

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, and 1303
THE UNITED ARAB EMIRATES,)	(FINAL)
AND VIETNAM)	

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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.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Vice Chairman David S. Johanson

6 Commissioner Dean A. Pinkert

7 Commissioner Meredith M. Broadbent

8 Commissioner Rhonda K. Schmidtlein

9

10

11 Staff:

12 Bill Bishop, Supervisory Hearings and Information

13 Officer

14 Sharon Bellamy, Records Management Specialist

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17 Jordan Harriman, Investigator

18 Karen Taylor, International Trade Analyst

19 Lauren Gamache, Economist

20 Mary Klir, Accountant/Auditor

21 Nataline Viray-Fung, Attorney/Advisor

22 Elizabeth Haines, Supervisory Investigator

23

24

25

1 Congressional Witness:

2 The Honorable Peter J. Visclosky, U.S. Representative, 1st
3 District, Indiana

4

5 Opening Remarks:

6 Petitioners (Paul W. Jameson, Schagrin Associates)

7 Respondents Donald B. Cameron, Morris, Manning & Martin,
8 LLP)

9 In Support of the Imposition of Antidumping and

10 Countervailing Duty Orders:

11 Schagrin Associates

12 Washington, DC

13 on behalf of

14 Bull Moose Tube Company

15 EXLTUBE

16 Wheatland Tube

17 Western Tube & Conduit

18 Michael Blatz, President, Bull Moose Tube Company

19 Ted Schulz, Chief Financial Officer, Bull Moose Tube
20 Company

21 James Charmley, Executive Vice President, Bull Moose
22 Tube Company

23 Bill Snyder, President, EXLTUBE

24 Randy Boswell, President, Wheatland Tube

25 Kevin Kelly, Future President, Wheatland Tube

1 Roy Houseman, Legislative Representative, United
2 Steelworkers

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

5

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

8 Morris Manning & Martin LLP

9 Washington, DC

10 on behalf of

11 International Industries, Ltd. ("IIL")

12 Riyaz Chinoy, Chief Executive Officer, IIL

13 Peter Blair, Vice President, Connectors, Inc.

14 Jim Dougan, Vice President, Economic Consulting
15 Services, LLC

16 Emma Peterson, Staff Economist, Economic Consulting
17 Services, LLC

18 Julie C. Mendoza, Donald B. Cameron, R. Will Planert
19 and Mary S. Hodgins - Of Counsel

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1 Morris Manning & Martin LLP

2 Washington, DC

3 on behalf of

4 Universal Tube and Plastic Industries, Ltd.

5 UTP Pipe USA Corporation

6 Prime Metal Corporation USA

7 Ajmal Steel Tubes & Pipes Ind. L.L.C.

8 (collectively "UAE Respondents")

9 Mervyn D'Cunha, Financial Controller, KHK Scaffolding &

10 Formwork

11 Jim Dougan, Vice President, Economic Consulting

12 Services, LLC

13 Emma Peterson, Staff Economist, Economic Consulting

14 Services, LLC

15 Donald B. Cameron, Julie C. Mendoza, R. Will Planert

16 and Mary S. Hodgins - Of Counsel

17 Law Offices of David L. Simon

18 Washington, DC

19 on behalf of:

20 Al Jazeera Steel Products Co. SAOG

21 Alagraman Nagarajan Venkataraghavan, Chief Executive

22 Officer, Al Jazeera Steel Products Co. SAOG

23 Indranil Chowdhuri, Chief of International Marketing,

24 Al Jazeera Steel Products Co. SAOG

25 David L. Simon and Ayla Simon - Of Counsel

1 Trade Pacific PLLC

2 Washington, DC

3 on behalf of:

4 Midwest Air Technologies Inc. ("MAT")

5 Vietnam Haiphong Hongyuan Machinery

6 Manufactory Co., Ltd ("Hongyuan")

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

8

9 Rebuttal/Closing Remarks:

10 Petitioners (Roger B. Schagrin, Schagrin Associates)

11 Respondents (Julie C. Mendoza and R. Will Planert, Morris,

12 Manning & Martin, LLP)

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R. Will Planert, Morris, Manning & Martin, LLP 212

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

2 9:38 a.m.

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

4 CHAIRMAN WILLIAMSON: On behalf of the U.S.

5 International Trade Commission, I welcome you to this
6 hearing on Investigation Nos. 701-TA-549 and 731-TA-1290,
7 1300, 1302 and 1303, final, involving Circular Welded Carbon
8 Quality Steel Pipe from Oman, Pakistan, United Arab Emirates
9 and Vietnam.

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

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

24 I understand that the parties are aware of
25 the time allocations. Any questions regarding the time

1 allocations should be directed to the Secretary. Speakers
2 are reminded not to refer in their remarks or answers to
3 questions to business proprietary information. Please speak
4 clearly into the microphone and state your name for the
5 record for the benefit of the court reporter.

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

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

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

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

19 CHAIRMAN WILLIAMSON: Good morning
20 Congressman Visclosky and welcome.

21 STATEMENT OF THE HONORABLE PETER J. VISCLOSKY

22 CONGRESSMAN VISCLOSKY: Commissioner, thank
23 you very much for allowing me to testify again as always.
24 So I do want to thank each one of you for your good work and
25 for your serious consideration of the case before you. It

1 concerns, as was mentioned, the welded carbon quality steel
2 pipe. I do hope as the weather turns, we end the summer of
3 steel, that we can move forward now to the fall of their
4 trade.

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

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

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

25 CONGRESSMAN VISCLOSKY: Thank you very

1 much.

2 CHAIRMAN WILLIAMSON: Thank you very much
3 for coming.

4 (Pause.)

5 CHAIRMAN WILLIAMSON: Okay, ready? I'm
6 sorry.

7 MR. BISHOP: We will now proceed with
8 opening remarks. Opening remarks on behalf of Petitioners
9 will be given by Paul W. Jameson, Schagrin Associates.

10 CHAIRMAN WILLIAMSON: Welcome, Mr. Jameson
11 and you may begin when you're ready.

12 OPENING STATEMENT OF PAUL W. JAMESON

13 MR. JAMESON: Good morning Chairman
14 Williamson and members of the Commission. For the record my
15 name is Paul Jameson of the firm Schagrin Associates, here
16 today on behalf of the Petitioners, U.S. producers of
17 circular welded pipe or CWP. The domestic industry has
18 petitioned here, last petitioned here at this Commission in
19 2012, with most of the same countries involved.

20 As in the current investigation, subject
21 imports in the 2012 investigation declined following the
22 filing of the petitions, and the four Commissioners voting
23 in the negative in that case found no threat that imports in
24 these countries would surge back into the market, but they
25 did. We're now here to second-guess the analysis last time,

1 but we would like to point out the numerous differences
2 between these cases and the last one.

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

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

19 In the 2012 investigation, domestic
20 shipments had increased in each year of the POI. In this
21 investigation, domestic shipments declined each year into
22 the period following the filing of the petitions. In the
23 2012 investigation, CWP prices increased during the POI,
24 while in this investigation CWP prices declined in each
25 year. There are a number of causes of that price decline,

1 including the reduction in the cost of materials.

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

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

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

25 We will do the best we can to address those

1 arguments today and within the confines of the
2 administrative protective order. Suffice it to say here
3 that yes, changes in raw material cost have an impact on
4 prices, but this one factor does not alone all the injury.
5 Yes, there are substantial amounts of subject imports and
6 the non-subject imports in the market, but again this factor
7 does not explain all of the injury. The market is not
8 bifurcated into a lower quality market that is the exclusive
9 domain of subject imports and everything else.

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

19 CHAIRMAN WILLIAMSON: Thank you.

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

23 CHAIRMAN WILLIAMSON: Welcome Mr. Cameron,
24 and you may begin when you're ready.

25 OPENING STATEMENT OF DONALD B. CAMERON

1 MR. CAMERON: Mr. Chairman, members of the
2 Commission, good to see you again. In 2011, Petitioners
3 filed a case virtually identical to this one against small
4 suppliers that were not already covered by AD/CVD orders.
5 The Commission determined in that case that imports from
6 India, Oman, UAE and Vietnam did not injure or threaten the
7 domestic industry with injury.

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

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

23 We don't claim that the situation today is
24 identical, but there are striking similarities. First,
25 third country non-subject imports continue to be far more

1 significant in the market than subject imports. Many of the
2 non-subject suppliers such as Korea and Canada have a much
3 stronger reputation in the market. Most of the decline in
4 domestic industry market share is due to the increased
5 market share of non-subject imports.

6 Non-subject imports undersold domestic
7 producers more frequently than subject imports, and subject
8 imports still have a relatively small presence in the U.S.
9 market. These volumes have been declining since April of
10 2015, not since after the petition. Since April of 2015,
11 six months before this petition was filed. Petitioners
12 would have this Commission believe that any increase in
13 market share by subject imports is by definition volume
14 that the industry lost to subject imports. That wasn't
15 correct in 2012 and it's not correct today.

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

24 With respect to price effects, the data do
25 not support the conclusion that imports have depressed or

1 suppressed domestic prices. Price declines are attributable
2 to declines in raw material costs, not to competition from
3 subject imports. Nevertheless, domestic industry net sales
4 AUVs declined by less than the unit raw material cost. As a
5 result, the domestic industry's metal margin increased over
6 the period, as its sales ratio declined over the period.

7 There is underselling, just as there was in
8 2012. But there's a significant condition of competition in
9 this market that the Commission has long recognized, and
10 that is that there's a premium for domestic material in the
11 market. This proposition was fully supported by witnesses
12 on the Petitioners' panel in the 2012 case, and the record
13 in this case substantiates that proposition.

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

21 This has led in turn to higher factory
22 costs as additional factory overhead and SGA expenses are
23 allocated to circular pipe from OCTG. Secondly, the
24 Commission should examine very closely the financial data of
25 this industry. There are anomalies in the data that need to

1 be examined as discussed at length in our brief. Finally, a
2 variance analysis using the methodology normally applied by
3 the Commission shows that U.S. producers' profitability did
4 not decline because of any reduced market share or volume,
5 or because of lower prices.

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

12 CHAIRMAN WILLIAMSON: Thank you.

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

16 (Pause.)

17 CHAIRMAN WILLIAMSON: Mr. Schagrín, you can
18 begin when you're ready.

19
20 MR. SCHAGRIN: Thank you Chairman
21 Williamson. For the record, my name is Roger Schagrín of
22 Schagrín Associates, counsel for Petitioners, and this is
23 another case where I think the record speaks for itself, but
24 of course we'll discuss all the issues with you today. We
25 are fortunate to have as witnesses for the domestic industry

1 what the staff report details are the three largest U.S.
2 producers of CWP, as well as a representative of the union
3 that represents the vast majority of workers in the
4 industry. With that, I'd like to turn things over to our
5 first executive witness, Randy Boswell, the president of
6 Wheatland tube.

7 STATEMENT OF RANDY BOSWELL

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

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

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

1 injury caused by the subject imports.

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

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

21 This time, we did not restart the plant
22 after the Commerce prelims, but will instead wait until
23 after you vote -- your vote to decide on restarting our
24 plant. Restarting an idling plant is extremely expensive
25 and is very disruptive to workers' life. We saw demand for

1 standard pipe improving in 2014, as the economy continued to
2 recover from the recession and construction and other
3 industries continued to pick up.

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

11 Our mills in Wheatland and Sharon,
12 Pennsylvania do not produce LCTG or line pipe, and they were
13 not affected by the decline in the oil and gas market in
14 2015. But they were affected by competition from imports.
15 Only when imports began to decline in the latter part of
16 2015 and into 2016 did we begin to see a change in our
17 fortunes. Our raw material prices fell and because of less
18 competition from unfairly-traded imports, we could reduce
19 our prices less than our costs fell. We finally started
20 seeing a profit.

21 We are concerned that this trend is
22 temporary, and that if the Commission votes in the negative
23 we will once again see unfairly traded imports surge into
24 our market. Our mills in Warren, Ohio and Chicago, Illinois
25 are ERW mills. Our mills in Wheatland, Pennsylvania and

1 Sharon Pennsylvania are continuous weld mills. It is not
2 cost effective to operative CW continuous weld mills at low
3 capacity utilization rates, because it is a hot process and
4 you have to keep the furnaces hot whether you're operating
5 the plant or not.

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

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

25 With construction continuing to increase,

1 we believe we can grow this business and rehire laid off
2 workers if fair trade is restored. On behalf of our
3 employees, we ask that you make an affirmative injury
4 determination. Thank you.

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

8 STATEMENT OF MICHAEL BLATZ

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

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

25 Our circular welded pipe business is

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

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

14 In addition, there has been big growth in
15 construction of distribution centers by companies like
16 Amazon, Walmart and others and these all require sprinkler
17 systems. In mid-2015, after trying unsuccessfully for a
18 year to sell their sprinkler and fence business, Allied shut
19 these businesses, abruptly closing two mills and laying off
20 300 workers.

21 We eventually bought some of these assets,
22 but have not yet installed the equipment at our plants. We
23 are waiting for your decision in these cases. We want to
24 hire new workers, expand our production and grow our
25 business. We had to reduce our prices of CWP significantly

1 in 2015 in order to stay competitive with imports. The
2 imposition of preliminary dumping duties very much helped
3 our business.

4 We have seen a big drop in import pressure
5 from Pakistan, Oman and UAE in particular, who have been big
6 volume exporters of the type of pipe that compete with our
7 business. All we ask for is for fair trade through the
8 imposition of remedial duties. On behalf of our more than
9 500 employees at Bull Moose Tube, we ask that you make an
10 affirmative injury determination as to circular welded from
11 Oman, Pakistan, UAE and Vietnam. Thank you.

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

14 STATEMENT OF BILL SNYDER

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

25 I want to thank you for your recent

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

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

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

1 of these cases or from another country.

2 I understand that in all your steel cases,
3 the Respondents argue that the driver of price is raw
4 materials. I won't sit here and tell you that my steel
5 costs don't impact my pipe price. But these economists and
6 lawyers don't sit across the table from pipe distributors
7 like Ferguson and MRC. Sure, they know about steel prices,
8 but they have an offer sheet from a mill in one of those
9 countries under investigation on their desk, and if it's
10 \$100 below our delivered price, then I either lower my price
11 or cut my production.

12 It's supply and demand for A-53, and direct
13 competition between the imported and domestic that sets the
14 price. Period, end of story. During 2015, steel prices
15 fell constantly, as you know from the hot-rolled cases, and
16 unfortunately A-53 pipe prices fell even faster, and that is
17 why we went from profits to losses in our pipe business in
18 2015. The reason why our A-53 pipe prices fell faster than
19 our cost is because we had to compete against these very
20 low-priced imports from the countries we are here about
21 today.

22 EXLTUBE has invested heavily in our pipe
23 business over the last seven years, including some new
24 welding technologies and also expanding our product
25 capability size up to eight inch. We want to continue to

1 reinvest in this business. EXLTUBE is a great company with
2 great quality, good management and a great workforce and an
3 advantageous location. I am honored that the owners
4 entrusted me with the responsibility of managing the
5 company.

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

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

14 STATEMENT OF ROY HOUSEMAN

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

24 In particular, we represent workers at Bull
25 Moose Tube Company, Maverick Tube Corporation, Mariachi

1 Levitt Pipe and Tube, TMI IPSCO and Wheatland Tube Company.
2 We also represent workers making CWP at Allied Tube and
3 Conduit and the United States Steel Corporation making CWP,
4 before those companies decided to exit the market for this
5 product. To the best of our knowledge, these companies
6 comprised approximately 80 percent of the workforce
7 producing circular welded pipe in the United States during
8 the POI.

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

18 Whereas imported CWP is made with foreign
19 steel, this means that every time an unfairly-traded ton of
20 imported CWP edges out a ton of domestic-made CWP for sale,
21 U.S. and U.S. represented workers lose twice, once for the
22 pipe itself and another time for the steel used as an input.
23 Unfortunately, the Commission denied relief to the domestic
24 industry in 2012. We are back again today because we think
25 things have gotten much worse.

1 The massive import surge increased market
2 share for imports and loss of sales for the domestic
3 industry that seriously negative consequences for American
4 workers. In particular, Allied Tube and Conduit announced
5 its departure from the CWP industry in August of 2015.
6 Allied was traditionally one of the largest producers of
7 CWP, and now another 317 good-paying, family supporting U.S.
8 jobs are now gone. U.S. Steel idled its McKeesport plant in
9 Pennsylvania and its Lone Star plant in Texas where these
10 products were made.

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

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

21 MR. SCHAGRIN: Again Roger Schagrin. Well
22 Chairman Williamson and members of the Commission, you've
23 now heard from the three largest producers, CWP and their
24 union representative. You've got a great and really
25 comprehensive staff report from the Commission staff in this

1 investigation. No offense to Respondents, but I don't think
2 you have to hear a lot more from lawyers and economists, at
3 least on our side. We're all just talking heads, only our
4 music's not as good. So with that, we'll be happy to
5 respond to your questions.

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

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

15 MR. SCHAGRIN: That is correct.

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

19 MR. SCHAGRIN: Exactly. That was part of the
20 zero for zero in the Uruguay round which was completed in
21 1994, enacted in 1995 and there was a 10-year-phaseout so
22 the duties went to 0 in 2005.

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

25 MR. SCHAGRIN: Yes, we did because interestingly

1 enough there had been dating from the 1920's, a tariff
2 inversion between flat-rolled steel and pipe and tube so
3 normally in the tariff schedules the value-added products
4 have a higher tariff than their inputs but as I remember it
5 the tariff on hot-rolled sheet was 5.1% and the tariff on
6 all pipe products, welded pipe products was 2.9 so we
7 supported the elimination of all the tariffs in order to
8 resolve that tariff inversion.

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

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

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

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

21 MR. BOSWELL: Different demands. One; CWP
22 products are driven primarily by construction and mechanical
23 applications. Oil and gas, the big drivers we've seen in
24 our energy business is LCTG in-line pipe and it's the
25 exploration that changes with price of oil.

1 MR. SCHAGRIN: I could address this now,
2 Commissioner, with my conclusion. I think the allegation
3 that Mr. Cameron has been repeating since the opening that
4 the reason this industry is doing poorly is because a lot of
5 members of the CWP Industry also produce OCTG? It's just
6 not true. We gave this to you in our post-conference brief
7 and I think the Commission drew the right conclusion. At
8 Zekelman Industries they have very little overlap between
9 the mills that produce energy tubular products and those
10 that produce CWP.

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

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

25 MR. BOSWELL: We are able to maintain market

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

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

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

19 MR. BOSWELL: On a specific job?

20 COMMISSIONER BROADBENT: That weigh in favor of
21 your product?

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

1 state jobs do though.

2 COMMISSIONER BROADBENT: Okay.

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

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

11 MR. SCHAGRIN: This is Roger Schagrin. I'm going
12 to also allow Mr. Cloutier to make some comments on this but
13 a lot of the record here is confidential. One of the main
14 arguments that they have raised, which we will address
15 confidentially in our post-hearing brief, I think you're
16 find that the law is on our side. The only other issues
17 I'll just mention as the Vietnam-specific and then I'll let
18 Mr. Cloutier address this is that you know, we, as you, will
19 have to wait the Commerce final determination so right now
20 Se Ah is considered non-Subject Vietnamese and we are of
21 course hoping that in the Commerce final determination, we
22 spent a lot of time briefing these issues and appearing at a
23 hearing that that will become affirmative and that will
24 change things. So a lot of this will be in our post-hearing
25 brief.

1 MR. CLOUTIER: Thank you. This is Chris Cloutier
2 from Schagrín Associates. In the Petition, we proposed a
3 methodology based on what the Commission has done in 30
4 years of cases involving this product. How the Commission
5 adjusted Canadian and Mexican Imports for the preliminary
6 Determination is not on the public record so we're
7 constrained today but we have prepared a lengthy response to
8 these arguments for the post-hearing brief.

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

23 Respondents' discussion of dual-stenciled line
24 pipe also ignores that most dual-stenciled line pipe is not
25 subject to this investigation. Just finally, this is not

1 the argument of the Vietnamese but rather the Pakistan
2 Respondents that if you look at our prehearing brief you
3 will see that we have quoted large parts of the financial
4 reports of the company IIL, VIIL. Financial reports state
5 that one of their business plans is to leverage countries
6 that don't have remedial duties on their products and use
7 this in advantage in order to sell more. So if the
8 Commission were to let Pakistan out of this case we would
9 expect to see more imports from IIL in the future.

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

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

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

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

21 MR. SCHAGRIN: Just to clarify. We will do it in
22 our post-hearing brief but in other words the Staff has
23 relied in the Staff Report on a combination of two items:
24 USHTS Import Information and Canadian HTS export
25 information. What the respondents proposed to you is that

1 instead you use something that the Commerce Department puts
2 out, which is called a Steel Import Monitoring Program or
3 SEMA --

4 COMMISSIONER BROADBENT: Right.

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

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

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

14 COMMISSIONER BROADBENT: Okay.

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

17 COMMISSIONER BROADBENT: Okay.

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

21 MR. BOSWELL: Randy Boswell, Wheatland Tube. In
22 the standard pipe CWP business is a very homogenous product
23 ordered to standard length, standard wall, standard size.
24 Everything is essentially produced or shipped from
25 inventory, ordered from inventory.

1 CHAIRMAN WILLIAMSON: Okay.

2 MR. SNYDER: Bill Snyder, XLTUBE. Everything
3 that we ship is shipped from inventory. It's, as Mr.
4 Boswell mentioned, very homogenous for us. Standard
5 lengths, standard chemistries. No difference.

6 CHAIRMAN WILLIAMSON: Okay.

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

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

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

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

24 MR. SCHAGRIN: This is Roger Schagrin. I have
25 two comments and I invite folks from the Industry Panel to

1 comment as well. First, their main argument seems to be
2 that even though they sell the ASTM-A53 Schedule 40 product
3 that they don't hydrostatically test it, which means they
4 can't be selling it because the ASTM-FD3 Schedule 40
5 specification requires hydrostatic testing. So that's kind
6 of strange.

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

17 When a product is galvanized, if it doesn't meet
18 ASTM-FD3 Schedule 40 then it's perfect for use as fence
19 tubing because the reason that we have ASTM-FD3 be
20 hydrostatically tested is a lot of ASTM-FD3 carries water.
21 It's used in your building plumbing system here. I'll
22 guarantee that virtually every floor in this building
23 taking stuff out to wastewater. It's all going to be
24 ASTM-FD3 product because it's carrying water and you don't
25 want it to leak.

1 On the other hand, galvanized product used
2 outdoors as fencing, there's no need for that to be
3 hydrostatically tested because we just want it to have, not
4 we -- the consumer wants it to have zinc on it so that it
5 doesn't rust. So one way or the other the Pakistani Product
6 is either the real deal that can be sold into the galvanized
7 FD3 plumbing market or it's the unreal ASTM-FD3 which then
8 gets sold into the fence market and competes with everyone
9 in the U.S. Industry that makes galvanized pipe for
10 fencing.

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

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

21 MR. BOSWELL: No.

22 CHAIRMAN WILLIAMSON: Okay and why?

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

25 CHAIRMAN WILLIAMSON: Okay. They say that

1 technically you may be able to substitute the Pakistani pipe
2 for domestic pipe but that there are perceived differences
3 in the quality and reliability between the domestic and
4 imports and there are particular differences, that this is
5 particularly true with respect to Pakistani pipe? So what's
6 the market feel about Pakistani pipe versus the other pipe.

7 MR. BOSWELL: For the applications, the
8 applications -- this is Randy Boswell for Wheatland Tube.
9 For the applications that their product and our product goes
10 into, the quality is acceptable in either case. You know as
11 far as the purchaser's perception, I can't speak to that,
12 but I know they do hold us to the type of pricing that they
13 would get just like it was a 100% substitutable product.

14 CHAIRMAN WILLIAMSON: Okay.

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

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

19 MR. SNYDER: It all comes down to price. That's
20 what it all comes down to. One product can be substituted
21 for the other interchangeably and it all comes down to
22 price. It depends on the scope of the coverage from the
23 products that they're offering as to which buyers they get
24 to. So you have different competitive situations depending
25 on the end use customer. There is no perceived differences.

1 CHAIRMAN WILLIAMSON: Okay.

2 MR. BLATZ: This is Michael Blatz from Bull
3 Moose. I agree. Either the product meets a spec or doesn't
4 and after that it becomes a price. We never hear about
5 quality or other issues because if it doesn't meet the basic
6 specification it's not acceptable so price is determinate.
7 An analogy is almost gasoline. It doesn't matter as long as
8 it hits the grade that you're looking for, you're going to
9 go shop for your gas based on who has the lowest price. So
10 as long as it hits the grade that you want to put in your
11 car, now you're looking for the price.

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

15 MR. BLATZ: And do you believe it?

16 CHAIRMAN WILLIAMSON: (Laughs).

17 MR. SCHAGRIN: To just conclude, I was just
18 having a -- maybe it's musical themes it was like a NNY
19 moment, d j vu all over again because I think I just heard
20 this two weeks ago even though the case was stainless pipe
21 from India. Then I thought "Oh my God, it's the same
22 lawyers and economists" so you know, sometimes you just try
23 to push the same issues before the Commission and they'll
24 see when they throw it up against the wall, if it sticks or
25 not.

1 I think the perceptions of the U.S. Industry
2 based on the market place is that these perceived quality
3 differences by purchasers just don't come out in the wash on
4 these products made to common specifications. The
5 purchasers just never tell the U.S. Industry "hey, you know
6 we want to pay you a lot higher prices because you know,
7 import ASTM-FDS or A135 or A795, it's just not as good as
8 your product." That's just not what purchasers and
9 distributors of CWP say.

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

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

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

18 MR. SCHAGRIN: I don't think there's ever a true
19 premium. I think what is true is that purchasers often,
20 because they're located in Kansas City. Missouri which is
21 pretty far from any port, pay a higher price because of the
22 freight from the imported product from the ports are paying
23 maybe a higher price for Domestic Product. On a delivered
24 basis it probably isn't higher. It's just the difference in
25 freight rates or for the exception of less than 10% of the

1 market where there is Buy America requirements because
2 there's a system going into an airport or into a new subway
3 in New York City which has federal funds supporting it where
4 they have to get domestic, but these are common products.

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

17 It just can't be true, economics tells us for
18 products sold to common specifications unless there is a
19 certain legal reason such as Buy America, which is maybe 5
20 percent of the demand in this product, it just doesn't work
21 that there can be a consistent major price premium or else
22 imports wouldn't take such a gigantic market share. They
23 will eventually drive everyone out of business. They've
24 driven the number two producer. The number one producer
25 says "we're on the cusp. If we don't get relief, our

1 owners may not allow us to continue." Then Don and Julie
2 win their 30-year war.

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

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

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

25 MR. SCHAGRIN: Commissioner, Roger Schagrin.

1 Yes, and the reason that we're confident is your Prehearing
2 Staff Report that shows after the filing of these cases we
3 had a very big drop in Subject Imports. I'll just
4 characterize the data as a drop of more than half in Interim
5 16 compared to Interim 15 and this industry returned to
6 profitability. So I think as was in Mr. Jameson's opening
7 statement, the data during your POI shows that during the
8 whole period where imports were increasing their market
9 share, which was a really significant increase, you know and
10 most of that market share came at the expense of the U.S.
11 Industry and very little over the POI of what the U.S.
12 Industry lost in market share was the non-Subject Imports
13 that when Subject Imports declined significantly the U.S.
14 Industry regained market share and regained profitability.

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

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

1 VICE CHAIRMAN JOHANSON: Thank you for your
2 responses.

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

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

12 MR. BOSWELL: Randy Boswell with Wheatland Tube.
13 We agree that we were able to restore some of the lost
14 prices as we got through the first part of '16.

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

17 VICE CHAIRMAN JOHANSON: Okay, thanks for your
18 responses.

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

22 MR. BLATZ: A good career ahead for him.

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

25 Anyway, okay, I'm now going to delve into the

1 whole area of product differentiation between a product
2 produced in the subject countries and a U.S. product. This
3 is something which of course has been raised by the
4 Respondents.

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

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

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

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

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

7 But potable water is going to be minor, and we'll
8 see if we need to amplify Mr. Boswell's that it's probably
9 20 percent or less of the U.S. market.

10 VICE CHAIRMAN JOHANSON: That would be helpful.
11 We had a hearing earlier this week on copper pipe and tube,
12 and it's my understanding that--my impression that that
13 product is more commonly used, that and PVC, in individual
14 houses, but then again I'm thinking about the pipes leading
15 to the houses. Let's say the city-owned pipes. That's
16 usually steel, correct?

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

19 VICE CHAIRMAN JOHANSON: Okay, if you could--

20 MR. SCHAGRIN: Or even concrete.

21 VICE CHAIRMAN JOHANSON: --if you could color that
22 in more for me, I'd appreciate it because, once again, this
23 is on my mind due to our hearing earlier this week. I'd
24 appreciate it. And it's also something which of course was
25 raised by the Pakistan Respondents.

1 And sticking with the Pakistan Respondents, they
2 characterized the market for fence tubing as attenuated
3 between higher quality U.S. produced fence tubing and that
4 made to ASTM standards. And Pakistani fence tubing that is
5 not certified to any standards. And I realize that
6 Commissioner Williamson touched on this subject awhile ago,
7 but I'd like to delve a bit further into that since it seems
8 to be a major part of the Pakistani's arguments.

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

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

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

24 MR. SCHAGRIN: And, Commissioner Johanson, this is
25 Roger Schagrin. Maybe I'll get an affidavit for our

1 posthearing brief. I can just tell you that, you know, the
2 first decision here was the CVD determination against
3 Pakistan, their only subsidy case.

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

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

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

20 CHAIRMAN WILLIAMSON: Thank you. Commissioner
21 Pinkert?

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

25 I want to begin with kind of a technical

1 question. We've been talking about movements in apparent
2 consumption, and I'm wondering whether apparent consumption
3 in this industry is a good measure of demand?

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

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

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

16 MR. SCHAGRIN: But in general, Commissioner
17 Pinkert, because I was able to review it, I mean real demand
18 I think the staff report is very good on this. This product
19 really follows GDP. Construction overall is a pretty big
20 part of GDP. And so, you know, let's face it, over the last
21 three years you've had very modest increases in overall GDP.

22 And so you would have seen very modest increases
23 in overall demand for this product. Maybe a little bit, as
24 Mr. Blatz pointed out, there's been a change in the
25 demographics related to I guess where millenials choose to

1 live. Of the overall new home units that go on the market,
2 many more seem to be apartments and condos as a share of the
3 total market, and fewer are single homes in the suburbs.

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

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

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

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

25 So in general over this whole POI, it's pretty

1 flat to modest gains. And then any other changes would be
2 weather. Because almost all this product goes to
3 distributors, where the distributors are slightly increasing
4 or slightly decreasing inventory over the POI.

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

10 COMMISSIONER PINKERT: Thank you.

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

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

18 MR. SCHAGRIN: Commissioner, once again members of
19 the industry couldn't see the data in the staff report, but
20 as was testified to, the margins were restored. And even
21 though you don't see increases in average unit values,
22 because these products are sold, you know, somewhat on a
23 lead-time, perceptions of when prices are increasing versus
24 being realized in invoices sent out, you know, can be
25 somewhat different. But the industry certainly was able to

1 pass along some of the announced steel price increases on
2 CWP in 2016 that they were not able to do let's say in 2014
3 when steel prices were increasing. And you just see a lot
4 of fluctuations in steel prices over the POI.

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

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

24 (Laughter.)

25 MR. SCHAGRIN: --and so I mean you just see it in

1 the data, and I think these gentlemen would say that, as
2 they testified to, they are really seeing benefits of the
3 relief, and we would like to see that continue.

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

11 MR. SCHAGRIN: We'll do that. And the other
12 misnomer, I don't know if Mr. Dugan will talk about it
13 today, he's talked about it in the last two pipe and tube
14 cases, HWR and stainless pressure price. It's nice going
15 against the same economist every couple of weeks. Is that,
16 you know, we talk to all these folks about how much coil
17 inventory do you carry? And it's amazing how small. I mean
18 Mr. Blatz says the MBA from MIT, I mean today throughout the
19 system it's all about lean inventory and all that stuff.
20 And so the idea that, you know, there's these gigantic
21 inventory profit gains, I mean these guys generally have
22 like two weeks of steel inventory.

23 I mean, how much is that going to change over a
24 six-month POI? The fact that you had two weeks of steel
25 inventory. So we'll address that in our posthearing brief,

1 Commissioner Pinkert.

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

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

8 CHAIRMAN WILLIAMSON: Okay, thank you.
9 Commissioner Broadbent?

10 COMMISSIONER BROADBENT: Thank you, Mr. Chairman.

11 Mr. Houseman, thank you for appearing today. Can
12 you give us a perspective on how these Orders affect Union
13 negotiations in the steel industry?

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

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

25 COMMISSIONER BROADBENT: Wait, it is a factor?

1 Say that again?

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

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

12 MR. HOUSEMAN: Correct.

13 COMMISSIONER BROADBENT: Okay.

14 Alright, Mr. Schagrín, what role did the Canadian
15 imports play in this market?

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

20 MR. BOSWELL: Randy Boswell, Wheatland Tube. We
21 do have, in the Zekelman Industries Group, plants on both
22 sides of the border. There is trade, obviously, back and
23 forth across the borders. There's only one producer that
24 I'm aware of that we really compete with that is a Canadian
25 CWP producer. So it's an impact, as Mr. Schagrín said, in

1 Quebec. It's an impact for us in the Northeastern United
2 States, but outside of that area, very little.

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

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

22 `So mechanical product enters in the same HTS.
23 So I think the numbers that you're looking at are not
24 adjusted, as the staff has for purposes of negligibility for
25 imports from Canada.

1 As Mr. Boswell states, really just one
2 significant CWP producer in Canada. They're located in
3 Quebec, and they primarily sell into the New England and
4 Northeast area. And I know you asked some importers about
5 information on their imports. We'll comment confidentially
6 in the posthearing brief about any importer responses you
7 got on Canadian product.

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

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

11 COMMISSIONER BROADBENT: Okay, thanks.

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

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

18 MR. BOSWELL: Through the consolidation piece?

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

21 MR. BOSWELL: Most of the consolidation was done
22 prior to my time at Wheatland. I understand it was driven
23 at the time by nonsubject imports for this case, as well as
24 some of the business conditions. I wasn't at Wheatland at
25 the time. We didn't own Wheatland at that time. But they

1 have been a consolidator of the CWP industry, particularly
2 in the Eastern United States.

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

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

22 COMMISSIONER BROADBENT: Say that again?

23 MR. BLATZ: I think there's more benefits that
24 could have been yielded through the business consolidation
25 that were masked, or not able to be enacted, because of

1 compression on pricing. So they made the effort to buy the
2 companies. They expected to get better benefits. And they
3 have competitors that are forcing them to continue to lower
4 price, as we've said, continuously.

5 Our customers buy on price.

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

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

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

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

21 So they gained market share from both the
22 domestic industry and nonsubject imports. I would disagree,
23 but we have to do it confidentially. Mr. Cameron says, hey,
24 nonsubject imports undersell by more than subject. That's
25 not true when you look at the data on a quantity basis, not

1 a numbers of underselling. And this business is all about
2 volume.

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

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

24 COMMISSIONER BROADBENT: Okay.

25 MR. SCHAGRIN: But it's all about price.

1 COMMISSIONER BROADBENT: Alright, got it. Thank
2 you.

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

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

11 CHAIRMAN WILLIAMSON: Thank you.

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

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

19 CHAIRMAN WILLIAMSON: Okay. Anyone else?

20 MR. BOSWELL: Randy Boswell, Wheatland Tube. The
21 long lead times may be on the front end for a few
22 purchasers. Most of the purchasers are buying out of
23 inventory that's already on the ground. The supply chains
24 are set up from countries to bring product in on a regular
25 basis.

1 And as we talked about earlier, we sell the vast
2 majority of our product as an inventory stock sale rather
3 than any type of make-to-order product.

4 CHAIRMAN WILLIAMSON: Okay. Thank you.

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

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

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

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

1 that ultimately is what the driver would be.

2 CHAIRMAN WILLIAMSON: Okay, thank you.

3 This issue has come up in a number of cases.
4 How can we distinguish the price effects of falling raw
5 material costs and the price effects of subject imports in
6 this case?

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

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

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

24 CHAIRMAN WILLIAMSON: Yes, maybe driving them up
25 more than, say, things that are driving the costs of your

1 competitors up. It may not be, but I'm just asking.

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

3 CHAIRMAN WILLIAMSON: Okay.

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

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

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

18 So to me, to kind of turn your question around,
19 which is how much is it imports versus how much is it steel
20 because the other side is going to come up this afternoon
21 and say, hey, there's a high correlation, like 90 percent,
22 between steel and pipe prices and that's no surprise when
23 something is 70 or 80 percent of your costs there's got to
24 be a high correlation or else there's no such thing as
25 economics.

1 But you know correlation is causation, so the
2 real answer to your question is how we can see that it is
3 imports having as big an impact on suppressing prices as
4 changes in raw material is profitability because you see in
5 this chart, Figure V-1, throughout much of '13 and '14 steel
6 costs were going up, but pipe prices were not and that's why
7 this industry is losing money in each of the three years of
8 the POI.

9 And when steel prices fall in '15, instead of
10 saying, well, let's not drop our prices fast. You heard
11 testimony saying that the prices for pipe as imports were
12 flooding into the U.S. from the subject countries were
13 actually falling faster than the steel. It may only be
14 faster by two or three points, but that's their profit
15 margins. So the change for these guys when steel is 70 or
16 80 percent of their costs of a 5 percent operating profit or
17 a 5 percent operating loss it's only 10 percent compared
18 that maybe a 10 or 20 or 40 percent change in steel costs,
19 but it's a huge change in the profit margin. And so their
20 inability to get margin between costs and price is what
21 caused them to have losses.

22 And a few points one way or the other, the
23 difference between 5 percent profits and 3 or 4 percent
24 losses it's only seven or eight points out of 100, but it's
25 huge for these companies and it causes people to shut down.

1 If you're constantly losing 5 percent operating margins, you
2 might say, hey, it's only 5 percent, but if you're
3 constantly losing it, they owner says let's shut the plant.

4 I hope that answers your question.

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

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

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

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

22 CHAIRMAN WILLIAMSON: Let's not disparage the
23 economists.

24 MR. SCHAGRIN: We love economists. And I'm glad
25 that your nephew's studying mechanical engineering because

1 one thing we know is we don't need more lawyers. We need
2 more mechanical engineers, so that's a good thing.

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

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

11 CHAIRMAN WILLIAMSON: Okay, thank you.

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

15 MR. BLATZ: Michael Blatz with Bull Moose.

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

24 CHAIRMAN WILLIAMSON: Okay.

25 MR. BOSWELL: Randy Boswell at Wheatland Tube.

1 As Roger stated earlier, the inventory
2 management systems that I think all of us use now are much
3 cleaner than they were in the past and it's relatively quick
4 and that we're not carrying 60 or 90 days work of coil
5 inventory to operate through time of price increases or
6 decreases. We're carrying a much shorter -- you know 30
7 days or less, so it can happen relatively quickly to our
8 costs.

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

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

14 COMMISSIONER SCHMIDTLEIN: Okay, thank you.

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

23 Can you respond to the argument with regard to
24 the purchaser questionnaire answers that indicated that
25 there was a premium for U.S. produced product and that, on

1 average, it equaled roughly 18 percent, I believe, and that
2 that accounts for the underselling in the pricing data?

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

9 COMMISSIONER SCHMIDTLEIN: Thank you.

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

24 If, in fact, the U.S. industry was able to
25 always get a price 18 percent above imports for the exact

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

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

16 COMMISSIONER SCHMIDTLEIN: Okay.

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

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

22 COMMISSIONER SCHMIDTLEIN: To get to the 18
23 percent?

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

1 brief.

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

4 Okay, the second question I had is with regard
5 to the argument that when you look at the loss of market
6 share for the U.S. industry most of it occurred in '14 to
7 '15, but that's when non-subjects gained the most and
8 subjects gained in the prior year more. Can you respond to
9 that argument that that indicates there's a lack of
10 correlation between the effect of subjects on the U.S.
11 industry's loss in market share?

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

16 COMMISSIONER SCHMIDTLEIN: Okay.

17 MR. SCHAGRIN: So let us do that.

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

1 MR. BOSWELL: This is Randy Boswell at Wheatland
2 Tube.

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

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. BLATZ: Michael Blatz, Blue Moose.

10 I concur.

11 COMMISSIONER SCHMIDTLEIN: Okay.

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

15 They also make an argument with regard to
16 historical context for capacity utilization of the industry
17 and that, in general, capacity utilization has been
18 consistent or hovering right around that level for the past
19 15 years and that therefore this speaks to causation and
20 whether or not there's any effect. And Mr. Schagrin, maybe
21 you want to speak to this. Is that something the
22 Commission has done before, to look back that far at
23 capacity utilization for purposes of assessing causation?

24 MR. SCHAGRIN: Commissioner Schmidtlein, no, the
25 Commission has never done that and you shouldn't start. No

1 one after me is more familiar with the industry than Don
2 Cameron. I think you missed the part where I said Don and I
3 first case on this circular welded pipe product was 1982.
4 He'd just left the Commission. I'd just become a first-year
5 associate at another law firm. It's hard to believe we're
6 still here this many years later. Congratulations, Don and
7 Julie. It's good just to be here.

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

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

23 So this is not an industry that always has a lot
24 of slack capacity. There has often, because import share is
25 so significant, the additional available capacity and even

1 with the shutdowns we think there's enough capacity in the
2 U.S. where we could hire back a lot of workers. The Sharon
3 (phonetic) plant could be restarted and 100 people recalled
4 and we could service that.

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

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

23 COMMISSIONER SCHMIDTLEIN: Alright, I'll save
24 this question for next round. And I guess before my time
25 runs out, Mr. Blatz, are you from North Kansas City? Do I

1 understand that -- no? Who is it? Mr. Snyder, you're from
2 North Kansas City, okay. My hometown is not far from there,
3 Carrollton, Missouri. I don't know if you're familiar.
4 Yeah, I was on the phone with Carrollton this morning. My
5 parents are still there, so they're going to ride it out
6 right there.

7 MR. SNYDER: I actually live in Parkville.

8 COMMISSIONER SCHMIDTLEIN: Oh, you do? Okay,
9 yeah. Well, welcome to the Commission. Thank you.

10 CHAIRMAN WILLIAMSON: Thank you. Vice Chairman
11 Johanson.

12 VICE CHAIRMAN JOHANSON: Thank you Chairman
13 Williamson.

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

18 MR. SNYDER: Yes.

19 VICE CHAIRMAN JOHANSON: Fascinating.

20 MR. SNYDER: It is fascinating.

21 VICE CHAIRMAN JOHANSON: Steamship Arabia
22 there's a steamship that sank like prior to the Civil War
23 and it was encased in mud and like perfectly preserved and
24 so it was like stepping back in time and have all these
25 products from the 1840s or so.

1 MR. SNYDER: Did you have a chance to go to the
2 World War II Museum?

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

6 MR. SCHAGRIN: Did you eat the ribs?

7 VICE CHAIRMAN JOHANSON: Oh, yes, I did.

8 MR. SCHAGRIN: Alright.

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

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

13 COMMISSIONER PINKERT: That's an objective path.

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

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

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

24 Okay, that took a minute and 13 seconds. Now
25 I'll move on to what brings us here today. And I'm going to

1 go back to fencing because this is something that I finished
2 off on a minute ago and it's quite interesting because I see
3 pipe everywhere now on fences, which is something I did not
4 notice prior to my coming to the Commission, so I know that
5 it's important for your industry.

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

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

15 MR. SCHAGRIN: I'm going to show Randy the
16 description of that product in the staff report, but I would
17 just say, having done this forever, that that statement is
18 just plain simply not true. That Product 4, which this
19 Commission has used repeatedly for like 30 years that is the
20 main fencing products that is used in everything -- you know
21 all over the board. You can walk by it, Commissioner
22 Johanson, now that you notice it, in D.C. around all the
23 government buildings and for the entire U.S. market, man,
24 the amount of new prison construction over the POI and the
25 amount of use for prison and enhanced security it can't be

1 more than a minimal share of the entire U.S. market. We
2 just haven't been building prisons, thank God, like we used
3 to.

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

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

16 MR. BOSWELL: Randy Boswell, Wheatland Tube.

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

25 MR. SCHAGRIN: And actually, Commissioner

1 Johanson, I misspoke, misquoted the staff, at the request of
2 the Respondents, changed our traditional fence product. It
3 used to be the large volume, lighter wall products, not the
4 Schedule 40 product and so they did change it to Schedule 40
5 and that is not the majority of the fence market in the
6 United States, which is a lighter wall product because you
7 get more steel in Schedule 40 than you do in a lighter wall.

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

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

20 MR. BOSWELL: You know we sell product to
21 specification. There are applications, again as I said
22 previously, very, very small volume, a very small part of
23 our business where there is a higher-end product, but you
24 know the vast majority of our product is sold to a pretty
25 common ASTM specification or equivalent, which is -- you

1 know in the fence industry it's about form and function more
2 than about -- you know it will be an A53 Grade B, non-hydro
3 tested which isn't actually a spec. The A53 spec doesn't
4 allow for a product that's non-hydro tested, so to bring it
5 in as an A53, non-hydro tested to then sell it as a fence
6 product is very similar to what we would sell as a fence
7 product under another ASTM specification.

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

10 The UAE Respondents on page 24 of their
11 pre-hearing brief state that any attempt by Petitioners to
12 deny the relationship between hot rolled steel prices and
13 CWP prices should be viewed with skepticism.

14 My question to you then is do you deny such a
15 relationship? And it seems from your brief that you're not
16 completely dismissing the correlation between raw material
17 and CWP prices.

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

1 here, which is profitability.

2 VICE CHAIRMAN JOHANSON: Okay. Thanks,
3 Mr. Blatz. And Mr. Boswell, the Pakistan respondent on Page
4 77 of his prehearing brief has a quote from you from the
5 preliminary staff conference. The quote as excerpted
6 appears to indicate that you believe that there are some
7 quality distinctions between U.S.-produced CWP and imported
8 CWP. Is that a fair assessment of the quote?

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

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

24 You're going to have a much greater preference
25 for domestic -- the potential problems with any kind of

1 failure of a conduit product is fire. Think about it in the
2 context of the different products we have here. You see,
3 Commissioner Johanson, if the product isn't great, maybe
4 that means somebody can push it over more easily than you
5 could if the product was as sturdy.

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

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

25 VICE CHAIRMAN JOHANSON: Thank you for your

1 responses. My time has expired.

2 CHAIRMAN WILLIAMSON: Commissioner Pinkert.

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

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

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

23 COMMISSIONER PINKERT: Thank you. Next, looking
24 at Page 4 and Exhibit 2 of Al Jazeera's brief, do you agree
25 that subject producers have a competitive advantage over

1 domestic producers because the subject producers have
2 implemented certain technological advances?

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

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

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

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

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

25 And yet, at least as we believe that was a major

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

13 COMMISSIONER PINKERT: Thank you very much.

14 CHAIRMAN WILLIAMSON: Thank you. Commissioner
15 Broadbent.

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

21 MR. BOSWELL: The process itself I'm not
22 familiar with what we go through as far as the audit
23 process. The certification process is in our galvanizing
24 shop and making sure that we are lead-free as far as the
25 contents that we use to put the coating on the pipe. And

1 it's a matter of your process in putting the procedures in
2 place for your checks, your monitoring of your systems, and
3 there's a cost to that.

4 COMMISSIONER BROADBENT: Anybody else want to
5 commit?

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

8 MR. BLATZ: Same here.

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

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner
13 Schmidtlein.

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

20 MR. BOSWELL: There was an initial 60 to 90 day
21 window impact in terms of customers wanting to make sure
22 they had secure supply. So I think there was a little bit
23 of impact in the beginning with that. And that impacted our
24 inventory levels. Within 90 days or so, I think the market
25 was back in balance.

1 We've seen that with Allied not in the market --
2 I mean you took the largest producer of the fire-suppression
3 byproducts out of the market. With them not in the market,
4 we've seen that spread out among the domestic vendors, as
5 well as the import product. And we're relatively back in
6 supply at this point in time, you know, nine months later,
7 and probably were three to six months later.

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

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

13 COMMISSIONER SCHMIDTLEIN: Okay.

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

20 So it seems that overall, while you may have
21 had, at the time of the stoppage, my understanding was that
22 Allied had very, very little inventory left at the end.
23 They had kind of managed their exit, so it's not like they
24 shut down and all of a sudden put tens of thousands of tons
25 out on the market. They evidently had only a few thousand

1 tons left at the time of the shut-downs, which in a market
2 this size would have no impact.

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

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

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

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

1 COMMISSIONER SCHMIDTLEIN: Okay.

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

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

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

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

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

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

25 CHAIRMAN WILLIAMSON: Thank you. On this

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

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

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

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

25 CHAIRMAN WILLIAMSON: Fine. Thank you. Now,

1 also in post-hearing, can you respond to the arguments
2 raised by respondents regarding cumulation for threat
3 analysis? You can do that now or post-hearing.

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

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

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

15 MR. SCHAGRIN: Yeah, we'll do it in a
16 post-hearing. The changes are such a tiny bit they're
17 referring to, it's like trying to make a mountain out of a
18 molehill of very, very small changes, but I think we would
19 rest on the fact that over a period of increasing
20 consumption, we have decreasing domestic shipments and
21 changes in operating profits which are very tiny over the
22 POI, were not enough to have set net losses over the entire
23 POI, which just shows how poorly this industry was
24 performing during a time period where demand overall, '13 to
25 '15, is pretty darn good and this industry's continued to do

1 very poorly right up until the time of the filing of cases.

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

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

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

25 VICE CHAIRMAN JOHANSON: All right. So the

1 production process does not, of course, impact the grade?

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

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

14 CHAIRMAN WILLIAMSON: Commissioner Schmidtlein.

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

23 MR. SCHAGRIN: Yes, Commissioner Schmidtlein, we
24 can respond. First, it's just not true. So look at this
25 panel. You have the three largest producers of CWP in the

1 United States here. Almost to no API license, no effect of
2 changes in energy products on any of their financial
3 results. Steel ventures, doing business as EXLTUBE, no API
4 licenses, no energy tubular production. So no impact on
5 them.

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

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

21 So the idea that -- I'll throw out a
22 hypothetical number, that 10 or 15 or 20% overlap could have
23 an impact on the whole 100% CWP financials, I just think
24 it's creativeness by people to say the problem with CWP is
25 the energy industry. It's just not. They have different

1 demand drivers. They're largely made in different plants
2 and they're largely made by different producers.

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

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

16 COMMISSIONER SCHMIDTLEIN: Okay. All right.
17 Thank you.

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

21 MS. HAINES: Staff has no questions.

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

24 MR. CAMERON: No.

25 CHAIRMAN WILLIAMSON: Okay, thank you. Well, I

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

7 Thank you.

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

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

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

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

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

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

21 We'd also refer the Commission to page
22 seven of the UAE prehearing brief discussing conditions of
23 competition, because we think that this is a significant
24 condition of competition. The question that arises, of
25 course, is the one that you asked and that was not answered

1 this morning, which is well, why would there be a price
2 premium for domestic material if competition is purely based
3 upon price and all of the pipe and tube is fungible.

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

9 STATEMENT OF JIM DOUGAN

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

21 In sum, our presentation will demonstrate
22 that the record evidence supports a negative determination
23 on the question of whether subject imports caused, or
24 threatened to cause material injury to the domestic circular
25 welded pipe or CWP industry. Petitioners' theory of the

1 case, particularly with regard to causation, has a number of
2 holes in it, as their key arguments are contradicted by the
3 record evidence.

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

13 This claim is demonstrably false. As Slide
14 1 shows, subject import volume peaked in April 2015, and had
15 declined by a significant percentage as shown on a
16 confidential slide by October 2015 when the petition was
17 filed. The percentage decline is virtually the same whether
18 or not one includes subject imports from Vietnam in the
19 total. In fact, that's true for the other volume arguments
20 I'll present today.

21 Respondents recognize that the Commission
22 typically doesn't look at monthly import trends, but may be
23 interested in making a comparison between first half 2015
24 and first half 2016. To aid in this comparison, Slide 2
25 presents the subject import data in half year increments.

1 As is obvious from the slide, substantially all of the
2 decline in subject import volume observed in the comparison
3 between first half 2015 and first half 2016 actually
4 occurred in second half 2015.

5 Given the long lead time involved with
6 shipments of CWP from subject countries, there's no way that
7 this decline reflects the filing of a petition on October
8 28th, 2015. As the industry witnesses on our panel will
9 explain, this decline in imports from subject countries
10 reflects the risk aversion to foreign producers, importers
11 and purchasers related to hold inventories during 2015, a
12 time of volatile and uncertain hot-rolled prices.

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

20 Another claim made by Petitioners is that
21 the domestic industry responded to subject imports by
22 slashing prices in 2015, in hopes of increasing its market
23 share. First, as Ms. Peterson will show, the decline in
24 domestic industry prices was simply a reflection of
25 declining prices for hot-rolled steel, and the domestic

1 industry actually reduced its prices by less than its cost
2 decline, which increased its metal margin and reduced its
3 COGS to sales ratio in 2015.

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

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

23 Petitioners state in their prehearing that
24 in 2015, despite their price-cutting, the domestic industry
25 lost market share to both subject and non-subject imports,

1 which makes it seem like the industry lost share to both
2 sources equally. This is not the case. See Slide 4, the
3 confidential version of which provides the changes in market
4 share. The relevance of this fact pattern is twofold.

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

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

21 With regard to domestic industry's
22 production and shipments, Petitioners contrast this case
23 with the fact pattern in the 2012 case, where the industry
24 increased its production and shipments over the POI. But
25 subject imports aren't the cause of the industry's decline

1 in production and shipments here. An important factor
2 during the current POI not present in the previous case was
3 the collapse in the oil and gas market from 2014 to 2015.

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

11 Rather, we have argued that the impact of
12 oil and gas on a subset of U.S. producers has a
13 disproportionately large effect on the condition of the
14 domestic industry. Again, most U.S. producers reported
15 increases in production and shipments, and the decline in
16 production and shipments is fully explained by a minority of
17 producers. You can see UAE prehearing brief at pages 11 to
18 13 for the confidential analysis.

19 In the preliminary phase but not in the
20 final phase so far, Petitioners argued that the increase in
21 imports led to an inventory overhang that caused adverse
22 volume effects to the domestic industry. They made some
23 comments about that this morning, but they haven't made it a
24 central argument. This claim too is unsupported by the
25 record. The analysis presented at pages 15 and 16 of UAE

1 Respondents' prehearing brief provides the confidential
2 domestic producer and importer data supporting this
3 conclusion.

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

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

21 STATEMENT OF EMMA PETERSON

22 MS. PETERSON: Good afternoon,
23 Commissioners. I'm Emma Peterson from ECS. There have been
24 no adverse price effects by reason of subject imports.
25 First, there was no price depression. As shown at Slide 6,

1 U.S. producers' prices closely tracked prices for hot-rolled
2 coil, which is the main raw material used to produce CWP.
3 This is the case for both sales into the distributor
4 channel, as well as sales into the end user channel, as
5 shown at Slide 7.

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

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

24 Rather, this reinforces the idea that U.S.
25 producers' prices are closely tied to prices for raw

1 materials. Slide 9 shows raw material prices from the 2012
2 publication, where hot-rolled steel prices increased by 23
3 percent, and zinc prices increased by 57 percent over that
4 POI. Slide 10, which reproduced Figure V-1 from the Staff
5 Report in this current investigation, shows that between
6 January 2013 and December 2015 hot-rolled steel prices
7 declined by nearly 40 percent and zinc prices declined by
8 nearly 20 percent.

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

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

23 Additionally, as shown as Slide 12, U.S.
24 producers' COGS to sales ratio declined over the POI. COGS
25 takes into account not only raw material costs but also

1 direct labor and other factory costs. So this metric
2 provides further evidence that U.S. producers' prices were
3 not suppressed by subject imports.

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

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

20 In their prehearing brief, Petitioners
21 claim that subject imports undersold the domestic industry
22 more frequently than non-subject imports did. However,
23 Petitioners use AUVs to support this claim, not the detailed
24 price data collected in the Commission's questionnaires.
25 The Commission generally does not rely on AUVs when there

1 are better more detailed data available, since AUVs can be
2 influenced by product mix.

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

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

19 There has been no adverse impact on the
20 domestic industry by reason of subject imports. Consistent
21 with the other data on the record, U.S. producers' financial
22 data provide no evidence of a causal link between the
23 domestic industry's condition and subject imports. In fact,
24 the domestic industry's gross and operating margins improved
25 over the POI as subject import volume increased, which is

1 the opposite of what the Commission would expect to see if
2 subject imports were adversely affecting the domestic
3 industry.

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

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

24 There is further record evidence that
25 refutes Petitioners' claim that their improving

1 profitability in entering 2016 was due to a decline in
2 subject import volume. First, as my colleague Mr. Dougan
3 discussed just a moment ago, subject imports peaked in April
4 2015 and declined substantially by the time the petition was
5 filed in October 2015. Second, the underselling data on the
6 record undermine Petitioners' theory that they were only
7 able to improve profitability in 2016 because of reduced
8 pricing pressure from subject imports.

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

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

24 In summary, the weight of the record
25 evidence indicates that subject imports have not caused

1 material injury to the domestic industry. Thank you.

2 STATEMENT OF MERVYN D'CUNHA

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

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

20 The UAE industry in general and Universal
21 in particular focuses primarily on UAE and the countries of
22 the Gulf Cooperation Council, which we regard as our second
23 home market, and where we enjoy a natural competitive
24 advantage over other suppliers. Demand within the UAE is
25 strong. In UAE, private and public developers have regained

1 confidence in Dubai's residential property market, after the
2 turmoil of the Arab Spring, and relaxed rules in the UAE has
3 made Dubai a global tourism hub.

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

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

21 We have seen a steady -- we have seen this
22 growth already with the rapid expansion and demand for
23 finished scaffolding, which we produce from internally
24 consumed standard pipe. We have also seen demand grow in
25 the UAE and other export markets for products produced from

1 the same machinery as standard pipe, especially square and
2 rectangle products.

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

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

21 The new capacity is directed at producing
22 square and rectangle tubes, and extra thin wall standard
23 pipes for the domestic and GCC market. Moreover, Universal
24 Group companies are currently at our full practical capacity
25 for both standard and non-standard pipe production.

1 Producers have a strong preference for domestic products
2 over imports, because U.S. producers are located close to
3 the market and are normally able to ship from inventory.
4 This results in much shorter lead times and lower inventory
5 costs when purchasing domestic products. In addition, many
6 customers choose domestic production over imports because of
7 access to technical services, warranties and product
8 liability concerns. This built-in customer preferences for
9 domestic supply allows domestic producers to command a price
10 premium over imports.

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

17 Another consequence of this lead time in
18 2015 is that because of the volatility and the uncertainty
19 with respect to the hot-rolled prices, foreign producers
20 were reluctant to commit towards forward purchases of
21 hot-rolled coil, and U.S. importers were reluctant to
22 maintain inventory of standard pipe. This led to a
23 reduction in imports from these subject sources that began
24 well before the filing of the petition in this case.

25 The preference for domestic supply and the

1 domestic price premium has been in place so long that today
2 there is a structural feature of the market and are
3 understood by all suppliers and sellers. Universal's
4 primary competition are other importers, both subject and
5 non-subject. Customers typically determine a balance among
6 domestic and import sources, and we compete for the import
7 portion of their purchases. Thank you.

8 STATEMENT OF INDRANIL CHOWDHURI

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

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

22 Our company was founded in 1996 and it
23 began commercial production of pipes in 1998. We produce
24 ERW circular pipes and tubes and square and rectangular
25 profiles on the same lines, and we sell principally to Oman

1 and our neighbors in the GCC. Our raw material is
2 hot-rolled coil, which we purchase on international markets.
3 Our plant is located in Sohar, Oman and we have an
4 additional sales office in Sharjah in the UAE.

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

13 As for the U.S., we have had a consistent
14 presence in the United States almost from the beginning of
15 our commercial life. I can speak personally of our sales
16 policies beginning from 2007, when I joined the company as
17 the Chief of International Marketing. We work with a very
18 small number of U.S. customers located in the various
19 regions of this country, to ensure that our product enters
20 the market in an orderly way. We have a strong sense of
21 mutual loyalty with our customers, and have worked with
22 them through good times and bad in order to maintain our
23 reputation as a reliable supplier and to support our
24 customers'
25 organizations even through market downturns.

1 By working in this systematic way, the Al
2 Jazeera brand has become quite well known to end users in
3 the areas reached by our customers' distribution, and we
4 pride ourselves on having reached a firm footing in a very
5 demanding market. American pipe customers at every level
6 are very brand conscious and they are loyal to a reliable
7 brand that provides a good value its product.

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

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

24 For our sales to the west coast, containers
25 are again loaded onto the feeder vessels in Jabel Ali, where

1 they are transferred for shipment to one of the big ports in
2 China, typically Shanghai, where they are transferred to
3 larger container ships for the Pacific crossing. These
4 time-consuming routes are necessary because large-scale
5 container vessels do not call at the Port of Sohar.

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

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

21 Foreign producers have their advantages and
22 disadvantages in the U.S. market. Our principal advantage
23 is access to lower cost raw material on the international
24 market. Our disadvantages include much longer lead times,
25 larger, minimum order quantities and all the uncertainties

1 that go with the international trade, exchange rate
2 fluctuations and so forth. And, as we saw in the second
3 half of 2015, when international coil prices was unstable,
4 we are hesitant to commit to coil purchases and our
5 customers are hesitant to commit to pipe purchases, so that
6 our volumes were reduced accordingly.

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

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

24 Our practical capacity is significant lower
25 than our theoretical capacity because we have a bottleneck

1 at our slitting capacity and we do not expect that
2 limitation change in the foreseeable future. It existed in
3 2012 and it continues to exist today. I should add that Al
4 Jazeera is in the process of expanding our international
5 market beyond just the United States, as we are implementing
6 a policy of export diversification and it is already
7 resulting in significant increases in tonnages to third
8 countries.

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

18 This is also reflected in Oman's Vision
19 2020 declaration, which further requires additional
20 infrastructure spending as the country reduces its
21 dependence on oil revenues, all of which means additional
22 pipe consumption. After this, events like the Expo 2020 in
23 the UAE and the football World Cup in Qatar, and as well
24 developing demand from markets like Saudi Arabia, and we
25 will be left with little capacity to increase exports beyond

1 the GCC. Thank you for your attention.

2 STATEMENT OF JULIE C. MENDOZA

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

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

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

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

25 Petitioners are well aware of the difficulties

1 that they've created with their--for a negligibility
2 finding, but they've provided no instruction or offered any
3 reasonable methodologies for determining the actual volume
4 of subject imports.

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

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

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

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

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

1 does in this case.

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

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

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

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

22 However, the problem is that it was not a
23 reliable estimate because--for reasons that we'll describe
24 in our confidential brief--but the more important point is
25 that AISI and the Commerce Department's import monitoring

1 mechanism has determined for purposes of reporting
2 mechanical tubing imported into the United States that there
3 is one tariff classification that is covered by your seven
4 classifications that is included. And that is Category 7306
5 31,000. And they have said for purposes of reporting, AISI
6 as well as the import monitoring by Commerce reports only
7 that category of mechanical tubing.

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

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

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

1 final. They've changed the data.

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

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

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

23 We have proposed a means by which you can at
24 least try to estimate the amount of line pipe that's
25 entering that now is going to be classified as standard

1 pipe, according to the scope of this investigation.

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

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

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

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

24 STATEMENT OF RIYAZ CHINYOY

25 MR. CHINYOY: Mr. Chairman, Members of the

1 Commission, good afternoon.

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

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

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

25 Our participation in the U.S. market is very

1 limited, even though we have been exporting to the United
2 States for the past 14 years. In 2012, ILL decided to only
3 supply limited quantities into the United States, and as
4 such we awarded exclusive market rights to a single U.S.
5 representative, Connectors, Incorporated.

6 Through Connectors, ILL has exported hot-dipped
7 galvanized pipe in sizes from 1/2 inch to 6 inches. As my
8 colleague from Connectors, Peter Blair, will explain, the
9 product is sold only as commercial fence pipe. This is a
10 relatively low-value added product compared to the other
11 types of circular welded pipe. We have exported small and
12 relatively stable quantities of this product on a
13 made-to-order basis to the United States every year since
14 2012.

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

19 Over 65 percent of ILL's sales are in the
20 domestic market, and another 25 percent are to nearby export
21 markets such as Afghanistan, Sri Lanka, and the Middle East.
22 There is a huge potential for growth in Pakistan's domestic
23 market where steel consumption is only 45 kg per capita,
24 while the average globally is over 210 kg, signifying that
25 our market should grow by 4 times.

1 Economic forecasts for Pakistan have been
2 generally very positive, especially in the steel sector,
3 which has been growing over the last 5 years by over 12
4 percent per annum. The forecast for the next 5 years shows
5 a growth trend upwards of 22 percent based on the TAPI, PI,
6 and LNG pipe lines which are being constructed.

7 The China Pakistan Economic Corridor, which is a
8 \$46 billion investment in infrastructure, is another factor
9 supporting the strong demand outlook in ILL's home market.

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

19 The galvanized fence pipe IIL exports to the
20 United States is significantly different from the CWP sold
21 by the U.S. producers. All IIL fence pipe does not have its
22 internal weld bead removed, nor is it lead-free, nor hydro
23 tested. As such, each mill test certificate clearly states
24 the product is suitable for commercial fence pipe
25 applications only.

1 IIL has been steadily exporting to the United
2 States market and has no plans to increase our exports to
3 the United States in the future. However, like all
4 Pakistani companies we face challenges in exporting related
5 to supply constraints, including security issues around its
6 production facilities, serious electricity shortages, gas
7 and water supply, inadequate road infrastructure, and
8 unavailability of a locally produced raw material which
9 needs to be imported with a 90-day lead time.

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

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

19 Thank you.

20 STATEMENT OF PETER BLAIR

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

25 Connectors, Inc., is the exclusive U.S. importer

1 of galvanized fence pipe products from International
2 Industries, Limited, in Pakistan. Connectors, Inc., has
3 been acting in this capacity for the last four years.

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

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

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

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

22 IIL'S commercial fence pipe is not sold to the
23 ASTM A53-A specification. The Mill Cert states that, while
24 it is generally manufactured to the ASTM A53-A spec, it is
25 suitable for use only in commercial fence pipe.

1 As a result, the IIL commercial fence pipe is
2 sold as ungraded and cannot be used in other applications
3 that require full certification under the ASTM A53-A
4 specification. This pipe does not meet other performance
5 criterias required by the ASTM spec.

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

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

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

23 IIL utilizes the hot-dip process only. The
24 galvanization applied to the pipe is not lead-free. The
25 galvanized finish by the U.S. producers is universally

1 accepted in all applications as per ASTM specification.

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

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

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

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

21 Thanks again for the opportunity to address this
22 hearing.

23 STATEMENT OF JONATHAN M. FREED

24 MR. FREED: Good afternoon. My name is Jon Freed
25 of Trade Pacific, and we are appearing today on behalf of

1 Midwest Air Technologies, a U.S. importer, and its
2 Vietnamese affiliate, Vietnam Haiphong Hongyuan.

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

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

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

25 Our brief also explains how the past and

1 projected volume trends for subject imports from Vietnam, as
2 well as subject producer's limited inventory levels support
3 the conclusion that subject imports from Vietnam will not
4 eminently exceed 3 percent.

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

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

12 Thank you.

13 STATEMENT OF WILL PLANERT

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

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

1 commercial fencing.

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

13 MR. CAMERON: That's it.

14 CHAIRMAN WILLIAMSON: Okay, thank you very much.
15 I want to express our appreciation to all the witnesses who
16 have come. Some have come from quite a long way.

17 This afternoon we will begin our questions with
18 Commissioner Schmidtlein.

19 COMMISSIONER SCHSCHAMIDTLEIN: Okay. Thank you
20 very much. And I would also like to thank the witnesses for
21 being here today and for traveling so far.

22 I think actually I'll just start by following up
23 on your last statement, Mr. Planert, about the overlap in
24 competition. Because I was looking at Pricing Product Four,
25 right, that's the product that Pakistan exports to the

1 United States.

2 And so I guess my question is, it sounded to me
3 like your last explanation of the argument really goes more
4 to explaining the price differential there than whether or
5 not they are competing.

6 MR. PLANERT: Well, I think it is a little bit of
7 both. I mean certainly it does, we think, explain a lot of
8 the price differential. But I also think, simply from the
9 standpoint of competition, if you have an application where
10 you have need for, you know, a 50,000 psi coating--I mean a
11 50,000 psi strength, yield strength, or if you need some of
12 the specialized coatings that for example Wheatland
13 advertises on their website, you're not going to be buying
14 this product from Pakistan because it's not going to meet
15 those needs and requirements.

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

23 COMMISSIONER SCHMIDTLEIN: Okay. Thank you for
24 that.

25 So I want to start with a question about this

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

8 MR. CAMERON: No, we're not.

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

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

12 COMMISSIONER SCHMIDTLEIN: Okay.

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

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

23 However, when you look at the purchaser
24 questionnaires, number one you see a distinct preference for
25 domestic product. Well, why is that?

1 This comes back to what we discussed in the 2012
2 case, and we've discussed here. A lot of it has to do with
3 lead times. If you've got a lead time of two to four
4 months, which is what you're hearing, for buying imports,
5 and then you have the domestic producers that sat here this
6 morning and testified correctly--there's nothing wrong with
7 it--it's a huge advantage that they are selling out of
8 inventory. And so you know that you're going to be able to
9 get your material within three to five days from
10 Petitioners, because of course this is what they stock up
11 for. They know what their customers want.

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

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

24 And so, yes, there is a discount. And so when
25 the purchasers say that, yeah, I mean for domestic material

1 on average I would pay a premium of 18 percent, and that was
2 calculate from those purchasers that responded to that
3 question, that indicates that it's not a direct competition.
4 It indicates a degree--and I would suggest to you a
5 significant degree--of bifurcation. If there's an 18
6 percent discount on one over the other.

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

10 MR. CAMERON: Yes.

11 COMMISSIONER SCHMIDTLEIN: Okay--

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

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

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

23 MR. CAMERON: Really?

24 (Laughter.)

25 COMMISSIONER SCHMIDTLEIN: I'm told. I mean, I've

1 only been here a couple of years--

2 MR. CAMERON: Bad observation, sorry.

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

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

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

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

25 There is a price premium, and the price premium

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

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

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

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

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

25 MR. DOUGAN: Commissioner Schmidtlein, Jim

1 Dougan.

2 As I addressed in my affirmative presentation,
3 the decline in production and shipments observed in the
4 domestic industry which lead to their numbers that go into
5 their market share of apparent consumption is totally
6 explained by the small subset of producers that participated
7 in the oil and gas market.

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

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

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

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

25 COMMISSIONER SCHMIDTLEIN: But aren't the

1 non-subjects also in this side of the bifurcated market
2 you're talking about where they have -- so I guess, that
3 boils down to the question. So when you see imports,
4 whether it's subject or non-subject, gaining market share is
5 that based on price then and your argument in response says,
6 well, but that's because the domestic's you know command a
7 premium, so it can't be called underselling, but it is
8 based on price.

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

10 MR. CHINOY: I just want to make a point. I
11 mean it's very heartening, though unbelievable, for me to
12 believe that a U.S. domestic producer cannot get a premium
13 oil product made with a carriage or made with a Pakistan
14 label. That seems very difficult to believe.

15 Having said that, the way the -- there was a
16 15-month continuous decline in prices of hot rolled coil
17 from the end of October 2014 until about April of this year,
18 2016. Now somewhere in the middle of 2015 all manufacturers
19 there was a continuous decline. Every time you bought
20 material the next time you buy it, it was less, cheaper. So
21 everybody got scared and everybody decided to de-stock.

22 So the entire world everybody started
23 de-stocking. The pipe producers were de-stocking. The raw
24 metals suppliers were de-stocking and that is the reason why
25 people stopped buying and that's why the buying was slowed

1 down. That is the main reason why I believe that the demand
2 in 2015 came down. I don't believe market share came down.
3 People just bought less. Because they didn't want to
4 speculate they only bought as much as they could sell
5 onwards. They did not buy for inventory.

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

11 COMMISSIONER SCHMIDTLEIN: Two weeks.

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

24 COMMISSIONER SCHMIDTLEIN: Right.

25 MR. CHINAY: So that influences what happens in

1 the world.

2 MR. DOUGAN: Just to finish up on your question.

3 I might catch you on the next round because your time is
4 limited, but I have an additional response that I won't do
5 now.

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

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

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

19 And the data are confidential, and we'll get
20 into this more in post-hearing, you know because the market
21 share numbers I mean those are big shifts. Those are lots
22 of different things going on, but if you look at
23 head-to-head competition and you're wondering, well, were
24 sales lost on the basis of price? Did volume shift on the
25 basis of price? And you look at the pricing products. At

1 least for Product 1 and Product 3, which are, by far, the
2 largest volume products, both for the domestic's and in
3 general -- at least for the domestic's, that much I can be
4 sure about.

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

23 CHAIRMAN WILLIAMSON: Okay.

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

1 subjects fell off.

2 CHAIRMAN WILLIAMSON: Okay, thank you.

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

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

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

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

25 CHAIRMAN WILLIAMSON: So in a sense, they're not

1 globally competitive like you are?

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

5 CHAIRMAN WILLIAMSON: Okay, thank you.

6 Mr. Dougan, looking at your Slide 1, it looks
7 like monthly imports in several months prior to the petition
8 were similar to imports in the corresponding months in 2014
9 and the tallest two peaks there let's treat those as
10 anomaly, but looking at some of the other months and I'm
11 saying, given the fact that they're similar in 2014 and
12 2015, doesn't that sort of undercut your argument that
13 subject imports were declining prior to the petition?

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

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

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

23 COMMISSIONER BROADBENT: Can you maybe address
24 it post-hearing because I don't want to go through looking
25 at all that.

1 MR. DOUGAN: Yes. But clearly the last quarter
2 of '14 is much bigger than the remainder of '14. And then
3 the first part of '15, yeah, that is a spike and it is
4 anomalous and there's a decline from there, but prior to the
5 petition the September --

6 CHAIRMAN WILLIAMSON: Okay.

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

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

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

12 CHAIRMAN WILLIAMSON: Okay, thanks.

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

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

23 You heard this morning that 100 percent of these
24 three producers who run the domestic industry are the
25 largest producers are from inventory, whereas the imports I

1 think it's roughly -- it was over 95 percent that was
2 made-to-order. And the reason is, as you heard this
3 morning, they buy the hot coil after they have a confirmed
4 order. So one of the reasons that you're not producing
5 inventory is they're not going to invest in the hot coil and
6 gamble on the ability to sell the product. They're actually
7 buying the hot coil based upon confirmed purchase orders
8 which, in part, leads to long lead time.

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

12 MR. CAMERON: Then the answer is no.

13 CHAIRMAN WILLIAMSON: Okay.

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

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

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

25 CHAIRMAN WILLIAMSON: Why is the shipments to

1 the U.S. shipped only to order? Is the reason Mr. Cameron
2 said or was there something else?

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

6 CHAIRMAN WILLIAMSON: Okay.

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

15 CHAIRMAN WILLIAMSON: Okay.

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

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

24 MR. SIMON: Yes, right.

25 CHAIRMAN WILLIAMSON: Okay.

1 MR. VENKATARAGHAVAN: Alagraman Venkataraghavan
2 from Al Jazeera Steel.

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

6 CHAIRMAN WILLIAMSON: I'm sorry?

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

15 CHAIRMAN WILLIAMSON: Okay.

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

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

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

23 MR. VENKATARAGHAVAN: Can I add something? It
24 slightly precedes your question, Mr. Commissioner. I've
25 been on both sides of the table, both in terms of a steel

1 mill and also as a distributor. The reason why a metal gets
2 a premium -- and this relates to price negotiation. The
3 reason why a domestic mill gets a premium is because when I
4 buy from a domestic mill I'm instantly able to see the
5 margin I will generate from the local customer because I
6 know the input cost. I know my output sales price because
7 it's the same month's sales, whereas, when I'm buying from
8 an external mill I know my costs, but I don't know what is
9 going to be my sales price then, depending on the market and
10 that's why even at the domestic mill at any point of time
11 commands a higher price you're willing to pay that and
12 that's where the premium comes from. That's precisely where
13 the premium comes from.

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

21 CHAIRMAN WILLIAMSON: Okay, thank you.

22 MR. DOUGAN: Commissioner Williamson, if I can
23 add to that. There was a purchasers on Petitioner's panel
24 in the previous investigation who actually explained this
25 pretty well and they said in order to buy import there has

1 to be a price differential between the import offering and
2 the domestic offering. I think that much is clear from just
3 a common sense standpoint that when I buy import pipe I'm
4 buying in large quantities and it takes longer lead time,
5 so I'm taking a little bit of risk out there. When prices
6 are less competitive, there's not a compelling offering, and
7 that was Mr. Clark, who's a purchasers.

8 CHAIRMAN WILLIAMSON: Okay.

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

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

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

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

25 MR. SIMON: David Simon.

1 Commerce calculates its dumping margins by
2 comparing the home market price of above cost sales to the
3 U.S. price, so they're never looking at the U.S. price of
4 coil. They're looking at Jazeera's U.S. selling price of
5 their pipes.

6 Am I perhaps not catching the point of your
7 question?

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

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

13 MR. D'CHUNA: That is correct.

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

17 MR. D'CHUNA: That's correct.

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

24 MR. D'CHUNA: The demand is remaining the same.
25 It's not increasing, but it's remaining --

1 VICE CHAIRMAN JOHANSON: But the price of oil
2 has fallen so far.

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

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

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

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

25 Secondly, as mentioned in our testimony, most of

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

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

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

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

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

24 MR. CAMERON: Commissioner, just to make this
25 clear, I apologize if there's been a lack of clarity about

1 this. We are not saying that there is not competition
2 between domestic product and imported product. There is.
3 The point that we're making is that it is somewhat
4 attenuated because imports are at a disadvantage.

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

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

21 And in further response to Commissioner
22 Schmidlein and the Chairman's question about market share,
23 I think it also has to be remembered that because you're
24 doing forward pricing and forward buying those are not going
25 to necessarily match up because you're gambling on what the

1 market is going to be. We see that time and again in all of
2 these cases where you have a market slow down and the
3 imports take another three months to catch up to that. Why
4 is that? Well, the orders were already placed. And so you
5 do have some disconnects between market share and the way
6 the market is behaving, but that is not necessarily an
7 indication that there's no bifurcation in the market.

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

17 VICE CHAIRMAN JOHANSON: Alright, thanks for
18 your response.

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

25 Either now or in post-hearing, could you all

1 please comment on the relevance of those quotes as it relate
2 to any eminent increase in import volume from Pakistan.

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

11 MS. MENDOZA: Julie Mendoza.

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

15 VICE CHAIRMAN JOHANSON: Alright, thanks.
16 Thanks for your responses there.

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

20 On pages 47 to 49 of your pre-hearing brief,
21 there are some experts from the Conares Company that
22 indicate that production capacity is continuing to increase.
23 I find this curious, given everything that I've heard about
24 CO overcapacity and the general soft economic conditions in
25 the world. Are capacity expansions really needed in this

1 market?

2 MR. CAMERON: With respect to Conares, we'll try
3 to get you that information. We don't represent Conares and
4 we can get that information.

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

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

23 CHAIRMAN WILLIAMSON: Okay, Commissioner
24 Pinkert.

25 COMMISSIONER PINKERT: Thank you, Mr. Chairman,

1 and I thank all of you for being here. Some of you came
2 from very far away, some not so much, but I appreciate it
3 nevertheless.

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

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

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

1 or exceed the cost of raw material.

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

11 COMMISSIONER PINKERT: Thank you. Now --

12 MR. CAMERON: Sorry.

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

21 MS. PETERSON: I think in theory that may be
22 true, but again, the data on the record just don't support
23 that. If you refer to the last slide, in particular you all
24 have the confidential version, it's Slide 17, you can see
25 that the volume variance in between the interim periods is

1 really extremely small and wasn't actually driving their
2 improved profitability at all.

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

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

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

21 MR. DOUGAN: Commissioner, I think that -- two
22 responses to that. One, naturally the volume of purchases,
23 you know, just the pricing data, the volumes reported for
24 importers from subject countries, is going to be and is,
25 based on the response of the questionnaires you've got, a

1 lot larger for those who are importing from subject
2 countries than those who are primarily importing from
3 non-subject countries.

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

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

18 And I can't recall offhand what the coverage was
19 there, and it might even be BPI and has been shredded. But
20 that roughly 50/50 split between subject and non-subject
21 being lower price relative to one another is pretty much the
22 same as it was before. So the idea that somehow this idea
23 that the non-subject frequency of underselling is anomalous
24 and attributable to -- it's just not representative of
25 reality, is not the case.

1 COMMISSIONER PINKERT: Thank you. Now, given
2 that Mr. Planert is on this panel, I might have expected to
3 hear something about Brask & Mittal in connection with the
4 non-subject imports, but I'd like to give you an opportunity
5 to comment on the applicability of that kind of analysis in
6 this case.

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

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

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

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

24 MR. PLANERT: Only to the extent that it
25 suggests that those orders are not preventing them from

1 participating significantly in this market. Again, you'd
2 have to look at it country by country, to see what are the
3 orders, what are the levels, is everybody covered? But
4 certainly some of the countries that are covered, such as
5 Korea, are nevertheless very significant participants in
6 this market anyway.

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

16 MR. DOUGAN: It's again arguable. I mean the
17 data are confidential. But, and we'll address this is in
18 more detail with the confidential in the post-hearing, but
19 --

20 COMMISSIONER PINKERT: Please do.

21 MR. DOUGAN: We will. But again, it's arguable
22 that the change in market share was at the expense of
23 domestic producers. And so we'll argue that. I think
24 another part of that that should enter into the Commission's
25 overall consideration of the volume analysis is that you

1 don't have questionnaire responses from all of the U.S.
2 producers, and there was one very large U.S. producer who
3 would have been participating in the market to a
4 significant degree in 2013 and 2014, and those data are not
5 represented here. So we'll look at it more, and we'll give
6 you a more detailed answer, but this is not a comprehensive
7 view of the market.

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

10 MR. SIMON: No, I do not.

11 COMMISSIONER PINKERT: Okay, thank you.

12 CHAIRMAN WILLIAMSON: Commissioner Broadbent.

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

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

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

1 right?

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

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

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

13 COMMISSIONER BROADBENT: Okay.

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

18 COMMISSIONER BROADBENT: Give me a few comments
19 on decumulation.

20 MR. GOLDFEDER: Commissioner Broadbent, I don't
21 want to go too much into it, because we relied heavily on
22 confidential information for this argument, but in short,
23 when you look at the volume trends for Vietnam versus the
24 other three countries, when you look at the pricing data for
25 Vietnam versus other countries, there is a noticeable

1 difference in how Vietnam has -- their volumes and prices
2 have behaved versus the other three countries.

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

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

20 And I also just wanted to, on that last point,
21 mention, if you compare the Commission's preliminary
22 determination in this case, with respect to the Philippines
23 and look where the Philippines' negligibility figure stood
24 and you look at Vietnam's, you know, I think you'll see that
25 the case for Vietnam is, based on your precedent in this

1 investigation, has a strong case for finding that that 3%
2 threshold will not be imminently exceeded.

3 COMMISSIONER BROADBENT: Okay and do you have a
4 comment on what the arguments of Pakistan is making about
5 methodology and the calculations on negligibility?

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

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

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

23 One, that the Commission, in terms of Canada,
24 should rely on what AISI and the import monitoring service
25 records as, and reports as mechanical tubing, and that is

1 just the one category. And that if the Commission simply
2 deducts only that category from the data that -- and also
3 you need to put into the denominator some
4 multiple-stenciled line pipe that's coming in.

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

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

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

22 You can't make a hole into evidence. And that
23 we know from all of these past cases that everybody's
24 admitted response because there's everybody that there's a
25 lot of stuff after the dumping orders went into effect on

1 standard pipe, there's a ton of material that got dual or
2 triple-stenciled as line pipe, came in as line pipe, but it
3 was used in standard pipe applications, and I've heard Mr.
4 Schagrin talk about this for many, many years now. So the
5 Commission, actually in their data now has just a pitiful
6 amount of multi-stenciled line pipe that they're including
7 in the standard pipe category, because they just haven't
8 gotten the responses. Thank you.

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

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

24 MR. CAMERON: Commissioner, just to follow on
25 that. Just as a methodological question, operating income

1 is almost always a more reliable indication of injuries and
2 net income, because it's closer to the issue of causation.
3 Net income adds a number of issues that may or may not be
4 related to imports or anything else that is relevant. I
5 mean that's part of what is being pointed out by Ms.
6 Peterson on this issue.

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

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

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

25 And this is between the half years' periods, and

1 it's pretty obvious that the net cost expense variance
2 explains the improvement in profitability and that -- the
3 chief contributor to that was a positive variance with
4 respect to raw materials. One other thing that we want to
5 sort of point out here is that it's also evident in the
6 metal margin that's improved.

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

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

22 So if you've got a lag between when you buy raw
23 materials and when you produce the product, and then you
24 have a lag between when you produce the produce and when
25 it's actually sold into the marketplace, that expands the

1 time between the purchase of the raw material and sales.
2 And that's why they were able to increase their margins so
3 substantially between the periods.

4 COMMISSIONER BROADBENT: Thank you.

5 MR. CHINOY: Can I elaborate just a little bit?
6 In April this year, steel prices went up by, from \$300 to
7 \$450 in two weeks. So that gives a chance for anybody who
8 had inventory to increase the prices, make more margins.
9 Then in May or June the prices fell by \$50 again. So the
10 price you -- are now making less. Although there was a very
11 big jump in April, after fifteen months, continue to
12 decline, and that is the reason why the margins went up in
13 2016.

14 CHAIRMAN WILLIAMSON: Thank you. Commissioner
15 Schmidtlein.

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

22 But if you look at the petitioner's brief, they
23 don't argue that raw material prices do not have an effect
24 on prices. In fact, they explicitly say we acknowledge
25 there's a connection and there's an effect. And their

1 argument is that subject imports are also having an effect.
2 So can you help me understand how I should distinguish, or
3 on what bases can we say that subject imports do not have an
4 effect on price?

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

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

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

22 MR. DOUGAN: The trends are going to be the
23 same. If you were seeing an incremental adverse effect from
24 subject imports, you would expect price declines in channels
25 where they compete with subject imports to be more severe

1 than in channels where they do not. And you do not see that
2 in the data. And that is the point of this all.

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

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

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

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

23 COMMISSIONER SCHMIDTLEIN: What about the fact
24 that the unit value of U.S. shipments dropped more than unit
25 value COGS from '14 to '15? I mean if you just look at the

1 -- I don't think it's confidential, if you just look at the
2 C-table, the unit value --

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

5 COMMISSIONER SCHMIDTLEIN: Oh, the whole
6 C-table.

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

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

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

16 COMMISSIONER SCHMIDTLEIN: Okay, you can
17 address is --

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

20 COMMISSIONER SCHMIDTLEIN: I mean I'm just,
21 you know, if the whole argument on price depression is well,
22 you just look at the raw material costs. Raw material costs
23 were going down, of course like prices are going to go down.
24 But you know, we can't -- it can't be that simple. I mean
25 that can't just be -- that's not the end of the story. So

1 that's what I'm trying to tease out, and if you're hanging
2 the whole argument on this end user?

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

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

10 MR. DOUGAN: Whatever their mechanism is.

11

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

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

18 COMMISSIONER SCHMIDTLEIN: They are.

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

22 COMMISSIONER SCHMIDTLEIN: Okay.

23 MR. DOUGAN: Thanks.

24 COMMISSIONER SCHMIDTLEIN: I'm not sure I
25 really have any other -- any other questions. Hold on. I

1 guess one of the industry witnesses, could you talk about
2 how quickly in your experience are raw material changes, the
3 change in raw material price reflected in your sales prices?

4 MR. BLAIR: That change is almost immediate.

5 COMMISSIONER SCHMIDTLEIN: It's almost
6 immediate?

7 MR. BLAIR: Yes.

8 COMMISSIONER SCHMIDTLEIN: Yeah, okay.

9 MR. BLAIR: Thanks to the Internet.

10 COMMISSIONER SCHMIDTLEIN: And I guess the
11 other witnesses would agree with that?

12 MR. SIMON: From Al Jazeera's point of view,
13 their prices are based on the metal cost on the date of the
14 purchase order. So a purchase order comes in, they look at
15 the price at which they can buy coils on that date.

16

17 MR. CAMERON: Yeah. I mean again, you have to
18 remember again --

19 COMMISSIONER SCHMIDTLEIN: Yeah, it's okay.

20 MR. CAMERON: The raw material price is
21 translated into the price that they're selling, and that
22 price that they're selling is a forward price of three
23 months. I mean being the point on the import side, whereas
24 on the domestic side, that change in cost is being reflected
25 immediately too. But it's immediate on a sale that they're

1 going to be making out of inventory, and they're adjusting
2 the prices based on the inventory, and based upon raw
3 material costs within a three to five days window. A little
4 bit different.

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

7 MR. BLAIR: No, they're not.

8 COMMISSIONER SCHMIDTLEIN: Okay.

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

11 COMMISSIONER SCHMIDTLEIN: Right, okay. Okay.
12 I don't have any further questions. I may have one in the
13 next round.

14
15 CHAIRMAN WILLIAMSON: Okay, thank you. You're
16 already going to answer one of my questions for Commissioner
17 Schmidtlein about the difference, the role of raw materials
18 in the cost decline. How do we distinguish between price
19 effects of subject imports and the price effects of
20 non-subject imports?

21 MR. DOUGAN: Jim Dougan, ECS. I think, you
22 know, that's part of the question that we would ask, which
23 is how can you attribute -- given the relatively small
24 presence of subject imports in the market relative to
25 non-subject imports, given the proportion of underselling

1 that we've seen, I guess the question is how can you
2 attribute price effects to subject imports as opposed to
3 non-subject imports, and that is -- it's something that
4 Petitioners haven't given good information as to how to
5 unpack and, you know, there are lost sales to lost revenues
6 allegations.

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

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

20
21 MR. DOUGAN: Yeah, I'll have to do it
22 post-hearing. I mean certainly there was an improvement
23 between '13 and '15 and between the part-year periods. If
24 you're talking about the absolute level of its
25 performance, again we -- we'll look into it more. But

1 again, you're missing one of the U.S. producers as well.
2 But we'll get into it post-hearing.

3 CHAIRMAN WILLIAMSON: Okay, thank you.
4 Petitioners state that non-subject imports do not have as
5 much of a price effect as subject imports because AUVs for
6 non-subject imports were higher than those for subject
7 imports and closer to those for domestic product. What is
8 your response to that?

9 MR. CAMERON: Well Commissioner, Don Cameron.
10 The reason that you generally don't use AUVs for that
11 purpose is product mix, and the advantage that we have is we
12 actually do have pricing from non-subject imports, so that
13 we can at least test that assumption, and what does the test
14 reveal? Oh, that's right. The test reveals that there is
15 more underselling by a greater degree by non-subject
16 imports.

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

21
22 CHAIRMAN WILLIAMSON: Okay, okay. Thank you.
23 Okay, that's all I have for now. Vice Chairman Johanson.

24 COMMISSIONER JOHANSON: Thank you Chairman
25 Williamson. This question is for the Al Jazeera

1 respondents. On page 18 of your prehearing brief, you state
2 that the first criterion for non-cumulation is different
3 rates in import volume trends. Can you all provide a
4 citation for that proposition? I do know of cases where
5 there was decumulation for threat purposes when imports from
6 one country were declining while others were increasing, but
7 not one for just different rates of increase. How
8 different would these trends have to be?

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

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

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

21 COMMISSIONER JOHANSON: Okay.

22 MS. MENDOZA: Just to clarify Commissioner,
23 Connectors is their sole importer and distributor in the
24 U.S. So they would be able to -- they can attest to the
25 fact that all of their sales are made and specified that

1 it's only for commercial -- can only be used for commercial
2 fence tubing.

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

5 MR. BLAIR: Yes.

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

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

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

17

18 MR. DOUGAN: Commissioner Johanson, Parker if
19 you can put up Slide 17 please. We conducted a variance
20 analysis of the kind that the Commission typically does, and
21 it shows that the net cost expense variance was the
22 contributor to the improvement in operating income between
23 those two interim periods, and that was largely driven by
24 raw materials. There were some positive contributions from
25 direct labor and OFC, but despite a small negative price

1 variance and a very, very tiny negative volume variance, it
2 was really the raw materials that we're driving at.

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

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

17 So that's why you see that spread growing
18 between their -- between their raw material costs and their
19 sales price, and it doesn't have to do with reduced pricing
20 pressure from subject imports because as Ms. Peterson
21 pointed out, subject imports undersold the domestic industry
22 in greater frequency and in greater volumes in the first
23 half of '16 than in the first half of '15. So it is all to
24 do with this.

25

1 COMMISSIONER JOHANSON: All right. Thank you
2 all for being here today. That concludes my questions.

3 CHAIRMAN WILLIAMSON: Okay. Commissioner
4 Pinkert.

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

7 CHAIRMAN WILLIAMSON: Commissioner Broadbent
8 or Commissioner Schmidtlein?

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

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

18 COMMISSIONER SCHMIDTLEIN: Right.

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

21 COMMISSIONER SCHMIDTLEIN: And so you have any
22 ideas about again, I guess this goes to one of the questions
23 that was asked, maybe by Chairman Williamson, how should we
24 parse whether or not subject imports are having a
25 significant effect?

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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

1 present injury given the statute. I mean that's the world
2 in which we live.

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

5 ^^^^

6 MS. PETERSON: And an excellent one.

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

8

9 COMMISSIONER SCHMIDTLEIN: No, we haven't
10 forgotten.

11 MR. CAMERON: Okay. So we've all established
12 all of that.

13 COMMISSIONER SCHMIDTLEIN: We haven't
14 forgotten.

15 MR. CAMERON: Anyway so we will look at -- we
16 will look at it. Fair enough. But actually the point about
17 non-subject imports being the most significant factor in
18 this market remains.

19 MS. MENDOZA: Commissioner, if I could just
20 say one thing, and that is I think it's something that is
21 always struggled with and we'll certainly address in our
22 post-hearing brief. But you know any time you have anybody
23 operating in the market, I mean obviously there's
24 competition, right? So I don't think there are any markets
25 in the United States at least in which that's not

1 operating.

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

10

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

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

25 I think we're saying based on that as a whole,

1 you can't conclude that there's material injury from subject
2 imports. But obviously we'll deal with that in our briefs.

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

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

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

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

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

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

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

24 (Pause.)

25 CHAIRMAN WILLIAMSON: Mr. Schagrin, you may

1 begin when you're ready.

2 CLOSING STATEMENT OF ROGER SCHAGRIN

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

11

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

19 He started out by saying well, Roger got it
20 all wrong this morning because he thought that 18 percent
21 number he mentioned in his opening came from the last
22 investigation. But in fact it came from these purchaser
23 questionnaires. So I apologize for misspeaking this
24 morning, because I was scratching my head when that question
25 was asked, because I said God, you know, I re-read the

1 entire really good staff report yesterday morning, from
2 start to finish, and I still have pretty good reading
3 comprehension.

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

11

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

20 Most said they would pay some premium. Now I
21 mean we've got an economist, Ms. Gamache, a statistician,
22 Ms. Thane. I'm neither of those things, but I did take math
23 in school. I took Economics in university, you know. Mr.
24 Cameron led the efforts of the WTO to get rid of zeroing in
25 Commerce.

1 It's like if you've got 54 different responses
2 in your denominator and 20 or 25 of them are zeros, and
3 you're trying to figure out the simple average of 54
4 responses, do you only count the 30 people who gave you a
5 positive number, and you don't count in the denominator the
6 20 or 25 who said zero?

7
8 I don't think so. Then in fact there's one
9 gigantic outlier. There's one number out there that's just
10 defies belief, that normally statisticians would say if a
11 number is so far out in the blue, you throw it out as a
12 mistake. So the real average, and I mean this is really the
13 heart of their case and I think Commissioner Schmidtlein,
14 you know, asked about this morning. It's like how can you
15 argue this is a fungible product and we've had cases on this
16 product since 1982, if purchasers are willing to pay like 18
17 percent more for the domestic product than the import
18 product? How can this be a fungible product with that kind
19 of difference?

20 I'm not going to say, because in fact a
21 majority of purchasers said they would pay a premium, and
22 you got reasonable explanations for that. Shorter lead
23 times for domestic. Probably some more dependability. If
24 you have any kind of problem you can find your domestic
25 supplier faster. Obviously, it doesn't give the domestic

1 industry such an advantage, because we have in general less
2 than half of this market.

3 So there probably is a small price premium.
4 But to rely on the heart of the Respondents case being that
5 there's such attenuated competition here, and then not do
6 the math right and look, I've known Don forever, as I've
7 mentioned several times today.

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

17
18 So I think you all recognize. I mean the
19 staff report is replete with information that this is a
20 fungible product made to the same specifications, and in
21 this case, when you see domestic prices falling in 2015 and
22 Mr. Dougan says well, if it's a fungible product as the
23 domestic industry lowers their price in '15, why don't they
24 regain market share? The fact is you have information on
25 underselling. The import prices were also falling in 2015.

1 So the underselling remained. What the
2 domestic industry was able to do in '15, in contrast of '14
3 which Commissioner Pinkert asked about, is in '14 before
4 they started lowering their prices a lot, they did give up a
5 lot of market share. In '15 when they started lowering
6 their prices enough because the import prices were also
7 going down, they just stemmed the loss of market share.

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

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

17
18 The other question was about inventories,
19 because there is this issue of the domestic industry does
20 produce all these kind of standard commodity products and
21 holds them in inventory and delivers fairly quickly to the
22 distributors, and the distributors then are the ones who
23 hold the majority of the inventory, because the distributors
24 have to sell to end users, the plumbing companies,
25 sprinkler companies, fence companies on the day the truck

1 shows up at the distributor's warehouse to pick up whatever
2 needs to go on the truck to put the products into the
3 buildings or around the buildings.

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

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

17
18 But once again, when the other side puts it
19 forth, they say see, subject is tiny. But you know to me,
20 the simple definition of the word "unknown" is the -- this
21 is such a fungible product that the distributors didn't know
22 the source of the inventory, which is why they responded to
23 the staff that it was unknown, and yet the assumption was
24 made it's non-subject. So wow. It's like non-subject
25 inventories are huge.

1 We don't know the composition of a lot of
2 inventories. One thing is for sure though. Throughout this
3 Period of Investigation there's never any shortage of
4 inventory held by distributors. Whether the foreign
5 producers are just producing to order and who holds the
6 inventories once it arrives here, whether they have any of
7 their own warehouses or not, it doesn't matter.

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

17
18 And that makes sense. They're all buying ASTM
19 A-53. They're buying fence pipe to various grades to use in
20 fences. What they care about, the vast majority is who's
21 got the lowest price. Even if they're willing to pay some
22 small price premium for domestic, it's who's got the lowest
23 price. So the next big issue they changed was well, there
24 can't be any price depression here because look at the COGS
25 changes not between '13 and '14, when imports soar and the

1 domestic industry COGS actually denigrates very poorly for
2 the domestic industry during that import surge; but between
3 '13 and '15.

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

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

20 That's exactly what the presidents of the
21 three largest CWP producers in the United States testified
22 to this morning. They said when the imports were pouring
23 in, even though our raw material costs were declining, our
24 pipe prices were declining faster and therefore we were
25 unable to be profitable.

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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

1 pipe. The Korean product that Ms. Mendoza was talking about
2 is subject to an anti-dumping duty order on line pipe. This
3 I didn't learn in high school math or in college economics.
4 I didn't learn it in law school. I learned it as I was
5 practicing.

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

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

23 So just a few words on the threat of injury
24 issues. I don't think you'll get to threat. I think this
25 is an injury case. But I am reminded of the fact, because

1 we do have a transcript and we did have a hearing, we did
2 have representatives from the UAE and Oman telling you
3 essentially in 2012 the same thing they told you today.

4

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

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

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

23 You've got the data on how Wheatland has done
24 over the last several years. You heard from the current
25 president of Wheatland that the owners aren't necessarily

1 going to continue keeping these plants open if they continue
2 losing money. I would just say, you know, we've had a lot
3 of fun with Don over the last 30-some odd years and, you
4 know, now the second largest producer is out of business.

5

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

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

13 CLOSING STATEMENT OF JULIE C. MENDOZA

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

19 First of all, I congratulate Mr. Schagrín for
20 reading the staff report very carefully, but if he had also
21 read our brief, I don't think that he would have been
22 surprised about this argument about the 18 percent price
23 premium, because it was quite, you know, it was a big point
24 for us. Obviously it's a huge problem for him.

25

1 Just to clarify in terms of how we calculated
2 this, we were very, very specific. We said of the total
3 purchasers that responded, a very high percentage, I'm not
4 using the numbers because they're confidential, a very high
5 percentage said that there was a price premium. So what we
6 said was of those who responded that there was a price
7 premium, we derived a simple average. I hardly think that's
8 a controversial approach.

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

12 CLOSING STATEMENT OF WILL PLANERT

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

21 But our problem was, and we just heard it
22 again, the reason that you should find there's causation
23 here is because the prices fell faster than the raw material
24 cost did, and so the margins got compressed. We got
25 squeezed and that's how we were injured.

1 That's a very fair theory of causation, except
2 that the record doesn't support it. Whether you look at
3 COGS to sales ratio, whether you look at the metal margin,
4 the record shows exactly the opposite. It shows that their
5 prices did not fall as much as their raw materials cost.

6

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

13 They are asserting a theory of causation that
14 doesn't square with the actual facts, the actual record data
15 in your staff report, and that's really what we think this
16 case comes down to is do you accept assertions made by
17 counsel or do we look at what the data and the record show?
18 With that, I think we're finished. Thank you.

19 MS. MENDOZA: We'll conclude our presentation.
20 Thank you very much.

21 CHAIRMAN WILLIAMSON: Thank you. Okay. Thank
22 you everybody for being very efficient. Time for closing
23 statements. Post-hearing briefs, statements responsive to
24 questions and requests of the Commission and corrections to
25 the transcript must be filed by October 25th, 2016. Closing

1 of the record and final release of data to parties, November
2 10th, 2016. Final comments are due November 14th, 2016.

3 With that, I want to thank everybody for
4 participating in this hearing. This hearing is now
5 adjourned.

6 Thank you.

7 (Whereupon, at 3:41 p.m., the hearing was
8 adjourned.)

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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.

DATE: 10-13-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine