Chowdhuri and I'm the Chief of International Marketing of Al Jazeera Steel Products Company of Oman. I have held marketing positions in the steel industry for nearly 30 years. I am accompanied by Mr. Venkat AN, the chief executive officer of the company.

We have come here today to explain Al Jazeera's practices and policies, particularly in the U.S. Steel Pipe market. Oman is one of the only two countries in the Gulf Cooperation Council to have a free trade agreement with the United States, the other country being Bahrain. This explains in part our close ties with the U.S.

Our company was founded in 1996 and it began commercial production of pipes in 1998. We produce ERW circular pipes and tubes and square and rectangular profiles on the same lines, and we sell principally to Oman
and our neighbors in the GCC. Our raw material is
hot-rolled coil, which we purchase on international markets.
Our plant is located in Sohar, Oman and we have an
additional sales office in Sharjah in the UAE.

    Al Jazeera is a publicly held corporation
created on the Muscat Stock Exchange and we do publish
quarterly financial statements audited by international
auditors. From our location in Oman, our local selling area
is not only Oman but the GCC area as a whole. We consider
this to be our local market, even though GCC sales are
reported to the Commission as exports. In fact, we sell
about 80 percent of our output to Oman and the GCC.

    As for the U.S., we have had a consistent
presence in the United States almost from the beginning of
our commercial life. I can speak personally of our sales
policies beginning from 2007, when I joined the company as
the Chief of International Marketing. We work with a very
small number of U.S. customers located in the various
regions of this country, to ensure that our product enters
the market in an orderly way. We have a strong sense of
mutual loyalty with our customers, and have worked with
them through good times and bad in order to maintain our
reputation as a reliable supplier and to support our
customers'
organizations even through market downturns.
By working in this systematic way, the Al Jazeera brand has become quite well known to end users in the areas reached by our customers' distribution, and we pride ourselves on having reached a firm footing in a very demanding market. American pipe customers at every level are very brand conscious and they are loyal to a reliable brand that provides a good value its product.

Our U.S. sales are done very differently from our Oman/GCC sales. All of our U.S. sales are produced to order. When a U.S. customer's inquiry comes into our office, we have our pricing decisions on the cost of HR coil at that time, and we do not book our purchase of coils until we have a confirmed purchase order. Our lead time for coil purchase is typically one to three months.

When you add in our rolling schedule, our lead time from order to shipment may be four months or even more. Then for shipment, we ship virtually all our pipes by container. Generally, we fill the container in Sohar and they are loaded onto smaller feeder vessels. For our U.S. east coast shipments, the feeder vessels go to Jabel Ali in the UAE, where the containers are transferred to a mother ship that carries them to the United States by the Suez Canal.

For our sales to the west coast, containers are again loaded onto the feeder vessels in Jabel Ali, where
they are transferred for shipment to one of the big ports in China, typically Shanghai, where they are transferred to larger container ships for the Pacific crossing. These time-consuming routes are necessary because large-scale container vessels do not call at the Port of Sohar.

I would like to draw your attention to two important facts. First, our lead times to the delivery for U.S. are relatively long and highly variable. Second, our pricing into the U.S. market is a direct reflection of coil costs at the time the order is placed. In this way, we are very much like American producers, who we understand also price their sales according to the coil cost.

The difference is that the American producers are able to sell to their American customers directly from inventory on immediate turnaround, while we always have a significant lag between the order date and the arrival of goods at the U.S. port of entry. I have been selling steel products to the U.S. and other export markets for my entire career, and I would like to share my understanding with you.

Foreign producers have their advantages and disadvantages in the U.S. market. Our principal advantage is access to lower cost raw material on the international market. Our disadvantages include much longer lead times, larger, minimum order quantities and all the uncertainties
that go with the international trade, exchange rate
fluctuations and so forth. And, as we saw in the second
half of 2015, when international coil prices was unstable,
we are hesitant to commit to coil purchases and our
customers are hesitant to commit to pipe purchases, so that
our volumes were reduced accordingly.

This occurred in the second half of 2015,
when the plummeting world coil cost made both Al Jazeera and
our customers hesitant to place orders. These circumstances
create a two-tier market in the United States. At each
point in the supply chain, domestic producers compete
against each other, but generally not against imports. And
imports compete against each other, but generally not
against domestic producers.

On the import side, it is my firm belief
that customers choose Al Jazeera pipe because we have an
established reputation for consistent quality. As for Al
Jazeera's capacity, most of our sales are directed to Oman
and the GCC, and we have operated at over 90 percent of
practical capacity utilization for the past several years.
We simply do not have the practical capacity to sell more
tonnages to the U.S., even if our customers were to request
substantial increase in volumes.

Our practical capacity is significant lower
than our theoretical capacity because we have a bottleneck
at our slitting capacity and we do not expect that limitation change in the foreseeable future. It existed in 2012 and it continues to exist today. I should add that Al Jazeera is in the process of expanding our international market beyond just the United States, as we are implementing a policy of export diversification and it is already resulting in significant increases in tonnages to third countries.

Finally, regarding our local market outlook, the GCC is one of the few bright spots in the world in terms of continued infrastructure development. In spite of lower oil prices, the demography of these markets require the governments to continue investing in construction and infrastructure. A case in point is Oman, where 59 percent of the population is below 29 years of age. These demographic trends drive the need to build facilities to address this growing population.

This is also reflected in Oman's Vision 2020 declaration, which further requires additional infrastructure spending as the country reduces its dependence on oil revenues, all of which means additional pipe consumption. After this, events like the Expo 2020 in the UAE and the football World Cup in Qatar, and as well developing demand from markets like Saudi Arabia, and we will be left with little capacity to increase exports beyond
the GCC. Thank you for your attention.

STATEMENT OF JULIE C. MENDOZA

MS. MENDOZA: Julie Mendoza, on behalf of IIL and Connectors. And before I turn it over to them, I'd like to talk to you briefly about a very exciting topic, negligibility.

So based on the current responses that the Commission has received, Pakistan's imports are under 4 percent based on the staff calculations. There were some late-coming questionnaire responses that came in after they did the staff report, but now it is under 4 percent.

The question is whether the imports are actually under 3 percent for purposes of the antidumping determination. And we'd just like to talk very briefly about what some of the problems are here.

First, Petitioners have developed a very creative scope of this investigation which presents a number of challenges. While the Commission has used seven primary HTS classifications in order to calculate the negligibility denominator, we have to keep in mind that there are 10 additional HTS classifications that potentially include products that should be included—that are included in this investigation. So in total there are 17. The Commission is using 7, because those are the primary categories, the 7.

Petitioners are well aware of the difficulties
that they've created with their--for a negligibility
finding, but they've provided no instruction or offered any
reasonable methodologies for determining the actual volume
of subject imports.

Instead, Petitioners' counsel told the Commission
at the conference that they should trust his estimates
because, quote, "he's a fair person."

We would just like to say, first, that the
methodology provided in the Petition greatly overstates the
volume of imports that are nonsubject mechanical tubing from
Canada.

Second, the Petitioners have provided no
methodology at all for estimating the volume of mechanical
tubing, and multiple stenciled line pipe imports which enter
in other categories than the seven we're talking about. He
has offered no way to account for those in the denominator
at all.

Petitioners assert that the volume of official
import statistics from Mexico should be adjusted. They say
this in their Petition. Based on no shipment letters
submitted by three producers in Commerce's Standard Pipe
Administrative Reviews.

However--and Petitioners are well aware of this--the
scope of the Mexican AD Order does not include mechanical
tubing that meets the definition of "fence tubing" as it
does in this case.

In fact, Petitioner has argued to this Commission that, quote, "tens of thousands of tons a year of imports of mechanical tubing from Mexico were in fact fence tubing that the Mexican producers were claiming to be mechanical tubing to exploit the exclusion in their case."

Therefore, the Mexican producers' certifications to Commerce of no shipments of standard pipe under that Order does not indicate no shipments of fence tubing under this Order--in this investigation. Thus, there's no basis to make any exclusion of Mexican imports from the denominator.

For Canada, Petitioners merely asserted that the Commission should deduct 60 percent of Canadian imports, but they didn't provide a shred of evidence that that's the correct figure.

At the preliminary phase, the Commission did derive a ratio--and it is confidential--that was applied to the total imports from Canada in order to arrive at the percentage of imports from Canada that were actually mechanical tubing that is not subject to this investigation.

However, the problem is that it was not a reliable estimate because--for reasons that we'll describe in our confidential brief--but the more important point is that AISI and the Commerce Department's import monitoring
mechanism has determined for purposes of reporting mechanical tubing imported into the United States that there is one tariff classification that is covered by your seven classifications that is included. And that is Category 7306 31,000. And they have said for purposes of reporting, AISI as well as the import monitoring by Commerce reports only that category of mechanical tubing.

So it is our position that the Commission should deduct only imports under that classification from the total Canadian imports.

Finally, we also think though the Commission has to account in some way for all the multiple stenciled line pipe that's entering under the four line pipe categories that are not part of our principal seven categories the four line pipe categories were multiple stenciled line pipe is entering. Because remember, Petitioners are saying we want to include multiple stenciled line pipe that meets certain characteristics because we think that's standard pipe.

And, frankly, the problem here is that there's been very little response to the questionnaires by the nonsubject countries. We have been working with staff to try to encourage them to follow up with a couple of producers who reported a lot of this sort of—a lot of material that should have been classified as part of our standard pipe denominator. They haven't responded in the
final. They've changed the data.

So we're asked that that be looked into. But I would just say that we know that there's a lot out there that in fact should be classified as standard pipe. In various sunset reviews of standard pipe orders on Korea and Mexico—both Korea and Mexico—dating back to the year 2000, Mr. Schagrin has asserted, and respondent's counsels have confirmed, that substantial volumes of dual-stenciled line pipe from Korea and Mexico, which has been excluded in those orders, were being imported and used for standard pipe applications.

The Commission has heard this over and over again. It is noteworthy that in the 2008 investigation of line pipe from China the Commission found that 28 percent of imports coming from those line pipe classifications, other than China, were multiple stenciled ASTM and API specifications, 28 percent.

There were one million short tons of imports of line pipe in the 12-month period preceding this Petition. That means that if 28 percent of it was multiple stenciled, that would be 280,000 additional tons of product that potentially should be classified as standard pipe.

We have proposed a means by which you can at least try to estimate the amount of line pipe that's entering that now is going to be classified as standard
pipe, according to the scope of this investigation.

We have taken a conservative estimate. We have based it solely on Korea because the Korean companies--the Korean importers are the only ones who have really provided any responses in this investigation. So we're taking a very conservative approach. We're taking only a certain portion of those imports based on a ratio, and it's described in our brief.

But we think that there has to be some adjustment made for those dual-stenciled, and it can't be simply that because nobody's responded to the questionnaires the answer is that there are zero imports worldwide of dual-stenciled line pipe that should be classified as standard pipe.

And then I just would end by saying that there's no imminent threat from Pakistan. The official import statistics themselves show that after a brief increase in the middle of that 12-month period, September, the month right before the filing of the Petition, was actually the lowest point of imports, the lowest level of imports from Pakistan for that entire 12-month period.

So we don't believe there's any imminent threat, either. And with that, I'll turn it over to Mr. Blair--I'm sorry, Mr. Chinoy, to testify first.

STATEMENT OF RIYAZ CHINOY

MR. CHINOY: Mr. Chairman, Members of the
Commission, good afternoon.

My name is Riyaz Chinoy and I am the CEO of International Industries Limited, IIL, Pakistan's largest and only publically listed manufacturer of steel, stainless steel, and plastic pipes and tubes. My qualifications are as an industrial engineer from Case Western Reserve University in Cleveland, Ohio, and I would like to thank the Commission for facilitating this visit, which is my first to the U.S. in over 25 years.

ILL is one of the oldest pipe manufacturers in Pakistan and is by far the quality leader in the market. ILL was incorporated in Pakistan in 1948 and is part of the Chinoy group of companies that manufactures diverse products, including steel, electric cables, plastic pipe, and aluminum sections.

ILL is, to the best of my knowledge, the only producer of circular welded pipe in Pakistan that is capable of exporting to the United States. The other producers of circular welded pipe in Pakistan are focused almost exclusively on the domestic market, producing pipe products to domestic specifications on locally made machinery and equipment. Their facilities are small and undeveloped and they are located too far from the port to make it viable for them to import raw material to produce pipe for exports.

Our participation in the U.S. market is very
limited, even though we have been exporting to the United States for the past 14 years. In 2012, ILL decided to only supply limited quantities into the United States, and as such we awarded exclusive market rights to a single U.S. representative, Connectors, Incorporated.

Through Connectors, ILL has exported hot-dipped galvanized pipe in sizes from 1/2 inch to 6 inches. As my colleague from Connectors, Peter Blair, will explain, the product is sold only as commercial fence pipe. This is a relatively low-value added product compared to the other types of circular welded pipe. We have exported small and relatively stable quantities of this product on a made-to-order basis to the United States every year since 2012.

ILL also produces and sells a variety of steel pipe and tube products in the Pakistani domestic market, including circular welded pipe and tubes, square pipes and tubes, and increasingly tubing made of plastic.

Over 65 percent of ILL's sales are in the domestic market, and another 25 percent are to nearby export markets such as Afghanistan, Sri Lanka, and the Middle East. There is a huge potential for growth in Pakistan's domestic market where steel consumption is only 45 kg per capita, while the average globally is over 210 kg, signifying that our market should grow by 4 times.
Economic forecasts for Pakistan have been generally very positive, especially in the steel sector, which has been growing over the last 5 years by over 12 percent per annum. The forecast for the next 5 years shows a growth trend upwards of 22 percent based on the TAPI, PI, and LNG pipe lines which are being constructed.

The China Pakistan Economic Corridor, which is a $46 billion investment in infrastructure, is another factor supporting the strong demand outlook in ILL's home market.

The increasing use of pipe made of plastic in the domestic market has led us to concentrate our recent capital investments in the area of plastic pipe, not steel. This allows us to retain our leadership position in the domestic water pipe market. We have only last month commissioned Pakistan's largest plastic pipe plant at a cost of over $2 million. Furthermore, expansion projects worth over $4 million to produce plastic pipe and fittings are now under execution.

The galvanized fence pipe IIL exports to the United States is significantly different from the CWP sold by the U.S. producers. All IIL fence pipe does not have its internal weld bead removed, nor is it lead-free, nor hydro tested. As such, each mill test certificate clearly states the product is suitable for commercial fence pipe applications only.
IIL has been steadily exporting to the United States market and has no plans to increase our exports to the United States in the future. However, like all Pakistani companies we face challenges in exporting related to supply constraints, including security issues around its production facilities, serious electricity shortages, gas and water supply, inadequate road infrastructure, and unavailability of a locally produced raw material which needs to be imported with a 90-day lead time.

All of these factors have limited IIL's spare production capacity and we cannot make any further commitments to the U.S. or any other export markets beyond the levels that we have been supplying historically.

Strategically we are concentrating all recent capex on expanding our sales and product range in our domestic and neighboring export markets in order to take advantage of the growth in the local construction markets and the economic boom in our vicinity.

Thank you.

STATEMENT OF PETER BLAIR

MR. BLAIR: Mr. Chairman and Members of the Commission, good afternoon. I am Peter Blair, Vice President of Connectors, Inc. Thank you for the opportunity to testify here today.

Connectors, Inc., is the exclusive U.S. importer
of galvanized fence pipe products from International Industries, Limited, in Pakistan. Connectors, Inc., has been acting in this capacity for the last four years.

Connectors, Inc., is managed by a related company, Crown International Trading, which is an exporter of U.S.--manufactured capital goods supplying steel industries around the world.

Crown also was the first U.S. Company to establish and utilize EXIM Bank's Working Capital Program, which has become very successful in assisting U.S. exporters.

In 2012, we conducted an analysis of the domestic quality manufactured fence pipe product and we determined that there was a niche in the market where we could supply a distinct product that was suitable for use as commercial fence pipe.

The ASTM A-53A specification modified to IIL's limited fence pipe product accomplished this objective. Since then, our imports from IIL have been limited to galvanized fence pipe which we have imported into the United States in a limited quantity.

IIL'S commercial fence pipe is not sold to the ASTM A53-A specification. The Mill Cert states that, while it is generally manufactured to the ASTM A53-A spec, it is suitable for use only in commercial fence pipe.
As a result, the IIL commercial fence pipe is sold as ungraded and cannot be used in other applications that require full certification under the ASTM A53-A specification. This pipe does not meet other performance criteria required by the ASTM spec.

Unlike IIL, domestic manufacturers maintain strict compliance to every aspect of the ASTM A53-A and B specification, including the use of lead-free zinc coating in the galvanized process.

In addition, domestic producers have their own specialized quality designation on internal and external finishes to provide a great distinction in domestic quality pipe. U.S. manufacturers circular welded pipe products are sold for use in all ASTM applications that include, in part, the transport of potable water, gas, oil, and other pressurized fluids in accordance to ASTM A53-A CPW specification.

IIL's commercial fence pipe, in contrast, is exclusively offered by Connectors, Inc., as suitable for commercial fence pipe use only. This commercial fence pipe has a number of very important differences between U.S. producers of ASTM A53-A pipe.

IIL utilizes the hot-dip process only. The galvanization applied to the pipe is not lead-free. The galvanized finish by the U.S. producers is universally
accepted in all applications as per ASTM specification.

IIL's finish is limited to commercial quality fence applications. U.S. manufactured pipe is also subject to random hydrostatic testing to ensure no liquid or gas leakage. IIL's fence pipe is not hydrostatically tested as it is sold for fence use only.

U.S. manufacturers either control or remove their internal weld bead to ensure smooth passage of water, gas, or cables. IIL does not remove or control the weld bead to any specific tolerance because the end use is limited to fence application only.

U.S. manufacturers, unlike IIL, also offer other quality-enhancements and special features like roll grooving, swedge ends, et cetera. IIL's fence tube is offered to a customer base that does not have the need for all the amenities offered by the domestic industry.

Domestic producers have developed their own fence pipe standards referred to as SS20, SS40, WT-40, which have a much higher yield than ASTM A53-A and feature various premium coatings not offered by IIL.

Thanks again for the opportunity to address this hearing.

STATEMENT OF JONATHAN M. FREED

MR. FREED: Good afternoon. My name is Jon Freed of Trade Pacific, and we are appearing today on behalf of
Midwest Air Technologies, a U.S. importer, and its Vietnamese affiliate, Vietnam Haiphong Hongyuan.

We will address the negligibility of subject imports from Vietnam. We won't take up too much time, because unlike negligibility with respect to Pakistan, there does not appear to be much dispute with respect to negligibility from--on subject import from Vietnam.

If as expected the Vietnamese producer, Sayavena, receives a zero or de minimis rate in Commerce's final determination, then its imports will be deemed non-subject and the remaining imports from Vietnam that are still subject will remain below the statute's 3 percent negligibility threshold.

The Petitioners appear to concede this point at pages 1 and 15 of their prehearing brief, and again this morning Petitioner's response with respect to negligibility of Vietnam's subject imports was essentially let's see what Commerce determines in its final with respect to Sayavena. And again, if Sayavena's dumping rate is your de minimis, then the subject imports from Vietnam are negligible regardless of whether you use the denominator as calculated by the staff, which Petitioners support, or with the method proposed by IAL in support of its argument that imports from Pakistan are negligible.

Our brief also explains how the past and
projected volume trends for subject imports from Vietnam, as well as subject producer's limited inventory levels support the conclusion that subject imports from Vietnam will not eminently exceed 3 percent.

And for the sake of covering all potential issues, our brief also discusses why Vietnam on a decumulated basis does not pose a threat of material injury to the domestic industry.

But again, you don't need to get to that question because if Sayavena-- if imports from Sayavena are non-subject, then Vietnam's subject imports are negligible.

Thank you.

STATEMENT OF WILL PLANERT

MR. PLANERT: Members of the Commission, just briefly. This is Will Planert on behalf of IIL. I'd just like to very briefly summarize our argument for decumulation because I think it got a little bit confused by Petitioners in the morning.

Our argument is basically this: Among all of the end uses and applications in which circular welded pipe is used, the product that is being exported from Pakistan by IIL is only certified to one use, and that is as commercial fence tubing. It is not certified to meet the ASTM A53-A spec, so it cannot be used to convey water or other liquids. It cannot be used as sprinkler pipe. It is limited only to
commercial fencing.

And our second point is that even within that limited sphere of commercial fencing, as Mr. Blair just testified, there are--the products that the domestic industry sells, the fencing products that they sell, many of them offer features that our product does not in terms of enhanced coatings, in terms of much higher yield strength, et cetera. And therefore, while we don't say that there's absolutely no competition, we say that we don't believe that the very limited uses and applications of this product rise to the level of a reasonable overlap of competition. And that's the basis for our decumulation argument.

MR. CAMERON: That's it.

CHAIRMAN WILLIAMSON: Okay, thank you very much. I want to express our appreciation to all the witnesses who have come. Some have come from quite a long way. This afternoon we will begin our questions with Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you very much. And I would also like to thank the witnesses for being here today and for traveling so far. I think actually I'll just start by following up on your last statement, Mr. Planert, about the overlap in competition. Because I was looking at Pricing Product Four, right, that's the product that Pakistan exports to the
And so I guess my question is, it sounded to me like your last explanation of the argument really goes more to explaining the price differential there than whether or not they are competing.

MR. PLANERT: Well, I think it is a little bit of both. I mean certainly it does, we think, explain a lot of the price differential. But I also think, simply from the standpoint of competition, if you have an application where you have need for, you know, a 50,000 psi coating--I mean a 50,000 psi strength, yield strength, or if you need some of the specialized coatings that for example Wheatland advertises on their website, you're not going to be buying this product from Pakistan because it's not going to meet those needs and requirements.

So--and obviously, you know, we don't have data to specifically quantify how much of what's going into that pricing category is that product, but our point is that even within the narrow category of commercial fence tubing, the actual direct competition between what IIL is bringing in or exporting and what the domestic industry is selling is, we believe, very limited.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you for that.

So I want to start with a question about this
being a bifurcated market. And if someone could sort of
walk me through what that argument is? I don't know if Mr.
Cameron, or you would be the best one, or one of the other
witnesses, but my understanding is--and I don't know the
extent to which your argument goes--but are you saying that
domestic only competes with domestic, and the imports
compete with imports?

MR. CAMERON: No, we're not.

COMMISSIONER SCHMIDTLEIN: Okay, so explain to me
exactly what the argument is.

MR. CAMERON: Well it's not that simple.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CAMERON: And in answer to your first
observation, no, I'm probably not the right one to be
answering this question, as with most of my answers, but
I'll start and then people that are smarter than I will fill
in.

When we say that there's a bifurcated market,
what we're saying is that there are distinct markets that
there's attenuated competition in. Nobody is saying that
there is no competition between imports, or between subject
imports and between domestic production.

However, when you look at the purchaser
questionnaires, number one you see a distinct preference for
domestic product. Well, why is that?
This comes back to what we discussed in the 2012 case, and we've discussed here. A lot of it has to do with lead times. If you've got a lead time of two to four months, which is what you're hearing, for buying imports, and then you have the domestic producers that sat here this morning and testified correctly--there's nothing wrong with it--it's a huge advantage that they are selling out of inventory. And so you know that you're going to be able to get your material within three to five days from Petitioners, because of course this is what they stock up for. They know what their customers want.

They know that the customers also know that if they have a problem with that pipe and tube they can call them up and they're going to get technical service on that immediately. Whereas, in the case of these imports you are forward minded. You are gambling on what is the price going to be four months from now when the pipe that I bought and I committed on that price, what's it going to be four months from now?

And given the volatility that we've seen in, for instance, hot-rolled prices which, as we have also seen, correlate with the price of the pipe and tube, that can be somewhat of a gamble.

And so, yes, there is a discount. And so when the purchasers say that, yeah, I mean for domestic material
on average I would pay a premium of 18 percent, and that was
calculate from those purchasers that responded to that
question, that indicates that it's not a direct competition.
It indicates a degree--and I would suggest to you a
significant degree--of bifurcation. If there's an 18
percent discount on one over the other.

COMMISSIONER SCHMIDTLEIN: But it sounds like you
are saying the bifurcation is between domestic versus
imports?

MR. CAMERON: Yes.

COMMISSIONER SCHMIDTLEIN: Okay--

MR. CAMERON: And there's also--well, there's
gradations in there. I mean, if you want to talk about
whether or not the Korean material has a better reputation
in the market and can probably command a higher price than
subject imports, I think that that's generally true except
for one observation.

And that is, that the imports from nonsubject
countries were actually underselling imports from subject
countries.

COMMISSIONER SCHMIDTLEIN: So there's been a lot
of pipe cases before the Commission--

MR. CAMERON: Really?

(Laughter.)

COMMISSIONER SCHMIDTLEIN: I'm told. I mean, I've
only been here a couple of years--

MR. CAMERON: Bad observation, sorry.

COMMISSIONER SCHMIDTLEIN: --since I've been here, but has the Commission addressed this? Have the Respondents made this type of argument in other pipe cases? Or is this a new phenomenon in the way that imports compete with the domestic product?

MR. CAMERON: I think that it's fair to say that the only part that's new is that the Commission actually asked purchasers in the purchaser questionnaire: Would you be willing to pay a price premium for domestic product over imported? And if so, can you quantify it?

And the purchasers responded to that question. And we have never had that data before. So, yes, we argued that there was a bifurcated market in the 2012 case. We argued that, yes, they're competing on different terms.

We argued that the lead times were largely part of what accounts for that, also perceived quality differences, but we didn't have anything that quantified that difference until this investigation in which we actually have a number that we can say, well, that supports our position that, no, it's not a one-to-one comparison. And, no, a 5-cent difference in the price is not going to automatically mean that they go to imports.

There is a price premium, and the price premium
is reflective of the conditions of competition in the market. And the convenience of buying from the guy that's down the street, or five miles away, or 100 miles away, as opposed to having to communicate with a mill overseas.

COMMISSIONER SCHMIDTLEIN: So, okay, so then why did the--what's your theory then of why the domestics lost market share?

MR. CAMERON: Well, the domestics didn't lose that much market share to -- I mean if you heard their argument this morning they were complaining about 2015 and I understand that they lost a small amount of market share to imports in 2015, but if you look at the data you will see that it really was not that significant. They lost market share to non-subject imports, not the subject imports. I mean there are all sorts of things --

COMMISSIONER SCHMIDTLEIN: Isn't maybe part of that bifurcated market even the non-subjects, under your theory?

MR. CAMERON: Well, it could be. I mean the fact that they lost market share doesn't mean that there's not a bifurcated market. You're talking about an average discount of 18 percent or price premium of 18 percent and there was underselling I believe less than that, but we can't really discuss the number.

MR. DOUGAN: Commissioner Schmidtlein, Jim
As I addressed in my affirmative presentation, the decline in production and shipments observed in the domestic industry which lead to their numbers that go into their market share of apparent consumption is totally explained by the small subset of producers that participated in the oil and gas market.

If you set that aside, the production and shipments of the remaining producers increased.

COMMISSIONER SCHMIDTLEIN: But I'm talking about market share.

MR. DOUGAN: Agreed, but that decline for those producers lead to the decline for the U.S. producer shipments, overall, which would have resulted in that shift in market share that you observed and that's not -- you know that's a segment of the market -- again, you know we're not contesting that -- we're not asserting that all producers compete in that market, but those who do lost the shipments that lead to the decline in market share. That's on one part.

The other part of it is you saw a much more substantial increase from the non-subject sources and that lead to the shift for the market share that they gained, particularly, in 2015.

COMMISSIONER SCHMIDTLEIN: But aren't the
non-subjects also in this side of the bifurcated market

you're talking about where they have -- so I guess, that

boils down to the question. So when you see imports,

whether it's subject or non-subject, gaining market share is

that based on price then and your argument in response says,

well, but that's because the domestic's you know command a

premium, so it can't be called underselling, but it is

based on price.

MR. DOUGAN: Let me make sure if that's true.

MR. CHINOY: I just want to make a point. I

mean it's very heartening, though unbelievable, for me to

believe that a U.S. domestic producer cannot get a premium

oil product made with a carriage or made with a Pakistan

label. That seems very difficult to believe.

Having said that, the way the -- there was a

15-month continuous decline in prices of hot rolled coil

from the end of October 2014 until about April of this year,

2016. Now somewhere in the middle of 2015 all manufacturers

there was a continuous decline. Every time you bought

material the next time you buy it, it was less, cheaper. So

everybody got scared and everybody decided to de-stock.

So the entire world everybody started

de-stocking. The pipe producers were de-stocking. The raw

metals suppliers were de-stocking and that is the reason why

people stopped buying and that's why the buying was slowed
down. That is the main reason why I believe that the demand in 2015 came down. I don't believe market share came down. People just bought less. Because they didn't want to speculate they only bought as much as they could sell onwards. They did not buy for inventory.

And just the last point to add is in the domestic -- as they said, the Petitioners, the domestic manufacturers in the U.S. keep two weeks of stock of raw material. That's also valued for international manufacturers as well.

COMMISSIONER SCHMIDTLEIN: Two weeks.

MR. CHINOY: Yes, two weeks of stock. But the Petitioners in this particular place none of us have got raw material manifesting in our own country. We have to import it. The countries which are not a part of the petition they have their own raw material. They make their own -- . We have to import it with a 90-day leave time, so compared to U.S. manufacturer he buys steel for two weeks. If we bought steel -- if we have stock of two weeks, but we've placed orders for the next three months, so if we have got 12 weeks of stock on order, if international prices go up, we're locked out. At the same time international prices go down, we go the other way, but that is the risk of doing business.

COMMISSIONER SCHMIDTLEIN: Right.

MR. CHINAY: So that influences what happens in
the world.

MR. DOUGAN: Just to finish up on your question. I might catch you on the next round because your time is limited, but I have an additional response that I won't do now.

COMMISSIONER SCHMIDTLEIN: Alright, I will come back to you. Okay, thank you.

CHAIRMAN WILLIAMSON: Actually, why don't you finish that point now because you might answer my question?

MR. DOUGAN: Sure. And there was a similar -- I think this is responsive to your question, Commissioner Schmidtlein, but it's also responsive to something that Petitioner said this morning. And they were saying, well, there can't possibly be a bifurcation of the market and there can't possibly a premium in the market for domestic merchandise because otherwise -- I mean why are we losing so much market share or how could we possibly sell things at an 18 percent premium and continue to be in business?

And the data are confidential, and we'll get into this more in post-hearing, you know because the market share numbers I mean those are big shifts. Those are lots of different things going on, but if you look at head-to-head competition and you're wondering, well, were sales lost on the basis of price? Did volume shift on the basis of price? And you look at the pricing products.
least for Product 1 and Product 3, which are, by far, the
largest volume products, both for the domestic's and in
general -- at least for the domestic's, that much I can be
sure about.

And you look at their market share over time for
the black pipe products they're not losing market share in
those products. There's underselling. You know,
inarguably, there's underselling all over the place and yet,
they're not losing market share in those products. So
clearly, there's something going on where there are
producers who are choosing to buy from the U.S. and they are
I mean, empirically, paying a premium to do so. So the
resulting shifts in market share in 2015 -- and this has
something to do with what Mr. Chinoy said, that the
uncertainty and risk aversion that lead subject producers of
CWP to reduce their shipments didn't necessarily also apply
to non-subject sources because they had their own native
supply of hot rolled and so they experienced -- for example,
Korea, for Turkey, for places like that they didn't have to
deal with that uncertainty of having to import hot rolled
from overseas and they said their lead times were you know
one to three months.

CHAIRMAN WILLIAMSON: Okay.

MR. DOUGAN: Yeah, sorry. So that's why
non-subjects were able to continue to gain market share and
subjects fell off.

CHAIRMAN WILLIAMSON: Okay, thank you.

Mr. Chinoy, I was -- continuing on this line, you state that other Pakistan producers are too far from port to import raw materials to produce pipe for export. So I was wondering what sources do they use? I mean you're distinguising between your company and other Pakistani firms.

MR. CHINOY: We're the only listed manufacturer in organized sector in pipe in Pakistan. All the other guys are very small backyard operations, sole propriety-type operations and the only exports they do is well established by the land route. They can't really afford -- I mean they're located inland in Pakistan, so to buy raw material, import it from the sea, transport them, make a pipe and transport it back, one, the quality is not good. Secondly, the transportation costs would kill them, so it's only economical for them give it to Afghanistan, which is by the land route.

CHAIRMAN WILLIAMSON: Okay, but are they using a different source or is it just they're not big enough.

MR. CHINOY: The equipment is just not good enough. Their hot rolled is normally Chinese, normally, second quality Chinese material is what they use.

CHAIRMAN WILLIAMSON: So in a sense, they're not
globally competitive like you are?

        MR. CHINOY: They're not globally competitive.
I mean the product quality is not acceptable in the First
World country, let's put it that way.

        CHAIRMAN WILLIAMSON: Okay, thank you.
Mr. Dougan, looking at your Slide 1, it looks
like monthly imports in several months prior to the petition
were similar to imports in the corresponding months in 2014
and the tallest two peaks there let's treat those as
anomaly, but looking at some of the other months and I'm
saying, given the fact that they're similar in 2014 and
2015, doesn't that sort of undercut your argument that
subject imports were declining prior to the petition?

        MR. DOUGAN: So if the imports in like June and
July of 2015 were the same as June and July in 2014 is that
kind of what you're asking?

        CHAIRMAN WILLIAMSON: Yes. If you look at the
similarities there that would imply that -- in other words,
if you take out the two anomaly months, can you really say
that the imports were declining that much?

        MR. DOUGAN: Okay, well, if you take out the two
anomalous months of April and May --

        COMMISSIONER BROADBENT: Can you maybe address
it post-hearing because I don't want to go through looking
at all that.
MR. DOUGAN: Yes. But clearly the last quarter of '14 is much bigger than the remainder of '14. And then the first part of '15, yeah, that is a spike and it is anomalous and there's a decline from there, but prior to the petition the September --

CHAIRMAN WILLIAMSON: Okay.

MR. DOUGAN: They're still down from the previous period.

CHAIRMAN WILLIAMSON: Maybe taking a look at grouping those in post-hearing.

MR. DOUGAN: Sure, I will do in post-hearing.

CHAIRMAN WILLIAMSON: Okay, thanks.

Are there specific products that are produced-to-order rather than shipped directly from inventories, something I asked this morning?

MR. CAMERON: Well, Commissioner, I think that the differences between imports and domestic production if you look at the questionnaires you'll see that well over 95 percent of domestic production, domestic sales are from inventory -- something like that -- not quite that high. I was thinking of the imports. The imports, yeah, it's a vast majority of production is from inventory.

You heard this morning that 100 percent of these three producers who run the domestic industry are the largest producers are from inventory, whereas the imports I
think it's roughly -- it was over 95 percent that was made-to-order. And the reason is, as you heard this morning, they buy the hot coil after they have a confirmed order. So one of the reasons that you're not producing inventory is they're not going to invest in the hot coil and gamble on the ability to sell the product. They're actually buying the hot coil based upon confirmed purchase orders which, in part, leads to long lead time.

CHAIRMAN WILLIAMSON: I guess my question was really more are there specific products in which this is more true or is it a fact that specific --

MR. CAMERON: Then the answer is no.

CHAIRMAN WILLIAMSON: Okay.

MR. SIMON: From Al Jazeera's point of view, all their A53 is sold in the export market and it's all produced to order. Their production for their home and GCC market is produced to inventory. That's 80 percent, more or less, of their total production and that's produced to inventory and it uses coils that they can't use for the A53, ASTM Grade pipes that come to the United States.

CHAIRMAN WILLIAMSON: So why do they ship to the U.S. just-to-order? I assume you could set up a distribution warehouse and stuff like that in the U.S.

MR. SIMON: I just didn't hear what you said.

CHAIRMAN WILLIAMSON: Why is the shipments to
the U.S. shipped only to order? Is the reason Mr. Cameron said or was there something else?

MR. SIMON: No. I mean they don't forward purchase A53 grade of coils, so they wait until they have a confirmed purchase order.

CHAIRMAN WILLIAMSON: Okay.

MR. CAMERON: It's all a matter of managing risk, Mr. Chairman. I mean there is a risk, especially when you're talking about highly volatile raw material prices and highly volatile costs and it's a matter of how you're going to manage that risk. Also, until they buy the coil, they don't have any ^^^^ they have not incurred any costs. If they buy coil and they don't have the production for it, then they've got a problem.

CHAIRMAN WILLIAMSON: Okay.

MR. SIMON: Just one further thing, in the home market they're selling every day in small sales, but every day, so that's a continuous turnover of their inventory, but U.S. sales tend to be in larger volumes for each individual sale. So that's a big part of why they're produced-to-order.

CHAIRMAN WILLIAMSON: Okay, thanks. You talked about their supply chain.

MR. SIMON: Yes, right.

CHAIRMAN WILLIAMSON: Okay.
MR. VENKATARAGHAVAN: Alagaman Venkataraghavan
from Al Jazeera Steel.

Especially when you're talking about A53 coils
and specific orders from customers, you also have widths on
the hot rolled coil.

CHAIRMAN WILLIAMSON: I'm sorry?

MR. VENKATARAGHAVAN: You have widths of the hot
rolled coil that you need to manage with the pipe diameter
that you're given. So I can't take a gamble on which width
will go for which order and therefore if I order
incorrectly, keep hot rolled in stock, then I'll end up in a
situation where I have hot rolled for which I don't have
pipe orders or I have pipe orders for which I don't have hot
rolled.

CHAIRMAN WILLIAMSON: Okay.

MR. VENKATARAGHAVAN: So it has to -- one has to
follow the other. And the logical process is you get the
order and then order the hot rolled.

CHAIRMAN WILLIAMSON: Okay, good. Thank you for
that clarification.

How do the longer lead times for imports affect
price negotiations?

MR. VENKATARAGHAVAN: Can I add something? It
slightly precedes your question, Mr. Commissioner. I've
been on both sides of the table, both in terms of a steel
mill and also as a distributor. The reason why a metal gets
a premium -- and this relates to price negotiation. The
reason why a domestic mill gets a premium is because when I
buy from a domestic mill I'm instantly able to see the
margin I will generate from the local customer because I
know the input cost. I know my output sales price because
it's the same month's sales, whereas, when I'm buying from
an external mill I know my costs, but I don't know what is
going to be my sales price then, depending on the market and
that's why even at the domestic mill at any point of time
commands a higher price you're willing to pay that and
that's where the premium comes from. That's precisely where
the premium comes from.

Conversely, this is the situation when you
negotiate with a steel mill you're always at a disadvantage
as a selling mill. You need to, therefore -- therefore, the
domestic mill gets a premium and this impacts your price
negotiation. While you are stuck with your hot rolled
costs, the domestic mill has far more flexibility in terms
of how it handles its sales.

CHAIRMAN WILLIAMSON: Okay, thank you.

MR. DOUGAN: Commissioner Williamson, if I can
add to that. There was a purchasers on Petitioner's panel
in the previous investigation who actually explained this
pretty well and they said in order to buy import there has
to be a price differential between the import offering and
the domestic offering. I think that much is clear from just
a common sense standpoint that when I buy import pipe I'm
buying in large quantities and it takes longer lead time,
so I'm taking a little bit of risk out there. When prices
are less competitive, there's not a compelling offering, and
that was Mr. Clark, who's a purchasers.

CHAIRMAN WILLIAMSON: Okay.

MR. DOUGAN: So that explains the logic pretty
well, I think.

CHAIRMAN WILLIAMSON: Okay, thank you. Vice
Chairman Johanson.

VICE CHAIRMAN JOHANSON: Thank you, Chairman
Williamson. And I would like to thank all the witnesses for
appearing here today, especially those of you who came a
very long way from Oman, the UAE, Pakistan. We appreciate
you being here to help further educate us on this product
and this investigation.

My first question is for Al Jazeera. On page 3
of your pre-hearing brief, you all argue that higher hot
rolled prices in the United States is a distinguishing
characteristic that gives foreign producers a price
advantage. Isn't this taken into account by Commerce when
it calculates dumping margins?

MR. SIMON: David Simon.
Commerce calculates its dumping margins by comparing the home market price of above cost sales to the U.S. price, so they're never looking at the U.S. price of coil. They're looking at Jazeera's U.S. selling price of their pipes.

Am I perhaps not catching the point of your question?

VICE CHAIRMAN JOHANSON: I think you are. That's fine. I should have cogitated more on that one first, maybe.

The next question is for Mr. D'Chuna. You live in the UA, is that correct?

MR. D'CHUNA: That is correct.

VICE CHAIRMAN JOHANSON: Okay. I was wondering. I was there about 15 years ago in 2001/2002 -- actually, I went there twice and the place was absolutely booming.

MR. D'CHUNA: That's correct.

VICE CHAIRMAN JOHANSON: And every time I looked at pictures of it, it looked like there were more and more buildings being produced there. But you also state that you see continued demand in the UAE and in the GCC, but with the price of oil dropping so significantly in the past two or so years has that impacted the market in the GCC countries?

MR. D'CHUNA: The demand is remaining the same. It's not increasing, but it's remaining --
VICE CHAIRMAN JOHANSON: But the price of oil has fallen so far.

MR. D'CHUNA: But they have these different projects which have already come up and already been agreed with, with the 2020 Expo, which Dubai has, the World Cup, which is coming up. They've all got set targets which they have to actually achieve and for which they're using pipes.

MR. CAMERON: We don't disagree that the demand for oil has had an impact, but basically, our position is that in terms of our product it has been stable and it's been stable because there are ongoing projects. So it's been a pretty good market.

MR. VENKATARAGHAVAN: Mr. Commissioner, may I add to this, please, because I also come from the GCC and I also partly stay in the UE. I've been staying there for the last 16 years.

All these economies in the GCC over the last five to six years have been projecting that the oil prices will go down and therefore have been diversifying their economies. If you read the mission statement of all these economies, they talk of moving their GDP from 70 to 80 percent of oil to around 50 percent of oil, which is ambitious, of course, and that's where the demand comes in from.

Secondly, as mentioned in our testimony, most of
these GCC economies has a demography where less than 30
years age or less than 35 years age are almost 60 percent of
the population; therefore, the governments are invested to
invest in infrastructure for the next 10 to 15 years and
therefore, especially for commodities, which are non-oil
related like our CWP of welded pipes we find stable or
increasing demand at least in Oman. Thank you.

VICE CHAIRMAN JOHANSON: Okay, I guess I could
see that, but then again, it's kind of hard to get my hands
around that image because I know in the U.S. states which
are heavily dependent upon oil are really having a hard time
right now.

MR. CAMERON: They're also not investing in the
infrastructure, which is not what's happening there.

VICE CHAIRMAN JOHANSON: Okay, that could be the
case. Alright, thanks for your responses on that and I'm
glad to hear that UAE is doing relatively well.

Okay, Respondents state that the CWP that they
manufacture is produced-to-order rather than held in
inventory, which has been discussed today. Regardless, no
matter how subject countries CWP is shipped to customers,
couldn't Petitioners argue that such pipe competes in the
U.S. market with U.S. produced pipe?

MR. CAMERON: Commissioner, just to make this
clear, I apologize if there's been a lack of clarity about
this. We are not saying that there is not competition between domestic product and imported product. There is. The point that we're making is that it is somewhat attenuated because imports are at a disadvantage.

In the last case, one of the examples presented by counsel for Petitioner was, well, if you've got a gas station on each corner and then a fourth guy comes on and everybody's offering the same price and then the fourth guy discounts it by a dollar everybody's going to go to the fourth person. And what we observed was, yes, there's a theory there. There's another theory, which is that if a fourth guy is saying, yes, I'll give you a discount of a dollar, but you're going to have to wait four months for the gas. I'll be glad to pick your car up and drop it off to you, but you're going to have to wait four months for the gas. That was the example that was presented.

Are there differences in competition there when you have a three-month wait for the product as opposed to having to wait two days and you can get immediate service on the product? We're suggesting the answer to that is yes.

And in further response to Commissioner Schmidtlein and the Chairman's question about market share, I think it also has to be remembered that because you're doing forward pricing and forward buying those are not going to necessarily match up because you're gambling on what the
market is going to be. We see that time and again in all of these cases where you have a market slow down and the imports take another three months to catch up to that. Why is that? Well, the orders were already placed. And so you do have some disconnects between market share and the way the market is behaving, but that is not necessarily an indication that there's no bifurcation in the market.

But again, are we saying that there's a one-to-one? There's no competition between the domestic and import? Of course, we're not. We are saying that there is competition, but there are differences in the conditions of competition that are significant and need to be taken into account. And actually, they are so significant that they do account for a lot of the issues, the differences in the competition. So I mean that's the way we look at it, but we are not saying there is no competition.

VICE CHAIRMAN JOHANSON: Alright, thanks for your response.

This next question is for IIL. On page 29 of your brief, you state that there is no evidence than an increase in imports from Pakistan is eminent; however, on pages 53 to 55 of Petitioner's pre-hearing brief there are some quotes from various company documents that might support a different conclusion.

Either now or in post-hearing, could you all
please comment on the relevance of those quotes as it relate
to any eminent increase in import volume from Pakistan.

    MR. CHINOY: I can elaborate. I think it's just
misquoted. What we're trying to say is that when we stop
supplying to the U.S. we have to look for other export
markets. Overall export numbers are not going to change. We
don't have any more capacity to export, but if we don't do
the export to the U.S. then we have to look for other
countries where to put that cargo. That is what our
documents are saying.

    MS. MENDOZA: Julie Mendoza.

    We can elaborate more because there were several
parts of the financial statement, and we definitely have a
response for them and we're happy to do that.

    VICE CHAIRMAN JOHANSON: Alright, thanks.

    Thanks for your responses there.

    I'm going to get back to the whole issue of the
UAE again, and I'm sorry about bringing this up again, but
I'm kind of fixated on the drop in oil prices.

    On pages 47 to 49 of your pre-hearing brief,
there are some experts from the Conares Company that
indicate that production capacity is continuing to increase.
I find this curious, given everything that I've heard about
CO overcapacity and the general soft economic conditions in
the world. Are capacity expansions really needed in this
MR. CAMERON: With respect to Conares, we'll try to get you that information. We don't represent Conares and we can get that information.

With respect to Universal, who is here, Universal also expanded its capacity. And what they said in our response, both in the questionnaire and in our testimony is that they expanded in scaffolding with a company, KHK that does not sell to the United States and the reason they were expanding is exactly the reason we were talking about in your first question about the UAE, which is the market there is stable and there's a big demand for it. Scaffolding is important in construction, in other things. They're also selling very thin-walled standard pipe, which is designed for the UAE market and so they expanded their capacity, but that expansion of capacity was for that and they've also diversified into line and OCTG, but they have not expanded their standard pipe capacity for the United States. And we'll get you your answer on Conares as best we can.

VICE CHAIRMAN JOHANSON: Alright, thank you, Mr. Cameron. My time has expired.

CHAIRMAN WILLIAMSON: Okay, Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Mr. Chairman,
and I thank all of you for being here. Some of you came
from very far away, some not so much, but I appreciate it
nevertheless.

Now one of the areas where there seems to be a
very stark disagreement between the Petitioners' panel and
this panel is regarding whether prices declined by less than
raw material costs, which I believe is your contention. Is
this really a disagreement on some facts or is it a
disagreement on the interpretation of the facts? What's
going on here?

MR. DOUGAN: Commissioner Pinkert, I don't think
there is a disagreement about facts. I mean the facts are
as presented in Ms. Peterson's slide. It's in your staff
report. I mean there is no disagreement. There's a
contention. There's an argument. There's rhetoric about
it, but there isn't data to support the other side's
argument. I mean the data are what we have presented.
That's what's in the staff report.

MR. CAMERON: One thing you've heard this
morning in response to one of the questions to the witness
from Bull Moose was, okay so what about the relationship
between the raw material cost and prices? And what he said
was, well, yeah, there certainly is a relationship and the
important question is the ability to get prices that, in
fact, exceed the cost of raw material and keep track with,
or exceed the cost of raw material.

We agree with his statement. But his statement supports exactly what we have been saying on this record, which in fact, the metal margin over the period of investigation has increased, i.e., they have been doing exactly what his goal is on that. So I'm not sure that we have a disagreement with respect to either A) the facts or B) how the industry is supposed to behave. There may be a bit of disagreement with counsel -- that's a separate issue. But that doesn't necessarily only mean it's based on a fact.

COMMISSIONER PINKERT: Thank you. Now --

MR. CAMERON: Sorry.

COMMISSIONER PINKERT: Now, staying with the issue of raw material costs, but looking between the interim periods, I note your argument that there were declining raw material costs between the interim periods and that may account for the increase in profitability of the domestic industry. But what do you make of the argument that increases in volume between the interim periods can lower the average costs for the industry?

MS. PETERSON: I think in theory that may be true, but again, the data on the record just don't support that. If you refer to the last slide, in particular you all have the confidential version, it's Slide 17, you can see that the volume variance in between the interim periods is
really extremely small and wasn't actually driving their improved profitability at all.

MR. DOUGAN: And if I can add to that. To the degree there was a positive variance with regard to, say, OFC, which might reflect a different absorption of fixed costs, it is tiny compared to the contribution from raw material differentials.

COMMISSIONER PINKERT: Thank you. Now there's also a question about the non-subject underselling versus subject underselling. And I note that in the slides that you presented, there's a focus on number of instances, which admittedly is something that the Commission has historically looked at, I'm not disagreeing with that.

But the argument I heard, or at least part of the argument I heard from the other side was that if you look at volumes rather than instances, that you might come to a different conclusion about this non-subject underselling versus subject underselling. You can take issue with either the facts or the interpretation of the facts there, but please respond to that.

MR. DOUGAN: Commissioner, I think that -- two responses to that. One, naturally the volume of purchases, you know, just the pricing data, the volumes reported for importers from subject countries, is going to be and is, based on the response of the questionnaires you've got, a
lot larger for those who are importing from subject
countries than those who are primarily importing from
non-subject countries.

And as Ms. Mendoza has pointed out earlier, you
haven't really gotten very -- or certainly you haven't
gotten the strength of coverage from importers who import
primarily from non-subject countries, compared to those who
import from subject countries. The coverage is nowhere near
as good. So you're naturally going to see, just in absolute
terms, a lower volume of pricing product reporting.

So given that, given the coverage, percentage
comparison is a fair indication of what direction things are
going. Also, we will note that this is not a new condition
of competition. The proportions of underselling and
overselling between non-subject and subject or the
comparison between the two were almost identical in the 2012
case.

And I can't recall offhand what the coverage was
there, and it might even be BPI and has been shredded. But
that roughly 50/50 split between subject and non-subject
being lower price relative to one another is pretty much the
same as it was before. So the idea that somehow this idea
that the non-subject frequency of underselling is anomalous
and attributable to -- it's just not representative of
reality, is not the case.
COMMISSIONER PINKERT: Thank you. Now, given that Mr. Planert is on this panel, I might have expected to hear something about Brask & Mittal in connection with the non-subject imports, but I'd like to give you an opportunity to comment on the applicability of that kind of analysis in this case.

MR. PLANERT: I think we'll maybe elaborate on this a little more in post-hearing, but certainly given the volumes of non-subject imports that are in this market, that analysis is relevant, and I think if we look at what happened, particularly in 2015, you saw that non-subject imports were gaining market share. And so yes, we do think that you do have a Brask & Mittal issue, and we'll address it in a little more detail in the post-hearing.

COMMISSIONER PINKERT: Mr. Cameron, any other thoughts on that particular topic?

MR. CAMERON: No, actually that is his area of expertise, and I would not even dare to enter it.

COMMISSIONER PINKERT: Okay. Thank you. And on the same line of thinking, is it important that non-subject imports from a number of countries are covered by AD or CBD orders. Does that enter into the analysis of the Brask or Mittal issue?

MR. PLANERT: Only to the extent that it suggests that those orders are not preventing them from
participating significantly in this market. Again, you'd have to look at it country by country, to see what are the orders, what are the levels, is everybody covered? But certainly some of the countries that are covered, such as Korea, are nevertheless very significant participants in this market anyway.

COMMISSIONER PINKERT: Thank you. Now, this question was partly posed by some of the other Commissioners, but I just want to focus a little bit earlier in the period that we're looking at. Did subject imports gain market share at the expense of the domestic industry from 2013 to 2014? You talked a lot about 2015, and you talked about a minor shift, but I'm looking earlier in the period, and I'm wondering whether you see a loss of market share directly to the subject imports?

MR. DOUGAN: It's again arguable. I mean the data are confidential. But, and we'll address this is in more detail with the confidential in the post-hearing, but --

COMMISSIONER PINKERT: Please do.

MR. DOUGAN: We will. But again, it's arguable that the change in market share was at the expense of domestic producers. And so we'll argue that. I think another part of that that should enter into the Commission's overall consideration of the volume analysis is that you
don't have questionnaire responses from all of the U.S. producers, and there was one very large U.S. producer who would have been participating in the market to a significant degree in 2013 and 2014, and those data are not represented here. So we'll look at it more, and we'll give you a more detailed answer, but this is not a comprehensive view of the market.

COMMISSIONER PINKERT: Thank you. Mr. Simon, did you have a comment?

MR. SIMON: No, I do not.

COMMISSIONER PINKERT: Okay, thank you.

CHAIRMAN WILLIAMSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: This is related to Vietnam for Mr. Freed and Mr. Goldfeder. Your pre-hearing submission indicated that subject imports from Vietnam are not likely to exceed 3% threshold because, in part, there is a greater export orientation towards Asian markets in Vietnam. Can you elaborate on why your exports are increasing to other Asian markets? You look perplexed. Did I misrepresent your submission?

MR. FREED: Commissioner, I think. We did not raise that argument.

COMMISSIONER BROADBENT: You didn't? Okay. I apologize. And so, I mean the crux of your argument really is that you're going to stable of the 3% eligibility cutoff,
right?

MR. FREED: Our argument is, if you look at the
trend over the period of investigation, it's declining, and
the practice is that when the trend, prior to the
investigation is declining, there's not any indication that
there's a likelihood that it's going to imminently exceed 3%
so the trend indicates that it's going down.

COMMISSIONER BROADBENT: Okay, can you
extrapolate for the thread debate. I mean you just say it's
going down, so there's no threat?

MR. FREED: I think if it doesn't imminently
exceed, did you don't get to threat.

COMMISSIONER BROADBENT: Okay.

MR. FREED: But our brief does, just for the
sake of covering all bases, lays out the case for
decumulation for Vietnam and why there isn't a threat of
injury.

COMMISSIONER BROADBENT: Give me a few comments
on decumulation.

MR. GOLDFEDER: Commissioner Broadbent, I don't
want to go too much into it, because we relied heavily on
confidential information for this argument, but in short,
when you look at the volume trends for Vietnam versus the
other three countries, when you look at the pricing data for
Vietnam versus other countries, there is a noticeable
difference in how Vietnam has -- their volumes and prices
have behaved versus the other three countries.

That supports decumulation. And we also
discussed the fact that, when you take, say, Avena, the
calculation, you're left with only a couple of Vietnamese
producers and exporters. Our client Vietnam Hongyuan, being
among the larger two, and when you look at that company's --
the arrangements they have, the conditions of competition
for Vietnam -- because you'll see that -- and this is
confidential, but our brief goes into it, that the way they
participate in the U.S. market is very different in terms
of, for example, more reliance on selling from inventory and
servicing retail markets than the other countries.

And when you take the different trends then when
you take into account the different conditions of
competition, we think those together support a decumulation
of Vietnam, if you get to the threat stage, which as John
said, we shouldn't because the 3% threshold is not likely to
be imminently exceeded.

And I also just wanted to, on that last point,
mention, if you compare the Commission's preliminary
determination in this case, with respect to the Philippines
and look where the Philippines' negligibility figure stood
and you look at Vietnam's, you know, I think you'll see that
the case for Vietnam is, based on your precedent in this
investigation, has a strong case for finding that that 3% threshold will not be imminently exceeded.

Commissioner Broadbent: Okay and do you have a comment on what the arguments of Pakistan is making about methodology and the calculations on negligibility?

Mr. Goldfeder: No, we don't take a position on that, except to say that the petitioners are advocating for what the staff presented in the pre-hearing report. If the Commission accepts that or the Commission accepts that Vietnam is negligible, if it considers and accepts what Pakistan is advocating, the case for Vietnam is even stronger.

Commissioner Broadbent: Okay. Ms. Mendoza, assume that the Commission adjusts its data based on these new responses that apparently have just come in, would you argue that the data is still inaccurate based on other factors? And if so, which ones?

Mr. Mendoza: If the Commission includes the new data that they've gotten, we are below the 4% threshold for CBD, our argument is that we should also be below the 3% threshold for anti-dumping as well. And we argue that as you heard based on two things.

One, that the Commission, in terms of Canada, should rely on what AISI and the import monitoring service records as, and reports as mechanical tubing, and that is
just the one category. And that if the Commission simply
deducts only that category from the data that -- and also
you need to put into the denominator some
multiple-stenciled line pipe that's coming in.

And the line pipe categories has to go into this
case, into the standard pipe denominator, because we know
there's -- in all these other cases, petitioner is always
yelling and screaming about how much multi-stenciled line
pipe is actually standard pipe, that meets all the standard
pipe definitions.

So yes, we're saying that, even if you make no
adjustment to the data other than just comprehensively
include all the questionnaire responses, we're below 4%, but
that if the data is correctly calculated, we should also be
below 3% for purposes of the anti-dumping.

And, you know, obviously the Commission has a
lot of discretion on this issue and how they go about doing
it. It's just that we think it's, at the end of the day,
it's extremely unfair that simply because a lot of
non-subject producers are not responding to the Commission's
questionnaire, or erratically changing their --

You can't make a hole into evidence. And that
we know from all of these past cases that everybody's
admitted response because there's everybody that there's a
lot of stuff after the dumping orders went into effect on
standard pipe, there's a ton of material that got dual or
triple-stenciled as line pipe, came in as line pipe, but it
was used in standard pipe applications, and I've heard Mr.
Schagrin talk about this for many, many years now. So the
Commission, actually in their data now has just a pitiful
amount of multi-stenciled line pipe that they're including
in the standard pipe category, because they just haven't
gotten the responses. Thank you.

COMMISSIONER BROADBENT: Okay. This is for any
respondents that want to answer. When evaluating the
financial condition of this industry, which is the better
measure of financial performance? Operating income or net
income?

MS. PETERSON: As I mentioned in my testimony,
we think there are some particular -- I have to be really
careful, because a lot of this is confidential -- but there
are some particular responses to the U.S. producers'
questionnaires that are different or show different trends
than the other producers. And we've discussed this all in
detail in our pre-hearing brief, and we're happy to go
through it again post-hearing. But because of these
certain anomalies, we don't believe that net income is
necessarily the correct metric used.

MR. CAMERON: Commissioner, just to follow on
that. Just as a methodological question, operating income
is almost always a more reliable indication of injuries and
net income, because it's closer to the issue of causation.
Net income adds a number of issues that may or may not be
related to imports or anything else that is relevant. I
mean that's part of what is being pointed out by Ms.
Peterson on this issue.

Therefore, yes, we understand that net income is
something for you to take into account, but it is up to the
Commission to determine exactly how much weight it's given
and that goes to the issue of how you evaluate causation and
whether the difference is between operating and net income
are related to subject imports or to other factors. Thank
you.

COMMISSIONER BROADBENT: Okay. And if we could
just kind of summarize this again. The financial
performance of the industry markedly improved between
January and June 2016. What do you think the key factors
are associated with this improvement?

MR. DOUGAN: Commissioner, the variance analysis
that we conducted and as presented at Slide 17, you know
variance analysis is something the Commission does
frequently and it's, what were the factors that accounted
for changes in profitability, you know, between certain
periods?

And this is between the half years' periods, and
it's pretty obvious that the net cost expense variance explains the improvement in profitability and that -- the chief contributor to that was a positive variance with respect to raw materials. One other thing that we want to sort of point out here is that it's also evident in the metal margin that's improved.

And something also that is a key condition of competition that we've discussed before is that the domestic producers produce the inventory. And they don't produce the order like the subject importers do. And so if you are producing to inventory -- first of all we take issue with the contention that petitioners or domestic producers are holding very, very little raw material inventories.

The staff report actually says that responses range from four to eight weeks. So it's much longer than they were asserting to today, where it was less than a month. But not only do you have raw material inventories, you have finished goods inventories. And those finished goods inventories, when they're sold into the marketplace, are going to reflect the cost of the raw materials when you purchase them.

So if you've got a lag between when you buy raw materials and when you produce the product, and then you have a lag between when you produce the produce and when it's actually sold into the marketplace, that expands the
time between the purchase of the raw material and sales.
And that's why they were able to increase their margins so
substantially between the periods.

COMMISSIONER BROADBENT: Thank you.

MR. CHINOY: Can I elaborate just a little bit?

In April this year, steel prices went up by, from $300 to
$450 in two weeks. So that gives a chance for anybody who
had inventory to increase the prices, make more margins.
Then in May or June the prices fell by $50 again. So the
price you -- are now making less. Although there was a very
big jump in April, after fifteen months, continue to
decline, and that is the reason why the margins went up in
2016.

CHAIRMAN WILLIAMSON: Thank you. Commissioner
Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you. I guess
I'd like to understand more the argument about price
depression, and I was just looking at the briefs here, of
Pakistan's brief and UAE's. Could you walk me through -- I
mean I understand that the primary basis of your argument is
that raw material prices fell. So that was the cause.

But if you look at the petitioner's brief, they
don't argue that raw material prices do not have an effect
on prices. In fact, they explicitly say we acknowledge
there's a connection and there's an effect. And their
argument is that subject imports are also having an effect. So can you help me understand how I should distinguish, or on what bases can we say that subject imports do not have an effect on price?

MS. PETERSON: My Slide 8 and particularly your confidential version of Slide 8 shows pricing products, the U.S. producers, pricing products in both the distributor channel and the end-user channel. And what's particularly interesting about this is that no importer of subject merchandise recorded price data for these full pricing product in the end-user channel.

So the fact that we see the same trends regardless of whether or not they were competing with subject imports, you know, rebuts petitioners' point that subject imports are having an effect on these prices if you're seeing the exact same trends.

COMMISSIONER SCHMIDTLEIN: But wouldn't you see this if 70% of the cost of the product is in one raw material? Like, obviously isn't the trend going to be the same? It's the same product going to end-user or distributor.

MR. DOUGAN: The trends are going to be the same. If you were seeing an incremental adverse effect from subject imports, you would expect price declines in channels where they compete with subject imports to be more severe.
than in channels where they do not. And you do not see that in the data. And that is the point of this all.

COMMISSIONER SCHMIDTLEIN: Okay, so what about the question of whether it's really fair to compare that to end-users when the amount of product being sold by U.S. producers to end-users is tiny. We just looked at it, right? So and I'm going to look into who's selling that and exactly, are those end-users also buying from distributors?

But is that a really, I mean can we really draw that strong of a conclusion from evidence where it's a very small amount of sales going to end-users and otherwise you've got all of the rest of the sales to distributors?

MR. DOUGAN: Sure, but Commissioner, let me respond to your question with a question. What's the evidence for the counter proposal? What evidence have petitioners offered that subject imports are having the negative effect? Especially when their COGS to sales ratios are going down and their metal margin is increasing.

We will concede that the volume that domestic producers sell to end-users is smaller than they sell to distributors, but the petitioners have provided no evidence for the counterargument.

COMMISSIONER SCHMIDTLEIN: What about the fact that the unit value of U.S. shipments dropped more than unit value COGS from '14 to '15? I mean if you just look at the
-- I don't think it's confidential, if you just look at the C-table, the unit value --

MR. DOUGAN: The C-tables are confidential, unfortunately.

COMMISSIONER SCHMIDTLEIN: Oh, the whole C-table.

MR. CAMERON: The entire C-table is confidential.

COMMISSIONER SCHMIDTLEIN: OK. I'm sorry. I'm looking for all the little brackets and they're not there. But yeah, if you look at that, you'll see that the unit value of U.S. shipments, not net sales, but U.S. shipments, drops more than their COGS unit value, not the COGS ratio.

MR. DOUGAN: You know, this is confidential, so we're going to have to be careful.

COMMISSIONER SCHMIDTLEIN: Okay, you can address is --

MR. DOUGAN: Yeah, we'll address it in post-hearing.

COMMISSIONER SCHMIDTLEIN: I mean I'm just, you know, if the whole argument on price depression is well, you just look at the raw material costs. Raw material costs were going down, of course like prices are going to go down. But you know, we can't -- it can't be that simple. I mean that can't just be -- that's not the end of the story. So
that's what I'm trying to tease out, and if you're hanging
the whole argument on this end user?

MR. DOUGAN: Well, it's not the whole argument
on the end user, and the other thing that we would point out
is while the numbers are confidential, there is evidence on
the record about domestic producers indexing their prices to
raw materials. To that degree they are --

COMMISSIONER SCHMIDTLEIN: It just means
they're tied, right, in some relative amount?

MR. DOUGAN: Whatever their mechanism is.

COMMISSIONER SCHMIDTLEIN: Right. So again
like the trend is going to be the same. But the question is
are subject imports having any -- having a significant
impact in terms of price effects?

MR. DOUGAN: Right, and we argue that they
are.

COMMISSIONER SCHMIDTLEIN: They are.

MR. DOUGAN: But we'll get into it more
specifically in the post-hearing. I'm being careful to
skirt confidential information.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DOUGAN: Thanks.

COMMISSIONER SCHMIDTLEIN: I'm not sure I
really have any other -- any other questions. Hold on. I
guess one of the industry witnesses, could you talk about
how quickly in your experience are raw material changes, the
change in raw material price reflected in your sales prices?
MR. BLAIR: That change is almost immediate.
COMMISSIONER SCHMIDTLEIN: It's almost
immediate?
MR. BLAIR: Yes.
COMMISSIONER SCHMIDTLEIN: Yeah, okay.
MR. BLAIR: Thanks to the Internet.
COMMISSIONER SCHMIDTLEIN: And I guess the
other witnesses would agree with that?
MR. SIMON: From Al Jazeera's point of view,
their prices are based on the metal cost on the date of the
purchase order. So a purchase order comes in, they look at
the price at which they can buy coils on that date.
MR. CAMERON: Yeah. I mean again, you have to
remember again --
COMMISSIONER SCHMIDTLEIN: Yeah, it's okay.
MR. CAMERON: The raw material price is
translated into the price that they're selling, and that
price that they're selling is a forward price of three
months. I mean being the point on the import side, whereas
on the domestic side, that change in cost is being reflected
immediately too. But it's immediate on a sale that they're
going to be making out of inventory, and they're adjusting
the prices based on the inventory, and based upon raw
material costs within a three to five days window. A little
bit different.

COMMISSIONER SCHMIDTLEIN: So your contracts
aren't indexed to raw material prices?

MR. BLAIR: No, they're not.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CAMERON: The contracts are generally
purchase orders, so they are negotiated sale by sale.

COMMISSIONER SCHMIDTLEIN: Right, okay. Okay.

I don't have any further questions. I may have one in the
next round.

CHAIRMAN WILLIAMSON: Okay, thank you. You're
already going to answer one of my questions for Commissioner
Schmidtlein about the difference, the role of raw materials
in the cost decline. How do we distinguish between price
effects of subject imports and the price effects of
non-subject imports?

MR. DOUGAN: Jim Dougan, ECS. I think, you
know, that's part of the question that we would ask, which
is how can you attribute -- given the relatively small
presence of subject imports in the market relative to
non-subject imports, given the proportion of underselling
that we've seen, I guess the question is how can you
attribute price effects to subject imports as opposed to
non-subject imports, and that is -- it's something that
Petitioners haven't given good information as to how to
unpack and, you know, there are lost sales to lost revenues
allegations.

Well again, non-specific, let's say, that were
offered at the prelim. So our argument is to the degree,
you know, we think that the financial data show that they
aren't experiencing adverse price effects. But to the
degree that they are and it would be coming from imports,
you can't attribute to subject imports those adverse price
effects, given the very large presence and the pricing
behavior of non-subject imports.

CHAIRMAN WILLIAMSON: Okay. If so, what do
you -- what explains the domestic industry's sort of
relative poor financial performance over the Period of
Investigation? What would be your views of this? You might
have to do it post-hearing and give me the data.

MR. DOUGAN: Yeah, I'll have to do it
post-hearing. I mean certainly there was an improvement
between '13 and '15 and between the part-year periods. If
you're talking about the absolute level of its
performance, again we -- we'll look into it more. But
again, you're missing one of the U.S. producers as well. But we'll get into it post-hearing.

CHAIRMAN WILLIAMSON: Okay, thank you.

Petitioners state that non-subject imports do not have as much of a price effect as subject imports because AUVs for non-subject imports were higher than those for subject imports and closer to those for domestic product. What is your response to that?

MR. CAMERON: Well Commissioner, Don Cameron.

The reason that you generally don't use AUVs for that purpose is product mix, and the advantage that we have is we actually do have pricing from non-subject imports, so that we can at least test that assumption, and what does the test reveal? Oh, that's right. The test reveals that there is more underselling by a greater degree by non-subject imports.

So we understand the argument. But there's no way to really disaggregate the AUV numbers in order to account for differences in product mix. So we think that that's kind of a make weight argument by Petitioners.

CHAIRMAN WILLIAMSON: Okay, okay. Thank you.

Okay, that's all I have for now. Vice Chairman Johanson.

COMMISSIONER JOHANSON: Thank you Chairman Williamson. This question is for the Al Jazeera
respondents. On page 18 of your prehearing brief, you state that the first criterion for non-cumulation is different rates in import volume trends. Can you all provide a citation for that proposition? I do know of cases where there was decumulation for threat purposes when imports from one country were declining while others were increasing, but not one for just different rates of increase. How different would these trends have to be?

MR. SIMON: David Simon. I'll address it in the post-hearing brief.

COMMISSIONER JOHANSON: Okay, thank you. I appreciate it. I have a question for ILI. You all state that the product you produced is used solely for fencing in the United States. Are you able to track that product after it enters the U.S. market? How confident are you that it's not being used for other purposes?

MR. BLAIR: We're pretty confident because the mill cert that we supply is supposed to be used in commercial fence pipe only, and therefore if it is used in other application, no we would not stand behind the product.

COMMISSIONER JOHANSON: Okay.

MS. MENDOZA: Just to clarify Commissioner, Connectors is their sole importer and distributor in the U.S. So they would be able to -- they can attest to the fact that all of their sales are made and specified that...
it's only for commercial -- can only be used for commercial
fence tubing.

COMMISSIONER JOHANSON: So your know your
clients well enough that you could --

MR. BLAIR: Yes.

COMMISSIONER JOHANSON: You're confident that
that is indeed the case?

MR. BLAIR: Yeah. They're all for the fence
industry.

COMMISSIONER JOHANSON: Okay, all right, and I
have just one more question, and this is for Mr. Dougan and
Ms. Peterson. You all earlier spoke about the financial
performance of the industry in January to June 2016. During
that period of time, the industry markedly improved its
performance. What do you believe were the key factors
associated with this improvement?

MR. DOUGAN: Commissioner Johanson, Parker if
you can put up Slide 17 please. We conducted a variance
analysis of the kind that the Commission typically does, and
it shows that the net cost expense variance was the
contributor to the improvement in operating income between
those two interim periods, and that was largely driven by
raw materials. There were some positive contributions from
direct labor and OFC, but despite a small negative price
variance and a very, very tiny negative volume variance, it
was really the raw materials that we're driving at.

And as I mentioned, I think and believe in
response to Commissioner Broadbent before, that has a lot to
do not only with the declines in hot-rolled prices, but in
how that's reflected in what gets sold into the marketplace
as finished CWP by domestic producers, because they're not
only holding four to eight weeks of hot-rolled inventories
for the raw materials, but they also produce CWP for
inventory not directly to order.

So there is a lag between when the raw
materials are purchased and when it's turned into the
finished product, and then when it's sold out of inventory
into the marketplace. But yet when it's sold into the
marketplace, it reflects the raw material costs when it was
purchased, which is -- was significantly earlier.

So that's why you see that spread growing
between their -- between their raw material costs and their
sales price, and it doesn't have to do with reduced pricing
pressure from subject imports because as Ms. Peterson
pointed out, subject imports undersold the domestic industry
in greater frequency and in greater volumes in the first
half of '16 than in the first half of '15. So it is all to
do with this.
COMMISSIONER JOHANSON: All right. Thank you all for being here today. That concludes my questions.

CHAIRMAN WILLIAMSON: Okay. Commissioner Pinkert.

COMMISSIONER PINKERT: I have nothing further, except to thank the panel.

CHAIRMAN WILLIAMSON: Commissioner Broadbent or Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Well yeah. I just had one further, and I guess just to follow up on this question about price effects. Apart from raw materials affecting the price, do you think that the competition between producers, whether domestic or foreign, affects the price of CWP?

MR. DOUGAN: Jim Dougan from ECS. I would have to imagine that it does. It's not a monopoly or even an oligopoly.

COMMISSIONER SCHMIDTLEIN: Right.

MR. DOUGAN: So there, I mean there has to be some effect to that presumably.

COMMISSIONER SCHMIDTLEIN: And so you have any ideas about again, I guess this goes to one of the questions that was asked, maybe by Chairman Williamson, how should we parse whether or not subject imports are having a significant effect?
I would look at, you know, I was just looking at the Petitioners' brief again, where it makes the point that no country other than Canada that's not under an order already has a bigger market share than the subject countries. I believe that's what they say.

So you know, if the argument is well, these countries are all so small that they can't have an effect, well isn't that true of all of the -- you know, there's some many countries sending CWP here.

MR. CAMERON: Commissioner, what I would suggest is that we'll respond to that in the post-hearing brief. That's an interesting observation about Canada, but the fact is that non-subject imports still dwarf subject imports.

COMMISSIONER SCHMIDTLEIN: On a cumulated basis, right?

MR. CAMERON: Pardon me?

COMMISSIONER SCHMIDTLEIN: On a cumulated basis?

MR. CAMERON: On a cumulated basis yes, and well, that's the way you're going to be analyzing the subject imports in present injury. So I mean we're not giving individual country arguments, because they're a waste of time here to give an individual country argument on
present injury given the statute. I mean that's the world
in which we live.

Other than if you're Pakistan and you have a
negligibility or decumulation argument or Vietnam. But yes

\[...

MS. PETERSON: And an excellent one.

MR. CAMERON: But yes, and an excellent one.

COMMISSIONER SCHMIDTLEIN: No, we haven't

forgotten.

MR. CAMERON: Okay. So we've all established

all of that.

COMMISSIONER SCHMIDTLEIN: We haven't

forgotten.

MR. CAMERON: Anyway so we will look at -- we

will look at it. Fair enough. But actually the point about

non-subject imports being the most significant factor in

this market remains.

MS. MENDOZA: Commissioner, if I could just

say one thing, and that is I think it's something that is

always struggled with and we'll certainly address in our

post-hearing brief. But you know any time you have anybody

operating in the market, I mean obviously there's

competition, right? So I don't think there are any markets

in the United States at least in which that's not
operating.

I guess the question is how do you distinguish just, you know, competition itself, right, with material injury to the industry? I think that that's the distinction we're drawing. We're not saying of course any imports that are in the market, whether they're subject, non-subject, U.S. producers, anybody else. To some extent, I mean there's going to be some effect on pricing for any individual transaction.

But you have to have something a lot more than that to show a significant effect and material injury from non-subject imports, and I think it makes it really, really hard when you have such a huge quantity of non-subject imports in the market, particularly when that's a historical fact right, where imports for a really long time have been a very significant share of the market.

So the market to a great extent has adjusted to that particular fact, right. So then you just say okay, with a very small amount of imports come in from these countries, right, is that really going to have a material effect on a market that structurally has accepted that imports are a big share, non-subject imports are a big share and they're selling more frequently at lower prices?

I think we're saying based on that as a whole,
you can't conclude that there's material injury from subject
imports. But obviously we'll deal with that in our briefs.

COMMISSIONER SCHMIDTLEIN: Okay. I would
invite both sides to address that in post-hearing. Okay.
Thank you very much. I have no further questions.

CHAIRMAN WILLIAMSON: If Commissioners have no
further questions, does staff have any questions for this
panel?

MS. HAINES: Elizabeth Haines. Staff has no
questions.

CHAIRMAN WILLIAMSON: Do Petitioners have any
questions for this panel?

MR. SCHAGRIN: Chairman Williamson,
Petitioners have no questions for this panel.

CHAIRMAN WILLIAMSON: Okay. At that point, I
want to thank all of you for your testimony. We appreciate,
again to all of those who have traveled for a long way.
It's now time for closing statements, and the Petitioners
have 43 minutes from direct, five from closing for a -- it's
a new phenomenon isn't it? For a total of 48 minutes.

Respondents have five minutes in direct and
five for closing for a total of ten minutes, and of course
you don't have to use it all. Thank you.

(Pause.)

CHAIRMAN WILLIAMSON: Mr. Schagrin, you may
begin when you're ready.

CLOSING STATEMENT OF ROGER SCHAGRIN

MR. SCHAGRIN: Thank you Chairman Williamson, members of the Commission. First, you will be neither surprised but still I hope overjoyed to know I will not use anything close to my 48 minutes. As I think Congressman Visclosky said, this is like the seventh steel hearing in the last few months. So even though we all seem like we're full of vim and vigor, we don't have to wear ourselves out by going into the evening in every one of these hearings.

Let me begin my closing, where Mr. Cameron started and interjected at the beginning of the Respondents' afternoon presentation, and that is with their argument that essentially these are bifurcated markets between the subject imports and the domestic production because of this gigantic purchaser premium that they're willing to pay from the purchasers responses.

He started out by saying well, Roger got it all wrong this morning because he thought that 18 percent number he mentioned in his opening came from the last investigation. But in fact it came from these purchaser questionnaires. So I apologize for misspeaking this morning, because I was scratching my head when that question was asked, because I said God, you know, I re-read the
entire really good staff report yesterday morning, from
start to finish, and I still have pretty good reading
comprehension.

    I said wow, how did I miss that? That's such
an important number. How did I miss it? So during the
lunch break, which is good that we have those, I asked Mr.
Cloutier, which you all may recognize is about 20 years
younger than I am, where did that number that Don came up
with in his opening come from, because I couldn't find it in
the staff report, confidential or public?

    He said that came from them aggregating the
purchaser responses. But as I mentioned today, you know,
it's like mathematically not correct. I said explain it to
me. He said let me tell you how they got it. He said, you
know, there's 54 purchaser responses and many of the
purchasers, pick a number out of the blue, 15, 20, 25 of
them, said we wouldn't pay any premium. It shows you how
fungible these products are.

    Most said they would pay some premium. Now I
mean we've got an economist, Ms. Gamache, a statistician,
Ms. Thane. I'm neither of those things, but I did take math
in school. I took Economics in university, you know. Mr.
Cameron led the efforts of the WTO to get rid of zeroing in
Commerce.
It's like if you've got 54 different responses in your denominator and 20 or 25 of them are zeros, and you're trying to figure out the simple average of 54 responses, do you only count the 30 people who gave you a positive number, and you don't count in the denominator the 20 or 25 who said zero?

I don't think so. Then in fact there's one gigantic outlier. There's one number out there that's just defies belief, that normally statisticians would say if a number is so far out in the blue, you throw it out as a mistake. So the real average, and I mean this is really the heart of their case and I think Commissioner Schmidtlein, you know, asked about this morning. It's like how can you argue this is a fungible product and we've had cases on this product since 1982, if purchasers are willing to pay like 18 percent more for the domestic product than the import product? How can this be a fungible product with that kind of difference?

I'm not going to say, because in fact a majority of purchasers said they would pay a premium, and you got reasonable explanations for that. Shorter lead times for domestic. Probably some more dependability. If you have any kind of problem you can find your domestic supplier faster. Obviously, it doesn't give the domestic
industry such an advantage, because we have in general less
than half of this market.

So there probably is a small price premium.

But to rely on the heart of the Respondents case being that
there's such attenuated competition here, and then not do
the math right and look, I've known Don forever, as I've
mentioned several times today.

So I'm just going to assume that neither Don
nor Julie nor Mr. Dougan nor the other -- that they didn't
know -- that this was done by a first year associate or a
just out of college last week person at the economic end,
and they just did this by accident, and that the people in
control of this would never try to like, you know, pull the
wool over you by making an argument that there's attenuated
competition because the purchasers state that they would pay
an 18 percent premium.

So I think you all recognize. I mean the
staff report is replete with information that this is a
fungible product made to the same specifications, and in
this case, when you see domestic prices falling in 2015 and
Mr. Dougan says well, if it's a fungible product as the
domestic industry lowers their price in '15, why don't they
regain market share? The fact is you have information on
underselling. The import prices were also falling in 2015.
So the underselling remained. What the
domestic industry was able to do in '15, in contrast of '14
which Commissioner Pinkert asked about, is in '14 before
they started lowering their prices a lot, they did give up a
lot of market share. In '15 when they started lowering
their prices enough because the import prices were also
going down, they just stemmed the loss of market share.

There's some difference between that and the
heavy walled rectangular, where the Commission majority, I
believe, got it right and it's supported by substantial
evidence. I think the date for filing appeals was today and
I hope it's not appealed. We're all very busy.

And that is in that case, the domestic
industry lowered their prices so much as to eliminate the
underselling and start regaining the market share. Here,
that didn't happen.

The other question was about inventories,
because there is this issue of the domestic industry does
produce all these kind of standard commodity products and
holds them in inventory and delivers fairly quickly to the
distributors, and the distributors then are the ones who
hold the majority of the inventory, because the distributors
have to sell to end users, the plumbing companies,
sprinkler companies, fence companies on the day the truck
shows up at the distributor's warehouse to pick up whatever
needs to go on the truck to put the products into the
buildings or around the buildings.

So most of the inventories here are held by
purchasers. But you've also got charts that, you know, said
hey, hardly any of the inventories are really of subject
product. But once again, you know, what the staff report
said about where the inventories came from, the staff report
said, you know, there's X amount in --

The purchasers reported X amount of purchases,
I'm sorry, of subject imports. Here it is. I found my
little reference. In 2015, purchasers and this is at 2-5
and 2-6, "Purchasers inventories comprised of CWP primarily
from non-subject and unknown sources, 43 percent, and
domestically produced 38 percent," so the remainder one
assumes is subject.

But once again, when the other side puts it
forth, they say see, subject is tiny. But you know to me,
the simple definition of the word "unknown" is the -- this
is such a fungible product that the distributors didn't know
the source of the inventory, which is why they responded to
the staff that it was unknown, and yet the assumption was
made it's non-subject. So wow. It's like non-subject
inventories are huge.
We don't know the composition of a lot of inventories. One thing is for sure though. Throughout this Period of Investigation there's never any shortage of inventory held by distributors. Whether the foreign producers are just producing to order and who holds the inventories once it arrives here, whether they have any of their own warehouses or not, it doesn't matter.

Distributors order in advance from these foreign producers to make it to order, and they have plenty of inventories of subject, non-subject, domestic and the competition is selling to a distributor who's got the best price. That's where the competition is in fungible products, and I think that's why the staff report also reports in terms of competition that 48 out of 54 purchasers said that price was the most important factor in their purchasing decision.

And that makes sense. They're all buying ASTM A-53. They're buying fence pipe to various grades to use in fences. What they care about, the vast majority is who's got the lowest price. Even if they're willing to pay some small price premium for domestic, it's who's got the lowest price. So the next big issue they changed was well, there can't be any price depression here because look at the COGS changes not between '13 and '14, when imports soar and the
domestic industry COGS actually denigrates very poorly for
the domestic industry during that import surge; but between
'13 and '15.

And yet, you know, when you look at it, it's
awfully small. It's a really tiny number. The numbers are
confidential. But it is very, very small and clearly, based
on the staff report, the data from the domestic industry, it
wasn't enough of a change to make this industry even
profitable. So that certainly doesn't show that. There's
not price depression.

And now let's look at the improvement in 2016
for the industry, and they put up the chart, even though it
was all based on confidential information, they put up the
variance analysis and they say hey, look at our variance
analysis. It shows no causation and that there was no
impact of the decline in subject imports on the domestic
industry because what really happened, based on the
variance analysis, is that as the cost of raw materials was
going down, the domestic industry didn't give it all away.

That's exactly what the presidents of the
three largest CWP producers in the United States testified
to this morning. They said when the imports were pouring
in, even though our raw material costs were declining, our
pipe prices were declining faster and therefore we were
unable to be profitable.
And when the imports started leaving the market, and you can see how much they declined in the first -- in the interim period in 2016, that they were able to restore previous price reductions. That means that even as the raw material prices were continuing to fall into 2016, they were able to cut back on their discounting to compete with the unfairly-traded subject imports, and they were able to attain profitability.

That's what happened, and so the data in your record and the testimony from the domestic industry are perfectly in accord with each other.

A couple of notes on negligibility, and as I said, we really have to get into this in a big way in the post-hearing brief. But one thing that was said today and I think it's pretty clear, it's black letter law, is that the Respondents say look, if you have imports of line pipe that are dual stenciled, that are brought in as API line pipe in the Line Pipe HDS categories, then because this petition says that within this scope, products that may be entered as line pipe, may be subject to the scope, you have to count all those in the denominator.

There's only one thing. None of the countries in this case are subject to duties and orders on API line
pipe. The Korean product that Ms. Mendoza was talking about is subject to an anti-dumping duty order on line pipe. This I didn't learn in high school math or in college economics. I didn't learn it in law school. I learned it as I was practicing.

I think you all have a great background in trade law. Man to me, black letter law, which we hear about in case after case, or as we're discussing scope issues in the Department of Commerce is that you can't have the same good subject to the scopes of two different orders. You can't. You're not allowed to. It can't be a question for the Customs Service when the good enters oh, which order do we apply to this good?

So our line pipe order is very specific. It applies to API line pipe up to 16 inches OD, and the Customs Service assumes that a product that enters as API line pipe from Korea or from Turkey or Japan in larger diameters is subject to those orders on line pipe. So to say that those goods are subject to an anti-dumping duty order on line pipe but ought to be in the denominator here for scope, I think under law you just can't do it. You can't have the same product, you know, in two different scopes.

So just a few words on the threat of injury issues. I don't think you'll get to threat. I think this is an injury case. But I am reminded of the fact, because
we do have a transcript and we did have a hearing, we did have representatives from the UAE and Oman telling you essentially in 2012 the same thing they told you today.

Like you shouldn't go injury in this case and you shouldn't worry about threat, because let us tell you how great the markets are in the Middle East so you don't have to worry about us.

And yet after the negative threat determinations in 2012, the imports from these countries didn't just return to the U.S. market at the levels they had previously been at, they returned in greater volumes than they had been at, and that's what makes this so much a better case than the last case in 2012, and we can just assume that it would happen again.

As to the domestic industry as we see it today, so we all acknowledge that Allied Tube is no longer in this business, and as I said earlier for both Allied and we'll put it in the post-hearing, for the Sharon plant that Wheatland idled, the workers got a finding by labor that they were eligible for TAA assistance because of the increase in imports.

You've got the data on how Wheatland has done over the last several years. You heard from the current president of Wheatland that the owners aren't necessarily
going to continue keeping these plants open if they continue
losing money. I would just say, you know, we've had a lot
of fun with Don over the last 30-some odd years and, you
know, now the second largest producer is out of business.

I would just ask you to make an affirmative
determination today because I am very, very much afraid that
a negative determination could result in imports putting the
largest U.S. producer out of business. Thank you for your
time and have a nice afternoon.

CHAIRMAN WILLIAMSON: Thank you. Okay. Ms.
Mendoza, Mr. Planert, you may begin when you're ready.

CLOSING STATEMENT OF JULIE C. MENDOZA

MS. MENDOZA: Thank you Mr. Chairman. Given
that we were the last panel, I think we've probably had a
pretty good opportunity to respond to a lot of the things
that the panel said this morning. So we'll restrict
ourselves to just a couple of comments now.

First of all, I congratulate Mr. Schagrin for
reading the staff report very carefully, but if he had also
read our brief, I don't think that he would have been
surprised about this argument about the 18 percent price
premium, because it was quite, you know, it was a big point
for us. Obviously it's a huge problem for him.
Just to clarify in terms of how we calculated this, we were very, very specific. We said of the total purchasers that responded, a very high percentage, I'm not using the numbers because they're confidential, a very high percentage said that there was a price premium. So what we said was of those who responded that there was a price premium, we derived a simple average. I hardly think that's a controversial approach.

In terms of the issues on negligibility, we will address -- that Mr. Schagrin just raised, we'll address those in our brief.

CLOSING STATEMENT OF WILL PLANERT

MR. PLANERT: Yes. Again for the record, Will Planert. Just to sort of conclude, we think this case, like many of the cases before you, ultimately comes down to causation, and this morning Mr. Schagrin articulated a very reasonable and nuanced theory of causation that suggests -- of course we agree that raw materials costs do correlate with our prices, and raw materials prices fell and our prices fell too.

But our problem was, and we just heard it again, the reason that you should find there's causation here is because the prices fell faster than the raw material cost did, and so the margins got compressed. We got squeezed and that's how we were injured.
That's a very fair theory of causation, except that the record doesn't support it. Whether you look at COGS to sales ratio, whether you look at the metal margin, the record shows exactly the opposite. It shows that their prices did not fall as much as their raw materials cost.

You know, we went through this in our economic presentation. We will obviously go through it at length in the post-hearing submission. But it goes to one of the first questions that we got today from Commissioner Pinkert, which is well, this is really the point of disagreement, and yes, that's the point of disagreement.

They are asserting a theory of causation that doesn't square with the actual facts, the actual record data in your staff report, and that's really what we think this case comes down to is do you accept assertions made by counsel or do we look at what the data and the record show? With that, I think we're finished. Thank you.

MS. MENDOZA: We'll conclude our presentation. Thank you very much.

CHAIRMAN WILLIAMSON: Thank you. Okay. Thank you everybody for being very efficient. Time for closing statements. Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by October 25th, 2016. Closing
of the record and final release of data to parties, November 10th, 2016. Final comments are due November 14th, 2016.

        With that, I want to thank everybody for participating in this hearing. This hearing is now adjourned.

        Thank you.

        (Whereupon, at 3:41 p.m., the hearing was adjourned.)
CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Circular Welded Carbon-Quality Steel Pipe from Oman, Pakistan, the United Arab Emirates, and Vietnam

INVESTIGATION NOS.: 701-TA-549 and 731-TA-1299, 1300, 1302, and 1303

HEARING DATE: 10-13-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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

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