

UNITED STATES INTERNATIONAL TRADE COMMISSION

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

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

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Place: Washington, D.C.
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INTERNATIONAL TRADE COMMISSION

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

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, July 14, 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 Commissioner Dean A. Pinkert

6 Commissioner Meredith M. Broadbent

7 Commissioner David S. Johanson

8 Commissioner F. Scott Kieff

9

10

11 Staff:

12 Bill Bishop, Supervisory Hearings and Information

13 Officer

14 Sharon Bellamy, Program Support Specialist

15 Sonia Parveen, Student Intern

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17 Carolyn Carlson, Investigator

18 Gerald Houck, International Trade Analyst

19 Amelia Preece, Economist

20 Mary Klir, Accountant/Auditor

21 John Henderson, Attorney/Advisor

22 Douglas Corkran, Supervisor Investigator

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24

25

1 APPEARANCES:

2 Congressional Appearance:

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

5 The Honorable Pete Aguilar, U.S. Representative, 31st
6 District, California

7

8 Opening Remarks:

9 Petitioners (Paul W. Jameson, Schagrin Associates)

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

11

12 In Support of the Imposition of Antidumping and

13 Countervailing Duty Orders:

14 Schagrin Associates

15 Washington, DC

16 on behalf of

17 Atlas Tube, Bull Moose Tube Company; EXLTUBE;

18 Hannibal Industries, Inc.; Independence Tube

19 Corporation; Maruichi American Corporation;

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

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

22 Michael Blatz, President, Bull Moose Tube

23 Bill Snyder, President, EXLTUBE

24 Rick Werner, President Independence Tube Company

25

1 Richard Searing, Executive Vice President of
2 Operations, Searing Industries

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

5

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

8 Arent Fox

9 Washington, DC

10 on behalf of

11 Maquilacero S.A. de C.V., Regiomontana de Perfiles y Tubos,

12 S.A. de C.V.; Perfiles y Herrerajes L.M., S.A. de C.V.;

13 Productos Laminados de Monterrey S.A. de C.V. and Forza

14 Steel

15 Carlos R. Stoupignan Guevara, Director General,

16 Maquilacero S.A. de C.V.

17 John M. Gurley and Nancy A. Noonan - Of Counsel

18

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1 Arent Fox
2 Washington, DC
3 on behalf of
4 Ozdemir Boru Profil Sanayi ve Ticaret Limited Sirket;
5 Istanbul Minerals and Metals Exporters Association
6 ("IMMIB") and its members and the Turkish Steel Exporters'
7 Association and its members (collectively, the "Turkish
8 Producers and Exporters")

9 Kevin McManus, Trading Manager, TATA International
10 Metals (Americas) Limited

11 Matthew M. Nolan and Aman Kakar - Of Counsel

12

13 Rebuttal/Closing Remarks:

14 Petitioners (Roger B. Schagrín, Schagrín Associates)

15 Respondents (John M. Gurley and Matthew M. Nolan, Arent Fox
16 LLP)

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P R O C E E D I N G S

(11:00 a.m.)

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

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on investigations No. 701-TA-539 and 731-TA-1280 through 1282, final, involving Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Korea, Mexico and Turkey.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of heavily walled rectangular welded carbon steel pipes and tubes from Korea, Mexico and Turkey.

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

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that the parties are aware of the time allocations, any questions regarding

1 the time allocations should be addressed to the Secretary.

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

7 If you will be submitting documents that contain
8 information you wish classified as business confidential
9 your request should comply with Commission Rule 201.6.

10 Mr. Secretary, are there any preliminary matters?

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

14 CHAIRMAN WILLIAMSON: Very well, will you please
15 announce our Congressional witnesses?

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

18 CHAIRMAN WILLIAMSON: Welcome, Representative
19 Visclosky, and you may begin when you are ready.

20 REMARKS OF PETER J. VISCLOSKY, UNITED STATES REPRESENTATIVE,
21 FIRST DISTRICT INDIANA

22 REPRESENTATIVE VISCLOSKY: Chair, Commissioners,
23 thank you again for allowing me to testify before you today.
24 This case concerns South Korea, Turkey, and Mexico on heavy
25 walled rectangular pipe. And as always know you will give

1 the factual basis your serious consideration.

2 The products involved encompass employees from
3 the Pacific Coast to the Gulf Coast to the Great Lakes. And
4 in the end, as I know you are all aware, this is a question
5 of people.

6 Members of Congress sometimes lose elections
7 according to the rules of the game. It is their problem to
8 go find new employment. That happens in our economy. But
9 as a government, we do have an obligation to grow our
10 economy to give people choices. In cases though where
11 international trading norms have been violated, the laws of
12 this country have been violated and there is material
13 injury, we have an absolute responsibility to act.

14 I do believe in this instance a material injury
15 has occurred. I do hope that is the finding, but do trust
16 in your careful and fair consideration of the case before
17 you. And, again, thank you very much for the time today.

18 CHAIRMAN WILLIAMSON: Thank you. Are there any
19 questions for the Congressman?

20 (No response.)

21 CHAIRMAN WILLIAMSON: If not, we will let you
22 back at the Hill. Thank you very much for coming.

23 MR. BISHOP: Our next Congressional witness is
24 the Honorable Pete Aguilar, United States Representative,
25 31st District, California.

1 CHAIRMAN WILLIAMSON: Welcome Representative
2 Aguilar, and you may begin when you're ready.

3 REMARKS OF PETE AGUILAR, UNITED STATES REPRESENTATIVE, 31st
4 DISTRICT, CALIFORNIA

5 REPRESENTATIVE AGUILAR: Thank you, Chairman
6 Williamson and members of the Commission. Thank you for the
7 opportunity to appear before you today to highlight some
8 concerns shared by residents in my community in San
9 Bernardino County of California about the consequences of
10 dumped and subsidized imports of structural tubing products
11 from Korea, Mexico and Turkey.

12 Today I join California producers and petitioners
13 in this investigation including Searing Industries, a steel
14 tube manufacturer headquartered in Rancho Cucamonga in my
15 district and Hannibal Industries, Maruichi American
16 Corporation and Vest Incorporated in nearby Los Angeles
17 County.

18 Searing Industries is a family-owned, U.S. steel
19 tube manufacturer that has served the growing needs of
20 customers on the West Coast since the '50s and today the
21 company employs over 200 people.

22 My community is deeply troubled about the impact
23 of these persistent and injurious trade practices have had
24 on steel tube -- on the steel tube industry and the overall
25 domestic steel sector. The producers that will appear

1 before you today represent an industry that is innovative,
2 efficient, and integral to the local economy through the
3 high wage jobs they provide to their employees, their
4 families, and our communities.

5 As I understand, the Department of Commerce
6 announced in preliminary antidumping determinations of
7 imports of Korea, Turkey, and Mexico on February 23rd of
8 this year. I also learned that the department issued it's
9 preliminary countervailing duty determinations on imports
10 from Turkey on December 21st of 2015. I understand the
11 department is expected to announce their final
12 determinations in this investigation this week.

13 These unfair practices only contribute to the
14 precipitous decline of American manufacturing in general in
15 steel tube and steel production in particular, this is why I
16 believe that trade must be conducted fairly and that the
17 trade laws should provide relief to producers injured by
18 these trade distorting practices. When trade remedies are
19 put into place -- when trade remedies are put into place the
20 affected industry and its employees are provided with an
21 ability to recover and compete and after all that is what
22 we strive for, an open and level playing field in which we
23 can compete.

24 I am particularly proud of the contributions made
25 by the steel tube industry in my district and in my state.

1 I also recognize how vital it is for the country to have a
2 strong and robust domestic steel sector. We rely on these
3 products for an array of commercial uses, but we also rely
4 on this industry and its products for our national security.

5 Our domestic manufacturers produce the best
6 quality steel products in the world, but when other
7 countries play by a different set of rules, our producers
8 aren't given a fair shot to provide their quality products
9 to American consumers. That is simply unacceptable.

10 Chairman Williamson, I believe in free trade and
11 a global economy, but American manufacturers can't be forced
12 to compete on a level playing field that's tilted in favor
13 of foreign competitors. I believe an affirmative decision
14 from the Commission on this case will protect our steel tube
15 producers from further unfair trade practices and give
16 American businesses like Searing Industries and other in the
17 steel tube community a fair shot to serve the American
18 consumers on a level playing field and continue to provide
19 good wage jobs to current and future generations.

20 Thank you very much for allowing me to provide my
21 comments.

22 CHAIRMAN WILLIAMSON: Yeah. Thank you. Are
23 there any questions for the Representative?

24 (No response.)

25 CHAIRMAN WILLIAMSON: If not, I want to thank you

1 very much for coming.

2 Good.

3 MR. BISHOP: Opening remarks on behalf of
4 Petitioners will be given by Paul W. Jameson, Schagrin
5 Associates.

6 CHAIRMAN WILLIAMSON: Welcome, Mr. Jameson and
7 you may begin when you are ready.

8 OPENING REMARKS ON BEHALF OF PETITIONERS BY PAUL W. JAMESON

9 MR. JAMESON: Good morning. Good morning,
10 Chairman Williamson and members of the Commission. I am
11 Paul Jameson of the firm of Schagrin Associates. I'm here
12 today on behalf of the Petitioners, producers of heavy
13 walled rectangular tubing which we will mostly be calling
14 structural tubing this morning.

15 We need to still the essence of what the
16 Respondent's briefs are, their basic message is, the record
17 shows that the import relief laws work, therefore you should
18 deny import relief. That's probably not how they would
19 characterize their briefs, but is the essence of the
20 information in their briefs. We will agree that the record
21 shows that the import relief laws work. The record however
22 supports the conclusion that import relief should be
23 granted.

24 The period of investigation may be divided into
25 three different stages. In the first stage subject imports

1 used to price gain market share. Their import volume
2 increased, their market share increased, and the margins of
3 underselling were very substantial. It is clear that the
4 subject imports were a significant cause of material injury
5 in the first stage.

6 In the second stage in the beginning of the first
7 quarter of 2015 the domestic industry got tired of losing
8 market share to subject imports and fought back. The record
9 shows that the domestic industry prices declined at a faster
10 rate than subject import prices declined. Thus, the margins
11 of underselling declined in the second stage compared to the
12 first stage.

13 The domestic industry's strategy worked. Over
14 the course of 2015 it began to take back market share from
15 the subject imports although subject imports remained at a
16 higher market share in the first quarter of 2015 than at the
17 beginning of the POI.

18 But there was a cost, a heavy cost. Net profits
19 in the first quarter of 2015 were at the lowest point in the
20 entire POI. In such a situation declining subject imports
21 and declining margins of underselling do not mean that the
22 subject imports were not a significant cause of material
23 injury. Without subject imports increasing in the first
24 place, the domestic industry would not have made it to ruin
25 this bottom line in order to fight back in a second stage.

1 In the third stage, beginning in the third
2 quarter of 2015, we filed our petitions. And as is supposed
3 to happen, importers responded to the prospect of
4 antidumping and countervailing duties by reducing their
5 purchases of subject merchandise. By the first quarter of
6 2016, when the preliminary CBD and AVD margins were issued,
7 the domestic industry market share was approaching what it
8 had been in the beginning of the POI in 2013 and it was able
9 to take advantage of the decline in raw material costs to
10 increase net profits because the price competition of the
11 subject imports had been eased.

12 A decline on subject imports and on improvement
13 and profitability following the filing of petitions does not
14 mean that the domestic industry had not been injured by
15 unfairly traded imports during the POI, rather it is the
16 demonstration of what the impact of unfairly traded imports
17 had been before import relief had begun. Because things
18 improved when the unfairly traded imports are dealt with.

19 Respondents predictably argue that the entire
20 cause of injury is nonsubject imports and the decline of raw
21 material costs. They have to argue that. I don't really
22 blame them because that's their job. And they know that if
23 subject imports are deemed to be more than a nontrivial part
24 of the causes of injury even if other factors are a more
25 important cause, then the statute and the case law call for

1 an affirmative injury determination.

2 But, as we discussed in our prehearing brief and
3 we'll discuss further this morning, nonsubject imports have
4 been a factor. They may have been a factor in this market,
5 but they cannot explain all the adverse effects experienced
6 by the domestic industry. Raw material costs may have been
7 a factor in the market but they cannot explain all of the
8 adverse effects experienced by the domestic industry, and in
9 fact do not explain injury at all. Instead, what we are
10 left with are the dumped and subsidized imports that are the
11 subject of this investigation as being way more than a
12 nontrivial cause of material injury to the U.S. industry
13 throughout the POI.

14 We therefore respectfully request that the
15 Commission make an affirmative injury determination in this
16 case. Thank you.

17 CHAIRMAN WILLIAMSON: Thank you.

18 MR. BISHOP: Opening remarks on behalf of
19 Respondents will be given by John M. Gurley, Arent Fox.

20 CHAIRMAN WILLIAMSON: Welcome, Mr. Gurley and you
21 may begin when you are ready.

22 OPENING REMARKS ON BEHALF OF THE RESPONDENTS BY JOHN M.
23 GURLEY, ARENT FOX

24 MR. GURLEY: Good morning. My name is John
25 Gurley of Arent Fox, counsel for the Mexican producers.

1 This summer, like last summer, has been particularly busy
2 for the Commission. It has already ruled on cases against
3 corrosion resistant as well as cold-rolled steel. The ITC
4 will soon rule on a case against hot-rolled steel.

5 These three cases are all very huge and high
6 publicized. The size of this case against heavy walled tube
7 is much smaller. Of course, the size of the case does not
8 diminish the importance of this case to U.S. producers or
9 our Mexican clients and other exporters who are all very
10 interested in the outcome.

11 There's been a lot of discussion about the big
12 flat-rolled cases and there's been a lot of talk about
13 recent changes by our friends in Congress regarding the
14 legal standard for material injury. And it is our very
15 strong hunch that these petitioners thought they could slip
16 this relatively small case in amongst the much larger cases
17 against flat-rolled products hoping the Commission wouldn't
18 notice the less attractive details of their case.

19 To be blunt, Petitioners do not have a good case.
20 The public version of a staff report makes it very clear
21 that Petitioners have been making money throughout the POI
22 and quite decent money.

23 Petitioner's whole case seems to be that in 2015
24 profits were not quite as robust as they thought they should
25 be. But employment indicators continued to be quite

1 positive. And Petitioners continued to make investments.
2 Petitioners have also announced price increases as recently
3 as last month. January and March data is very positive and
4 April through June prices are going to be even higher. Even
5 if the Commission looks cumulatively at the subject
6 companies' exports, which you should not, the Commission
7 will see that subject imports are a very small slice of
8 U.S. market. U.S. producers dominate and exports from our
9 neighbors to the north in Canada dwarf any exports from the
10 three subject countries.

11 You rarely see a trade case against three
12 countries with such small market shares. Why not? Because
13 it's hard to prove material injury or threat of material
14 injury when imports are so small. The collective market
15 shares of all three main countries was at its highest in
16 2014 at 10.4 percent. In 2015 it was 8.1 percent. It is
17 now only 4.1 percent. These aerospace incredibly low market
18 shares by any standard.

19 As we go through the testimony today, we hope the
20 Commission will focus on five important factors.

21 One, how can petitioners show material injury
22 when they seem to be profitable and are getting more
23 profitable?

24 Two, how do petitioners explain that their modest
25 decline in profits in 2015 is not directly tied to the fact

1 that hot-rolled coil prices declined dramatically during the
2 same period?

3 Now in 2016 with increasing hot-rolled prices,
4 they're making good money, as one would expect.

5 Third, the very key point that while subject
6 imports gained volume and market share from 2013 to 2014, a
7 time of steady profitability for the domestic industry
8 subject imports seemed to have lost share in 2015 at a time
9 when the domestic industry had its poorest performance of
10 the POI. Unlike U.S. and subject sources, non-subject
11 imports increased substantially in 2015 taking market share
12 from both U.S. producers and subject sources.

13 Canada is by far the biggest non-subject supplier
14 and Atlas Tube Canada related to one of the main
15 petitioners is a major exporter to the United States.

16 The fact that this increase of non-subject
17 imports coincided with the decline in prices and U.S.
18 producers' profitability suggests petitioners have a
19 causation problem, and a big one.

20 Four, how can petitioners allege threat of injury
21 when the market share of these three countries is so small
22 when petitioners have so many mills, and have built-in
23 advantages with respect to their proximity to their biggest
24 customers.

25 Five, we want the Commission to consider

1 decumulation for purposes of threat. There are three
2 countries with very disparate profiles. One in the Pacific,
3 one in the Mediterranean Sea, and one on our southern
4 border. Their prices and import shares do not move in
5 tandem. They all have distinct home and regional markets.
6 These three countries should not be considered together for
7 purposes of threat. We think the Commission, after weighing
8 the factors will find a negative determination is warranted.

9 Thank you very much.

10 CHAIRMAN WILLIAMSON: Thank you.

11 MR. BISHOP: Would the panel in support of the
12 imposition of antidumping and countervailing duty orders
13 please come forward and be seated.

14 [PAUSE]

15 CHAIRMAN WILLIAMSON: Okay. I want to welcome
16 the panel to this hearing and Schagrin, Mr. Jameson, you may
17 begin when you're ready.

18 STATEMENT OF CHRISTOPHER T. CLOUTIER

19 MR. CLOUTIER: We're ready.

20 Chairman Williamson, members of the Commission,
21 good morning. My name is Chris Cloutier, I'm of the law
22 firm Schagrin Associates. Here on behalf of the nine U.S.
23 petitioners listed on the slide.

24 I'm going to begin our panel by providing an
25 overview of our case. We will then have testimony from our

1 company executives.

2 As an initial matter, I note that none of the
3 Respondents filing prehearing briefs disputed the
4 Commission's preliminary determinations regarding the
5 definition of the domestic-like product or the domestic
6 industry. There also does not seem to be much dispute about
7 the appropriateness of cumulation for purposes of a present
8 material injury analysis. As a result, we will stand on our
9 briefs for these issues and will not be addressing them now.

10 Turning to those issues where there appears to be
11 some disagreement among the parties, there can be little
12 dispute that structural tubing is a fungible product sold on
13 the basis of price. The public version of the prehearing
14 report states, and I quote, "all U.S. producers and most
15 importers and purchasers reported that product from all
16 country pairs was either always or frequently
17 interchangeable. This means that, as you will hear from our
18 panel, when faced with unfairly traded imports that
19 undersell the domestic market, the domestic industry can
20 either, one, reduce prices; or, two, lose business.

21 This means that, as you will hear from our panel,
22 when faced -- pardon me. Respondents may argue that
23 underselling during the POI was not really that bad, or
24 regardless, it decreased toward the end of the POI when
25 subject import volumes declined. Please keep in mind when

1 evaluating this argument that the domestic industry began
2 fighting back on price in 2015 which is the reason for the
3 decline in both imports and underselling.

4 After working so hard to buy market share through
5 underselling, the only reason the subject imports started to
6 dissipate was that the domestic industry chose to slash
7 prices in order to maintain volume and employment.

8 Let's now examine the volume of subject imports
9 which during the POI were both significant in terms of
10 absolute and relative values.

11 The year 2014 initially showed promise for the
12 domestic industry. As shown on the slide, apparent
13 consumption increased by about 90,000 short tons compared to
14 the prior year.

15 The domestic industry did not, however, benefit
16 from this uptick in demand. Shipments of the domestic-like
17 product grew by an anemic 5,000 short tons where subject
18 imports shot up by about 47,000 short tons. Subject imports
19 also increased their market share by about 2 percent from
20 8.5 percent in 2013 to 10.4 percent in 2014. The domestic
21 industry, on the other hand, dropped about three points from
22 82.1 percent to 78.8 percent.

23 Respondents' briefs make much of subject imports
24 decreasing from 2014 to 2015. As you can see, however,
25 first half 2015 import volumes may have declined compared to

1 2014 but they remained above 2013 volumes. It was not until
2 after the filing of the petitions that subject imports
3 dropped below the volumes at the start of the POI.
4 Importantly, the reason that subject imports declined was
5 the domestic industry decided to fight back by aggressively
6 cutting prices as we will discuss in the slides that
7 follow.

8 And now we will turn to price effects. As set
9 out in the prehearing report, underselling was rampant
10 during the PIO. Subject imports were essentially buying
11 market share by underbidding the domestic industry. The
12 charts on this slide make this point visually with red
13 representing subject import sales that undersold the
14 domestic industry and green representing subject import
15 sales that oversold the domestic industry. Believe it or
16 not, these charts actually understate the problem because
17 they do not account for the foreign fight or pricing
18 practices adopted by the domestic industry in 2015 which
19 decreased both the frequency and margins of underselling.

20 It's hard to imagine that unfairly traded imports
21 consistently underselling the domestic industry by an
22 average of 10 percent did not have any negative effect on
23 the domestic industry's performance. As we discussed
24 earlier, structural tubing is a commodity product sold on
25 the basis of price and if purchasers can get the product for

1 10 percent less, that's what they're going to do.

2 This is a public version of the BPI chart
3 appearing on page 14 of our brief. In the BPI version we
4 charted the underselling margins for imports from all
5 subject countries for each of the pricing products. Because
6 most of that information is BPI, however, we can't use it
7 here. What we can do is show you a similar chart tracking
8 import volumes and the one pricing product where all of the
9 import data were public which was product three from Korea,
10 four-square quarter wall.

11 MR. CLOUTIER: The red line here represents
12 subject import volumes. The green line represents the
13 margin of underselling. The chart shows that underselling
14 was most prevalent at the beginning of the POI, and in 2014
15 when subject imports were buying market share.

16 After a year or more of losing sales and getting
17 lower prices for what sales it did make, the domestic
18 industry began aggressively fighting back on price, leading
19 to lower underselling margins which you can see in the drop
20 in the green line toward the right of the table.

21 One of the things that this chart makes clear is
22 that subject imports only grew when they were underselling
23 the domestic industry. When the domestic industry fought
24 back and closed the price gap, subject import volumes began
25 to decline.

1 Mexican Respondents essentially concede that
2 underselling is the only way imports penetrate the U.S.
3 market on page 26 of their brief where they state that
4 underselling is necessary because of, and I quote, "the
5 additional risk and lead times associated with procuring HWR
6 tubular products from foreign sources."

7 Respondents have asked the Commission to find
8 that underselling at margins of up to 23 percent did not
9 suppress or depress prices during the POI. According to
10 Respondents, the availability of cheap subject imports had
11 no effect on pricing because price is dictated by raw
12 material costs.

13 This argument flies in the face of basic economic
14 theory. While raw material costs undeniably influence
15 structural tubing sales prices, supply and demand also play
16 roles.

17 The table that you are looking at now was
18 included in our brief on page 17. It compares subject
19 import volumes in red, and the spread between coil costs and
20 structural tubing prices in green. You will see that when
21 subject imports grew, the spread between coil costs and
22 structural tubing prices got smaller.

23 When subject imports started to level off and
24 then decline, however, the spread grew as U.S. producers
25 were able to recoup more costs without facing as much

1 pricing pressure from subject imports.

2 This chart also shows price depression.

3 Persistent underselling and higher import volumes forced the
4 domestic industry to narrow the spread between coil costs
5 and structural tubing prices in the first part of the POI.

6 As subject import pressure eased, however, the
7 cost price spread increased allowing the domestic industry
8 to regain some profitability.

9 Now we turn to the material injury suffered by
10 the domestic industry as a result of subject imports. Our
11 argument is pretty simple. Up until the first half of 2015,
12 subject imports undersold the domestic industry and gained
13 market share.

14 The domestic industry made fewer sales and made
15 those sales at lower prices. This negatively affected the
16 domestic industry's profitability.

17 As show in Table 6-1 in the Prehearing Report,
18 the domestic industry's net income-to-sales ratio began the
19 POI at 7.4, but by 2015 had been halved to 3.7. In the
20 first quarter of 2015, the ratio dropped even further to
21 just 1.2.

22 The domestic industry, shortly thereafter, filed
23 these Petitions. After the filing of the Petitions and the
24 imposition of remedial duties, subject import volumes
25 declined and the domestic industry began to do better.

1 The net income-to-sales ratio jumped from 1.2 in
2 the first quarter of 2015 to 5.6 in the first quarter of
3 2016. Causation does not get much clearer than this.

4 The table above helps to illustrate our argument.
5 Before the Petition, subject imports were underselling the
6 market in order to gain market share. Consequently, when
7 raw material costs dropped, as represented by--well, which
8 is the yellow line. It is going to be clearer I think in
9 your copies; it's a little light up here. Sales prices for
10 structural tubing, which is represented by the green line,
11 dropped even more.

12 In fact, structural tubing prices dropped by \$73,
13 about one-and-a-half times as much as the raw materials.
14 Subject imports underselling the domestic industry explained
15 why structural tubing sales prices fell further than raw
16 material costs.

17 Conversely, after the Petitions instilled some
18 discipline on subject imports, raw material prices continued
19 to decline but structural tubing prices fell less, allowing
20 the domestic industry to regain some profitability.

21 The second part of the table shows that, while
22 raw material costs continued to decline, lower subject
23 import volumes allowed the domestic industry to regain
24 profitability.

25 These Petitions were filed in July 2015. No

1 doubt some imports had already been ordered at that time,
2 but the response to the imposition of remedial duties by
3 importers and purchasers was to curtail purchases of subject
4 imports.

5 This chart shows a steady decline in subject
6 imports in the three quarters following the filing of the
7 Petitions. As we highlighted in our brief, the Tariff Act
8 contemplates situations like this one, in particular Section
9 771.7(I) provides that the Commission may give less weight
10 to the performance of the domestic industry after the filing
11 of the Petition if there has been a change in subject import
12 volumes, price effects, or impact.

13 Here it is clear that the Petition has led to a
14 decrease in imports of subject imports. This has helped to
15 improve the domestic industry's performance, but it is no
16 indication that the domestic industry was not materially
17 injured by subject imports.

18 The Commission's own variance analysis indicates
19 that the declines in economic performance suffered by the
20 domestic industry is primarily attributable to an
21 unfavorable price variance despite a favorable net cost
22 expense variance, as I hope I have been able to convey, one
23 of the main reasons for the unfavorable price variance with
24 subject imports, which consistently undersold the domestic
25 industry.

1 The uptick in the domestic industry's performance
2 in Interim 2016 when subject imports were on the decline
3 confirms that subject imports caused decreases in operating
4 income and other economic indicators.

5 Respondents argue that declining coil prices
6 caused distributors to delay structural tubing purchases,
7 and that this phenomenon explains the injury to the domestic
8 industry. Would that it were so simple.

9 As the Prehearing Report indicates, demand for
10 structural tubing is not very elastic. Moreover, even if
11 distributors did wait to buy structural tubing because of
12 declining raw material prices, they did not delay for months
13 or years; they waited a couple of weeks.

14 Respondents' arguments also understate the
15 negative effects of subject imports sold from inventory
16 during the latter part of the POI. In the interests of
17 time, I will simply direct you to pages 21 and 22 of our
18 brief where we discuss how subject imports imported earlier
19 during the POI were sold out of inventory.

20 Finally, I will close this part of our panel by
21 addressing arguments in the briefs of Respondents that
22 nonsubject imports, and particularly imports from Canada,
23 are the cause of the domestic industry's woes.

24 The record shows that Canadian imports did not,
25 during the POI, systematically undersell the domestic

1 industry. Thus, whatever market share Canadian imports had,
2 they were not contributing to the price depression or price
3 suppression caused by subject imports. Our industry
4 panelists also will discuss their experience with Canadian
5 imports directly.

6 With that, I end this portion of our presentation
7 and turn it over to our industry witnesses. Thank you.

8 MR. SCHAGRIN: Roger Schagrin of Schagrin
9 Associates, on behalf of Petitioners. Thank you, Chris.
10 Our first industry witness today is Tom Muth of Atlas Tube.
11 Tom?

12 STATEMENT OF TOM MUTH

13 MR. MUTH: Good morning, Chairman Williamson and
14 members of the Commission. For the record, my name is Tom
15 Muth and I am the president of HSS and Piling Pipe for the
16 Atlas Tube Division of Zekelman Industries.

17 I have over 25 years experience in the structural
18 tubing industry. Atlas Tube is the largest producer of
19 heavy walled rectangular or structural tubing in the United
20 States and North America.

21 We produce structural tubing at three facilities
22 in the United States: Chicago, Illinois; Plymouth, Michigan;
23 and Blytheville, Arkansas. We have the largest product
24 range in the United States, producing products from 2 square
25 through 16-square, and all the attendant rectangular shapes.

1 We also have a marketing agreement with Nippon
2 Sumitomo Steel which allows us to market square products up
3 to 22 inches.

4 The vast majority of structural tubing is made to
5 the ASTM A-500 Grade B, Grade C specification. Structural
6 tubing is a commodity product which is sold primarily
7 through service centers to the construction industry, or to
8 end-users such as agricultural and construction equipment
9 manufacturers. And it is sold on price.

10 That is why when imports are delivered to the
11 market at lower prices meeting the same specifications as
12 the U.S. industry, they will gain market share. If the U.S.
13 industry wants to continue operating its mills instead of
14 shutting them down or reducing shifts, then we have to lower
15 our prices to our customers.

16 We ceased operations in our Blytheville,
17 Arkansas, plant in April of 2015 and laid off 150 employees.
18 That plant produced both structural tubing and oil country
19 tubular goods, and was one of our most efficient plants. We
20 could have operated Blytheville with one shift of employees,
21 but we could not compete on price with subject imports
22 coming into the Gulf Coast and Southwestern United States.
23 Therefore, we closed that mill that was closest to the
24 ports at which imports arrived from Korea, Mexico, and
25 Turkey, and continued operating our plants in the Upper

1 Midwest.

2 You can see from our questionnaire response that
3 we have lost volume and seen significant price erosion in
4 excess of reductions in our raw material costs. These
5 volume, price, and profit impacts at our Atlas Tube Division
6 are the result of imports, not demand.

7 Demand for structural tubing, which is closely
8 correlated with the nonresidential construction industry,
9 has been increasing since the 2008-2009 Recession ended.
10 Nonresidential construction has been slowly and continually
11 recovering, and we are now approaching pre-recession
12 expenditure levels.

13 Our sales and profits should have been up, but
14 they were not. As part of my daily job responsibilities, I
15 am in contact with our customers as to their tonnage
16 requirements, and as to the competitiveness of our pricing.
17 Throughout 2014 and 2015, I heard feedback from these
18 customers of offers for sale of structural tubing from
19 producers in Korea, Mexico, and Turkey at prices
20 significantly below our prices and prevailing domestic
21 prices.

22 These customers give us two choices. Either
23 reduce our business with them, or lower our prices. I
24 understand that the briefs filed on behalf of the Mexican
25 and Turkish producers argue that it is imports of structural

1 tubing from Canada that has injured our industry and not
2 them. I can tell you that Atlas is the importer of the
3 great majority of structural tubing from Canada, and I can
4 tell you that Atlas Tube did not import structural tubing
5 from Canada to injure ourselves. That tubing comes from our
6 sister company, Atlas Tube ULC.

7 At Atlas, we treat the United States and Canada
8 as essentially one market, and if in a particular situation
9 it makes more sense to fill a whole or partial order from
10 Atlas Tube ULC, we will do that. We also export structural
11 tubing to Atlas Tube ULC's customers in Canada.

12 Our price to our customers is the same,
13 regardless of whether we sell from our U.S. or Canadian
14 plants, which is in stark contrast to what we encounter with
15 imports from Korea, Mexico, or Turkey, who consistently
16 undercut our price.

17 I know from my experience in this industry that
18 structural tubing mills require continuous reinvestment in
19 order to stay competitive. I also know that strong business
20 cycles do not last forever, and we are now seven years on
21 from the last Recession with more uncertainty in business
22 investment than we have seen in many years.

23 We need to make money in excess of our debt
24 service requirements when demand is strong so that we can
25 weather the next recession and maintain our company's strong

1 competitive position as a nationwide supplier of structural
2 tubing . For these reasons, and on behalf of all the
3 employees at our Atlas Tube Plants, I ask that you make an
4 affirmative determination of injury. Thank you.

5 MR. SCHAGRIN: Thank you, Tom. Our next witness
6 is Rick Werner, president of Independence Tube. Rick?

7 STATEMENT OF RICK WERNER

8 MR. WERNER: Good morning, Chairman Williamson and
9 members of the Commission. For the record, my name is Rick
10 Werner and I am the president of Independence Tube.

11 I have been in this industry for 21 years and
12 president for 12 years. Independence Tube is based in
13 Chicago and was founded in 1972. It is a family-owned
14 company with a number of its managers also being
15 shareholders.

16 Heavy walled rectangular tubing, or structural
17 tubing, as we would call it, is far and away our most
18 important product. We produce structural tubing at four
19 plants located in Chicago and Marseilles, Illinois, and
20 Decatur and Trinity, Alabama. Our sizes range from 2-square
21 through 12-square with all the rectangular combinations.

22 In 2011, unfortunately our Decatur, Alabama,
23 plant, which was first opened in 2006, was completely
24 destroyed by an EF-5 tornado. Luckily there was no loss of
25 life or injuries, and we were able to maintain employment of

1 our entire workforce throughout what turned out to be a
2 one-year shutdown. This plant has been completely rebuilt,
3 and we extended our size range.

4 Our newest plant is in Trinity, Alabama, which is
5 located 10 miles outside of Decatur. It really complements
6 our Decatur plant by focusing on the smaller sizes, allowing
7 Decatur to focus on larger sizes, making both plants more
8 efficient.

9 Commissioning a new plant takes at least two
10 years from the initial planning stages, including the
11 purchase of the mill, building the building, hiring new
12 employees, and training the workforce, and startup and
13 commissioning. Thus, the Trinity plant, which started up in
14 late 2014, was initially planned in 2011 to complement our
15 Decatur plant.

16 The good news is that our Alabama plants are
17 located in the Southeast portion of the United States. We
18 recognize that, given the faster population growth in the
19 South, there would be a good demand for structural tubing.
20 Our planning was correct and we have seen steady growth in
21 demand for structural tubing as construction has continued
22 expanding in both the Southeast and Southwest.

23 The problem is that this has been a main entry
24 point of imports from Mexico, Korea, and Turkey. In 2015,
25 we decided we had to--you know, enough was enough. In order

1 to keep our valued employees working, we decided to fight
2 back on price. We lowered our prices more quickly than the
3 cost of our hot-roll steel declined. As a result, we gained
4 back some business but our profits suffered.

5 We therefore joined in filing these petitions.
6 We soon began to notice the positive effect of import
7 relief. As our steel costs continued to fall in the
8 beginning of this year, we did not have to lower our
9 structural tubing prices as much. Our profitability has
10 begun to edge back up. We thank the existence of these
11 trade cases for this welcome trend.

12 I saw in the brief filed by the Mexican producers
13 that they attribute the U.S. industry's declining profits to
14 a squeeze on margins as we use higher-cost hot-rolled
15 inventory to produce lower-priced structural tubing. We
16 keep our inventories lean, so the impact that this higher
17 cost inventory and our bottom line, while existing, is
18 overwhelmed by the need to compete with unfairly traded
19 imports on the basis of price.

20 More recently, we have seen our hot-rolled steel
21 costs rising again at a rapid rate, due in substantial part
22 to the trade cases ongoing for that product. We live in
23 fear that the big structural tubing exporting countries,
24 like Korea and Turkey, will have dumping duties imposed on
25 hot-roll exports to the U.S. and, without relief in this

1 case, they will shift their hot-roll tons downstream into
2 structural tubing exports into the U.S.

3 The threat to our business and to our employees
4 is very real. While we have invested in rebuilding of our
5 Decatur operation and our new operation in Trinity, Alabama,
6 we have also worked on substantial upgrades to our Chicago
7 operations, including warehouse and office expansions, mill
8 upgrades of material handling systems.

9 However, given the depressed profits caused by
10 the unfair competition from Korea, Mexico, and Turkey, we
11 are forced to put some of these expansion projects on hold.
12 We see the structural tubing market as a market we can
13 continue to expand, both through increase in nonresidential
14 construction in the United States and the industry's efforts
15 to convince architects and structural engineers that
16 structural tubing is a better way to produce steel-frame
17 buildings' dense structural sections.

18 At Independence, we believe that the only problem
19 preventing our company from being successful is the surge in
20 unfairly traded imports. Therefore, on behalf of our family
21 owners and our 340 valued employees, we ask the ITC to make
22 an affirmative determination and ensure that we have fair
23 trade in our marketplace for structural tubing. Thank you.

24 MR. SCHAGRIN: Thank you, Rick. Our next witness
25 is Michael Blatz, the president of Bull Moose Tube.

1 STATEMENT OF MICHAEL BLATZ

2 MR. BLATZ: Good morning, Chairman Williamson and
3 members of the Commission. For the record, my name is
4 Michael Blatz and I serve as president of Bull Moose Tube
5 and CEO of Bull Moose Industries.

6 I have been in ths position for nearly three
7 years. I am a graduate of the U.S. Military Academy at West
8 Point, and received both an M.S. in Mechanical Engineering,
9 and my M.B.A. from MIT after I left Military Service.

10 I spent a number of years in different
11 industries, including the HVAC industry, before I was
12 recruited to run Bull Moose Tube. Bull Moose makes heavy
13 walled rectangular products in plants located in Indiana and
14 Georgia.

15 The market for structural tubing has been
16 expanding over the last several years, because
17 nonresidential construction spending has been rebounding
18 since the end of the Great Recession. It appears that more
19 homes for the formation of new family units are now
20 apartments or condominiums. These multi-story buildings are
21 often now built with structural tubing instead of structural
22 shapes like I-beams.

23 Bull Moose very much saw the impact of the volume
24 and pricing of the dumped imports from Korea, Mexico, and
25 Turkey between 2013 and 2014. At first, we gave up tons

1 with many distributors, and then in 2015 we started cutting
2 prices to try to hold onto volume with distributors.

3 That hurt our profit margin significantly. The
4 imposition of preliminary dumping duties very much helped
5 our business. We saw a big drop in import pressure from
6 Turkey and Mexico, and we saw the Korea tube mills increase
7 their prices. This has given us the ability to try and pass
8 along steel cost increases in the second and third quarters
9 of this year, while we were unable to do so in 2014 and
10 2015.

11 Our parent company is a British company. We are
12 owned by the Paul family, which also owns and operates
13 Caparo Group Limited, as well as numerous operations in
14 India.

15 In the UK they had a number of different steel
16 operating businesses, including pipe and tube mills, long
17 product facilities, and distribution centers. The UK market
18 was absolutely inundated with imports, though, and in
19 mid-2015 Caparo took most of their UK operating companies
20 into receivership.

21 Most of these operations were sold through the
22 bankruptcy process, and the balance were permanently closed.
23 I am not an expert in EU trade issues, but I do understand
24 that producers in the UK cannot file their own dumping
25 cases, but must try and work in conjunction with the

1 producers on the Continent to get enough standing for there
2 to be a case filed with the EU in Brussels.

3 It is evidently a very cumbersome process. I am
4 certainly glad that our business is based in the United
5 States and not the EU. However, the experience of my parent
6 company is certainly a warning sign that the same thing can
7 happen to Bull Moose Tube if we are not vigilant in fighting
8 unfairly traded imports harming our business in the U.S.

9 On behalf of our more than 500 employees at Bull
10 Moose Tube, we ask that you make an affirmative injury
11 determination as to heavy walled rectangular tube from
12 Korea, Mexico, and turkey. Thank you.

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

15 STATEMENT OF BILL SNYDER

16 MR. SNYDER: Good morning, Chairman Williamson and
17 members of the Commission. For the record, my name is Bill
18 Snyder and I am the president of Steel Ventures' EXLTUBE.

19 I have been in the steel industry for 30 years,
20 with the last 5 of those 30 years in the pipe and tube
21 industry. I have been the president of EXLTUBE since May of
22 this year.

23 We are located in North Kansas City, Missouri,
24 and we have only one plant. Heavy walled rectangular or
25 structural tubing is our second most important product after

1 light-walled rectangular, which we call ornamental tubing.

2 We have greatly benefitted from the Orders
3 against the same countries on ornamental tubing. Imports of
4 structural tubing had a very negative impact on our business
5 in late 2014 and '15. We saw volumes and prices fall and
6 our profits plummeted.

7 Just as with ornamental tubing, we saw benefits
8 in terms of both volume and prices from the imposition of
9 duties. EXLTUBE is a privately held company that also owns
10 service centers, so we know well that service centers think
11 price first, then delivery and service. Quality is a given,
12 as all these import sources and domestic producers make the
13 A-500 Specs. That is why we had to cut prices in late 2014
14 and 2015.

15 MR. SNYDER: EXLTUBE is a great company with
16 great quality, good management, a great workforce, and
17 advantageous location. I am very excited about us assuming
18 the leadership position of this company.

19 We are a company that is ready to compete and
20 just ask for fairness with imports in the market. That is
21 why I am here to ask on behalf of our employees for an
22 affirmative determination. Thank you.

23 MR. SCHAGRIN: Thank you, Bill.

24 And our final industry witness is Richard
25 Searing, the Executive Vice President of Searing Industries.

1 STATEMENT OF RICHARD SEARING

2 MR. SEARING: Good morning, Chairman Williamson
3 and members of the Commission.

4 For the record, my name is Richard Searing and I
5 am the Executive Vice President of Operations at Searing
6 Industries. I've been in the tubing business for 18 years.
7 We are located in Fontana, California where CSI has a
8 mill-producing hot roll coil, the input for structural
9 tubing.

10 Searing Industries is a family-owned business
11 founded by my grandfather, Richard Searing, who worked in a
12 number of positions in various pipe and tube companies in
13 the LA area started in the 1950s. He owned a minority
14 portion of a large tube manufacture in the seventies and
15 early eighties and finally established his own business with
16 his two sons in 1985. He has since passed away, leaving my
17 dad and uncle, who worked with him from the start to take
18 over the management and ownership.

19 At our company we have one large structural mill
20 in Rancho Cucamonga, which produces only structure tubing in
21 sizes up to 6-square. In 2012, we embarked on our family's
22 largest investment yet. We announced a new structural tube
23 mill in Cheyenne, Wyoming. This mill makes structural
24 tubing in sizes ranging from 4-square to 10-square, adding
25 to our size range as well as serving the construction

1 markets in the Northern Rockies, including the Bacon Shale
2 area.

3 Given the freight costs for hauling tubes from
4 the West Coast to Chicago, we thought that putting the mill
5 in this market was the right thing to do. With tubing you
6 are shipping a lot of air, with coils you are not. It has
7 been amazing to us that in 2014 and 2015 we were not only
8 being hurt by structural tubing imports in the West Coast
9 region at ridiculous prices, but we were also seeing imports
10 arrive at both West Coast ports and Houston, absorbing the
11 high truck freight costs and undercutting us in the
12 Northern Rockies.

13 After seeing imports take our business in 2014,
14 we cut prices substantially in 2015 in order to fight back.
15 We were therefore able to increase our shipments in 2015,
16 but at a serious cost to our bottom line. We borrowed money
17 for the new mill in Cheyenne, which is world class. Between
18 our two locations we now have more than 200 employees.

19 As we testified last year, however, not only are
20 we not getting return on our investment in the new mill, but
21 our present cash flow is insufficient to service the higher
22 interest expenses make it necessary for us to deplete our
23 retained earnings to service our debt. This is not a
24 tolerated or long-term situation.

25 As you can see in our questionnaire response,

1 the low point in our business was the quarter right before
2 these cases were filed. Even though demand in the Rockies
3 has been bad because of the energy crisis, our business
4 improved in the first quarter of this year because of the
5 filing of this case and the preliminary imposition of
6 anti-dumping duties.

7 On behalf of a true American, well-run,
8 family-owned business with a good American workforce, please
9 support us and make an affirmative vote. Thank you.

10 MR. SCHAGRIN: And Chairman Williamson, that
11 concludes the domestic industries presentation this morning.
12 We'd be happy to answer the Commission's questions.

13 CHAIRMAN WILLIAMSON: Okay. Thank you very
14 much. This morning we'll begin with Commissioner Johanson.

15 COMMISSIONER JOHANSON: Thank you Chairman
16 Williamson. And I would like to begin by thanking the
17 witnesses for appearing here today. It looks like you all
18 came from many different parts of the country. We
19 appreciate you being here.

20 I'd like to begin by discussing something which
21 was raised by John Gurley, attorney for the Respondents this
22 morning. He talked about market share and what happened in
23 2015. Why didn't the domestic industry gain market share
24 when the subject import market share declined in 2015? It
25 appears that non-subject imports stepped in to capture most

1 of that market share.

2 MR. MUTH: Tom Muth, Atlas Tube. I'm happy to
3 answer the question.

4 From the standpoint of Atlas Tube, Atlas Tube,
5 as I mentioned earlier, is the largest importer from --
6 exporter from Canada to the U.S. for the structural tubing
7 product. Our exports from Canada, our Canadian producing
8 facilities did go up during that same time during 2015 --
9 excuse me, during the 2014 into '15. We phased down
10 production in our Blytheville, Arkansas facility from '13 to
11 '14 and '14 to '15 and finally closed that facility in
12 April of 2015, so the production at that facility was
13 reduced and our production shifted to other facilities,
14 including our Canadian facility. We closed that facility in
15 Blytheville, Arkansas because of the pricing pressure and
16 that South and Southwest market. Thank you.

17 MR. SCHAGRIN: Commissioner Johanson, I hope
18 that answers your questions, but you're looking at this
19 record. I think the problem with Mr. Gurley's argument is
20 that while there's some volume shift away from subject
21 imports and the U.S. to Canada because of Atlas deciding to
22 produce more at plants both in the Midwest and in Canada
23 compared to the Southwest this record demonstrates without
24 any doubt that there's a tremendous difference in pricing
25 between the subject imports and the non-subject imports

1 from Canada. So I just don't think there's any evidence on
2 this record -- you can play with the numbers, but I you
3 can't -- I don't think anyone could demonstrate to this
4 Commission that imports from Canada, which are sold at the
5 same prices as U.S. produced products are in any way
6 injuring the U.S. industry.

7 COMMISSIONER JOHANSON: Thank you Mr. Muth and
8 Mr. Schagrin, but I'm still a little curious. If your plant
9 in Blytheville was being shut down, why did not other
10 domestic producers take up some of that slack? I understand
11 that more product came from Canada, but what about other
12 domestic producers?

13 MR. SCHAGRIN: Well, I think you can see in 2015
14 that the domestic industry's production declined somewhat as
15 the market was slowing. And while a lot of emphasis today
16 has been on the fact that you know construction has been
17 growing, the second largest area and one in which the U.S.
18 industry really probably dominates because it's not going
19 through service centers, it's to end users, is the segment
20 of the market that is for agricultural and mining equipment
21 -- you know the things that the John Deeres and Caterpillars
22 make.

23 So they had just a horrendous 2015. And so the
24 domestic industry was regaining volume through the service
25 centers towards construction by fighting back against the

1 imports on price in 2015, but I think some of these
2 witnesses can amplify that their business with the mining
3 and agricultural equipment industry was really down in 2015.

4 MR. WEINER: Rick Weiner, Independence Tube. In
5 1974, our first truckload of tubing went to John Deere. We
6 are John Deere's biggest supplier of tubing and in 2015 John
7 Deere purchased less than 50 percent of what they did the
8 year before, okay.

9 Our second biggest outlet for our tubing is the
10 agric market and that was severely depressed, starting in
11 late '14 and it continues to now. I can say that when Atlas
12 Tube shut down their facility in Blytheville we were glad to
13 pick up some of that business.

14 COMMISSIONER JOHANSON: Alright, thank you for
15 your responses. And we just spoke about Canada. I've got a
16 question now regarding Mexico.

17 At pages 57 to 58 of the pre-hearing brief,
18 Mexican Respondents state that the growing home market for
19 Mexican pipe products decreases the incentive to ship
20 product to the United States. And if you look at what the
21 Respondents wrote, and also if you look at what was written
22 in the staff report and some of the information there is
23 proprietary, it seems like the Mexican market is, indeed,
24 doing fairly well. So could we expect Mexico perhaps to be
25 shipping more to its own market?

1 MR. SCHAGRIN: Commissioner, well, of course,
2 that's primarily a threat argument. You know we would note
3 that imports from Mexico grew as they did from the other two
4 subject countries between 2013 and 2014 and they grew by
5 underselling the U.S. industry and they stopped growing in
6 2015 after the U.S. industry fought back.

7 While it's proprietary, we'd make the general
8 comments as we did in our pre-hearing brief that, yes, the
9 Mexican market is growing. Some of this equipment
10 manufacturing, whether it's autos or other types of
11 equipment are being shifted from the U.S. to Mexico, but the
12 Mexican industry has real expanded capacity, so we think
13 they've actually have expanded capacity in excess of the
14 growth in their market and therefore even with the growth of
15 demand in Mexico their excess capacity is increasing, not
16 decreasing.

17 COMMISSIONER JOHANSON: Alright, thank you. And
18 I assume I'll ask more questions of the Mexican Respondents
19 this afternoon on that subject.

20 And my next question is really more of a legal
21 one, so I assume the attorneys will want to respond. Last
22 month the Court of International Trade issued an opinion in
23 the Hardwood Plywood case in which it stated that the
24 Commission should more explicitly address the issue of
25 Commerce's dumping and subsidy margins in its opinions.

1 Recognizing that we don't have Commerce's final
2 margins yet in this investigation, I would nevertheless be
3 curious as to what you all think that the Commission should
4 consider when looking at the margins that we have listed in
5 the staff report.

6 MR. SCHAGRIN: Commissioner Johanson, I think
7 we'd like to address -- given that we don't know what the
8 margins are, I think it's most appropriate if we address
9 that -- your question more fully in our post-hearing brief.

10 COMMISSIONER JOHANSON: Alright, I understand.
11 Thank you.

12 Table 3-9 of the pre-hearing staff report shows
13 that certain overall domestic employment trends from 2013 to
14 2015 are an indicator of a healthy industry, which is also
15 explained at page 32 of the Mexican Respondent's pre-hearing
16 brief.

17 Could you all perhaps explain the reasons for
18 these trends?

19 MR. SCHAGRIN: Commissioner Johanson, just
20 probably because these companies can only speak on their own
21 and I'm more familiar with the staff report, so yes, in a
22 stable and growing market in which the U.S. industry has
23 about roughly 80 percent of market share it's one good that
24 the employment data is fairly steady for the industry
25 instead of declining. But I think the other important thing

1 is that contrary to what Mr. Gurley said in his opening
2 about, oh, this is always a profitable industry, you have to
3 recognize that profits and profit margins for this industry
4 fell, not only between 2013 and 2014 when demand was
5 increasing, but also fell drastically between 2014 and 2015.

6 And it's the testimony of all these producers,
7 most of whom are family-owned companies, that they chose to
8 fight back on price against these imports in order to their
9 workers working. So we think that as you're, you know,
10 weighing various factors of injury you ought to see on the
11 one hand, yes, we don't have significant employment losses
12 here. On the other hand, we have more than a 50-percent
13 drop in profitability over the POI for this industry.

14 So these family owners actually sacrificed --
15 it's very unusual for this Commission to see this -- very
16 unusual of Washington for anybody to understand anything
17 other than total greed. They actually sacrificed their own
18 bank accounts to keep people in their plants working, so I
19 think that really explains the injury case here.

20 MR. WEINER: I'd like to address part of that --
21 Rick Weiner.

22 We opened a new facility, okay. We put on a
23 production shift. We put on some warehouse people. We put
24 on a total of 40 people. We have yet to earn dollar one
25 from that investment. We're losing money at that facility.

1 COMMISSIONER JOHANSON: Alright, thank you, Mr.
2 Weiner. Thanks to the other witnesses. My time has
3 expired.

4 CHAIRMAN WILLIAMSON: Thank you. Commissioner
5 Broadbent?

6 COMMISSIONER BROADBENT: Mr. Schagrín, do some
7 U.S. producers have different positions with respect to the
8 petitions on certain subject countries?

9 MR. SCHAGRIN: Yeah, as we put in the petition,
10 one of the Petitioners was not a petitioner in the case
11 against Mexico.

12 COMMISSIONER BROADBENT: And that was who?

13 MR. SCHAGRIN: That's EXLTUBE.

14 COMMISSIONER BROADBENT: Okay. Table C-1 of the
15 staff report shows that U.S. producers' U.S. commercial
16 shipments declined by about 110,000 short tons between 2013
17 and 2015 while U.S. export declined by about 50,000 short
18 tons in that same time period. By this math, about 31
19 percent of the decrease in total producers' shipments is
20 attributable to exports and loss of sales in foreign
21 markets, not anything to do with conditions in the U.S.
22 market. Is this a fair assessment as we put production and
23 revenue trends into context?

24 MR. MUTH: Tom Muth, Atlas Tube.

25 I can comment on market conditions in Canada.

1 The reduction in exports mainly going to Canada were just a
2 result of slowing market conditions in Western Canada in the
3 oil shale markets.

4 MR. SCHAGRIN: Yeah, I would just add to that --
5 Roger Schagrin -- that you know unlike Mexico, which has --
6 I think Commissioner Johanson said is a large and growing
7 market. We basically have zero exports to Mexico. You know
8 we have all these plants in the Southeast and Southwest. On
9 the other hand, the trade between the U.S. and Canada is
10 quite robust, but Canada being a very resource-based economy
11 has really seen their economy downshift with the fall in
12 energy prices and commodity prices. So our big export
13 market, Canada, has really suffered over the past couple of
14 years.

15 COMMISSIONER BROADBENT: Right. So this
16 would've had a market effect on your production and revenue
17 in the U.S.

18 MR. SCHAGRIN: Yes. You know, in other words,
19 our financial information encompasses both domestic and
20 export operations.

21 COMMISSIONER BROADBENT: Okay. Let's see, back
22 on employment again just to tie this down. Table 3-9 of the
23 pre-hearing staff report shows that several key employment
24 indicators improved over the POI. And I think I understood
25 you to say -- you may answer this question again, but can

1 you give us a reason for why employment indicators improved
2 over the POI and respond to the Mexican Respondent's
3 argument that this is -- good employment is evidence of a
4 healthy industry? I think you're saying they decided to
5 keep employees on and not lay off.

6 MR. SCHAGRIN: Yes. I mean I'm looking at Table
7 3-9. I mean lawyers are obviously paid to make big things
8 out of tiny things. It's what we get paid for. I guess
9 economists get paid even bigger money to make big things out
10 of tiny things. So I'm looking at a change in the total
11 number of employment of less than 1 percent between 2013 and
12 2015, 17 people. You heard where one company hired 40. I
13 know that Searing added people in Wyoming while Atlas laid
14 people off in Arkansas. I'm looking at a change in hours
15 worked over the POI of, once again, less than 1 percent, if
16 my math is good, from 2.386 to 2.447. And there's a little
17 bit more in ours.

18 COMMISSIONER BROADBENT: But you don't say
19 that's a healthy employment situation? It's getting a
20 little bit better?

21 MR. SCHAGRIN: I wouldn't ever say that changes
22 -- just like economists would say -- if US GDP growth is
23 less than 1 percent I don't think any economist would call
24 that healthy growth in the U.S. economy. I wouldn't. I
25 don't think these gentlemen --

1 COMMISSIONER BROADBENT: No, I mean it's
2 healthy. There's not huge layoffs. It's positive.

3 MR. SCHAGRIN: Yeah, it's positive. As I say,
4 the record is replete. I mean they could -- I know that
5 Respondents made a big deal out of the fact that this
6 industry wasn't losing money. Their profits only fell by
7 half, but they could actually go into a loss situation, but
8 maintain employment and I don't think that would be the sign
9 of a healthy industry to lose money, but to maintain the
10 same level of employment.

11 MR. BLATZ: Michael Blatz with Bull Moose.

12 And I'll just speak for -- we have seven plants.
13 One of the decisions we made after I joined the company is
14 our safety performance was not where it needed to be. We
15 invested in hiring a safety manager at each of our plants.
16 So we just added seven people just because that's the right
17 thing to do to keep our employees safe. So I think that's
18 kind of in spite of the trend. You know we're talking 17
19 people I think. So you know that's just an investment we
20 felt that we needed to make in spite of the economic
21 situation.

22 COMMISSIONER BROADBENT: Right. And I'm just
23 trying to get a handle on the employment because usually
24 we're hearing, you know, massive layoffs and hardship on the
25 part of the workers. And I think it's unlucky in the sense

1 that you haven't.

2 MR. JAMISON: This is Paul Jamison.

3 We'd also point out Table 3-9 what it shows is
4 the productivity per ton was dropped inconsistently
5 throughout the POI until you get to the very last quarter
6 after the petitions had started to take effect. So you see
7 a trajectory of continually being able to produce or having
8 to produce fewer tons per thousand hours worked, which is
9 not a sustainable trend. If you keep going that way, unless
10 you get import relief, you're going to be seeing a less
11 efficient workforce that way and so I don't see that as an
12 indicator of health.

13 COMMISSIONER BROADBENT: Okay. Let's see, on
14 page 9 of your pre-hearing brief, Mr. Schagrín, you show
15 half your volumes of subject imports. The data shows that
16 subject imports were already starting to decline from peak
17 2014 levels even before the petition in July 2015. Does
18 this indicate that the overall decline in 2015 was due, at
19 least in part, to other factors such as a decline in
20 demand?

21 MR. SCHAGRIN: We believe, as we argue in the
22 brief, and was contained in Mr. Cloutier's slides, that the
23 real -- and was supported by all the testimony here this
24 morning that the real reason that imports started falling in
25 early 2015 as compared to their increase in 2014 was when

1 the industry decided to fight back on price. And I think
2 that all of the pricing tables, most of which are
3 confidential, we used Product 3 because there was totally
4 public information on that produce from Korea that's in
5 Table 5-6 demonstrate that underselling margins declined
6 rapidly in the first half of 2015 as compared to '13 and
7 '14.

8 So we really think these trends in import
9 volumes speak of the domestic industry fighting back on
10 price before the filing of the petitions. In part, that's
11 what necessitated the filing of the petitions. You know
12 producers said we're fighting back on price, but this can
13 only last so long. We need import relief. And then the
14 petitions resulted in continuation.

15 I mean we know you're going to study this record
16 carefully. I find it kind of amazing. I respect Mr. Gurley
17 very much in terms of his professionalism, but the idea
18 that, you know, sneaky Roger Schagrín would just sneak in
19 this tiny little case and the Commission wouldn't notice any
20 of the facts you know compared to the hot rolled, cold
21 rolled and corrosion cases. I don't think that speaks well
22 to all of our professional credibility here, so we have our
23 arguments. They have their arguments. And no one's going
24 to sneak anything by the Commission. I have too much
25 respect for you to even think about sneaking something by

1 you.

2 COMMISSIONER BROADBENT: Yeah, Mr. Schagrin, let
3 the record show we don't think you're sneaky.

4 Let's see, Mexican Respondents argue on page 30
5 to 31 of their pre-hearing brief that overall increases in
6 SGNA expenses from 2013 to 2015 contributed to the decline
7 and profitability and that such cost increases are not
8 attributable to subject imports.

9 How do you respond to that?

10 MR. SCHAGRIN: We'll probably address that
11 further in the post hearing, but I would say that it's
12 natural, as you pointed out, if you have declining
13 production over the POI and have fewer units produced,
14 you're going to have higher per unit SG&A, but let's dig
15 through the details and put more in our post hearing brief.

16 MR. JAMESON: I would add that it is a partly an
17 artifact at what happens when you have declining raw
18 material costs. The amount of SG&A as a percentage of total
19 revenue appears to be increasing, but it doesn't actually
20 mean that in absolute terms. That's what we'll explain
21 further in our post hearing brief.

22 CHAIRMAN WILLIAMSON: Thank you. Commissioner
23 Kieff.

24 COMMISSIONER KIEFF: Thank you. I join my
25 colleagues in thanking you all for coming and presenting and

1 providing witness information as well. Let me start by just
2 asking a technical question. Can you help me understand
3 more about why do folks buy or use structural tubing rather
4 than structural beams?

5 MR. MUTH: Tom Muth, Atlas Tube. Structural
6 tubing is used in a variety of applications. The largest
7 end use market is non-residential construction for a typical
8 building. Tubing would be used typically where compressive
9 resistance is most important, so a column application.

10 Structural tube, because it's a close section,
11 as opposed to an open section, which is a wide-flange
12 section, when that's put under an actual load, that's much
13 more efficient per pound. So it's the more efficient use --

14 COMMISSIONER KIEFF: So a vertical beam's
15 supporting a weight directly on top of it?

16 MR. MUTH: Correct.

17 COMMISSIONER KIEFF: Or a vertical member,
18 sorry.

19 MR. MUTH: Correct, better compressive
20 resistance. It also is better torsional resistance, so
21 depending on the application, whether it's a brace frame or
22 a moment frame, it may be used over a wide flange.

23 COMMISSIONER KIEFF: That makes sense. So then,
24 for example, in the tractor business, I take it that
25 twisting or torsion is the major concern because, of course,

1 these are pieces of equipment that where torsion is a big
2 risk all the time, but -- so to summarize then, you've got
3 torsion as
4 the -- what you call it -- the big driver of the purchasing
5 decision in the tractor's space.

6 And compression is the big driver in the real
7 estate space. But then you had mentioned, I thought, that
8 there had been a recent shift to increase demand for your
9 product. Which of those two effects changed to increase
10 demand? Or was there some third effect?

11 MR. MUTH: You're mentioning trackers, I'm
12 assume you're talking about the solar tracker applications.
13 Is
14 that --

15 COMMISSIONER KIEFF: I'm sorry. Tractors. Like
16 John Deere tractors.

17 MR. MUTH: Any kind of equipment application.

18 COMMISSIONER KIEFF: Equipment? I'm sorry I'm
19 using the wrong terms.

20 MR. MUTH: That's fine. Thanks. So in terms of
21 the non-residential construction market, non-residential
22 construction is up. There is growing demand in that market
23 -- therefore the applications for columns, we are seeing
24 growth in that market.

25 COMMISSIONER KIEFF: Got it. Okay. These

1 questions about why folks use one product or another, for
2 me, lead into another basic business question. That was
3 more a technology question. This one's more a business
4 question and without trying to be too cute here, it's a
5 pipeline question.

6 So what I'm trying to figure out is, you know,
7 folks buy steel. Steel can sit on a railcar or a shelf or a
8 stockyard for a while before it gets welded into pipe.
9 People could make pipe and it could sit around before it
10 gets stuck in a building or onto a piece of equipment. So
11 there's a business in economic pipeline here. There's a
12 flow.

13 And what I'm trying to figure out is whether the
14 factual disagreement between this panel and the other panel
15 is in part due to inferences drawn from the way flows of
16 product flow through this pipeline. So you could, for
17 example, get a lot of steel in a market. Over time, that
18 steel could get welded into tubular pipe.

19 Over time, that could get bought into downstream
20 uses, buildings and equipment, but as the pools grow and
21 shrink, everyone you sell to experiences their own supply
22 and demand shifts, and everyone you buy from, you experience
23 supply and demand shifts and there are a lot of moving
24 pieces. This is a complicated network and what I'm trying
25 to figure out is, to follow-up on some of what Mr. Schagrin

1 was saying, these could be all numbers that one side sees as
2 larger or smaller in significance than the other.

3 And so, let me first ask, do you think there are
4 black and white differences that you have with your opposing
5 panel on the facts, or are they shades of gray differences?
6 Are they -- what inferences to draw from these numbers? I'm
7 trying to figure out where the disagreements really lie.

8 MR. SCHAGRIN: Commissioner Kieff, I'm going to
9 have the three -- you've got the presence of the three
10 largest producers in the United States here. And they're
11 all experts on supply chain management. I'm not. So it's
12 really supply chain management question.

13 But just responding on the legal side of your
14 question, I think here it's more that respondents would say,
15 "Oh, this is all about these gigantic lags and all these
16 inventories of steel and tubing throughout the supply
17 chain." And they make it seem like it's immense and it
18 lasts for long, long periods of time.

19 And we don't say there's no supply chain time
20 line. We just say they use the supply chain to make it seem
21 like 10% import market share from unfairly traded products
22 that undersell the U.S. industry and a commodity product by
23 15% are meaningless. It's all about supply chain. And we
24 just say, "No, there's a lot of factors. But those imports
25 are not a nontrivial factor."

1 COMMISSIONER KIEFF: Well, let me just ask a
2 follow-up. Is it possible that what they're, and I don't
3 mean to put words in either side's mouth, but is it possible
4 that what they are putting on the table for us to wrestle
5 with is the chance that you could be all totally correct,
6 each side, and kind of, the facts that it's describing?

7 But the magnitude of the effects and the signal
8 to noise ratio, the amount of information we should draw
9 from each effect, is enough in question compared to the
10 impacts of non-subject imports and other things, that we
11 should be less than confident that a decision to reach an
12 affirmative determination is based on full information or
13 sound information.

14 Maybe I'm misunderstanding their basic point,
15 but I don't know that they're arguing "you're just dead
16 wrong." I think what they're saying is "this is all really
17 complicated, there's a whole lot of other stuff, the effects
18 here are pretty small, and it's really hard to disaggregate,
19 and these are three countries that are different enough that
20 cumulation is a heuristic that doesn't seem well-adapted and
21 once you don't cumulate, then the numbers start to seem
22 pretty small."

23 And I know that's a standard, whatcha call it,
24 defense tactic, but just like they're not smearing you,
25 we're not smearing them. Like, I'm just trying to

1 understand what the real differences are.

2 MR. SCHAGRIN: Why don't we let -- go ahead.

3 MR. BLATZ: Michael Blatz with Bull Moose. I
4 would say that the supply chain is a little bit tighter than
5 I think you might think it is. And you know, you still got
6 to step back and realize that, as much as I would like to
7 say there's something different about Bull Moose's HSS or
8 the HWR, different terminology, it's the same.

9 So somebody introduces a price into the market
10 that has almost an immediate impact, and markets don't
11 change. The construction market isn't changing their
12 demand, but a distributor might choose to come back, as
13 we've demonstrated and say, "I can get this at a lower
14 price," you need to act on it. Almost indifferent to what
15 my price of steel was. And in some instances, yes, price of
16 steel is going down, but we have to cut prices even more.
17 And that's an almost a day or week occurrence.

18 COMMISSIONER KIEFF: So even if they're right on
19 everything, decisions are still made on the margin every
20 purchase and sale decision, therefore spot market
21 fluctuations, therefore injury.

22 MR. BLATZ: Absolutely.

23 MR. MUTH: If I could follow-up with just a
24 couple of questions. The spot market makes up 90-plus, 95%
25 of the market, so this is not a contract-oriented market,

1 unlike maybe automotive flat-rolled or other products you
2 may deal with.

3 It is not a complicated market or supply chain
4 situation. We're here talking about heavy-walled
5 rectangular tubing, but I present to the Commission this
6 pen. If you can buy this pen for 90 cents versus a dollar
7 and it writes and meets the specifications for pens, what's
8 going to happen to the market price if it was a dollar, and
9 now there's 90 cents available?

10 Next, I'd like to comment about how tight the
11 supply chain is. Atlas Tubes finished goods inventory that
12 we sell to customers is less than twenty days' worth of
13 business, at a worst-case scenario. So it is a very tight
14 supply chain.

15 And then last comment I'd like to make is that
16 it is a national market. There are regional markets, but
17 it's national information. There are national distributors.
18 If a distributor at a national chain sees that low price
19 import in Los Angeles or Houston, the impact is made well
20 beyond those markets. It impacts the price, not only there,
21 but in contiguous markets. So it's a pretty open market in
22 exchange of information.

23 COMMISSIONER KIEFF: That was all very helpful.
24 Thank you.

25 CHAIRMAN WILLIAMSON: Thank you. I wanted to

1 continue a little bit on the employment question. And
2 Mr. Jameson, I noticed you had raised the question of
3 productivity. This is kind of a debate, particularly when
4 you're talking about wages in the U.S. and productivity. So
5 I was just wondering if the -- I also want to comment on why
6 productivity's falling in the industry. I understand the
7 question about using safety, that safety workers don't
8 produce, but this'll pay off for them.

9 MR. MUTH: I think, as you have less volume flow
10 through an operation, it directly impacts your productivity.
11 That's directly related, so as volumes go up, you would
12 expect to see increasing productivity.

13 CHAIRMAN WILLIAMSON: Okay. Thank you.

14 MR. SNYDER: Bill Snyder with EXLTUBE. We had
15 taken -- we only had the one manufacturing facility. We
16 have two mills there. And we had taken our big mill down
17 for an extended period of time to make some improvements on
18 it. So it obviously affected our throughput for the year,
19 compared to the previous year.

20 CHAIRMAN WILLIAMSON: Okay. It's tough, because
21 I just wanted to understand, since that was kind of a
22 significant indicator.

23 MR. WERNER: Rick Werner, Independence Tube. If
24 we're extremely busy and if our guys are working a ten-hour
25 day, we get tremendous productivity out of them. We're not

1 going to pay them less than eight hours even if we run a
2 little bit slower to stretch it out to an eight-hour day, so
3 our productivity goes down.

4 CHAIRMAN WILLIAMSON: Okay. Mr. Snyder.

5 MR. SNYDER: Kansas City, there's not an
6 abundance of steel trade workers, so once we get someone
7 trained that's capable of doing their job, we like to hold
8 onto them, even when our volumes are lower. So it's a
9 skills issue. For us in the Kansas City area, there's not
10 too many steel fabricators manufacturing in Kansas City.

11 CHAIRMAN WILLIAMSON: Okay. No, thanks. That's
12 helpful to amplifying that. Are employees in this industry
13 typically union members? Or does it vary by location?

14 MR. BLATZ: Six of our seven plants are
15 unionized.

16 MR. SNYDER: We are not unionized.

17 MR. MUTH: One of our four facilities is union
18 workforce.

19 MR. WERNER: We are not union.

20 CHAIRMAN WILLIAMSON: Turning to the question of
21 Canadian imports. Mr. Muth, is the surface of the tubular
22 products that you import from Canada largely the same type
23 of product that you produce in the U.S.?

24 MR. MUTH: Yes, the products produced in our
25 Canadian facility are the same, produce the same products.

1 There may be a few sizes different, but basically producing
2 a 500 Grade B, Grade C.

3 CHAIRMAN WILLIAMSON: So is the allocation
4 between Canada or the U.S. production more a matter of
5 geography, who's closest to the market than product mix, or
6 what you're producing?

7 MR. MUTH: Yes, we make that the decision based
8 on customer demand for a particular size or quantity, and
9 then we look logistically what makes the most sense to
10 supply to that customer. So, for example, in the northeast
11 U.S., our Canadian facility would supply more of the
12 products to those customers based on their demands. That's
13 correct.

14 CHAIRMAN WILLIAMSON: Okay, thank you. And you
15 can answer this post hearing if you prefer. What share of
16 U.S. imports from Canada are from Atlas' related facilities
17 during this period of investigation? You may want to do
18 that post hearing.

19 MR. SCHAGRIN: We'll look at it confidentially
20 -- but as Mr. Muth testified, they're the vast majority, are
21 Atlas, from Canada. They are far and away the largest
22 producer in Canada.

23 CHAIRMAN WILLIAMSON: Okay.

24 MR. MUTH: One last comment, if I could make
25 about, in terms of the way we price our products. We have

1 one price schedule or price sheet. Today a customer in New
2 York or Boston could buy from our Canadian facility, and
3 tomorrow they'd buy from a Chicago facility, and it'll be
4 the same price. So it's really, it's completely
5 interchangeable.

6 CHAIRMAN WILLIAMSON: Okay. Thank you. So when
7 you talk about a national market, you're really talking
8 about a U.S./Canada market. The Turkish respondents argued
9 that Turkish capacity utilization rates are relatively high
10 given such factors as downtime for maintenance, holidays and
11 equipment switchovers for production runs in different
12 sizes. So that's the Turkish -- that's what they say, is
13 the Turkish situation. What about in the U.S.? Is downtime
14 for maintenance, equipment switchovers and holidays taken
15 into consideration in your capacity numbers? Or capacity
16 estimates?

17 MR. MUTH: We factor in downtime, changeover,
18 holidays, maintenance, those are all factored into our total
19 capacity to produce.

20 MR. SNYDER: We're making major investments in
21 our facility to become more efficient so that we could have
22 more rapid changeovers, as we go from one size to the other.
23 So we're taking the necessary steps to become more
24 efficient, more competitive on a global basis by investing a
25 lot of capital under our manufacturing facility.

1 CHAIRMAN WILLIAMSON: My next question was going
2 to be about how long does it take to switch production from
3 one type of product to another? And what types of
4 switchovers take more time and less? But since you're
5 saying you're reducing those switchover times, I think.

6 MR. SNYDER: If you make a diameter change,
7 again I would say that might be proprietary information that
8 we would certainly share with you in a post hearing. But
9 we're looking at taking our changeover times, cutting that
10 in half, with the new technology that we're installing.
11 When you make a diameter change, it's a significant amount
12 of time. If you have the same diameter, but just change the
13 gauge, the amount of time is very small.

14 CHAIRMAN WILLIAMSON: Thank you. And anything
15 you want to add post hearing would be fine. What about
16 maintenance time? How much does that take? Again, if it's
17 better to do it post hearing, it's fine.

18 MR. MUTH: We schedule our facilities to allow
19 for maintenance, both during the week and on the weekends.
20 It's something that's absolutely required. If we try to run
21 twenty-four hours a day, five or six days a week, our
22 productivity drops over time. So we have planned
23 maintenance, both every week, as well as we plan two
24 scheduled maintenance downtimes at first week of July and
25 last week of December for all of our facilities. It's key

1 to maintaining high productivity during the rest of the
2 year.

3 MR. WERNER: What we do is, we will produce on
4 two shifts, but one shift is exclusive for maintenance.

5 CHAIRMAN WILLIAMSON: What level of inventories
6 do you consider are optimal? And does this optimal level
7 change throughout the year or to meet different market
8 conditions?

9 MR. MUTH: Optimal inventory -- any person
10 managing an investment would say optimal inventory would be
11 zero, but we can't run our business that way, so we measure
12 inventory in days, as I noted earlier, finished goods
13 inventory is always below twenty days of finished goods. We
14 average between seventeen and nineteen. That allows us to
15 maintain reasonable business levels, yet have reasonable
16 operations in our warehouse as well. Thank you.

17 CHAIRMAN WILLIAMSON: Is there any seasonality
18 to this? Because I assume construction is more active in
19 the spring through fall months?

20 MR. MUTH: We do see, depending on the region of
21 the country, construction will be seasonal, more in the
22 north. Construction in the south is not as seasonal.
23 There's not as much variation to our inventory. We may see
24 our inventory grow just before a shutdown, and then be
25 reduced during a shutdown time when we're not producing. So

1 there's really not -- our inventory doesn't vary drastically
2 on a seasonal basis.

3 CHAIRMAN WILLIAMSON: Okay. Thank you. I can't
4 match Commissioner Kieff's technical expertise for this
5 subject, but I was struck by your saying that, I guess, and
6 was it particularly condos or modern buildings, you're
7 seeing more of the tubular products, as opposed to the
8 I-beams, and I was wondering -- I just wondering if you
9 could elaborate on that. Is that what the architects want
10 to see now? Or what's --

11 MR. BLATZ: As was explained earlier, the
12 strength to weight ratio is better in HWR, and it's also
13 more aesthetically pleasing because it's an enclosed
14 structure, so we're finding more architects and construction
15 companies choosing that.

16 CHAIRMAN WILLIAMSON: And that would be both
17 residential and non-residential?

18 MR. BLATZ: Mostly non-residential or
19 multi-family, apartment buildings.

20 CHAIRMAN WILLIAMSON: Okay.

21 MR. MUTH: I would further comment that the
22 change in the retail business, all retailing to be much more
23 distribution-based. There's not as much retail space being
24 built, but a complete change in the way the distribution of
25 products is handled. Lots of new distribution warehouses

1 are built. They tend to be very tall and very automated,
2 and that drives use of more of the closed sections, so the
3 taller the column, the more advantage to a closed section,
4 which is hot in the structural tube products.

5 CHAIRMAN WILLIAMSON: So this is one way the
6 digital economy is having an impact on what you're selling?

7 MR. MUTH: We like Amazon, yeah.

8 CHAIRMAN WILLIAMSON: Thank you. Commissioner
9 Pinkert?

10 COMMISSIONER PINKERT: Thank you, Mr. Chairman.
11 I thank all of you for being here today to help us
12 understand these issues. Now, in an earlier discussion of
13 the non-subject imports, Mr. Schagrín pointed out that the
14 non-subject imports were priced higher than the subject
15 imports.

16 Given that point, why don't unit values for the
17 industry recover as the non-subjects replaced the subject
18 imports?

19 COMMISSIONER PINKERT: If you look at the unit
20 values, you don't see what you would expect based on the
21 point that you're making.

22 MR. SCHAGRIN: Commissioner Pinkert, I think
23 that's more related to the changes in cost of raw materials.
24 So that domestic unit values don't recover while non-subject
25 imports are replacing subject imports only because raw

1 material costs are falling. But what does happen, which
2 this record amply demonstrates, is that given those changes
3 between Q1 '15, before the petitions were filed and Q1 '16,
4 after interim relief goes into effect, domestic industry
5 spreads between raw materials and HWR prices recover
6 tremendously.

7 So the filing the case allows this industry,
8 during a period of relatively steady demand over the POI
9 with some tradeoffs between increasing non-res and
10 decreasing construction and agricultural equipment
11 production, to start going back towards their 2013 levels
12 before the impact of subject import underselling cut those
13 profit margins.

14 COMMISSIONER PINKERT: Thank you for that
15 answer. Let's see if we can get a little more finely
16 grained on that. When did the shift in the spreads occur?
17 You point that we've got two data points, and we can look at
18 those two data points. But is there some way to fix on
19 exactly when the shift in the spreads occurred?

20 MR. SCHAGRIN: I guess there's two things in the
21 record. A little bit, you know, we can look at quarterly
22 pricing data, and I don't think we have quarterly cost data.
23 But I think these, you know, in general we would agree that
24 spreads fall through 2014 and through much of 2015 and start
25 recovering later in 2015 and 2016.

1 And so our best record data points, because we
2 have the three full years of '13, '14, '15 and we have all
3 this declining profitability, '13 to '14, '14 to '15, is
4 that our first point of recovering profitability is Q1 '16,
5 and pretty clearly the reason that profits begin to recover
6 in Q1 '16 is a big decline in subject imports and the
7 ability of the domestic industry to not be forced to reduce
8 their HWR prices by as much as the -- their raw materials
9 decline.

10 I think Mr. Cloutier had a very good chart on
11 this in his PowerPoint, showing the difference over the
12 different time periods in the comparing the spread, the
13 percentage spread between raw material costs and HWR prices,
14 as compared to the volume of imports. I don't know if Chris
15 you want to amplify at all on that.

16 MR. CLOUTIER: Yes, this is Chris Cloutier on
17 behalf of Petitioners. In the table, which was Slide No. 10
18 and which also appeared in our brief, Commissioner Pinkert I
19 think you will see that the spread really begins to grow in
20 the second quarter of 2015 and then free falls after that.

21 So it's -- it was after the domestic industry
22 started fighting back on price and then shortly after the
23 domestic industry filed these petitions that these things
24 started to happen.

25 COMMISSIONER PINKERT: Thank you. Now given

1 that most sales in this market are made on a spot basis, how
2 long does it normally for increases or decreases in price to
3 actually take effect throughout the market?

4 MR. SNYDER: Bill Snyder with EXLTUBE.
5 Decreases are immediate. As soon as we get feedback that
6 there's a competitive situation, the decreases. It's a very
7 price-driven market. With respect to increases, increases
8 are typically announced, and they're typically three-four
9 weeks in the future.

10 MR. MUTH: Tom Muth, Atlas Tube. I would agree
11 with that. Price decreases happen immediately. Customers
12 expect the new price to be rolled into the market as soon as
13 it's communicated, that's correct.

14 COMMISSIONER PINKERT: Now is it significant
15 that purchasers largely identified U.S. producers as price
16 leaders in the HWR market?

17 MR. SCHAGRIN: No, it's not significant
18 Commissioner. I mean we admit that not only does the
19 domestic industry still have the roughly 80 percent market
20 share, I would point out that in the recent cold-rolled
21 decision which I read yesterday, the import market share of
22 the subject imports in cold-rolled was also about ten
23 percent.

24 I think once you find products are fungible,
25 it's not surprising that an increase in import market share

1 and, you know, a degree. If imports were trivial, you know,
2 one, two or three percent, but I don't see ten percent as
3 being not significant, and certainly this Commission did not
4 see it that way in the cold-rolled decision.

5 But you know, given Atlas' size in the North
6 American market, it's not surprising that purchasers in the
7 marketplace would say well Atlas would be a market leader or
8 a price leader versus maybe Maquilacero from Mexico or a
9 certain Korean mill Dosco. I mean it just makes sense, as I
10 think in the flat-rolled cases. People would, you know, tend
11 to say it would be U.S. Steel or Nucor, not a particular
12 foreign mill.

13 COMMISSIONER PINKERT: Would any of the industry
14 witnesses comment on that?

15 MR. MUTH: Yeah. Tom Muth, Atlas Tube. I would
16 like to comment. The price leader is what I'll call a vague
17 term. You can be a leader up or down or the most frequent
18 announcer of increases. But the reality of it is is that
19 one or two low prices will drive a market down. One price
20 up will not necessarily drive a market.

21 So in a commodity product, it's if the product's
22 the same, given a choice between the two prices the lower
23 price is going to run the market. So I don't know. I would
24 agree that just the domestic guys are the price leaders.
25 That's I would think a vague term at that point. Thank you.

1 COMMISSIONER PINKERT: Okay. Well that gives me
2 a good transition to my next question. We talked a little
3 bit about the later part of the period when the spreads
4 shift. Let's talk about the earlier part of the period. In
5 2013 to 2014, we saw prices going up at a time when the
6 subject imports were obtaining additional market share.
7 Does that make sense, given what you've just testified to
8 Mr. Muth?

9 MR. MUTH: Yes. Tom Muth, Atlas Tube. Yes. As
10 they were gaining share with those lower prices, domestic
11 producer could be raising their price at that point in time
12 and giving up market share to do that.

13 MR. SCHAGRIN: This is Roger Schagrin.
14 Commissioner Pinkert, I would point out, so in 2014 raw
15 material costs were going up. Domestic producers were
16 giving up market share and underselling was increasing
17 because the domestic industry was seeing lower profits
18 because even though average unit values were increasing,
19 they weren't increasing by as much as raw material costs.

20 So you know, at that time, the domestic industry
21 was giving up volume and market share to these imports. You
22 see roughly throughout all the pricing products in 2014, an
23 average underselling of 10 to 15 percent and higher
24 quarterly volumes in the pricing products of the different
25 import sources. Then you see the industry fight back in '15

1 and see those underselling margins compress.

2 So I think the data you're referring to is
3 consistent with the realities of the marketplace and the
4 reactions of the domestic industry, and completely
5 consistent, you know, overall on the record of the
6 difference between giving up market share and holding on to
7 some decent profitability versus fighting back on price and
8 really seeing profits tank, but reducing that underselling.

9 COMMISSIONER PINKERT: For the post-hearing, I
10 would ask that you look at that period again in 2013 and
11 2014, and if you can provide evidence that the domestic
12 industry sought even higher prices to offset the cost
13 increases, but was unable to obtain those prices, I think
14 that would be helpful.

15 MR. SCHAGRIN: We'll do that in the
16 post-hearing.

17 COMMISSIONER PINKERT: Thank you.

18 CHAIRMAN WILLIAMSON: Thank you. Commissioner
19 Johanson.

20 COMMISSIONER JOHANSON: Thank you Chairman
21 Williamson. The Mexican respondents argue on pages 32 to 33
22 of their prehearing brief that the domestic industry's
23 investment indicators show no signs of injury, and that the
24 degree of investment reflects an industry well-poised to
25 compete in the future. How do you all respond to that

1 allegation?

2 MR. SCHAGRIN: I think I'll let Independence and
3 Searing handle that, but I point out Commissioner Johanson
4 that in their testimony, they stated that they had about a
5 two year time lag between planning investments and realizing
6 them. I think that's what you see here, that you have
7 investments that were planned in '11 and '12 that took
8 effect in the POI, but they were planned before the POI.
9 Rick.

10 MR. WERNER: You know in 2011, when a tornado
11 took out our southern facility, we were shipping product
12 from up north. Prior to that, we were just shipping what we
13 made in the south and keeping it in the south. To try to
14 supplement from production up north, we were shipping other
15 sizes, successfully shipping them, you know, in terms of
16 volume at least.

17 We decided to expand the top side of that mill,
18 which made producing the smaller sizes not very economical.
19 We brought a used mill in 2011 and started operations in
20 that facility December of '14.

21 MR. SEARING: Richard Searing, Searing
22 Industries. Yes, you know. You just said we invest. I
23 think we're all here as business people to invest in the
24 future of our companies and our employees. It's a long term
25 investment. But we, you know, we planned this in 2011, the

1 planning stages. It didn't open up and to this day, due to
2 unfairly traded imports, we cannot make a dollar in our new
3 facility so --

4 COMMISSIONER JOHANSON: And Mr. Muth, when was
5 your facility taken out in Arkansas?

6 MR. MUTH: Last production was roughly April of
7 2015.

8 COMMISSIONER JOHANSON: Okay, so that's pretty
9 late in the -- very late in the POI. I was just wondering
10 if subsequent investments might have been made by other
11 producers, to make up for the loss in the market from your
12 plant coming offline.

13 MR. MUTH: We started the phase down operations
14 from '13 to '14, and then '14 to '15.

15 COMMISSIONER JOHANSON: Okay. Thanks for your
16 responses to that question. Has the reduction in demand for
17 other pipe and tube products, particularly the drop in
18 demand for oil country tubular goods, had any effect on the
19 U.S. market for HWR tubular products, as implied in the
20 Mexican prehearing brief at pages one to two?

21 MR. SCHAGRIN: Commissioner Johanson, I don't
22 think so. I'm pretty familiar with this entire industry and
23 the only plant I can think of in the United States that
24 makes HWR that also made OCTG was the Alice Plant in
25 Blythesville. Bull Moose Tube, EXLTUBE, Independence Tube,

1 Searing Industries, Maruichi American Corporation, Vest,
2 Hannibal, none of those companies have API licenses and have
3 ever to the best of my knowledge, ever made a single ton of
4 OCTG or line pipe.

5 So I think, you know, it's a nice thought. We
6 all know about the collapse in the energy market. You do as
7 a Texan, but there's just really an almost infinitesimal
8 relationship between anything going on in energy tubulars
9 and the HWR industry in the U.S.

10 COMMISSIONER JOHANSON: All right, thanks for
11 your response. This is a different question, perhaps taken
12 at a similar angle. Unlike many of the pipe cases that the
13 Commission has handled, this product faces substitutable --
14 faces feasible substitutes in many of its applications, as
15 has been discussed by some of the other Commissioners today.
16 But does this lead to different market dynamics depending on
17 end use?

18 MR. MUTH: I don't really see any major
19 differences there for this product. Obviously, OCTG doesn't
20 have necessarily substitutes, although welded OCTG has
21 seamless substitutes that could be supplied into that
22 market. But I don't see how it has any major impact upon
23 the overall market, whether it be OEM or construction
24 equipment. They're still made the same specifications and
25 supplied in that way.

1 COMMISSIONER JOHANSON: How about the use of
2 this product in construction? I believe that it has been
3 mentioned that beams are not as common, are not used as much
4 as they used to be, and that this is in some ways taken over
5 -- not taken over, but having more of a role in that market?

6 MR. MUTH: Structural tube HWR has a higher
7 percentage of the construction market relative to beam if
8 you looked back 20 years or 10 years, if you looked back 20
9 years or 10 years. So that is the case. But it's still the
10 same specification so --

11 MR. SCHAGRIN: And Commissioner J, I would just
12 say, you know, looking at it from a causation aspect, so
13 because the trends and substitution have been HWR for
14 structural such as H and I beams, one can argue that this
15 industry is being injured because another product is
16 substituting for it. Instead in fact, HWR is the product in
17 which usage is growing in non-residential construction.

18 But the thing about HWR, I mean, and I'm sure
19 it's behind these columns in this building, is that, you
20 know, for the architect, all they care about and for the
21 construction company is gee, I need six square quarter wall
22 in order to hold up that ceiling.

23 They don't care whether it comes from Mexico,
24 Turkey, Korea or the U.S. It all serves the same purpose,
25 as long as it meets the specification and none of the

1 respondents have said any of their products don't. We have
2 no knowledge any of them don't. So they're all kind of
3 perfect substitutes, and then it's just a question of price.

4 COMMISSIONER JOHANSON: Do you all see HWR
5 taking over more of the construction market, now that I
6 beams are not as commonly used due to structural reasons?

7 MR. MUTH: If I can just clarify, there are
8 certain applications where structural tubing or HWR are a
9 better fit from a total cost or engineering standpoint. But
10 wide flange is still the -- a bigger supplier to that
11 market. The wide flange market is roughly five to six
12 million tons in this market.

13 So there's still a pretty significant market,
14 depending on the type of construction the structural tubing
15 may grow versus that product. But I don't see any
16 particular trend going forward, that wide flange will be,
17 you know, eliminated in that market.

18 COMMISSIONER JOHANSON: When did structural
19 tubing begin to sort of be used as a substitute for the
20 flange materials? Is that fairly recent?

21 MR. MUTH: Starting -- the real growth started
22 happening in the early 90's.

23 COMMISSIONER JOHANSON: Okay, so it's been a
24 while.

25 MR. MUTH: The late 80's to early 90's, the

1 market for structural tubing was typically a million tons,
2 and it's grown significantly since that time as the product
3 was promoted and the engineering solutions provided to allow
4 design engineers to design with the product. But that's a
5 20 plus year trend.

6 COMMISSIONER JOHANSON: So you see it as pretty
7 stable right now?

8 MR. MUTH: At this point it's roughly stable,
9 yes.

10 COMMISSIONER JOHANSON: Okay.

11 MR. SCHAGRIN: And Commissioner Johanson, I'm
12 far from having any knowledge as an engineer. So my
13 understanding is a lot of this is based about height. So if
14 you're building in Washington a 10 or 12 story apartment
15 building, you can use HWR. If you're building a 30, 40, 50
16 story building in Chicago, San Francisco, New York, you've
17 got to use wide flange beams. You can't use tubing when you
18 get tall.

19 COMMISSIONER JOHANSON: Okay, thanks. You know,
20 I was on the Willis Tower about two weeks ago and I hope
21 they weren't using something that was unstable. I made it
22 down. So I have just one more question for you.

23 In footnote 75 on page 20 of the Mexican brief,
24 the Mexican respondents point out the relationship between
25 one of the petitioning firms and I believe that's Atlas and

1 the producer in Canada. The Mexican briefs argues that
2 there is a degree of what they describe as control by the
3 Petitioners over the import volume coming in from Canada.
4 Could one of y'all please discuss this for a moment?

5 MR. MUTH: As noted in our, in my earlier
6 comments, Atlas Tube, we own Atlas Tube ULC, which is a
7 Canadian producer, and as stated previously, we run the
8 businesses from a pricing into the U.S. and commercial
9 standpoint as one company and we can source products from
10 either one to satisfy customer need.

11 COMMISSIONER JOHANSON: Would that be the same
12 with the producer, I don't know. Well, this might be
13 proprietary. I will hold off on that question.

14 MR. SCHAGRIN: And Commissioner, I know that
15 time is up, but I would just point out that the Commission
16 recently, you know, addressed these same issues in terms of
17 imports from Canada of corrosion-resistant, and it was
18 pointed out in that case that, you know, two of the three
19 Canadian mills were controlled by U.S. mills.

20 You know, there's no doubt that Atlas Tube, as a
21 company, is not going to import product from Atlas Tube in
22 Canada in order to injure the U.S. industry or Atlas Tube
23 U.S. So I mean that's why we don't think the idea that a
24 U.S. company controlling non-subject imports is injurious to
25 the U.S. industry.

1 We think it's just the opposite. It would be
2 different if the non-subject imports were coming in and
3 competing with all the U.S. producers because there was no
4 control or joint ownership.

5 COMMISSIONER JOHANSON: And that's the
6 integration of the Canadian and U.S. market. Is that true
7 NAFTA-wide though?

8 MR. SCHAGRIN: No. To the best of my knowledge
9 none of the ^^^^ certainly none of the Petitioners, and I'm
10 not sure; you'd have to ask the representatives for LAMSA.
11 I know they have a mill now in the United States, but you
12 would have to ask the Mexicans. It's certainly not the case
13 that there's that same relationship between Mexico and the
14 U.S. as there is between U.S. and Canada.

15 COMMISSIONER JOHANSON: All right. Thank you
16 for your responses.

17 CHAIRMAN WILLIAMSON: Thank you. Commissioner
18 Broadbent.

19 COMMISSIONER BROADBENT: Okay, let's see. The
20 whole issue of post-petition effects always kind of bugs me,
21 because sometimes we see that the effect of a petition is to
22 cause subject imports to be reduced, and sometimes we hear
23 arguments that subject imports actually, you know, surged as
24 a result of the petition filing until the provisional relief
25 went into place.

1 Is there a distinction between post-petition
2 effects and the effect of provisional duties going into
3 place in this case?

4 MR. JAMESON: Paul Jameson from Schagrin
5 Associates. Sometimes imports surge as an attempt to beat
6 the provisional duties, and sometimes the importers decide
7 on their own that well, we can get imports or we can get
8 purchases from domestic industries just fine, so we're not
9 going to do it.

10 So we don't have the inside as to what the
11 importers themselves thought this time, as opposed to other
12 times when they try to do it. There just was the effect
13 this time that they said we're going to -- now that the
14 petitions are filed, we're just going to cut back and just
15 buy more from domestic. That's what we did. We didn't have
16 -- but don't know why.

17 MR. SCHAGRIN: Commissioner Broadbent, Roger
18 Schagrin. I would just add that one interesting twist in
19 this case is that for all the foreign producers subject to
20 this case were subject to a case about six years ago on
21 light walled rectangular, and we think maybe importers
22 thought well, we saw that duties were imposed on light-wall
23 rectangular.

24 We maybe shouldn't get out there and decide to
25 bring in, with the lead times involved, imports of

1 heavy-walled rectangular from these same producers, because
2 we don't want to stuck on the hook paying duties. So a
3 little bit more history with this product than there might
4 be in some other products.

5 COMMISSIONER BROADBENT: Okay. Your Chart 14 is
6 used to argue that there was a decline in subject imports
7 following the filing of the petition. I just want to see if
8 I can get this, and the chart doesn't show what happened
9 prior to second quarter 2015. So I was checking the staff
10 report, to see what quarterly imports were for the year
11 prior to that quarter in your chart.

12 You can find the data I use on Table 4-4 in the
13 staff report. What this table shows is that between the
14 peak quarter, the second quarter of 2014 and the quarter
15 before the petition was filed, subject imports had already
16 declined steadily by about 22,000 short tons per quarter, a
17 little bit greater than the decline that you show in your
18 graph.

19 Doesn't this indicate that the decline in
20 subject imports might be related to factors other than the
21 petition? And it looks like they were declining relatively
22 consistently for a while, 64,000 tons Quarter 2 of 2014,
23 58,000 short tons Quarter 3 of 2014, 52,000 the next
24 quarter. So I just wanted you to react to that.

25 MR. JAMESON: This is Paul Jameson. That was

1 the point that we made, that imports started declining
2 before the petition due to the decision of the domestic
3 industry to fight back on price, which did work. So you did
4 see the respondents say imports couldn't be the cause of
5 injury because our imports were declining before the
6 petitions were filed.

7 We said yes, there is a reason why they were
8 declining because we dropped our prices. The margins of
9 underselling declined a lot because we fought back on price.
10 So if you have to fight back on price, and causing imports
11 to be declined because you fight back on price, that doesn't
12 mean you're not being injured. But that's what the effect
13 would be if you fought back on price and succeed.

14 COMMISSIONER BROADBENT: But you can't consider
15 any other cause for the decline in the imports?

16 MR. JAMESON: We don't know of any. We know
17 what the domestic industry did.

18 COMMISSIONER BROADBENT: Let's see if I've got
19 any other things here. Figure 5-2 shows a strong
20 correlation between tubing prices and the price of
21 hot-rolled coil. In that figure, it shows that tubing
22 prices declined to a lesser extent than hot-rolled coil
23 prices in 2015. Do you acknowledge that there's a
24 correlation there, and what do we do with that information?

25 MR. SCHAGRIN: Commissioner Broadbent yes, we

1 acknowledge there's a correlation. Obviously, there's lots
2 of correlations. But when one product input is 80 percent
3 of your cost, you would think the correlations would be
4 strong. So the key to this industry and the reason that
5 they don't have constant, you know, profit margins all the
6 time by having the same spread between flat-rolled costs and
7 the selling price on the tubing is it's all about the
8 spread.

9 We think the most important indicator of injury
10 here recognizing of course the change in the statute, where
11 the Commission was directed by Congress not to find that an
12 industry's not suffering injury just because it's
13 profitable, is the fact that between '13 and '14 profits
14 fell, and between '14 and '15 profits fell.

15 That's not related to SG&A. It's really related
16 to the declining spreads between raw material costs and
17 selling prices, and that's the reason that profits fall
18 throughout this POI and in fact the net incomes, you know,
19 fall from 7.4 to 5.5 to 3.7. At a 3.7 percent net income
20 level, no one's covering their cost of capital. You just --
21 an industry can't survive with a 3.7 net income level, and
22 that's why these cases were brought.

23 MR. JAMESON: This is Paul Jameson. I just
24 wanted to add, that's why we put that table on page 17,
25 because when you look at Table 5-2, it's kind of hard to see

1 because of the tightness of the numbers. So we wanted to
2 tease out what the real effect is.

3 There is no question that there is a correlation
4 between raw material cost and the ultimate price. But
5 there's a lot more going on. The Respondents would say
6 that's' the entire explanation, and we say that's only part
7 of the explanation. The other explanation is the effect of
8 the unfairly traded imports.

9 COMMISSIONER BROADBENT: Okay. That concludes
10 my questions. Mr. Chairman.

11 CHAIRMAN WILLIAMSON: Okay, thank you.
12 Commissioner Pinkert may have already asked for this
13 post-hearing, but I'm not sure. It's often repeated that
14 you, I guess in 2015 you started fighting back, and I just
15 wasn't clear how well documented that was on the record as
16 to the timing involved in that. Post-hearing, if you could
17 just something to --

18 MR. SCHAGRIN: Yeah. Chairman Williamson,
19 we'll address it in the post-hearing and your question is a
20 little, I think as I remember and jotted down in my notes
21 from Vice Chairman Pinkert's question, somewhat different
22 because I think he was asking for demonstrate in the
23 post-hearing the failure to be able to pass along cost
24 increases in '14 or achieve price increases in '14, which we
25 will be able to demonstrate in the post-hearing.

1 CHAIRMAN WILLIAMSON: Yeah. I thought that
2 wasn't related.

3 MR. SCHAGRIN: Yeah, and then I think what
4 you're asking, which is a little bit more difficult, but we
5 have it in the confidential data is demonstrating how the
6 industry fought back on price. I think we'll do that in the
7 post-hearing, mostly by comparing the margins of
8 underselling and what's happening to domestic prices
9 compared to subject import prices. So we'll do both in our
10 post-hearing brief.

11 CHAIRMAN WILLIAMSON: Okay, thank you. I mean
12 as I said, the statement has been made so often that I
13 thought it was worth making. On pages 44 and 45 of the
14 prehearing brief, the Mexican respondents argue that
15 competition is continuing between Mexico and the U.S. and
16 the other subject countries, because the Mexican companies
17 have limitations on size. The product they produce can
18 compete in the more narrower size ranges. I was wondering
19 how you would respond to that argument.

20 MR. SCHAGRIN: I'll let some of the industry
21 commentators, you know, talk about it. Essentially the
22 argument is that unlike say the Koreans, who might be able
23 to go up to 12 or 14 square, that the Mexican industry's
24 mills are more focused on product sizes up to 6 square. I
25 think that you'll find that of the pricing products that

1 were chosen, that you know, we basically have four of the
2 five go from two to six, and by tonnage in this
3 marketplace, and I invite the industry witnesses, you know,
4 most of the volume in this market is six square and below.
5 Tom or --

6 MR. MUTH: Yep, that would be -- Tom Muth, Atlas
7 Tube. Over 60 percent of the market demand is six square
8 and down. So it's a very significant portion of the market,
9 and some of the most common sizes for sure.

10 CHAIRMAN WILLIAMSON: Good, thank you. Good.

11 MR. WERNER: I could only agree.

12 CHAIRMAN WILLIAMSON: Okay, thanks. Along the
13 same lines, the Mexicans also argued that the major part of
14 the imports I guess are concentrated in Texas, and they
15 argue that there's one reason that they should not be
16 cumulated with other subject countries for the purpose of
17 threat. Do you want to discuss this, how important this
18 factor should be in our consideration?

19 MR. SCHAGRIN: Yeah. Chairman Williamson,
20 that's just simply not right because we'll further explicate
21 this in our post-hearing brief. You have a lot of imports
22 from Korea and Turkey arriving into the Port of Houston, as
23 well as the Port of New Orleans. So there's a lot of
24 geographic overlap of competition.

25 I think as Richard Searing testified to earlier,

1 they see up in the Rockies trucks bringing product, not only
2 Korean product from the west coast, but product which has
3 come up through Texas and gets trucked up to the Rockies.
4 So we have a lot of geographic overlap, and before I forget,
5 it's an appropriate time and this is the second pipe and
6 tube hearing in a row that we haven't had the Koreans here.
7 We didn't have them here on the line pipe from Korea and
8 Turkey.

9 And I always tell my good friend Don Cameron
10 that, you know, for him to skip out on a hearing and for me
11 not to see him every two and three weeks, you know, I get
12 this longing, like where is Don? But --

13 CHAIRMAN WILLIAMSON: We're missing that
14 dialogue too.

15 MR. SCHAGRIN: Yeah, we're missing that. I
16 mean I was going to roll up my sleeves in homage to Don, but
17 I chose not to.

18 CHAIRMAN WILLIAMSON: Okay, thank you. The
19 Mexican respondents also say that they compete in very
20 different channels of distribution from the other subject
21 imports, and I was wondering either now or post-hearing if
22 you could address that. If the channels are different, does
23 this mean they do not compete with the domestic product?

24 MR. MUTH: Tom Muth Atlas Tube. I'm not sure
25 how they define those channels, but I'm certainly happy and

1 we can provide post-hearing quotations from the Mexican
2 distributors to say distributors that we sell to. So I
3 don't agree with that at all.

4 CHAIRMAN WILLIAMSON: Okay.

5 MR. SCHAGRIN: And Chairman, we'll address it
6 further in our post-hearing brief as well.

7 CHAIRMAN WILLIAMSON: Okay, thank you. Gee, I
8 guess I've got a whole series of Mexican -- I just do this
9 for the Turkish respondents. The Turkish respondents argue
10 that demand in the Turkish domestic market, particularly
11 infrastructure projects, means that at least some of
12 Turkey's pipe production will be absorbed in the Turkish
13 home market. Any comments on that statement?

14 MR. SCHAGRIN: Mr. Chairman, I think we
15 already addressed some of the issues in the threat section
16 of our brief. But we'll further amplify. I mean
17 unfortunately for Turkey, Turkey just has a lot of upheaval
18 right now, you know. We all have empathy for that, but the
19 Turkish economy is tied to -- it's got problems.

20 It's tied to the Middle Eastern economies, and
21 we know about all the conflicts going on there, and it's
22 tied to the European economies, and we know that EU growth
23 is anemic and has been for quite a while. So we'll comment
24 further on Turkish growth rates. But their economy has
25 really slowed considerably over the last two or three years.

1 CHAIRMAN WILLIAMSON: Okay. To what extent are
2 decreasing domestic industry profits the result of
3 reductions in raw material costs? Now this has been
4 discussed, and you've already said that there's enough
5 injury from the imports that's sufficient. But I was just
6 wondering, any of you want to comment to what extent the raw
7 material prices are playing a role?

8 MR. SCHAGRIN: Well yeah. I mean our simple
9 answer is because this is not a gray area, it's that none,
10 none of the falling domestic industry profits are related to
11 the fall in raw material costs. If anything, absent the
12 unfairly traded imports, falling raw material costs should
13 have resulted in higher profits for the domestic industry.

14 As Mr. Muth -- I mean I think the reason for the
15 way the Mexicans approach this is that well of course, you
16 know, with these long supply chains, that you know, you're
17 going to have these accounting issues and when your raw
18 material costs are falling, you're going to have a drop in
19 profits.

20 As Mr. Muth testified, and I think it's the same
21 for the whole U.S. industry, supply chains are really tight.
22 I mean, you know, steel prices are falling for six or nine
23 months. Having 17 days of inventory is not going to cause
24 you to record lower profits on your books.

25 So one thing about all pipe and tube cases and

1 all, you know, conversion of one product into another case
2 is it's all about the spread and really the reason for the
3 decline in industry profits is about the decline in the
4 spread between raw material costs and HWR prices.

5 That's virtually 100 percent of the reason for
6 the decline in industry profitability, and we think -- and
7 we will not blame 100 percent of that on the subject
8 imports. But clearly this record demonstrates that they are
9 in part an insignificant part, a material cause of those
10 declines in profitability.

11 CHAIRMAN WILLIAMSON: Thank you.

12 MR. BLATZ: Michael Blatz with Bull Moose. I
13 just want to underscore, you know, again as Mr. Muth said,
14 very short cycle time, very low to operate and less than a
15 month of finished goods inventory. One thing I see, I think
16 I'm the only person up here that's not a career steel guy,
17 and coming into this industry, one of the shifts I had to
18 make from prior businesses, you know, a lot of my measures,
19 a lot of my metrics, a lot of the way I look at businesses,
20 you know, revenue inclines, declines, this is about spread
21 per ton.

22 I had to change, you know, the way I looked a
23 lot at my business reports on per ton, because steel price
24 could go up. It could double tomorrow, and we'll pass that
25 through or attempt to pass that through. It could drop.

1 It's the ability to maintain a consistent margin per ton
2 that is going to drive the profitability of our business.

3 So you know we could, you know, with just one
4 change to business size, you know, could be double. But
5 that may not change my profitability one lick. It just
6 changed the size of the top line. But you know, it's that
7 spread that matters. Based on some of the questions from
8 the Commission, it's different coming from outside the
9 industry into it. You really have to look at it as that
10 spread is really, what we're really talking about.

11 CHAIRMAN WILLIAMSON: Okay. Thank you for that
12 answer. Commissioner Pinkert.

13 COMMISSIONER PINKERT: I just have one follow-up
14 question. We've been talking about the spread between raw
15 material costs and prices. I want to focus your attention
16 on a different gap, and that's the gap between subject and
17 domestic prices.

18 If you look at our pricing comparisons, and I
19 would ask both sides, the Respondents and the Petitioners,
20 to look at our pricing comparisons and address the question
21 of whether the gap between subject and domestic prices
22 didn't really close until the period in which the
23 Petitioners are alleging petition effects.

24 If that's true, why is it true? So I know this
25 is a kind of a proprietary information question, and I would

1 ask that both sides look at that for purposes of the
2 post-hearing.

3 MR. SCHAGRIN: Commissioner Pinkert, we'll
4 address in the post-hearing. The only really public data is
5 for Korea. But in both Tables 5-6 and 5-7 at pages 514 and
6 515, you would see then in those comparisons for Product 3
7 and Product 4, whereas Korea had been underselling mostly in
8 double digit margins, from mid-'13 through the first quarter
9 of '15, that you go into overselling for the first time in
10 both of those really big tonnage comparisons, in Q2 '15,
11 which is before the petitions were filed.

12 So I mean it's really nice, you know. These
13 guys are an industry, thank God, they're not lawyers and
14 they don't practice before the ITC. But I mean when they
15 come up here and testify under oath that they really did
16 fight back on price and lower their prices in order to keep
17 people in their mills employed, it's really great when then
18 you can look at information based on this aggregate of all
19 these different U.S. producers and all the importers from
20 Korea, and just see it on the page.

21 Wow, second quarter of 2015, we went from, you
22 know, 10-11 quarters of significant underselling to all of a
23 sudden overselling when the domestic industry dropped their
24 prices. So we'll do it further because you're right, the
25 information for the other countries is all APO. So we'll

1 address this significantly in our post-hearing brief.

2 COMMISSIONER PINKERT: Thank you, and just a
3 word of explanation. The reason I'm asking the question is
4 in reference to post-depression arguments. So in many
5 cases, we see that the subject import prices are pulling
6 down domestic prices, and so you see the gap closing.

7 And here, arguably you don't see that until the
8 period in which petition effects are alleged. So I need a
9 little bit of explanation on that for purposes of the
10 post-depression issue.

11 MR. SCHAGRIN: And we'll do that further in
12 our post-hearing.

13 COMMISSIONER PINKERT: Thank you very much.

14 CHAIRMAN WILLIAMSON: Okay. Commissioner
15 Johanson.

16 COMMISSIONER JOHANSON: I have no further
17 questions.

18 CHAIRMAN WILLIAMSON: Okay. Commissioner
19 Broadbent.

20 COMMISSIONER BROADBENT: Yeah, I just wanted to
21 go -- sorry to beat a dead horse here. I just want to make
22 sure we fully get this. Mr. Jameson had asked this sort of
23 in the same vein, so that I fully understand the argument
24 about prices and the relationship to raw materials and
25 subject import volumes.

1 You made a lot of industry's decision to fight
2 back in the second stage of this Period of Investigation
3 which we've been talking about. According to this argument,
4 the result was a reduction in subject import volumes, but
5 also the industry taking a financial hit. But I see, I
6 think I see a couple of problems with this.

7 First, your Chart 10 shows that U.S. prices
8 improved relative to raw material cost during the second
9 stage after fourth quarter 2014. And second, despite
10 fighting back against subject imports on price, U.S.
11 producers didn't gain any market share and their shipments
12 were reduced.

13 Is there any way you can reconcile these facts
14 with your argument on the post-2014 period?

15 MR. JAMESON: Yes, Paul Jameson. There is
16 obviously a lot of factors going on, such as the reduction
17 in the agricultural equipment business that Independence
18 referred to, and that has an impact on what the aggregate
19 shows. But on the whole, you just see that you can try to
20 fight back and regain market share and the demand in whole
21 would fight back against you.

22 So you could be trying to do the best you can to
23 get back what market share you can, and still there would be
24 factors out there that don't make it as successful as that
25 would be. But that still doesn't mean that you had to

1 fight back on market share against imports by lowering your
2 price, because that would be one of the factors out there
3 that's causing the effects.

4 It doesn't have to be the entire factor out
5 there, but it's one of them, and it does show up in both the
6 way the underselling works and the way the imports worked.
7 It does show up. It just doesn't -- just there's other
8 explanations out there, especially, you know, changes in
9 demand. But that doesn't mean that there was no injury by
10 reason of unfairly traded imports.

11 COMMISSIONER BROADBENT: Okay. Thank you very
12 much.

13 CHAIRMAN WILLIAMSON: Fine. I just -- one last
14 question, and I think it's this pattern of what ports do the
15 imports come through. We've had a number of cases where
16 they all seem to come ^^^^ Gulf Coast ports are really very
17 high use. For your industry, is there any reason why --
18 what are the factors behind that? Is it sort of synergy
19 that there's a lot of shipping going in there, so your
20 people are shipping a lot of product there?

21 Why aren't the Korean imports coming through
22 west coast, and why is the Turkish ones coming through the
23 east coast? So I was just wondering about those synergies.

24 I'm also thinking about it because a couple of
25 years ago I took a bus trip across Wyoming, and I understand

1 it is the lowest density population in the U.S. So I'm
2 trying to figure out how people get stuff all the way up
3 there. So if ^^^^ I think it does say something about how
4 supply chains work and the Mexican argument --

5 MR. SCHAGRIN: Chairman Williamson, there is a
6 lot of Korean imports into the west coast not surprisingly,
7 but there are also a lot of Korean imports into the Gulf
8 Coast, and I think you're right. I think in terms of supply
9 chains and setups, places like Houston and New Orleans with
10 their ability to go from inbound ships on the barges and go
11 up the Mississippi, you've just got a well-established
12 transportation network from these Gulf Coast ports in
13 through the United States.

14 I think that's why in a lot of steel cases you
15 see a lot of imports into those Gulf Coast ports, because
16 you've just got a pretty well-established transportation
17 network that's been set up around those big ports. Those
18 big ports are big businesses too. But I think that's really
19 the explanation. I don't know if anyone has anything to add
20 to that.

21 CHAIRMAN WILLIAMSON: Okay. I spent nine years
22 working for the Port Authority of New York and New Jersey,
23 so information about competitiveness of ports is important.
24 But any -- does any other Commissioner have any questions?
25 If not, I guess does staff have any questions for this

1 panel?

2 MR. CORKRAN: Douglas Corkran, Office of
3 Investigations. Thank you, Mr. Chairman. Staff has no
4 additional questions.

5 CHAIRMAN WILLIAMSON: Okay. Do Respondents have
6 any questions for this panel?

7 (No response.)

8 CHAIRMAN WILLIAMSON: Okay. This is the time
9 for a lunch break, and so we will reconvene at --

10 (Off mic comments.)

11 CHAIRMAN WILLIAMSON: So we will reconvene at
12 one o'clock. Please remember that this room is not secure,
13 so be sure to take all business proprietary, business
14 confidential information with you, and we'll see you at one
15 o'clock. Thank you.

16 (Whereupon, 12:00 p.m., the meeting was adjourned
17 to reconvene at 1:00 p.m.)

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

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

3 CHAIRMAN WILLIAMSON: Mr. Gurley, you may begin
4 when you are ready.

5 MR. NOLAN: This is Matt Nolan. I am back.
6 Welcome, Chairman Williamson. It's a pleasure to see you
7 ascend to the throne. Commissioner Broadbent, I'm sure
8 you're happy not to be in that position. But nonetheless we
9 will miss you as Chair.

10 I am going to start us off real quick by
11 introducing our first witness, and let the witnesses go
12 first because you want to hear from them more than us. And
13 then we will have some comments on the injury argument.

14 So I am turning it over to the witness from TATA
15 International, Kevin McManus. Kevin, go ahead.

16 STATEMENT OF KEVIN MC MANUS

17 MR. McMANUS: Good afternoon, Chairman Williamson,
18 members of the Commission, and staff. My name is Kevin
19 McManus. I am the trading manager for TATA International
20 Metals, Limited.

21 I appreciate this opportunity to provide you with
22 our views about conditions affecting the U.S. structural
23 pipe and tube market. I am also here to answer your
24 questions as best I can.

25 By way of background, TATA International is a

1 global trading and distribution company with operations in
2 39 countries, including the United States. We are a member
3 of the TATA Global Group, which you've probably heard of.

4 Our metals trading operation serves customers in
5 over 50 countries. I focus on metals trading operations for
6 the company in North America, and have 19 years of
7 experience in this industry. I have imported structural
8 pipe products for 17 years from Turkey and know the U.S.
9 market well.

10 I have worked with Turkish producers for my whole
11 career. In short, we have a lot of experience in this
12 market. Quite frankly, I was very surprised when this case
13 was filed. I have looked at the U.S. industry's arguments
14 that imports from Turkey have materially injured them. I do
15 not understand their claim against Turkey, or all subject
16 countries for that matter.

17 Turkish import levels were modest throughout, and
18 could not have had a material effect on U.S. prices.
19 Material has been a long-time player in the HRW tubing
20 market and its volumes are largely consistent over the
21 years. The idea that a one-year, 15,000 ton increase in
22 Turkish imports from 2013 to 2014 was the reason for injury
23 in a market that consumed nearly 2 million tons of this
24 product seems ridiculous on its face.

25 The facts are that our customers ordered more

1 pipe in 2014 when it looked like market demand and forward
2 pricing was increasing, but pulled back in late 2014 and
3 into 2015 as hot-rolled coil prices began to fall.

4 The magnitude of this overall commodity product
5 decline was huge. Few buyers want to order HWR pipe, or HRC
6 hot-rolled coil in a declining market, so buyers of both
7 these products are constantly monitoring coil price trends.

8 Orders fell off again in late 2015 when the
9 Petitions were filed because our customers don't want to
10 bear the risk of an antidumping duty. But as I stated,
11 customers had already cut back on purchases well before the
12 filing of the Petition because of falling hot-rolled coil
13 prices.

14 Pricing in the structural tubing market is highly
15 dependent upon hot-rolled coil prices which make up over 70
16 percent of the cost on average. Whenever coil prices
17 change, HWR prices will inevitably follow. Producers
18 typically are quicker to raise prices than to lower them,
19 but the prices always closely correlate.

20 As traders we monitor the hot-rolled coil prices
21 closely and expect the tubular producers to follow these
22 hot-rolled coil price changes very quickly. Typically when
23 the price of hot-rolled coil is on an upward trend,
24 customers increase their purchases of the HWR tubing because
25 they want to buy this tubing at the lower price while they

1 can, and before the increasing hot-rolled coil prices will
2 translate into the higher HWR prices soon thereafter.

3 The opposite is the case when the price of the
4 hot-rolled coil is on a downward trend. Customers trend to
5 hold back and wait for the input price to decrease even
6 further. Those buyers or sellers who have HWR inventory
7 will get pinched during the downturn as demand softens and
8 that higher cost inventory is worth less. The effect is
9 even worse for producers who will have higher cost
10 hot-rolled coil raw material inventory.

11 So when the hot-rolled coil prices were declining
12 in late 2014 and into 2015, our customers held back on
13 purchases because they did not want to get stuck with any
14 more higher cost inventory than was absolutely necessary.
15 Thus, demand was down in 2015.

16 That situation has reversed this year in 2016 as
17 coil prices have started to increase significantly since the
18 early part of this year. I also want to emphasize, however,
19 that the price of hot-rolled coil is not the only factor in
20 pricing of the HWR tubing. Freight costs and foreign
21 currency exchange rates also play a significant role in a
22 market with thin profit margins.

23 For example, U.S. freight charges are much higher
24 than Turkish freight charges because Turkey ships by ocean
25 vessel, while U.S. mills must ship by truck or rail. In

1 2015, truck charges--truck freight charges in the U.S. were
2 typically ranging from about \$40 per ton to \$80 per ton per
3 hauls up to around 200 miles.

4 In comparison, the freight charges from Turkey to
5 a U.S. port of entry on an ocean vessel was around \$40 a
6 ton. U.S. producers cannot ship competitively by water
7 because of the Jones Act.

8 A Turkish HWR--the Turkish HWR mills we work with
9 are located at or near ports which allows them to go
10 straight from the mill to the ocean vessel, which is the
11 most efficient mode of transport. Turkish producers also
12 tend to have less freight cost for transportation between
13 the hot-rolled coil mill where the steel is actually melted
14 and produced, and their tubing mills where the tubes are
15 formed, because they are typically built in close proximity
16 to each other and the freight prices in Turkey are also
17 lower in general.

18 Turkish producers pass on these cost savings from
19 the logistics' efficiency to their customers. But this
20 efficiency only works from port to port. Almost all of our
21 HWR shipments are sold within 100 miles of the port of entry
22 in the U.S. because U.S. land transfer costs make it
23 prohibitive to ship much further than that.

24 Turkish producers thus have really only
25 penetrated the markets surrounding the port of entry, like

1 Houston and New Orleans, because it helps keep the costs of
2 freight down. By contrast, U.S. producers dominate the
3 interior states like Michigan, Illinois, Wisconsin, Indiana,
4 and Ohio. Thus there is a natural geographic segmentation
5 of this market predominantly due to transportation costs
6 which can differ as much as several hundreds dollars a ton,
7 which is a huge amount of money for this commodity product.

8 This geographic segmentation also helps explain
9 increased imports from Canada. For instance, Atlas and Bull
10 Moose have production mills in Canada that are a source of a
11 significant amount of tubing sold in the Upper Midwest,
12 including Michigan and Illinois.

13 It is my understanding that shipments are
14 imported directly from these mills by these companies to the
15 customers in the United States without a trader. Note that
16 these are areas where automobile and agricultural machinery
17 factories are prevalent and where demand has been more
18 robust in the market of late. But it is worth noting that
19 Atlas and Bull Moose chose to sell from their Canadian mills
20 rather than the U.S. mills in these regions, which would
21 obviously reduce their U.S. sales figures.

22 In addition to proximity to the Northern market,
23 purchasing from Canadian mills also allows a purchaser to
24 take advantage of the favorable currency exchange rates for
25 the Canadian dollar, in turn resulting in cost savings for

1 the purchaser.

2 I would also like to note that our customers do
3 not base their purchasing decisions on the price alone.
4 There are other considerations at play. The lead time
5 between an order and delivery of an imported product from
6 Turkey can be anywhere from three to six months after the
7 time of the order placement.

8 Customers must anticipate their need for the
9 tubing and then, based on the going price for the tubing, to
10 determine whether it is the right time to purchase this
11 product to lock in the cost for their future projects.

12 Not all customers are interested in doing this
13 forward type of purchasing. And we as traders do not like
14 taking the risks of carrying significant inventory of HRW
15 tubing absent a confirmed order.

16 U.S. producers, however, have much shorter lead
17 times for delivery, perhaps a week or 10 days, and can
18 charge a premium for filling these orders very quickly.

19 I have worked with Turkish producers for many
20 years. They have operated responsibly in the U.S. market as
21 a modest presence for many years without incident. Their
22 imports to the U.S. have not increased much and, on an
23 absolute basis, I cannot see how they could have had a
24 material effect on U.S. HWR prices. This case does not make
25 sense. Thank you.

1 MR. GURLEY: This is John Gurley again, counsel
2 for the Mexican Respondents. Our witness today is going to
3 be Carlos Stoupignan, who is the CEO of Maquilacero.

4 STATEMENT OF CARLOS R. STOUPIGNAN

5 MR. STOUPIGNAN: Thank you. Good afternoon. My
6 name is Carlos Stoupignan. I am the CEO for Maquilacero of
7 Monterrey Mexico.

8 I have worked with Maquilacero and some of its
9 affiliated companies for over 19 years. Maquilacero is a
10 producer of steel products with more than 20 years in the
11 industry. And part of our work with 60 years of steel
12 experience.

13 I am here today to speak about my company, as
14 well as the Mexican heavy-wall industry. I am also here to
15 explain why Mexico should not be cumulated with Turkey and
16 Korea.

17 Maquilacero, unlike most Mexican producers, has
18 traditionally sold most of its heavy-wall in the export
19 market. But there are two important facts to share with all
20 of you. The weight of the heavy-wall in our total exports
21 and overall production is less than 15 percent.

22 And, more importantly, the rate of growth of our
23 local sales is still increasing compared to our exports.
24 Already in 2016 our domestic sales of heavy-walled tube
25 exceed our exports. Our expectation is to continue with

1 this trend in the future with our company more focused on
2 the home market.

3 Our focus on the home market is logical. The
4 Mexican economy is still strong, and there continues to be
5 consistent growth in the construction, industrial and other
6 sectors. This is not just the situation for Maquilacero.
7 Since many of the other Mexican producers do not even sell
8 heavy-walled tube to the U.S., if the U.S. market is so
9 attractive, as Petitioner says, then why isn't there more
10 interest by Mexican producers? By any measure, Maquilacero
11 and the Mexican industry have always had a very low market
12 share in the U.S. and have never sent significant quantities
13 of heavy-walled tube to the United States.

14 The Staff Report confirms that Mexican
15 heavy-walled tube represent only 2.4 percent of the U.S.
16 market in 2015. This is less than in 2013 when our share
17 was 3.3 percent.

18 When Mexico has exported heavy-walled tube, it
19 has done so on a responsible basis. Mexico's share of the
20 import market during the Period of Investigation, in 2015
21 imports from Mexico dropped substantially, by 25,000
22 compared to 2014.

23 Even when demand in the U.S. increased as in
24 2014, we increased our export only modestly. And when
25 demand has decreased, we respect the market and our

1 shipments have declined. The proof is in the U.S. import
2 statistics.

3 Moreover, Maquilacero producers are increasingly
4 focused on value-added product such as heavy industry parts
5 in the Mexican market. Both Prolamsa and Maquilacero, the
6 biggest producers, make these parts. In our brief, we
7 supply information about one of Maquilacero's affiliates
8 which produces parts and subassemblies used in the
9 transportation, heavy equipment, and agricultural equipment
10 sectors.

11 Indeed, Maquilacero's whole product line,
12 including heavy-walled tube, is more and more focused on the
13 high-end industrial sector. In addition, Maquilacero is
14 setting up processes to sell heavy-walled tube directly to
15 these OEMs, or the direct suppliers based in Mexico. This
16 will increase sales in Mexico.

17 Petitioners allege that exports dropped because
18 of the Petition. This is not correct. Mexican imports
19 started dropping in early 2015, well before Petitions.

20 Second, the decline in 2015 has nothing to do
21 with the filing of antidumping petition as preliminary
22 determinations were issued in March 2016, well after decline
23 of 2015. With a lead time of only a few days, Mexican
24 exporters could react to a preliminary determination well
25 after January 1st, 2016. So the 2015 decline reflects two

1 things: A temporary slowdown in U.S. demand; and our
2 increasing focus on the Mexican market, including the
3 growing industrial sector.

4 With respect to 2015 figures, I should also note
5 that Prolamsa, Mexico's largest heavy-walled tub producer,
6 now has U.S. operations in the south of the country. They
7 are now a member of the U.S. domestic industry. For this
8 reason alone, we can expect a decrease in the overall
9 participation of the Mexican steel mills in the U.S. market.

10 We all know prices dropped in 2015, but as
11 explained in our brief and testimony today, this is because
12 cold-rolled prices have dropped. We obtained our hot-rolled
13 coils from suppliers in Mexico and coil prices in Mexico
14 have followed the same trend that you see in the United
15 States. Because the costs went down, we were able to lower
16 our prices for everyone, including to U.S. and Mexican
17 customers.

18 Conversely, in 2016 cold-rolled prices have
19 increased dramatically. Heavy-walled prices then increased
20 both in the U.S. and Mexico. I was surprised to see
21 Petitioners try to argue in their legal brief that
22 hot-rolled prices were not that important in explaining why
23 prices decreased in 2015, and then rose in 2016. But if you
24 look at the chart they provide, they seem to focus on a
25 single quarter in 2016.

1 Anybody that is in our business knows that the
2 cold-rolled prices are the number one driver of heavy-walled
3 prices. Mexico has a unique factual situation in this case.
4 We think Mexico operates as part of NAFTA and should not be
5 cumulated.

6 Mexican exporters sell primarily to the U.S. in
7 the Gulf and Southwest. In fact, our biggest customers are
8 in Oklahoma and Texas. Freight is very important in our
9 business. We cannot really sell much on the West and East
10 Coast, or in the North.

11 Unlike Korea and Turkey, we are very close to the
12 U.S. border. Our natural market is Central Texas and the
13 areas close to Maquilacero. Other Mexican companies are in
14 the same situation. We pride ourselves on service. We have
15 quick lead times due to being so close to our customers. We
16 sell in truckloads, not large ocean shipments. We have many
17 sales where there are just one or two truckloads of various
18 sizes.

19 In fact, we normally send trucks with both
20 light-walled and heavy-walled tube. This is something our
21 foreign friends cannot do. This unique situation allows us
22 to be very competitive with the needs of our U.S. customers.

23 We also have much shorter lead times than
24 countries that must ship across the ocean. We respond more
25 quickly to any changes in the U.S. market and our short lead

1 times and smaller shipments make us, unlike exporters from
2 Turkey, Korea, and other countries.

3 U.S. import statistics shows that Mexican import
4 prices are higher than the other named exporters. I think
5 this is because of the advantages I just described. Only
6 Canada and Mexico have the advantage of being on the border
7 with the U.S.

8 The Petitioners argue that Mexico, Korea, and
9 Turkey are blocked from the U.S. market due to ADCBD orders
10 on light-walled tube. Petitioners say we will focus on
11 heavy-wall tube because of this. This argument is
12 completely false as to Mexico. The light-walled antidumping
13 order is no barrier to Mexican exporters.

14 In fact, due to increased demand we have
15 increased our sales in light-walled product to the U.S. in
16 recent years. My company has a margin of zero percent.
17 Ragiopytsa and Perfiles also have zero margins on
18 light-walled tube.

19 It is important to know that Maquilacero's focus
20 is on making light-walled not heavy-walled tube. The vast
21 majority of our production is for light-walled. We
22 increasingly sell light-walled tube to Mexican companies
23 that use it for automotive parts.

24 It is easier to make, and U.S. importers show it
25 can be sold at higher prices than heavy-walled tube. That

1 is why Mexicans have exported to the U.S. over 70 percent
2 more light-walled than heavy-walled in 2015. This is very
3 logical.

4 The Mexican industry simply has incentive to
5 shift production to a less profitable product. I also want
6 to comment on Petitioners allegation that the vast majority
7 of Mexican exporters are to the U.S. market. But is that
8 surprising? Texas is just three hours by truck from
9 Monterrey. By the same token, I understand most U.S.
10 exporters go to Canada or Mexico. We heard today that Atlas
11 Tube Canada sells to the U.S. market. That too is logical.

12 We are all part of the NAFTA region. But even
13 when the geographical advantage, Mexican exports to the U.S.
14 are modest.

15 Finally, I would like to talk to the market. I
16 understand that U.S. producers are increasing prices and
17 making good profits. The Mexican market, already strong in
18 2015, is even stronger now. Indeed, the spec orders to
19 Mexico grew substantially in 2016, while U.S. exports
20 remained stable.

21 I am sure the U.S. industry will continue to see
22 a nice rebound this year as demand and prices increase. We
23 all deserve this good news. Thank you for the opportunity
24 to speak with you today. I am here to answer any questions
25 you might have. Thank you.

1 STATEMENT OF NANCY A. NOONAN

2 MS. NOONAN: Good afternoon. For the record, this
3 is Nancy Noonan from Arent Fox on behalf of the Mexican
4 Producers.

5 The Commission must determine whether the
6 domestic industry has been materially injured by reason of
7 subject imports. Material injury is defined as harm which
8 is not inconsequential and material or unimportant. Any
9 injury that is suffered by the domestic industry must be by
10 reason of subject imports.

11 This evaluation under the "by reason of" standard
12 must ensure that subject imports are more than a minimal or
13 tangential cause of injury, and that there is a sufficient
14 causal, not merely a temporal, nexus between subject imports
15 and material injury.

16 The evidence on the record shows that any
17 material injury of the domestic industry was not by reason
18 of subject imports.

19 Subject import volume, despite a temporary
20 increase in 2014, declined over the POI overall. While
21 subject import volume and market share increased from 2013
22 to 2014, it decreased from 2014 to 2015 when the domestic
23 industry had its poorest performance of the POI.

24 Moreover, as you can see in our slide one, the
25 decline in subject import volume and market share preceded

1 the filing of the Petition which was filed around the end of
2 July.

3 The decline in apparent U.S. consumption was
4 caused by reductions in purchases by distributors due to the
5 declining price of hot-rolled coil. Hot-rolled coil is the
6 principal raw material used in the production of HWR tubular
7 products.

8 As hot-rolled prices were increasing from 2013 to
9 2014, customers increased purchases to build inventories in
10 anticipation of further price increases. Those purchases to
11 build inventories led to an increase in apparent U.S.
12 consumption.

13 When hot-rolled prices declined from 2014 to
14 2015, customers slowed purchases and drew down inventories,
15 leading to a decline in apparent U.S. consumption. None of
16 these factors are attributable to the effect of subject
17 imports which followed a similar trend. That is, in
18 reaction to reductions in purchases between 2014 and 2015,
19 subject imports declined in both volume and market share.

20 Purchasers increased inventories of HWR from 2013
21 to 2014 when hot-rolled coil prices were higher, and then
22 decreased inventories by selling off inventories from 2014
23 to 2015 when hot-rolled coil prices were dropping as they
24 waited to see how far those prices would drop.

25 Slide two shows the inventory over the POI. This

1 exhibit shows that the overwhelming majority of the
2 inventories held were of domestic merchandise. The largest
3 portion of the increase in inventories between 2013 and 2014
4 came from domestic merchandise, as domestic producers and
5 purchasers alike increased their inventories of domestic
6 merchandise.

7 The decline in inventories of domestic
8 merchandise was more than twice as great as the 2013-2014
9 increase. What this means is that the domestic producers
10 were primarily responsible for both the increase in
11 inventories in 2014 and the decrease in inventories in 2015.

12 So again on this chart you can see the changes.
13 There's a little breakout table with the changes on there
14 showing just, you know, a really tremendous drop in the
15 inventories coming down, particularly of domestic product.

16 As mentioned previously, subject import volume
17 declined from the six-month period ending nearly a month
18 before the filing of the Petition on July 21, 2015. Subject
19 import volume was down by 12.4 percent from the equivalent
20 six-month period in 2014, and subject import market share
21 was down to 9.3 percent from 10.3 percent in the interim
22 2014 period.

23 Nonsubject import volume and market share, by
24 contrast, increased between 2014 and 2015. Slide three
25 shows that nonsubject import volumes increased throughout

1 the POI, while subject import volumes declined.

2 As a result, the reduction in U.S. producers'
3 U.S. shipments of domestic product was caused by the decline
4 in U.S. apparent consumption and the increase in nonsubject
5 imports, and not caused by subject imports.

6 MS. NOONAN: The downward trend in HWR tubal
7 prices overall during the POI was attributable to the
8 decline in raw material prices, specifically, hot rolled
9 coil that you've heard so much about already today.

10 This clear relationship between prices for hot
11 rolled coil and HWR pipe is shown in Slide 4 where relative
12 declines in prices for the five pricing products and hot
13 rolled coil are nearly identical. When asked whether
14 changes in the price of hot rolled coil affected their price
15 negotiations 25 of 32 purchasers reported that they did.

16 In fact, we heard this morning testimony from
17 the U.S. producers that customers expect immediate price
18 decreases in response to a drop in raw material prices and
19 yet to push through a price increase the U.S. producers
20 announced that price increase and then it takes about three
21 to four weeks before they can actually see that price
22 increase go into effect.

23 Because the drop in hot rolled coil prices was
24 quite deep producers faced a margin squeeze when their
25 inventory of hot rolled coil stayed high while the prices

1 for their finished tubing started to go down as well. Some
2 reported that the price change in hot rolled steel created
3 the need to write down the value of their inventories.

4 Purchasers also felt the squeeze. Most
5 responding purchasers, 16 of 31, reported that expected
6 changes in the cost of hot rolled steel affected the amount
7 of HWR tubal products they held in inventories. Reasons
8 given included changes in the price of hot rolled steel
9 caused change in the value of the inventories and holding
10 inventories is more risky when hot rolled steel prices are
11 volatile. The domestic industry reported that customers
12 expected reductions in raw material prices to be reflected
13 immediately in prices. Again, we heard that this morning.

14 The affect on the industry's profitability is
15 clear. When hot rolled coil prices fall this is not
16 immediately reflected in cost of goods sold as producers use
17 up older, more expensive raw materials and finished
18 products, selling them into a market which has already
19 adjusted the price levels to reflect the lower priced raw
20 materials; thus, we expect to see a delay in the reduction
21 of costs of goods sold relative to declines in the HWR tubal
22 market pricing.

23 In 2015, the domestic industry's cost of goods
24 sold to sales ratio and raw materials to sales ratio were at
25 their highest points of the POI, 90 percent and 75 percent,

1 respectfully. These high ratios occurred because first
2 quarter 2015 was the period during which raw material prices
3 declined most sharply. This would be the period during
4 which there would be the greatest squeeze between the raw
5 materials, work in process, and finished goods inventory
6 valued at earlier and higher prices in the new, much lower
7 selling prices in the spot market.

8 Over the course of the full year 2015 the
9 declines in hot rolled coil prices slowed and the lower raw
10 material costs began to catch up and be reflected in costs
11 of goods sold. Slide 5 shows that as raw material prices
12 fell other costs rose causing domestic industry operating
13 income to shrink. As a result, between full year 2014 and
14 full year 2015, raw material costs declined from 74 percent
15 of sales to 71 percent of sales. The reason that the
16 overall costs of good sold to sales ratio increased during
17 that same period was due to the sharp increase in other
18 factory costs from 7 to 11 percent of sales.

19 Although there was underselling in a majority of
20 instances over the POI, the average underselling margin of
21 10 percent was comparably low and is explained by the
22 additional risks and lead times associated with procuring
23 HWR tubal products from most foreign sources. Also, the
24 five pricing products represented only 12 percent of the
25 value of U.S. producers' U.S. commercial shipments, 28

1 percent of the value of U.S. commercial shipments of
2 subject imports from Korea and between 11 and 16 percent of
3 the value of U.S. commercial shipments of subject imports
4 from Mexico and Turkey in 2015.

5 These are not meaningful volumes. Twenty-one
6 out of twenty-five responding purchasers reported U.S.
7 producers as price leaders. Under these circumstances, the
8 underselling did not have a significant adverse affect on
9 prices for the domestic-like product.

10 Regarding the lost sales and lost revenue
11 allegations, the very small volume of purchases shifted from
12 domestic merchandise on the basis of price are not material.
13 Increases in other factory costs and SGNA expenses caused
14 the decline in the domestic industry's operating margin.
15 The domestic industry's raw materials to net sales ratio
16 declined from 72.4 percent in 2013 to 71.2 percent in 2015
17 and again from 75.1 percent in interim 2015 to 64.3 percent
18 in interim 2016.

19 Its inability to absorb the allocated other
20 factory costs and SGNA expenses is what caused the decline
21 in profitability and cannot be attributed to the affect of
22 subject imports. Profitability improved between interim
23 2015 and interim 2016 despite increases in other factory
24 costs and SGNA as a percent of net sales because the decline
25 in raw material costs was so drastic as to outweigh the

1 other increases.

2 At the same time, employment indicators were
3 generally positive, which again as discussed this morning,
4 and the investment indicators did not show sign of injury.
5 Subject imports had no adverse affects on the domestic
6 industry's financial performance.

7 In conclusion, any material injury to the
8 domestic industry was not by reason of subject imports, but
9 rather it was causes by factors other than subject imports.
10 Those factors were the sharp decline in prices in 2015 based
11 on a sharp decline in the hot rolled coil prices, the
12 resulting decline in demand, the increase in the volume of
13 non-subject imports, and the increase in other factory costs
14 and SGNA expenses for the domestic industry. As mentioned
15 previously, the volume of subject imports hand already
16 significantly decreased in the first half of 2015 even
17 before the petition was filed.

18 The domestic industry is also not threatened
19 with material injury by subject imports. In evaluating
20 whether a U.S. industry is threatened with material injury,
21 the Commission considers whether further dumped or
22 subsidized imports are imminent and whether material injury
23 by reason of subject imports would occur unless an order is
24 issued.

25 Here the record does not support a finding of

1 threat. Volumes and market share trends during the POI do
2 not indicate a likelihood of substantially increased imports
3 in the imminent future. The increase in subject import
4 volume and market share experienced in 2014 was temporary
5 because both the volume and market share of subject imports
6 declined in 2015, including before the filing of the
7 petition. And even more precipitously between interim 2015
8 and interim 2016.

9 Slide 6 shows that subject imports did not gain
10 market share at the expense of U.S. producers. That exhibit
11 shows that subject imports market share declined 2.3 points
12 from 2014 to 2015 while non-subject market share increased 3
13 points. U.S. producers lost .6 points of market share,
14 again in contrast to subject imports losing 2.3 points.

15 Slide 7 shows the shares of apparent U.S.
16 consumption of non-subject imports. Focusing on Canada, we
17 see that imports from Canada consistently took market share
18 each year and for interim 2016 have 12.9 market share.
19 Subject countries cumulated exports to the United States are
20 projected to be lower in 2016 than in 2015. Subject
21 countries cumulated exports to the United States
22 represented a shrinking share of their total shipments
23 across the POI from 37 percent in 2013 to 30 percent in
24 2015.

25 Even after a small projected increase in 2017,

1 experts to the United States will be at a lower level as
2 share of total shipments, 21 percent, than in 2015, more
3 than they were, 23 percent. Importers questionnaire data
4 also support the point that subject imports will continue
5 their declining trend, which started before the petition was
6 filed and therefore cannot be attributed to post-petition
7 affects. The modest increase in capacity was absorbed by
8 shipments to these producers other markets, chiefly,
9 shipments to their home markets which increased by 62
10 percent from 2013 to 2015.

11 Foreign producers are unlikely to divert
12 shipments from other markets to the United States in the
13 imminent future. Aggregated data for foreign producers from
14 all subject countries show that shipments to the United
15 States are projected to decrease in 2016 compared to 2015
16 and to grow in 2017 less than the growth in shipments to
17 their home markets. Foreign producers inventories as a
18 percentage of total shipments were steady, ranging from 12
19 to 14 percent over the POI and are projected to fall to 10.5
20 percent in 2017.

21 Importers inventories from subject sources fell
22 in both absolute tonnage and as a percent of U.S. shipments
23 from 2014 to 2015 and to interim 2016. Pricing trends do
24 not point toward adverse price affects of subject imports in
25 the imminent future. The frequency of underselling declined

1 in 2015 compared to 2014 while the frequency of overselling
2 increased. Hot rolled coil prices have significantly
3 increased, which will raise prices and profits.

4 The domestic industry is not vulnerable to
5 future injury by reason of subject imports. The domestic
6 industry's profitability improved between interim 2015 and
7 interim 2016, and its investment indicators demonstrate that
8 it is investing more than adequately to meet HWR tubal
9 market demand in the future. Demand for HWR tubal products
10 is expected to increase in the near future, such in
11 non-residential construction. Inventory levels were worked
12 on over the course of 2015 and this increased demand in the
13 U.S. market will result in the need for additional
14 production.

15 Hot rolled coil prices have been increasing,
16 which should also result in an increase in demand for HWR
17 tubal products as distributors seek to build inventories in
18 advance of additional price increases.

19 In short, the domestic industry is not
20 vulnerable, but rather its prospects for improved
21 performance will only increase in the imminent future. We
22 ask that the Commission find that the domestic industry is
23 not threatened with material injury by subject imports.

24 MR. NOLAN: Alright, this is Matt Nolan again.

25 I'm just going to add a little color commentary.

1 Ms. Noonan did a fabulous job. I can't possibly duplicate
2 her precision and ability to get everything in, in short
3 order, so I'm just going to take us through a couple of
4 things that I want to make sure we cover.

5 Okay, so the Petitioner started their discussion
6 this morning with this chart, showing you know this huge
7 increase in apparent consumption, right, in 2013 to 2014.
8 Of course, they didn't really look at the scale too much
9 because if you look at the scale on the actual chart the
10 amount of the increase is fairly modest given that we're
11 talking about a two million short ton market here per year.
12 So 100,000 tons out of a two million ton market is growth,
13 but it's not a huge number.

14 What they don't tell you is what happened in
15 2015. There was a 6 percent drop in apparent consumption.
16 Imports have nothing to do with it. Subject, non-subject,
17 or domestic production didn't cause an apparent consumption
18 drop of 6 plus percentage points. Something had to cause
19 demand to slow down. The only logical cause for demand to
20 slow down is the hot rolled coil demand price declines that
21 took place in 2015.

22 As purchasers delayed orders and decided to draw
23 down inventory that caused a reduction in demand. And
24 expect the fact that the Petitioners want to say, well, it
25 couldn't be that big of an effect because it's only a few

1 weeks here and there. But on a two million ton market one
2 week of production not adjusted for seasonality is about
3 40,000 tons a week. So it doesn't take that much of a
4 slowdown to cause a 6 percent drop in overall apparent
5 consumption. I don't know how else you contribute that
6 change to.

7 The second chart that they put up is this chart
8 on subject imports going up so quickly. And again, looking
9 at our chart, the actual amount of import increases was a
10 lot more modest than one would expect. Of course, what they
11 don't put in their chart is that the fact that Canada went
12 up 19 percent, 2013 to 2014, and it went up 33 percent in
13 its imports between 2013 and 2015. They don't want to say
14 why because Canada is sort of the big elephant in the room
15 here.

16 The U.S. mills operate mills in Canada. Now it
17 may make perfect sense from transportation cost standpoint,
18 from an efficiency standpoint, or from some other standpoint
19 that we don't quite know to source product from Canada, but
20 if you choose to source your product from Canada and decide
21 to close a mill in Arkansas instead then you've decided.
22 You've made a business decision to source your product from
23 your affiliate in Canada and not from your affiliate in the
24 United States. If there's a net sales decline here, it's
25 due to the fact that the sourcing patterns were switched to

1 Canada from the United States.

2 Now the Petitioners will also say, well, that
3 was high-priced merchandise. It's not injuring anybody,
4 right? That's great. You could've gotten that same price
5 from your U.S. mill, presumably, but you chose -- you chose
6 to take those high-priced sales and send them to the mills
7 in Canada. I'm not faulting them for that business
8 decision. It's a rational decision on their part to make.

9 It would be really nice to see what the
10 profitability of those Canadian mills that are selling into
11 the U.S. market. I suspect it's probably pretty good, but
12 the fact of the matter remains that by choosing to ship from
13 Canada they've caused a significant increase in non-subject
14 imports and that is a big reason for the displacement in
15 their sales. It's also a reason why their expense ratios
16 are changing because when you have lower net sales numbers
17 you have costs that are spread over fewer revenue dollars,
18 right? So what happens is your other expenses will start
19 to creep up.

20 If you didn't have those sales going to Canada
21 just by taking the increase in those sales, the imports from
22 Canada, and attributing them to U.S. sales you pretty much
23 knock out all the difference in the expense ratios. They
24 are either equal on their operating in sales or they have no
25 decline. It's very hard to see how the math doesn't work

1 here. There are also some anomalies in this data which you
2 should be paying close attention to.

3 Look at the other factory costs, the light blue
4 number. It goes from 8 to 11 percent. Now yes, there were
5 some ups and down in the market during the three-year period
6 of investigation here, but that's a pretty big increase in
7 other factory costs. Other factory costs should not go up
8 by that much. Other factors must be at play. I don't know
9 what they are. I think it's a good question for the
10 Commission to ask.

11 Similarly, we have a spike between 2013 and 2014
12 on SGNA expenses which go from 5 to 6 percent and then up to
13 7 percent. SGNA being spread over fewer sales, okay, I can
14 understand that there might be an increase in your overall
15 percentage if you have fewer sales to spread your SGNA costs
16 over, but again, if you've chosen to take those sales out of
17 your Canadian affiliate can you blame imports for your
18 operating income differential because you've decided to move
19 sales away from the U.S. and other non-subjects and
20 therefore you've caused the very issues that you're
21 complaining about.

22 Now again, we are talking about high-priced
23 sales from Canada by their own words. We're also talking
24 about sales of a unified North American market. By their
25 own testimony this morning, they treat this as one single

1 market. I think it's fair game for us to make the argument
2 that they should attribute their sales to Canada as part of
3 their U.S. sales volumes at that point.

4 In terms of the price cliff affect, let's go to
5 the slide that we had that shows the decline in volumes. So
6 the Petitioners argue with us that you should attribute the
7 entire decline in the volume of subject imports to the
8 filing of the case. The case was filed in July of 2015,
9 okay. Assuming that the product is on the water from
10 Turkey, for example, and it takes 8 weeks to 12 weeks for
11 that product to get to the U.S. You actually wouldn't
12 really see an affect on import volumes until several months
13 later because you've already ordered your product in Turkey
14 and that's already in the pipeline, so you're not going to
15 change that unless you're going to cancel it.

16 The affects really start to show up in October
17 and then November. Now it'll be a little quicker for Mexico
18 probably because their lead times are shorter, but the fact
19 of the matter is the petition didn't cause the decline, not
20 until very late in the year. The decline that started in
21 April of 2015 is attributable to subject imports departing
22 the market because the demand was going down and because
23 nobody wants to take the risk in a falling market. The
24 buyers were holding back and the buyers are even more
25 reticent when a falling market when they're buying from a

1 foreign country where the lead time is much longer, right?
2 If you have a declining market are you going to order
3 something six months, three months from now when you're not
4 sure what the price is going to be? The answer is you're
5 not going to do that. So subject imports dropped much more
6 than non-subjects. And of course, Canada increased
7 throughout the period of investigation.

8 I will, in the interest of time, let my
9 colleague, Mr. Gurley, go into the threat considerations,
10 but I think it's very well noting that Canada is a big part
11 of this equation. Thank you.

12 MR. GURLEY: Good afternoon again. For the
13 record, my name is John Gurley, representing the Mexican
14 producers.

15 As you hear in every case, the Commission has
16 the right to de-cumulate for purposes of threat and they
17 look at three or four basic issue to decide if a country
18 should be de-cumulated. The Commission has traditionally
19 considered factors such as whether imports are increasing at
20 similar rates in the same markets where the imports have
21 similar margins of underselling and the probability that
22 imports will enter the United States at prices that would
23 have depressing or suppressing effect on domestic prices of
24 that merchandise.

25 Imports from Mexico have not increased at

1 similar rates as other subject imports. Slide 1 shows very
2 starkly that the Mexican share of total imports is
3 declining. During the POI, imports from all subject imports
4 increased from 2013 to 2014. They then all fell in 2014 to
5 '15 and for the interim periods 2015/'16. However, at a
6 time of U.S. market expansion imports from Mexico increased
7 by a single percentage, 8.9 percent. In contrast, imports
8 from Korea increased by 45 percent in 2004 (sic) and
9 imports from Turkey increased by 31.6 percent during the
10 same time period.

11 Over the 2013-15 time period, which saw
12 contraction of the U.S. market in 2015, Mexican imports
13 retreated from the U.S. market more sharply than any other
14 subject imports, decreasing by 29 percent from 2013 to 2015.
15 In contrast, over the same time period imports from Korea
16 show an increase of 32.8 percent.

17 Slide 2 is similar to the slide you saw earlier,
18 which was covering the imports for all of the countries.
19 This is just for Mexico. Slide 2 shows that monthly imports
20 from Mexico were lower in 2015 than in 2014 even before the
21 petition was filed. Look exactly where it starts dropping
22 off you can see that it drops dramatically from March and
23 April and May. That was the huge decline, which was a full
24 two months before the petition was filed, so much for
25 post-petition affects. So as to point one that imports

1 increase at similar rates the answer is no.

2 Let's look at Slide 3. We cannot discuss data
3 from the importers' questionnaires, but we know the average
4 unit value of Mexican import prices in all three years of
5 the POI were higher than corresponding Turkey and Korea
6 prices. This is clear evidence that the three countries
7 sell at different price points. Mr. Stoupignan had
8 explained that one of the reasons is Mexicans sell in
9 truckloads and have very short lead times. The other
10 countries ship by ocean freight and have long lead times.

11 The underselling data collected by the
12 Commission is misleading despite being virtually having 100
13 percent import coverage as to imports from Mexico. Sales
14 from Mexico represented very small quantities of the
15 products selected compared to the domestic-like product.
16 This created an oddity of prices of imports from Mexico
17 underselling domestic-like product compared to underselling
18 by other subject imports. This is inconsistent with the AUV
19 data showing imports from Mexico with a higher average unit
20 value.

21 MR. GURLEY: Even accepting the underselling data
22 as presented in the staff report, the Commission should
23 still recognize that such underselling reflects a very, very
24 small proportion of the subject imports from Mexico.

25 Future imports from Mexico will neither depress

1 nor suppress U.S. prices.

2 First, as I mentioned again, Mexican prices are
3 the highest amongst subject imports.

4 Let's look at slide four. Mexico is not subject
5 to any trade restraints on heavy-walled products, unlike the
6 other subject countries. The Commission also knows quite
7 well that there's an antidumping order against light-walled
8 products from Korea, Turkey, and Mexico. And the
9 Petitioners have argued that the countries must have shifted
10 their production to get heavy walled to get -- to make heavy
11 walled to get around these orders. But look at this chart,
12 the three Mexican companies have 0 percent rates in the
13 light-walled case. The all others rate is 3.7 percent.
14 Rather than be stifled by the AB case on light-walled,
15 imports from Mexico have been consistent and relatively
16 high. Moreover, they even increased from over 82,000 tons
17 in 2013 to over 84,000 tons in 2015.

18 And for the record, light-walled exports from
19 Mexico far surpass heavy-walled exports. This is consistent
20 with Mr. Stoupignan's testimony that his company, I think
21 like a lot of the Mexican companies focus on light-walled
22 rather than heavy-walled.

23 In summary, for purposes of threat, I think you
24 can see the Mexicans have a very distinct case.
25 Geographically the three subject countries at issue are in

1 the Pacific, the Mediterranean, and the Southern border.
2 They operate in different ways. The Mexicans have a big
3 advantage of being next to the American border. Mexico is a
4 single country which has profited most for the light-walled
5 orders. They basically have unfettered access to the U.S.
6 light-walled market.

7 Lastly, Mexico has a large home market which is
8 growing for subject merchandise. The staff report confirms
9 that a large majority of their production is sold in Mexico.
10 Some of the major companies in Mexico don't even sell to
11 America.

12 That concludes my presentation and I look forward
13 to any questions you might have.

14 MR. NOLAN: All right. This is Matt Nolan again
15 and we're going to close out with Turkey on threat for a
16 couple of minutes and I'm just going to make a few points.
17 I might not go through all the slides as time permits. But,
18 first, market share for Turkey. Turkey is a very small --
19 as been a very stable part of the U.S. market for a long
20 time. The witness from TATA International, Kevin McManus
21 testified this morning that he's been buying from Turkey
22 heavy-walled structural pipe for 19 years, around that time.
23 And has generally been consistent in the, you know, 1.5 to 2
24 percent of the market range. Now, you know, in 2013
25 Turkish market share was 2.1 percent. Did it go up in 2014?

1 Yeah, but it went back down again in 2015 to 1.7 percent and
2 this to me portends simply that when demand was going up,
3 they entered the market. When demand started to fall off,
4 they left the market. They ended up about lower than they
5 were when they started. So where's the injury here? Where
6 is there affect on the U.S. market?

7 The total increase in their tonnage, mind you,
8 was, 15,000 tons which is about one shipload of steel. One
9 shipment. All right. You take that away relative to two
10 million tons of volume in the U.S. market, it seems pretty
11 small.

12 Turkey accounted for the smallest amount of U.S.
13 imports compared to all subject producers. In 2015 we
14 accounted for 8.5 percent of U.S. imports which is obviously
15 smaller than Mexico and especially Korea and certainly quite
16 a bit smaller than Canada which was almost 50 percent of
17 imports. Turkey's imports are projected to increase further
18 in the future as you can see from the staff report and from
19 our brief. And, again, Canadian imports were the dominant
20 party.

21 This chart just gives you a visual representation
22 of Turkey's market share. Imports from Turkey are that
23 small red sliver in the middle. Imports from other sources
24 which is green is predominantly Canadian imports.

25 On the volume effects, the post-petition price

1 effects again like our brethren from the Southern border,
2 Turkey exhibited significant declines in 2015 relative to
3 2014. The pronounced effect really began more in April, but
4 certainly two to three months -- three months before the
5 petition was filed and continued after the petition was
6 filed. We do not deny the fact that after the petition was
7 filed purchasers don't want to buy HWR pipe from a company
8 under investigation. That is a natural effect absent
9 somebody trying to beat the market. Then we get into
10 critical circumstance issues. But in this case, after the
11 petition was filed, I think it's fair to say that purchasers
12 were more reticent to buy pipe from Turkey.

13 Having said that, that doesn't explain what
14 happened from April until September or October in this
15 market. You can see the departure, the absolute decline
16 starting in mid-October and November towards the end of the
17 graph there. That makes sense to me. What doesn't make
18 sense to me other than the fact that Turkey voluntarily was
19 pulling out of the market was the decline that took place
20 six months earlier.

21 Again, the departure of the subject imports from
22 Turkey took place far in advance to the filing of the
23 petition. It was not related to the petition.

24 The decline in domestic consumption, obviously
25 we've already talked about this at great length by the cost

1 of the falling prices in hot-rolled coil. Everybody knows
2 2015 was not a good year for the economy in a lot of ways.
3 The energy markets went into the tank. We'll probably be
4 talking about that in hot-rolled coil in a couple of weeks.
5 But certainly when energy prices go down as much as they
6 did, that affects the oil country tubular business, that
7 affects the world of lined pipe business. It affects a
8 whole host of businesses all of which use hot-rolled coil
9 which causes hot-rolled coil prices to go down and there we
10 have our effect that cascades into other markets like
11 structural pipe. It does not explain, however, that other
12 factory costs, as I noted earlier, increased to 2.5 percent
13 from the petitioners and their SGNA expenses increased 1.8
14 percent which is the bulk of their drop in operating income.
15 And, again, I go back to the concept of what happened with
16 the Canadian product? If they chose to source our of Canada
17 and that had anything to do with their operating income
18 results, the Commission needs to consider that carefully.

19 And, again, I would like to know how much money
20 the Canadians were making.

21 As for threat, you've heard me say this many
22 times before, yes, we accept the fact that Turkey is an
23 export oriented economy. They saw a lot of their product in
24 the domestic market, but Turkey is a world-class trader in
25 steel. They operate in hundreds of markets in the world.

1 And if you look at this chart, this is just illustrative of
2 their 2015 makeup of their exports and other markets.
3 Contrary to what Mr. Schagrin and the petitioner said this
4 morning, Iraq is a very big market for them. Has been.
5 The country was virtually destroyed and is being
6 reconstructed again for the third or fourth time. They use
7 a lot of steel in that process. Would it be better if they
8 didn't have to go through this? No. But we've just managed
9 to have ISIL exit out of a lot of parts of Iraq, what
10 happens after that? Reconstruction starts to take place.
11 That's an indicator of why some of that -- a lot of that
12 material is going to Iraq. The same thing goes for the
13 United Kingdom. A lot of material goes to the U.K.

14 Petitioners this morning made some noise about
15 the fact that they had to close the U.K. operation and that
16 closure was due to unfairly priced imports flooding in. And
17 I think the supposition was that Turkey had something to do
18 with it. My only comment there was Turkey was investigated
19 in 2011 for heavy-walled rectangular by the EU and that
20 petition was withdrawn for failure to find material injury.

21 The EU pulled -- they pulled the petition when
22 the EU was going to rule against them. So I don't think
23 that there was a good case for them to make.

24 So the point here is that there are lots of
25 markets that Turkey operates in. The U.S. is by far not

1 their largest market. It is a market and they will change
2 as necessary with the times. Turkey, you know, Iraq
3 accounted for most of their exports by quantity. Europe
4 accounts for another 33 percent of their exports. European
5 countries are by far their dominant position and remember,
6 this is 2013 to 2015. We already know that Europe has been
7 depressed. Right? And they're still selling these volumes
8 into Europe. So it's only going to get better unless
9 something really bad happens post-Braxen and we hope that
10 that doesn't happen.

11 At most the U.S. accounted for 10 percent and now
12 it's only 3.9 percent of their export markets and yet the
13 Turks are continuing to produce efficiently in a way which I
14 find to be fascinating. They are probably the most
15 efficient steel producers I've ever seen. If you go -- if
16 you ever had the chance to go to Turkey to a steel mill, you
17 would be astounded. They build these mills literally right
18 on the Mediterranean. I mean, the scrap goes in the mill
19 from the ship, goes off the ship, they make the product, it
20 goes back on the ship and it leaves. There's no more
21 logistically efficient way of doing shipments of steel port
22 to port than Turkey has.

23 Which leads to some conditions of competition
24 differences. Obviously we've already talked about the fact
25 that there are longer lead times with Turkey. That does

1 affect the price. If you have a lead time of three to five
2 months, you're going to require a bit of a discount on the
3 price because you don't know where it's going to go. And
4 based on what we've seen in this market in the last three
5 years, that risk is well advised because we've seen huge
6 swings in the heavy-walled market. There's a reason why
7 there's a premium the U.S. gets because they can deliver on
8 a shorter lead time and the buyers don't need to take a
9 discount.

10 In addition, Turkey only does letter of credit or
11 cash. That's a bit of a difference in terms of the markets.

12 I would also note again on the geographic
13 segmentation issue, Turkey only operates or the vast
14 majority of Turkish product only goes into port areas. It
15 goes into predominantly Houston, Savannah, Louisiana, New
16 Orleans, a little bit goes into Baltimore, some into New
17 York and you can -- you know, but it's all east coast and
18 Gulf markets. And almost all of that product, if you look
19 at the staff report, you have the details, most if not all
20 of that product goes into within 100 miles or so of those
21 cities. Because the transportation costs make it too
22 expensive for them to go further. They can be competitive
23 in the port areas because of the cheap cost of shipping by
24 water. But the second it gets on land and has to go by
25 truck or rail, they lose an advantage. And that's one of

1 the reasons why you see U.S. mills in various parts of the
2 country. Bull Moose says they have seven facilities. I
3 think they have seven facilities to keep it close to the
4 buyers because it's more efficient that way. You don't have
5 to move the merchandise long distances.

6 In terms of demand for the future, obviously we
7 have things like construction. I will accept the fact Mr.
8 Schagrin said that demand is down in Turkey. I dispute that
9 fact. The Turkish construction market is still fairly
10 robust. They are building a new airport. They are building
11 -- they just finished building a new bridge. They're
12 building more bridges. If you were to go to Istanbul and
13 just walk and drive around the city you will see so many
14 construction cranes it boggles the imagination. So there's
15 still a lot of activity there. It is projected to increase
16 in -- take an increase in market share of their production.
17 And I expect that trend to continue.

18 In the end, Turkey just -- their import levels
19 are just not significant enough to have an effect on the
20 U.S. by themselves. And I don't -- I don't see the volume
21 or price effects from them particularly since the driver
22 here is the hot-rolled coil. It's the coil prices that are
23 driving the price changes. And, again, if the U.S.
24 petitioners can afford to switch sales to Canada, which by
25 their own definition are higher-priced sales, they can make

1 money. But they chose to make it from Canada, not the
2 United States.

3 Thank you.

4 Okay. That concludes our presentation.

5 CHAIRMAN WILLIAMSON: Okay. Thank you. This
6 afternoon we will thank the panel for coming and this
7 afternoon we will commence the questioning with Commissioner
8 Broadbent.

9 COMMISSIONER BROADBENT: Okay. Thank you, Mr.
10 Chairman. I want to thank the witnesses for coming. I
11 appreciate your presentations.

12 Is there a sharp decline in demand -- if there
13 were a sharp decline in demand for HWRT for the products, is
14 it reasonable to assume that foreign supply would be
15 expected to decline more rapidly than domestic supply?

16 MR. NOLAN: I think that foreign supply will
17 decline, but it's going to take a little bit longer
18 depending on, again, the lag time. Remember -- suppose -- I
19 mean, if you're talking about Mexico, you might have a
20 quicker reaction in Turkey. If something has already been
21 ordered, it's on the water and it's going to be delivered in
22 30 to 60 days, you're going to see a bit of a lag. But you
23 would expect to see that phenomenon to occur. And in fact,
24 I think you do see that occur particularly with Turkey that
25 the imports declined. But, you know, if you've got to build

1 in that 60 to 90-day lag and start looking at the charts
2 from that perspective, then it becomes a lot clearer.

3 That also starts to help you with things like the
4 price underselling analysis. Because if you start thinking
5 about that shift, a buyer buying a product from Turkey today
6 that's going to get delivered 90 to 120 days from now,
7 you're seeing the price here that was negotiated here. So
8 you've got to be careful with your underselling pricing
9 review for countries where there's a longer lead time.

10 COMMISSIONER BROADBENT: Okay. All right. How
11 do you respond to Petitioner's argument on page 8 of their
12 prehearing brief in which they say that the increase in
13 non-subject imports does not negate the effects of the
14 increase in subject imports?

15 MR. NOLAN: I mean, the -- there are just two
16 different things happening. Obviously there was a pretty
17 big increase in non-subject. The increase in the subject
18 imports was the results of the increase in demand and also,
19 I guess, the increase in the hot-rolled coil prices that
20 took place in 2014. So, I think all of us that tried to
21 make the same argument that we're following the market and
22 if prices increase, we'll increase our prices, if demand
23 increases, there will be a small up tick in shipments. But
24 otherwise, we're behaving no differently than any other
25 company would be in America.

1 MR. GURLEY: I mean, my response to that is that
2 subject imports were modest to begin with. They had been in
3 the market before that for a long time, so what we're
4 arguing over is that one year increase in 2013 to 2014 which
5 then self-reversed itself starting in 2015, long before the
6 petition was filed.

7 So the question then becomes, you know, is that
8 -- is that enough? Right? And I come back to, if that was
9 -- if that's -- we don't believe it's sufficient. We don't
10 believe that that establishes a factor that contributes to
11 material injury. I find it far more interesting that the
12 non-subject kept increasing regardless of what was going on
13 in the market in the U.S. What didn't pull back in the face
14 of declining demand? Canadian imports went up in the
15 declining market. Right?

16 That tells me somebody made a decision to source
17 their product from another non-subject country and it just
18 so happens in this case that the biggest producers are
19 sitting in the room. That their affiliates make that
20 product. And, again, it's high priced product. Could you
21 have sourced a product you're selling in Detroit from Canada
22 or the United States? Do you source it from the United
23 States? That's a U.S. sale. That's a profit to the U.S.
24 and that's an offset against your production costs. If you
25 decide to do it in Canada, you've lost it. The profit is

1 all in Canada now.

2 COMMISSIONER BROADBENT: Okay. Let's see. On
3 page 5-5 of the staff report it reports that 25 out of 32
4 purchasers reported that changes in the price of hot-rolled
5 coil affected their price negotiations. In these price
6 negotiations, are purchasers citing knowledge of individual
7 purchases, purchasers' raw material costs, or are they
8 citing publicly available hot-rolled price data when they
9 ask for real-time productions in spot sales?

10 MR. McMANUS: This is Kevin McManus. The
11 hot-rolled coil price leads the tubing price significantly.
12 So people monitor the hot-rolled coil price much more
13 closely in anticipation of what the finished product, the
14 tube trends will be in price. And on the foreign buys, it's
15 the lead time and such as there's a hedging function
16 essentially because the material won't arrive for four to
17 six months. By buying that now you're anticipating higher
18 hot-rolled coil prices in the coming months domestically
19 perhaps or even internationally. You want to lock in those
20 lower values for delivery four to six months hence. And
21 this is a mechanism to do that without having to fill up
22 your warehouse and expend immediate capital and working
23 capital and such. You can lock in some of these prices
24 today for delivery in six months hence. And there's value
25 in that. That's why there is lag time and in the 2014

1 import numbers were higher than '13 and people anticipating
2 the coil prices going up. I need to get ahead of this. I
3 need to place some orders for what my customers are going to
4 need, what I'm going to need six months hence. And that's
5 why you see that. Not some under pricing type of
6 phenomenon.

7 MR. NOLAN: But I would say that what you'll find
8 is -- I mean, this morning the testimony this morning sort
9 of focused on a static function. What's the price today?
10 What's the price today? That's not what they're looking
11 for. They're looking at the price trend. They're looking
12 at, okay, today hot-rolled coil prices are 550, but they're
13 going down to 530, and now they're going down to 520. Oh,
14 my gosh, I've got to start paying attention and change the
15 way I'm looking at the market because it's changing on me.
16 And that's what they're all focused on, the buyers are all
17 looking at this concept of what's the trend line? And when
18 the trend line starts to go down, it can be self-reinforcing
19 to some extent. It will feed on itself until it hits the
20 bottom and then it goes the opposite direction. And we saw
21 a perfect example of that cycle in this case. We went from
22 between 2013 to a high in 2014 to a low at the end of 2015
23 and now the cycle is going back up again. So you've
24 actually seen a complete economic cycle in this mini
25 industry.

1 COMMISSIONER BROADBENT: Okay. Just to be kind
2 of devil's advocate here, so are declines in HWRT of
3 industry profits the results of reductions in raw material
4 costs as reported in the Mexican brief on page 24, 25 or
5 wouldn't lower raw material costs or any lower costs tend to
6 improve profitability?

7 MR. NOLAN: Well, obviously lower raw material
8 costs will help to the extent that prices are not going down
9 even more or at the same level.

10 COMMISSIONER BROADBENT: Right.

11 MR. NOLAN: But then we have the issue here that
12 everybody is watching hot-rolled coil prices and saying, ah,
13 well, I saw the hot-rolled coil price drop by 10 percent
14 last week. I want you to give me a 10 percent discount on
15 it this week and your margins will start to get squeezed
16 because in that declining market you've just bought your
17 coil at \$450 ton --

18 COMMISSIONER BROADBENT: Yeah.

19 MR. NOLAN: -- and the customer is now looking at
20 saying, well, I want the hot-rolled finished product at \$460
21 a ton but when you bought it you were expecting to get 480 a
22 ton. So you get caught in a have have I keep calling it the
23 cost/price squeeze, right? You bought inventory today.
24 That inventory is worth a little bit less a week from now,
25 particularly when the decline is quick. Right? And if you

1 look at the charts on hot-rolled coil that are in the staff
2 report, you can see how fast that line was going down. That
3 tends to mean you will get stuck with some high-priced
4 inventory costs which has two effects. One, your raw
5 material inventory is high cost which is then translating
6 into a lower valued finished product which you make over
7 time; and two, to the extent that you've got finished good
8 inventory that's taking a hit because you made it assuming
9 you were going to get price one, but it's price one minus
10 something when you actually get to sale point. So it does
11 affect your margins overall. And once it starts to affect
12 it that way, then when you have fixed costs, you have fixed
13 costs that are being spread over fewer dollars. Right? So
14 it tends to magnify the effect to some extent.

15 COMMISSIONER BROADBENT: Okay.

16 MR. McMANUS: Tubing will also typically add
17 three or four months of hot-rolled coil raw material
18 inventory. So when changes happen immediately, they have
19 those costs as fixed. They already purchased that steel --
20 going on 17 days or something of finished product. So there
21 is a lag there. It's the LIFO/FIFO of accounting issues
22 and stuff like that too. But they'll have much more raw
23 material inventory than finished good inventory typically.

24 COMMISSIONER BROADBENT: Okay.

25 MS. NOONAN: This is Nancy Noonan, if I could

1 just add? We heard this morning, again, even when those raw
2 material prices start going back up, they can't immediately
3 get that price increase pushed through to their customers.
4 They make an announcement and it takes three to four weeks.
5 So, you know, again, you do have these lags that would
6 explain why profitability isn't jumping as fast as you might
7 think even when these raw material prices are changing.

8 COMMISSIONER BROADBENT: Okay. Let's see. How
9 do you respond to the petitioners' argument on Page 60 to 62
10 of the prehearing brief that the U.S. remedy orders on
11 alternative products or inputs, including hot-rolled steel
12 that is currently subject to investigation, and the 2008
13 anti-dumping orders on light-walled rectangular pipe and
14 tube will cause producers in all three countries to shift
15 production towards HWR pipe and tube?

16 MR. GURLEY: I can -- and I can let Carlos speak
17 as well, but I think I've dealt with the issue of the
18 light-walled for Mexico really doesn't have any impact. But
19 petitioners' comment suggests that these companies that make
20 hot-rolled steel are also making heavy-walled product or
21 something, and I don't think that's true. If a big Turkish
22 or a big Mexican hot-rolled producer is, for some reason,
23 blocked out of the market, then how would that impact
24 somebody else's production of heavy-walled product?

25 Second, these upcoming cases, just for the

1 record, they don't involve Mexico, so we won't impact Mexico
2 at all.

3 MR. NOLAN: I guess I have some difficulty with
4 engaging and conjecture over what might happen, you know, a
5 year or two from now. We're talking people building new
6 pipe mills essentially. At that point, is there going to be
7 a surge in activity in these countries to build mills that
8 are not subject because of hot-rolled coil being subject?

9 I could postulate for the exact opposite. If a
10 number of countries get caught in a dumping order on
11 hot-rolled coil, the overall price level of hot-rolled coil
12 is going to go up across the board. And that means the
13 price of everything is going to go up.

14 And so I'm not sure you can make a judgment at
15 this point about whether or not putting an order on
16 hot-rolled coil, which isn't even gotten to the final yet,
17 is a good use of the Commission's time when we're talking
18 about heavy-walled rectangular pipe right now.

19 I think it might be a little bit unfair to the
20 respondents to say, "Well, wait a minute, what happens if we
21 find the case over here." Suppose Turkey gets out of
22 hot-rolled coil. Suppose we had zero margins. Right? I
23 mean we could postulate and suppose all day long, so I kind
24 of prefer not to.

25 COMMISSIONER BROADBENT: Okay. Thank you. Mr.

1 Chairman.

2 CHAIRMAN WILLIAMSON: Thank you. Commissioner
3 Kieff.

4 COMMISSIONER KIEFF: Thanks. I join my
5 colleagues in thanking the panel for coming and presenting
6 and explaining. Let me ask a question about Korea. They're
7 not here. That's hard. I don't mean to hurt them by their
8 absence, or hurt you because you're not them. But therein
9 the case, and they're not here, and we have to as best as we
10 can. Do either of you take a position on what impact Korea
11 has on this case?

12 MR. GURLEY: I think from the Mexican side, I
13 will say that first off, the staff report does include
14 certain data for Korea, so there's something to work with.
15 More importantly from our side is that I think, and Carlos
16 can speak to this as well, is that the Mexico is sort of in
17 its little orbit of mostly down on the Southwest and Central
18 Texas. And Korea is predominantly, I think, on the West
19 coast. So Koreans do or do not do, frankly, before this
20 case, or after this case, doesn't have that huge an impact
21 on the Mexicans.

22 MR. NOLAN: As usual, it puts the Commission in
23 a difficult position. I've had this come up a few times in
24 the more recent history of when we were up here with you all
25 and other countries. Obviously there is information in the

1 staff report. You got to go with the best information
2 available that you can look at.

3 I certainly think if you decided to go threat
4 and consider decumulation, there would be a good argument
5 there because I think Korea exhibits a very significant
6 difference in its behavior relative to the other respondents
7 that have participated in this investigation.

8 I would always caution the Commission about not
9 taking an adverse inference for what we're doing, as opposed
10 to Korea, but you've got to make a decision. And I don't
11 envy that. Because you guys don't have as much information
12 as you would like to have in that situation.

13 COMMISSIONER KIEFF: So certainly on, loosely
14 speaking, the threat question, you've pointed out that, with
15 respect to a comparison between Turkey and Korea, there are
16 a lot of differences and so if one were to get to a question
17 about whether the channels of production and markets are
18 similar, you think they're different in material ways?

19 MR. NOLAN: I think so. I mean, the first one
20 is geography. All the Korean material goes onto the West
21 coast. Turkey doesn't go anywhere near the West coast. I
22 mean, could you find an example of one piece of tubing going
23 there? Possible.

24 But from an economic perspective, that makes no
25 sense for them to ship from Texas or East coast all the way

1 across the country by rail or truck to get it to the West
2 coast. Economics don't make sense.

3 The pricing patterns are different. We saw the
4 AUVs. We can't put confidential data up here, but if you
5 look at the other data that's on the record, just the public
6 AUV just now put up showed that Korea was significantly
7 lower in its average AUVs. I think its behavior also was
8 different in terms of the way it reacted to the market
9 changes.

10 We have Turkey and Mexico, which had significant
11 declines and there are market levels in 2015, I don't think
12 you consider the same thing for the Koreans. So I can make
13 distinctions and we can address this in the post hearing
14 brief in more detail, but I can see some real differences
15 there.

16 COMMISSIONER KIEFF: And am I right in thinking
17 that the Mexican take on the same question is similar? That
18 there are material differences between the Mexican and
19 Korean approaches to the U.S. market?

20 MR. GURLEY: Yes. And I think we put that in
21 our initial brief, and we'll reinforce it in our post
22 hearing brief as well. I mean, as Matt mentioned, the
23 Average Unit Values are certainly different, and the biggest
24 issue again being geography. So there's just not that much
25 interaction between, certainly the Mexicans and the Koreans.

1 COMMISSIONER KIEFF: And then, switching gears
2 from a discussion about threat to a discussion about injury.
3 It sounds like you agree with many of the points made by
4 your counterparts in the morning panel about how tightly
5 connected pieces of the market are to each other.

6 But you highlight different significance from
7 that tightness and you highlight, if I'm hearing you
8 correctly, that some of the tightness in the value chain
9 could cause what you were referring to a moment ago with my
10 colleague, a cost-price squeeze effect, and a tumbling down
11 effect, and you highlighted some other effects. And that
12 those effects might add up to an inference of no causation.

13 MR. NOLAN: That's correct. I mean that is
14 pretty much the crux of our case. We don't see causation
15 here. We don't see the imports have a role in what's
16 happening to the U.S. industry here. What I see is that, as
17 in the questionnaire responses all validate this, the staff
18 report validates it, the witnesses validate it, that
19 hot-rolled coil prices are the single biggest drivers -- not
20 the only one, but it is the biggest driver here by far and
21 you can see the correlation was almost perfect with
22 hot-rolled coil price changes and changes in heavy-walled
23 prices.

24 So that tells me a lot. It also tells me that
25 if you look at the chart that the petitioners end with, they

1 show this declining, you know, percentage on percent of
2 hot-rolled costs and structural tubing prices. It just so
3 happened that, yes, there is a confluence there in putting
4 the imports and superimposing them against their margins.
5 But that margin also shows where it's at a tight -- it's
6 where coil price was rising, so they're getting better
7 margins.

8 And the apex is when they meet here. That's
9 when the market started to crash. So I have a completely
10 plausible, logical, and I think more coherent, explanation
11 for why the margins were decreasing on their profitability.
12 Imports were there the whole time and yet, you know, they
13 didn't seem to be the effect driving any of this to me.

14 MR. GURLEY: Just a brief point. I think it was
15 one of the witnesses from Atlas also mentioned very clearly
16 that sales to some of their larger customers like John Deere
17 and that group of agricultural equipment, went down in 2015,
18 and that has nothing to do with Mexico or Turkey or anybody
19 else. That just happened to be a condition of competition
20 that their big customers started buying less.

21 MR. NOLAN: And I can attest to the fact that
22 Turkey does not sell to OEMs. It can't. In fact, as far as
23 I know, and the Koreans aren't here, so we can't be sure. I
24 don't know if the Koreans can sell anything to them or not.
25 But I'm pretty sure most of the OEMs, like the John Deere's

1 of the world, buy only from the U.S. producers or from
2 Canada. And that would be pretty characteristic, because
3 they get a big volume deal out of them.

4 COMMISSIONER KIEFF: Is part of that the volume
5 or is part of that just the shipping logistics that builds
6 in the inherent delay --

7 MR. NOLAN: I think part of it is shipping
8 logistics. I mean it goes back to my earlier comments on
9 transportation costs. You look at the mills. Why did
10 Canada come in so much? Apart from whatever motivation
11 might be for why, you know, in terms of profitability, the
12 fact of the matter is, they're proximate to Detroit, they're
13 proximate to Illinois, they're proximate to Indiana.

14 COMMISSIONER KIEFF: But I -- I just want to make
15 sure I'm hearing -- part of that is, let's call it the cash
16 cost of paying a shipper. The other part of that is the
17 insurance or future or risk cost of uncertainty due to a
18 significant time delay.

19 MR. NOLAN: Yes. I think that's right.

20 COMMISSIONER KIEFF: Those are two very
21 different costs.

22 MR. NOLAN: And if you're John Deere and you're
23 buying mostly on a spot basis, do you want somebody, you
24 know, "I want it next week." Right? Just in time. That's
25 going to be the U.S. industry at that point.

1 COMMISSIONER KIEFF: Makes sense. I have no
2 further questions. Thank you very much.

3 CHAIRMAN WILLIAMSON: Okay. Thank you. Just to
4 make sure it's not an issue, do both respondents agree with
5 petitioners on the like product definition? I take it it's
6 not an issue we have to worry with.

7 MR. NOLAN: Turkey has -- I mean, this is a
8 commodity product. We don't have an issue. I'm not sure
9 why it got raised in the first place.

10 MR. GURLEY: We're not going to take a strong
11 position either way. I think that there was the discussion
12 and the brief talking about the automotive parts and whether
13 those should be a separate like product. We do it more from
14 our side as more of a condition of competition in the
15 Mexican market, as the Mexicans are focusing more on making
16 parts in Mexico. To my knowledge, they're not making parts
17 in the United States. We're shipping them out.

18 CHAIRMAN WILLIAMSON: Okay. Thank you. So we
19 can forget about that one. We talked some this morning
20 about productivity. I think one of you this afternoon --
21 I've forgotten this girl's name -- Ms. Noonan -- had said
22 that she thought that -- well, I think you disagreed with
23 the petitioner on the impact. I mean they were saying the
24 decline in productivity was a sign of injury.

25 And I think y'all were saying that it wasn't.

1 And I wanted to get further clarification on that. I mean
2 their point was that, I think, they weren't dismissing
3 workers and so, just their volumes were going down, and
4 their productivity's going down.

5 MS. NOONAN: Sure. This is Nancy Noonan. I
6 think what we were trying to say was, looking at the
7 employment indicators, that they are pretty stable through
8 the POI, you know, I think is -- perhaps it was Commissioner
9 Broadbent who might have observed -- you normally see in
10 these cases, you know, just tremendous layoffs and I --
11 personally I applaud the owners for finding a way to keep
12 their workforce going, but the fact is, they still have very
13 healthy production.

14 They still have very healthy profits. So I mean
15 the owners aren't really hurting themselves that much. I
16 mean, sure, their profits have gone down a little, but it's,
17 you know, they're not bleeding. So I think the point we
18 were trying to make was you do see healthy employment, you
19 see healthy investments being made in the industry, some new
20 companies are coming in still, you know, these investments
21 are just starting to come online now, but that was the point
22 we were trying to make.

23 MR. GURLEY: Just to add to that. Again, it's
24 good and humane they weren't firing employees, but also
25 they're business people, and one assumes that they thought

1 the market's gonna come back. If you think the market is
2 forever gone, if they're going to live in an eternal
3 decline, then you get rid of workers, but if you know that
4 hot-rolled coil prices go down and they come back and that
5 there is a cycle to demand, then you keep the workers. So
6 we can attribute part of it to humanity, but I think part of
7 it must be just good commercial sense.

8 CHAIRMAN WILLIAMSON: But it's also a business
9 -- is the decline relatively a negative?

10 MR. NOLAN: The decline in productivity is not a
11 positive. Let's say -- I'm trying to be honest. I'm not
12 trying to be smart with you here. But reality is we had a
13 6% decline in apparent consumption in 2015. That's going to
14 have a negative effect on production. It had a negative
15 effect on imports and domestic production. The only factor
16 that wasn't negative was Canadian imports. Sorry, I'm going
17 to be a broken record.

18 CHAIRMAN WILLIAMSON: I'm coming back to that
19 one, too. Thank you for replying declining productivity was
20 not a positive. Thank you.

21 Turning to the Canadian imports, the petitioners
22 made the point that, you know, the Arkansas plant they said
23 it closed because of the competition from -- I think it's
24 one of the factors of the imports. Mr. Nolan, you made a
25 big thing about Turkey, only when you get to the U.S. market

1 and you have land shipments, you only go 100 miles. So
2 their arguments were that that was a factor in why you
3 closed the plant. And let's face it, there's a lot of
4 production, I guess, sales along the Canadian border, or
5 near the Canadian border and all that.

6 So if that argument is true, that drives -- the
7 chance for land transportation in the U.S. drives the
8 Turkish distribution, why wouldn't it drive the domestic
9 distribution?

10 MR. NOLAN: I think it's a fair point. It does
11 drive the domestic distribution to some extent. And one of
12 the reason that you're not going to see any imports along
13 the Canadian border is there isn't an ocean. I guess if you
14 went through the St. Lawrence Seaway, you might get some of
15 that.

16 CHAIRMAN WILLIAMSON: Used to --

17 MR. NOLAN: But that's, it not as easy, so I
18 think you find that the market up in the mid-West is
19 completely dominated by U.S. and Canadian production. You
20 could make the product. They make the product at a high
21 enough price, could you physically move it further? Yes.
22 Could you choose not to move it further? Yes. This is an
23 economic efficiency argument.

24 If you have a plant that's 300 miles away and a
25 Canadian plant that's 50 miles away, would you choose the

1 Canadian plant? You would probably choose the Canadian
2 plant, all other things being equal. Could you have shifted
3 from the U.S. plant? Yes. Would it have cost you a bit
4 more? Yes. But would you have had a sale in the United
5 States by doing that? Yes.

6 So I think there is -- you make a valid point
7 that the geographic proximity argument both works for
8 everybody. It is an issue across the board. Why you see
9 Korean on the West coast. You see Mexico in the Southwest
10 area. You see Turkey in the Gulf area. That's pretty much
11 where you're going to find those products. Arkansas is in
12 the middle of the country. Is that close to a port? It's
13 still a transportation issue. Did that mill make anything
14 else though?

15 I guess I have a question for the Commission
16 about, to the extent any of these mills make other tubular
17 products, we have to be careful about that, because we all
18 know what happened to OCTG in the last year and a half or
19 two years. And that market is still trying to recover. And
20 it also uses the same type of steel and runs on the same
21 types of factories.

22 CHAIRMAN WILLIAMSON: Your last point raises a
23 question -- and one of the questions I had here was,
24 petitioners claim their foreign producers' ability to switch
25 production between heavy-walled and other products,

1 especially light-walled tubular products, using the same
2 equipment or labor, threatens the domestic heavy-wall
3 tubular products industry. How do you respond to that?

4 MR. GURLEY: You have to be tired of hearing
5 from me, so I'll let my client -- The question is, Carlos,
6 we just talk about how easy it is to switch between
7 heavy-walled and light-walled and why you would or would
8 not.

9 MR. STOUPIGNAN: Thank you. I'm sorry for my
10 bad English, I know you got very precise on that. But no,
11 it's not so easy, of course, because maybe it can look the
12 same. It can look the same, the same kind of mill, the same
13 kind of product, etcetera. But you need totally different
14 tooling to produce a tube, thick product, yes? Plus and for
15 limiters and to produce a light-wall. It's totally
16 different tooling, the tooling is not just the cost of doing
17 that. It's much bigger.

18 You have much more maintenance requirements,
19 much more time to make all the prepared for production and
20 also a very important issue. The scrap in heavy-walled
21 material is totally different than a light-walled material
22 because at the end, you are scrapping meters of products.
23 Yes? So in same size of heavy-walled, you have maybe 300
24 kilograms versus 30 kilograms.

25 And at the end, you need to take out, because

1 something bad welding or whatever, you need to take out five
2 pieces, five pieces, one and a half ton versus 150 kilos.
3 So of course, it's not so easy. And not all of the mills
4 are prepared for that kind of changes. Yes?

5 CHAIRMAN WILLIAMSON: Okay. But companies will
6 switch, I take it if it's some point it becomes
7 cost-effective?

8 MR. STOUPIGNAN: Sorry.

9 CHAIRMAN WILLIAMSON: Do companies at some point
10 switch from one to the other, maybe not frequently or often,
11 but --

12 MR. STOUPIGNAN: Yeah. Honestly in our case, we
13 do not do know an easy way. You know, that kind of
14 switching. Normally we define what we will produce and we
15 scope on that, unless you have, let's say, an industrial
16 product or something that it's enough to justify that kind
17 of changes.

18 MR. GURLEY: Commissioner, and also as I tried
19 to put in my presentation is that, if you look at the
20 shipments of light-walled to heavy-walled from Mexico to
21 United States, you'll see the light-walled are a lot higher,
22 and there's a reason for that. Most of the Mexican
23 producers already focus on the light-walled. So the barrier
24 -- there is no real trade barrier in the United States for
25 light-walled.

1 Secondly, the Average Unit Values for
2 light-walled are higher than the Average Unit Values for
3 heavy-walled. So there's little, if zero, incentive for the
4 Mexicans to use light-walled capacity to try to convert to
5 heavy-walled capacity.

6 CHAIRMAN WILLIAMSON: Okay. Thank you. This is
7 really more for post-hearing. And it gets to this question
8 of people thinking about the price of the raw material and
9 changes in price there. And I was wanting to take a look at
10 the Table, 2-1 on Page II-2, which looks at different
11 producers and how much they export, how much they make is
12 shipped to end users versus how much they ship to
13 distributors, and there are some differences there.

14 And my question is, is so is the distributor,
15 are they more likely to just, what I want to call, is play
16 this market guessing game. We're trying to figure, you
17 know, what's the direction of the raw material cost and
18 whether or not they might delay purchases, versus an end
19 user who may be doing a "just-in-time" operation and doesn't
20 want huge inventories and is not going to spend as much time
21 sort of gaming the market?

22 MR. MCMANUS: Kevin McManus. I'd say that's
23 correct. Where the distributor is more attuned to the
24 commodity market and moves the underlying metal pricing,
25 directions and trends, whereas the OEMs are focusing on

1 their business, making widgets or whatever the product is,
2 and the underlying commodity trends are less followed. The
3 distributor will tend to try to anticipate price movements
4 and adjust inventory to minimize inventory and price
5 declines and increase ahead of price advances.

6 CHAIRMAN WILLIAMSON: Okay. If that's the case,
7 post-hearing, could both petitioners and respondents take a
8 look at the table that I mentioned, and the differences
9 between domestic producers, the various -- and tell me what
10 does that tell us about the argument about that you've been
11 making on, regarding this movement of raw materials prices?
12 OK. Thank you. Commissioner Pinkert.

13 COMMISSIONER PINKERT: Thank you Mr. Chairman,
14 and I thank all of you for being here today and for being
15 here in the afternoon, as the day wears on. I apologize in
16 advance if I jump around a little bit in my questions, but
17 we've reached a point where a lot of the basic questions
18 have been addressed, and I have a few additional questions
19 that span a number of different areas.

20 First of all, in regard to the declines in raw
21 material costs, and whether they caused a decline in the
22 subject prices, how does your argument mesh with the data
23 that we have from 2014 through the first quarter of 2015,
24 and the actual amounts by which the raw material costs
25 decline versus the HWR prices? This is something that's

1 addressed in the Petitioner's brief, and I'm just trying to
2 get --

3 Now maybe that's not a representative period in
4 your view or there's some other issue. So I'm looking at
5 actual amounts.

6 MR. NOLAN: Of the period.

7 COMMISSIONER PINKERT: I'm looking from 2014
8 through the first quarter of 2015, and rather than looking
9 at rates or looking at other factors, just the amounts by
10 which raw material costs declined and HWR prices declined?

11 MR. NOLAN: So the absolute. So if raw material
12 prices went down 25 percent, why didn't HWR prices go down
13 25 --

14 COMMISSIONER PINKERT: Well, hypothetically it
15 would be if one went down 25 bucks and the other one went
16 down 30 bucks then, you know, explain the discrepancy.

17 MR. NOLAN: Right, I got you, okay. I think we
18 can look at that in the post-hearing brief.

19 COMMISSIONER PINKERT: That sounds good.
20 Secondly, I guess there's a theme here of discrepancies in
21 numbers. So we'll go to the second discrepancy. If there
22 is a discrepancy between subject import pricing and
23 non-subject import pricing, you've talked a lot about
24 Canadian merchandise, Mr. Nolan.

25 If there's a discrepancy in the pricing between

1 subject imports and non-subject imports, what accounts for
2 the discrepancy? Can you give me some idea of the market
3 dynamic that's driving that difference in pricing?

4 MR. NOLAN: Sure and, you know, we're not saying
5 that the -- I mean the data on the record from the staff
6 report shows there was some underselling, okay. Accepted.
7 Why? With respect to Turkey, as we testified earlier and as
8 I said in my earlier comments, the lead times to buy from
9 Turkey can be three months plus, right, up to six months
10 before you actually get the product.

11 If you're buying from Turkey, you're going to
12 want a discount to delay or defer some of the risk, let off
13 some of the risk that's attended to buying a heavywall
14 product today which you're not going to get until Christmas
15 or maybe Thanksgiving if you're lucky. So there's a
16 discount. I mean you can call it a discount or you can call
17 it the U.S. getting a premium, because they can deliver it
18 faster to you.

19 But when you're buying at that long a lead time,
20 there is going to be some demand that I don't want to bear
21 all the risk of the market going down. So I want you to
22 give me a bit of a lower price to defer some of my risk. I
23 think that's always been built into the market.

24 COMMISSIONER PINKERT: Okay. So the natural
25 followup question here is what about the discrepancy, if

1 there is any, between Mexican pricing and non-subject import
2 pricing? Obviously, Mexico is more proximate to the U.S.
3 market than some other countries, but so is Canada. So is
4 there a difference in pricing that can be explained as
5 between Mexican subject and non-subject?

6 MR. NOLAN: As with any tricky question, I want
7 to defer that to the post-hearing brief.

8 COMMISSIONER PINKERT: You must have seen that
9 coming for at least a minute.

10 MR. NOLAN: It's not working.

11 MS. NOONAN: Commissioner Pinkert, it's Nancy
12 Noonan. Can I just add that just yesterday, the Commission
13 released to us an importer questionnaire from Canada, and we
14 see that they did report some of their pricing product
15 information. So we are anxious to crunch those numbers and
16 see what that underselling looks like, if any, and we'll be
17 able to put that in our post-hearing brief.

18 COMMISSIONER PINKERT: Thank you. I'd
19 appreciate that, and I'm sure my colleagues would as well.
20 Now do you agree with Petitioners' argument at page 41 of
21 their brief that "Turkish volume trends clearly correlate
22 with the disciplining effect of necessary trade remedies,
23 and do not constitute a basis to decumulate"?

24 MR. NOLAN: No, we don't agree.

25 (Simultaneous speaking.)

1 MR. NOLAN: You asked a direct question and I
2 gave you a direct answer. Our position, and I think the
3 evidence on the record indicates that Turkey's behavior was
4 not influenced by the petition being filed, except very late
5 in the game.

6 The decline in import patterns from Turkey began
7 in the spring of 2015. That's a good three months before
8 the petition was filed, and if you take into account the
9 stuff that was already ordered or on the water was coming
10 here regardless, you're not really going to see a
11 significant effect on Turkey until probably October or
12 November.

13 If you actually look at the import data chart
14 that we put up on the record with respect to Turkish
15 imports, you see a dramatic falloff right about November.
16 Almost down to like less than 5,000 tons. That's the
17 post-petition effect taking into account. That's where it's
18 occurring for Turkey. That does not explain the prior
19 six-seven months' worth of behavior that was going on.

20 Turkey was reducing its presence in the market
21 without prompting, and this case was not broadcast. This
22 case came as a total surprise to everybody. The Petitioners
23 can't claim that this was like the hot-rolled case that
24 people were talking about it six months earlier. We weren't
25 all following American Metal Market, trying to decide when

1 is the hot-rolled case going to get filed. This one came
2 out of left field.

3 So there was no presaging. No one knew it was
4 going to happen, so there was no way for people to
5 proactively deal with the situation.

6 MR. GURLEY: Commissioner, may I add just one
7 comment is Mr. Jameson said this morning that one of the
8 post-petition effects was that, you know, importers are
9 going to be very leery about importing products which could
10 be subject to the application of anti -- AD and CVD duties.
11 I just want to note with respect to the Mexican side, most
12 of the Mexican producers are also the importer of record.

13 And so Maquilacero, Prolamsa and Regiopytsa, if
14 you go through the list of all the major producers, they
15 already are the importer of record. So these guys were
16 continuing to ship up to and past the preliminary
17 determination. So they have a different fact pattern than
18 perhaps the Turks and the Koreans.

19 COMMISSIONER PINKERT: Thank you. Now you heard
20 the testimony this morning in response to my question about
21 how long it takes for increases or decreases in price to
22 take effect in the U.S. market. I don't want to paraphrase
23 the testimony, but my recollection was that the panel said
24 that the effects were very immediate, very quick, and I
25 wanted to get some confirmation or disconfirmation from this

1 panel about that.

2 MR. McMANUS: Kevin McManus here. That's
3 correct. The hot-rolled coil prices lead the tubing prices,
4 not the reverse. So the steel mills, the producers, the
5 Nucors, the U.S. Steels are announcing prices or the market
6 declines, the market is setting these prices and the tubing
7 prices follow that.

8 It's typically immediate. Certainly increases
9 are immediate. I call it the rocket feather effect. They
10 go up like a rocket and sort of float down like a feather.
11 When it's gasoline, when oil goes up \$3 a barrel, it goes up
12 immediately at the gas station. But when it goes down, it
13 kind of goes a little slower going down. That's typically
14 what happens with the pipe producers also.

15 MR. STOUPIGNAN: It's clear that it goes up very
16 near close correlation about the price, the public prices
17 let's say that the buyer can hear or see or read, and the
18 decision of the buyer not to buy.

19 That public information is not all this. It's
20 about the hot-rolled prices. The hot-rolled prices is
21 something that they have in their hands all the time, let's
22 say in a weekly basis, not even in a quarterly basis or
23 monthly basis.

24 So it's a very, very common way to take
25 decisions for everybody. If every Wednesday, let's say you

1 have the official report of how is the price of the
2 hot-rolled coil, it's very easy that you can take a position
3 on what to buy or not to buy. Or about to decrease your
4 inventories or increase your inventories later.

5 By example, in the end of 2014, the price begins
6 to drop in a very quickly way, very, very quickly way. I
7 mean not month by month, week by week. Just as now we're
8 exactly in the opposite, and I don't know. Maybe in six
9 months, in the first six months of 2015, before any of these
10 issues even realize, the price drop, the public price of
11 hot-rolled dropped more than 30 percent, maybe 40 percent.

12 Of course, you have all the time to take
13 decisions to set it's going more and more down, I will not
14 buy anymore because of cost. I don't want to be more caught
15 in my position of inventories. Now we have exactly the
16 opposite, exactly the opposite. In the year from December
17 9th, I remember very well that point in 2015, to this moment
18 the price increased more than 70 percent.

19 So it's not related. Honestly, if one mill say
20 to other mill anything or any announcement, it's about how
21 do you take the decisions to buy or not to buy. When I was
22 reading my thing, of course that this year will be totally
23 different than the past year, and not because of one
24 decision of us. It's because of all these quantity of data
25 that you have, and that you are totally sure that the price

1 will be attached to the raw material price.

2 COMMISSIONER PINKERT: Thank you.

3 MR. McMANUS: The same customers buying this
4 tubing product are also buying hot-rolled coil. So they're
5 very attuned to that market. In fact, hot-rolled coil
6 probably is a larger portion of their steel purchases than
7 this tubing product. So they're very alert and attuned to
8 the hot-rolled coil market firstly. They're the same.

9 Just like the tubing mills are. The producers
10 that were sitting here today are very attuned to the
11 hot-rolled coil market. So they follow it very closely.

12 COMMISSIONER PINKERT: Thank you very much.

13 CHAIRMAN WILLIAMSON: Thank you. Commission
14 Johanson.

15 COMMISSIONER JOHANSON: Thank you, Chairman
16 Williamson. I'd like to thank you all for being here today.
17 Actually Mr. Stoupignan, thanks for coming all the way up
18 here from Monterey. I was wondering if you all could
19 discuss underselling a bit more. I'd appreciate if you
20 would comment on the frequency of underselling by imports.

21 I realize that you all contend that maybe the
22 number of instances of underselling appears a bit high, or
23 there are reasons for underselling. But in the staff
24 report, it's noted in the staff report that there are 161
25 out of 182 instances of underselling for the cumulated

1 countries. That's page 524 of the staff report. That's a
2 pretty high number.

3 MS. NOONAN: It's Nancy Noonan. It is, and as
4 we've been saying all along, we do recognize that the record
5 does show underselling. But the margins of underselling are
6 on average ten percent, which really is not -- not what you
7 normally see. You normally see much higher levels of
8 underselling, and we also point the Commission to the low
9 volumes that are at issue.

10 The import volumes are really quite low and even
11 for the domestic producers it only represented something
12 like 12 percent of their U.S. commercial sales. So there's
13 a lot of other product in the market, and when we looked at
14 the AUV figures, you know, particularly for Mexico, you can
15 see that their AUV figures are high.

16 MR. NOLAN: And I think you'll find that there
17 are differences, I mean significant differences among the
18 subject countries. On a cumulated basis, you're looking at
19 it one level. But there are significant differences between
20 the subject countries in terms of the underselling analysis.
21 There are, there are periods of time where, you know, the
22 record shows that Turkey was overselling the market.

23 That gets a little dangerous too, because again
24 the lag time, we're looking at prices being compared where
25 Turkey, it may have been an order that took place months

1 before that's coming in, and the pricing is being compared
2 today for something that was ordered prior.

3 I'm just sending a little cautionary tale with
4 some of the underselling analysis there, because it may not
5 be completely reflective of actually what the business
6 reality was in terms of those purchases for when there's a
7 significant lead time before a product gets here.

8 COMMISSIONER JOHANSON: Thanks for your
9 responses. Ms. Noonan, you mentioned and also this is found
10 at page 26 of the Mexican brief, that the average
11 underselling margin of ten percent is pretty low. But given
12 that this is a commodity product, isn't a ten percent --
13 isn't ten percent conservatively the difference between
14 profit and loss for most producers?

15 MS. NOONAN: Well, I mean again, I think we
16 would just have to point to the explanations, that there is
17 more risk when you're buying from overseas and you have the
18 lead time involved, and if you look at the Mexican volume
19 for the five pricing products, it's quite low. In fact, I
20 think we have it in the brief. It's significantly lower
21 than the other countries as well.

22 So there you've got a situation where you can
23 contrast a country that doesn't have a huge lead time for
24 shipments, and you see that there's just less volume coming
25 for them. In 2015, back toward the end, you did see more

1 overselling. I know Mr. Schagrín's argument is that's
2 because the U.S. producers dropped their prices to meet the
3 competition.

4 But I think, I don't think the record supports
5 that. I just think that, you know, we were adjusting to the
6 market like everybody else and just the prices increased.

7 MR. NOLAN: You have to consider also, I mean,
8 and Ms. Noonan touched on this is, you know, this also goes
9 back on the conditions of competition. Yes, there may be a
10 ten percent difference theoretically in the price of that
11 import versus the domestic. But that import, again, has the
12 longer lead time.

13 It's limited in what market it can penetrate
14 into and it has more limited availability. There are more
15 restrictions on what you can do with it in terms of how you
16 get it, when you get it, and if that -- to take that
17 argument to its logical conclusion, then imports at a ten
18 percent lower rate would always win. They would always --
19 there would be a huge influx.

20 But we didn't get that here. We had a one year
21 increase when the market was going up, and then a decrease
22 when the market's going down. In fact, the only import that
23 went up was the higher priced Canadian imports, which begs
24 the question the price can't be the only driver here. It
25 can't be that that underselling margin is the key, because

1 the higher priced sales were being made. They just were
2 being made more in the U.S. and in Canada than anywhere
3 else.

4 MR. GURLEY: This is John Gurley. Understand
5 that, you know underselling really only matters if they're
6 losing sales or losing revenue. I think one of the things
7 that we had complained about with respect to their original
8 petition, I think the record right now doesn't reflect a lot
9 of lost sales and lost revenues, especially to the Mexicans.
10 I think the record is completely devoid of that.

11 I think that represents the fact that we have a
12 geographic market in many respects. So if somebody's
13 getting \$100 more a metric ton in Detroit, that's fantastic
14 for them, right. But you know, that reflects freight and
15 all kinds of other things. If they've lost sales to
16 Mexicans, they really haven't been able to show it.

17 COMMISSIONER JOHANSON: All right. Thank you
18 for your responses. Now at pages 46 to 47 of the Mexican
19 brief, you all outline a condition of competition that you
20 think distinguishes the Mexican industry from the other
21 subject countries, namely the ability of Mexican industry to
22 deliver subject merchandise to the U.S. quickly.

23 To the extent that this is a distinguishing
24 factor, isn't this also a factor that would tend to support
25 an affirmative threat determination if Mexico is

1 decumulated?

2 MR. GURLEY: I don't think so, for the very
3 reasons that we talked about earlier. There's just limited
4 competition between the Mexicans and anybody in their
5 backyard. If you look, have some Mexican sales gone to the
6 southeast? Yes, but not that many. Have any Mexican sales
7 gone to California? Virtually none.

8 Where they've typically focused their sales on
9 has been South Texas and Central Texas, etcetera, where
10 they've been doing business for years and years and years.
11 At a time when, you know, they in theory had unfettered
12 access because there was no duties, they dropped their
13 shipments to the United States significantly.

14 So they've shown themselves to be a very patient
15 and very responsible exporter. So there's nothing that
16 would lead me to believe, I think you believe that if
17 there's -- if you make a negative determination as to Mexico
18 that suddenly they'd be flooding the market. They'd have no
19 reason to. Their past behavior doesn't show it, plus I
20 think the market conditions of Mexico make that very
21 unlikely.

22 COMMISSIONER JOHANSON: Thanks for your
23 response, Mr. Gurley. I'd appreciate it if either you or
24 perhaps Mr. Stoupignan could discuss this next question.
25 This morning, I asked Petitioners about trends in the

1 Mexican home market relating to demand for steel and HWR,
2 and I said that it appeared that the data in Table 7-7
3 appeared to confirm that story. Could you discuss further
4 what is going on in Mexico with demand?

5 MR. STOUPIGNAN: I don't see the 7-7, but I can
6 see it --

7 (Simultaneous speaking.)

8 COMMISSIONER JOHANSON: Sir, I think that's
9 proprietary. I think that's why I just referenced the
10 table.

11 MR. STOUPIGNAN: Yeah. What is happening now in
12 Mexico with the demand, there are two things that are of
13 course the reality of our country. One is that we have a
14 lack of infrastructure, that the infrastructure is very
15 related to these kind of products, where not just the public
16 infrastructure, also the private infrastructure, that they
17 need these kind of products, yes.

18 So it's going well for us. We can see that we
19 are going very stable in the growing right, not in the last
20 month, in the last years in Mexico. And on the other side,
21 there is ^^^^ the real situation is the industry. The
22 industry is getting more and more complexity and it's asking
23 for more kind of specialties, and these kind of products can
24 be specialties in some way, in some way because as we said
25 in the morning, if you want to make a tractor, for example,

1 it's just any kind of product that you can put there, yeah.

2 You need a special product, take product
3 resistance, etcetera, etcetera, and it helps the demand,
4 local demand for these kind of products. The rise of the
5 industrial demand in our country is very interesting in both
6 ways. Personally, or not personally, in my company we are
7 very, very focused on the high end industry.

8 This is not just automotive, but of course they
9 consume rectangular tubes, but also other kind of complex
10 industries that are increasing the demand another digit,
11 another single digit, two digits. Really big consumption.
12 So because of that, I was explaining that the trend in our
13 country and our sales are changing totally versus the
14 previous picture. So much that this year we are totally --
15 the rate of growth is totally different versus the United
16 States market.

17 But of course we respect and we will be there to
18 be with our customers. But it's incredible the demand that
19 we are having for this kind of industrial specialty
20 products.

21 COMMISSIONER JOHANSON: So the Mexican economy
22 is growing, industry is growing, and I know as far as major
23 infrastructure projects go, I know that there's a new
24 airport being built in Mexico City, I think. Are there
25 other major -- is the government focusing in general on

1 infrastructure?

2 MR. STOUPIGNAN: Yeah, yeah. The government's
3 focusing in two or three very clear things. One is very
4 simply the ports. We used to have very, very poor quality
5 infrastructure in the ports, and not just that. We have
6 poor quality in roads that can cross the country from one
7 sector or site.

8 As we have two mountains and I don't know how to
9 say it in English, but two chains of mountains, you need
10 bridges, and you need a lot of heavy kind of materials to
11 construct that kind of things. Because of that outside
12 construction needs this kind of product.

13 MR. GURLEY: Yeah, and one quick comment.
14 Sorry. What Carlos had mentioned to me this morning is that
15 the Mexican economy is, you know, it's not just a single
16 thing. It has construction, industrial and also energy.
17 One part of the economy that has not gone particularly well
18 is obviously Pemex and the Mexican oil industry.

19 So they're going down, but that doesn't really
20 have an impact on the construction industry or the
21 industrial industry. That's really specific to Pemex.

22 MR. STOUPIGNAN: Yeah.

23 COMMISSIONER JOHANSON: Right. Well, thank you
24 for your response. I appreciate it. My time is expired.

25 CHAIRMAN WILLIAMSON: Thank you. Commissioner

1 Broadbent.

2 COMMISSIONER BROADBENT: Yeah. I just had one
3 last question here. I'm looking at the Petitioners' slides,
4 Slide No. 10, which continues to perplex me, and I just
5 wondered if you guys had a comment on it. This is the slide
6 that's entitled "Raw Material Costs Alone Do Not Explain
7 Falling Structural Tubing Prices."

8 COMMISSIONER BROADBENT: I am looking at this
9 green line, which is the spread between hot-rolled prices
10 and structural tubing prices, and I think Ms. Noonan's
11 presentation had something similar relating to that spread.
12 How do we account for the increase in the spread in 2015?

13 MR. NOLAN: So we're talking about the spread
14 between--

15 COMMISSIONER BROADBENT: Yeah, this is this green
16 line on--

17 MR. NOLAN: Yeah, the green line is the--okay, so
18 the green line is the percentage spread between hot-rolled
19 costs and structural tubing prices. So that's the
20 cost/price margins.

21 COMMISSIONER BROADBENT: Yeah, and I'm just
22 looking at that green--just look at the green line for a
23 second--

24 MR. NOLAN: Right. And subject imports going
25 down.

1 COMMISSIONER BROADBENT: Yeah, but just why is the
2 spread going up in 2015?

3 MR. NOLAN: The spread is going up in 2015--we'll
4 have to address it in the post-conference. I don't have a
5 good answer for you right now. I know there is one, I'm
6 just blanking out.

7 (Laughter.)

8 MR. McMANUS: The imports are typically ordered
9 four to five months ahead of the arrival.

10 COMMISSIONER BROADBENT: Yes.

11 MR. McMANUS: So their priced--fixed price at that
12 time, and then the data is recorded at the time of arrival
13 five months later. So the industry data is priced at the
14 time of shipment, which is the spot market as they spoke
15 about. So that might account for some of the timing issues
16 I think you're looking at.

17 COMMISSIONER BROADBENT: Okay, thanks. It's an
18 interesting graph and I'm not sure I completely understand
19 it.

20 Okay, thank you very much. And I know it's not
21 your graph.

22 CHAIRMAN WILLIAMSON: Commissioner Kieff, further
23 questions?

24 COMMISSIONER KIEFF: I have no further questions.
25 Thank you, very much.

1 CHAIRMAN WILLIAMSON: Okay, thank you. I have a
2 few and I'm going to jump around. Has the reduction in
3 demand for other pipe and tube products, particularly the
4 drop in demand for OCTG, had any effect in the U.S. market
5 for the subject products? And if so, why? You know, how
6 and why? I don't think this has been addressed before.

7 MR. NOLAN: No, I don't think it has. I will
8 start, and you can pick up for me. It's not a direct impact
9 in the sense of, that the structural pipe market is a
10 different market, as we heard from the Petitioners
11 themselves, but it's construction; it's original equipment
12 going into tractors and things like that. So that's more
13 dependent on the construction economy and those types of
14 demand factors.

15 But hot-rolled coil, which is used to make the
16 tubing, is also used to make standard pipe. It's used to
17 make OCTG. It's used to make line pipe. It's used to make
18 lots of downstream products.

19 So when there's a ripple in one part of the
20 market, it will affect the others. I go back to what
21 happened with the energy prices. When we had basically the
22 crash in oil prices, so that we went from \$90 to \$30 or
23 less, \$25 a barrel, there was a complete cessation of
24 drilling activity almost. I mean it was like plummeting.
25 Everybody was suffering down into Texas as a result of that.

1 That meant demand for OCTG plummeted. That meant
2 demand for any kind of tubular products in the energy
3 industry plummeted.

4 If you remove that big chunk of demand from the
5 equation, what do you think it does to the price of
6 hot-rolled coil? It drops like a stone, which is partly
7 what we're seeing here. That then creates a ripple effect
8 on another industry--i.e., heavy-walled pipe, which is using
9 that hot-rolled coil as its principal raw material.

10 So that other economic factor creates this effect
11 that affects the--but it's not a direct impact. It's their
12 cost of production. And so it does have a negative effect
13 in that sense, because that kind of volatility is generally
14 not a good thing.

15 I suppose the producers like it when the prices
16 are going up because they can keep taking the price up, up,
17 and their hoping to get better margins as a result. But I
18 think as a general proposition most people would like a
19 steady market, a more predictable market. That would lead
20 to the most improved demand in margins in general.

21 CHAIRMAN WILLIAMSON: Okay. Thank you. In the
22 preliminary stage of these investigations the Commission
23 found a high degree of substitutability between subject
24 imports and the domestic like product. Do you agree with
25 this finding? If not, why not? And if you do agree, I'll

1 just move on to the next question.

2 MR. GURLEY: Well I'll maybe give you sort of the
3 legal answer. Of course I think nothing is totally 100
4 percent interchangeable. Of course there's some
5 interchangeability, but I think what the Mexicans tried to
6 focus on is that's just one aspect of the sale.

7 All pipe are not alike. There are differences in
8 quality. But more importantly, there are differences in
9 service, lead time, et cetera, which make customers and
10 end-users make different decisions based upon which
11 supplier.

12 So are some pipes sort of alike? Of course, yes,
13 but it's not identical and there are differences.

14 MR. NOLAN: I think we would probably agree with
15 that. I mean structural pipe is generally a commodity
16 product by itself as a physical item. As long as it meets
17 the ASTM specs, it meets ASTM specs.

18 Having said that, we've talked a little bit about
19 the geographic issues involved. We've talked about customer
20 preferences involved. We've talked about the OEMs having a
21 preference for using domestic manufactured product because
22 of the supply chain security aspect that they enjoy with
23 that. And perhaps they are paying perhaps a bit of a
24 premium for that, but they are less concerned about price
25 fluctuations and more concerned about having stability of

1 supply to feed their internal structures.

2 So, you know, there are other factors that go in
3 besides just the physical characteristic here. And that's
4 my best response.

5 CHAIRMAN WILLIAMSON: Thanks. Another question
6 along this line. Table 4-4 shows that imports from the
7 subject countries are present in each month--in the market
8 in each month during the period. Does this undermine in any
9 way the argument that the Commission should not cumulate all
10 subject countries?

11 MR. GURLEY: I think our position has been, if you
12 look at where each country is exporting to and who their
13 customers are. And so just because Korea has imports in
14 California every month, and Mexico has exported to Texas
15 every month, it doesn't mean that they're competing against
16 each other.

17 CHAIRMAN WILLIAMSON: Okay. So in other words
18 it's not as relevant as some other factors for you. Okay.

19 The Respondents have said in the Petition that
20 price is of critical importance in the purchasing decisions
21 of subject product, and particularly if you take a look at
22 page, I guess page 2-23, or tables 2--I've got the wrong
23 tables here--but anyway, do you agree with that? Do you
24 know which tables I'm talking about where what the
25 purchasers and producers consider important?

1 MR. NOLAN: Right. I mean with respect to
2 Turkey, if you look at--price is a factor. It's always a
3 factor, right? It can't not be a factor. But it's not the
4 only factor, and that price is affected by things like
5 geographic proximity and these others issues that we've
6 talked about today.

7 And so stability of supply is an issue for an OEM
8 manufacturer more so than a trader. A trader may be looking
9 for a better price. OEM may be looking for more stability.
10 But having said that, you know, the price is also dependent
11 on things like how fast can I get it? How bad do I need it?
12 What's my anticipated future--you know, what's going to
13 happen in the market in the next six weeks, or eight weeks?
14 Do I want to try to beat the market and buy something right
15 now? Or am I willing to wait longer for it?

16 So there are a lot of other factors that go into
17 that decision process that affect price. And in the end,
18 you know, price--higher price seems to be pretty popular
19 with this product in the United States. I can't really
20 explain the Canadian product being so popular other than the
21 fact it was a higher price by their own definition, but yet
22 that product is selling quite robustly in the U.S. market.

23 So it can't just be price.

24 CHAIRMAN WILLIAMSON: Do you believe in NAFTA?

25 MR. NOLAN: I love NAFTA.

1 CHAIRMAN WILLIAMSON: Okay.

2 MR. McMANUS: The price is different for something
3 delivered in six weeks versus six months. There's different
4 value there. It's not immaterial. So there's also a
5 hedging function. Why someone would want to fix a price
6 today for delivery of material six months hence? They want
7 a known quantity of price. They're reducing their risk in
8 that sense. They have a future need, and there's a project
9 they have to build for example in January, so they fix that
10 price now. That's reducing their risk.

11 CHAIRMAN WILLIAMSON: I guess what I was getting
12 at, the tables that I referred to show that price was one of
13 the top factors.

14 MR. NOLAN: And I guess a part of it depends on, I
15 mean again price is a significant factor. But also
16 availability was a big factor. You know, there are other
17 things--I'm not going to dispute the fact that price is--

18 CHAIRMAN WILLIAMSON: --tables is --

19 MR. NOLAN: --would be disingenuous to you not to
20 admit that fact that price is relevant.

21 CHAIRMAN WILLIAMSON: Okay. Good. Okay, I think
22 that's all the questions I have.

23 Commissioner Johanson?

24 COMMISSIONER JOHANSON: Yes, I have some
25 additional questions.

1 In getting back to the whole issue of the market
2 for Mexican product, we discussed a moment ago the market in
3 Mexico. Looking at Table 7-9 of our Staff Report, which is
4 public, it would appear that in 2015 Venezuela, your third
5 most important market during the first few years of the POI,
6 it looks like exports to Venezuela fell to about zero over a
7 three-year period, a relatively short time.

8 Could you please comment on what happened to your
9 market in Venezuela and whether that puts extra pressure to
10 export to the United States?

11 MR. GURLEY: As a famous Mexican exporter, I would
12 like to answer this question, but I think Maquilacero has
13 never exported to Venezuela. Okay, so I'll have to ask the
14 others and sort of come back to you on that, sir.

15 COMMISSIONER JOHANSON: Because it looks like it
16 was at one time during the POI a major market, and now it's
17 like fallen off.

18 Also, have you received any indications that
19 exports of Mexican product to Cuba will increase, given the
20 change in relations between the United States and Cuba?
21 Because talk about a country which from what I understand
22 needs new infrastructure--

23 MR. STOUPIGNAN: Honestly I never heard, up to
24 now, that possibility for any of us--

25 COMMISSIONER JOHANSON: You might want to look

1 into it.

2 MR. STOUPIGNAN: Thank you.

3 (Laughter.)

4 COMMISSIONER JOHANSON: Okay, I'm just curious
5 because I was looking at the countries to which Mexico
6 exports, and those two jumped out at me. But there are a
7 lot of smaller countries, as well, in Central America. But
8 it is clear that the largest market would be the United
9 States. And I know Mexico understands a very major market
10 as well.

11 Okay, this is kind of a different question.
12 During the preliminary staff conference last year
13 Petitioners counsel discussed an antidumping case that the
14 Mexican authorities were undertaking against imports of
15 rectangular pipe and tube from the United States. And this
16 can be found at pages 24 to 25 of that transcript.

17 First, could you all update the Commission as to
18 the status of that investigation? And second, could an
19 imposition of such duties against imports from the United
20 States be considered as a factor in a threat context?

21 In other words, if imports from the United States
22 were to decline, would the Mexican industry have to devote
23 more of its production to serving the Mexican home market?

24 MR. GURLEY: We will have to deal with that in our
25 post--

1 COMMISSIONER JOHANSON: I understand. It's kind
2 of a confusing question, but if you could discuss it I would
3 appreciate it.

4 And in getting to the issue of Turkey--and I see
5 Mr. Nolan and Mr. McManus--if you look at page 7-13 of the
6 Staff Report, which is a public, in which this data is
7 public, the table shows the top nine export markets for
8 Turkey. And while the European Union is the largest when
9 considered cumulatively, the largest single country for the
10 destination of Turkish exports is of course Iraq. You
11 discussed that a minute ago.

12 And also Syria is listed among the top nine
13 export markets. And it looks like exports to those two
14 countries have actually increased over the Period of
15 Investigation. Could you speak about the challenges of
16 having Iraq as a major export market, and also Syria? And
17 what this tells us about the United States as an attractive
18 market in comparison?

19 MR. NOLAN: Wow. I may have to get some help from
20 the actual producers in Turkey to answer that one. I do
21 know they've been very active in those markets for a long
22 time. For Turkey, think about where Turkey is. The
23 southern border is Syria. Iraq is very close to that.
24 There is a great deal of historical experience for them
25 working in those markets. That is the equivalent of Canada

1 and Mexico for us.

2 So they are very familiar with those markets.

3 Are they more of a challenge in a lot of ways? Absolutely.

4 Do they get I think a pretty good price because of those

5 challenges? I think they do. I would like to talk with

6 them and address that in more detail in the post-hearing

7 brief, but it's not a surprise to me. I mean almost every

8 case I've ever worked on involving Turkey there was a

9 significant percentage of their exports going to other

10 Middle Eastern markets. And a lot of those markets happen

11 to be in conflict areas where there is a lot of issues, but

12 there is also a lot of reconstruction that has gone in

13 place.

14 I can remember a rebar case that we had a sunset

15 review on several years ago, and that was after the Iraq

16 War, and there was just an incredible amount of material

17 that they were sending in to rebuild the country at that

18 point.

19 So I can probably go back to Turkey and ask our

20 brethren over there from the Turkish Steel Exporters

21 Association and the manufacturers to give me some details

22 for you. But, you know, in terms of it being proximate to

23 them, that's an easier question because it is so close and

24 that's what they're used to.

25 Frankly, the U.S. market has always been a

1 smaller market for Turkey. They've been around for a long
2 time in this market, always in the 1-1/2 to 2 percent range,
3 not more than that. 2014 showed an increase in what their
4 historical pattern was, I'll say that, but then it reverted
5 back in 2015 fairly quickly.

6 But if the U.S. was such an attractive market for
7 them, then why did they--why are they still in Iraq and not
8 all over here? And I guess the answer to that is, they are
9 much more familiar with that market and they understand it
10 and they can work with it even in a conflict situation.

11 MR. McMANUS: I think it speaks to their
12 competitiveness, too. They are world-class competitors.
13 They make good products, on time, and their costs are
14 world-class. So they can export anywhere.

15 COMMISSIONER JOHANSON: Alright. Thanks for your
16 responses. I have one more question. This also involves
17 Turkey.

18 We just spoke about Iraq, that Iraq is a major
19 market for Turkey. How about the European Union? I mean
20 the U.S. economy is much stronger, which is not saying a
21 whole lot, but it is stronger than Europe. In Europe there
22 are a lot of question marks right now as to what will happen
23 there politically and economically.

24 MR. NOLAN: Right. And I guess my response to
25 that is a lot of those questions have been sort of swirling

1 around since 2009, and yet Turkey continues to have a very
2 robust market.

3 I mean the markets don't stop because of
4 uncertainty like that. At some point you've got to build
5 buildings. At some point you're still manufacturing things.
6 And so, you know, does Turkey want to stay in there for the
7 long haul and, you know, continue to supply those markets?
8 Absolutely. Do they expect those markets to improve? They
9 do.

10 The uncertainties that exist now have existed for
11 some time. You know, maybe hope springs eternal but I think
12 they think that the markets are going to improve there.

13 MR. McMANUS: They typically maintain market
14 presence, too. They don't go in and out. So they have
15 relationships with their customers there, and there's
16 ongoing purchases. Is it every month? Maybe not. Every
17 quarter? Probably. Every six months? Probably definitely.

18 So these relationships get established, and that
19 supply chain comes into play. And typically they're not a
20 majority supplier to their customers, but they are a
21 supplier, a modest supplier. And buyers like to have
22 multiple suppliers. They don't like sole supplier
23 relationships, or be captive with their suppliers. They
24 like some diversity of supply. I think that's what you're
25 seeing there.

1 COMMISSIONER JOHANSON: Okay. Thank you. And
2 actually I do have one more question. And this jumped out
3 at me when reading the Mexican brief.

4 In November of last year, John Deere released its
5 quarterly earnings report showing that world-wide net sales
6 and revenues decreased 25 percent. John Deere reported
7 that, and this is a quote, "weakness in global markets for
8 farm and construction equipment leads to a decline in sales
9 and earnings." End quote.

10 How can this be reconciled with the
11 characterization of activity in the sector contained in page
12 6 of the Mexican prehearing brief?

13 MR. GURLEY: I'm not trying to leave you on
14 razor's edge here, but I want to get what we said. With
15 regards to a specific customer or a specific sector--

16 COMMISSIONER JOHANSON: You are referring to a
17 sector, and John Deere is one of the major two or three
18 players in that--

19 MR. GURLEY: I would actually like--Maquilacero
20 knows this company, and I think I'd like to present that,
21 and some of the other Mexicans do as well, and I'd like to
22 present that in the post--

23 COMMISSIONER JOHANSON: Okay. And not just John
24 Deere, but any other agricultural--

25 MR. GURLEY: Understood.

1 COMMISSIONER JOHANSON: --machinery producer.
2 Okay, that concludes my questions. I thank you all for
3 appearing here today.

4 CHAIRMAN WILLIAMSON: Okay, if there are no other
5 questions from Commissioners, does staff have any questions
6 for this panel?

7 MR. CORKRAN: Douglas Corkran, Office of
8 Investigations. Thank you, Mr. Chairman. Staff has no
9 additional questions.

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

12 MR. SCHAGRIN: Mr. Chairman, Petitioners have no
13 questions.

14 CHAIRMAN WILLIAMSON: Okay. Well, it is time for
15 closing statements. Let's see. Petitioners have 28 minutes
16 left from direct and 5 from closing, for a total of 33
17 minutes. Respondents have 1 minute from direct and 5 for
18 closing, for a total of 6 minutes. As usual, we will
19 combine these. And of course you don't have to take all
20 your time.

21 And with that, I want to thank this panel for
22 their testimony and appreciate very much those who have come
23 a long way. And I will ask you to step back and then
24 Petitioners will give their closing statement.

25 CHAIRMAN WILLIAMSON: You can begin when you're

1 ready.

2 CLOSING REMARKS OF ROGER B. SCHAGRIN

3 MR. SCHAGRIN: Thank you, Mr. Chairman. Roger
4 Schagrin, rebuttal for the Petitioners.

5 And let me first ease your minds that I will not
6 come close to using my time, probably maybe just a third of
7 it. Today's Bastille Day. It's American or French origin;
8 I get the virtuous position of getting to have two major
9 celebrations within 10 days of each other, so that's a good
10 thing.

11 Let me just start out with as you know really
12 Mr. Jamison started with his opening statement I think that
13 the Respondents confirmed it during their presentation is
14 that their number one explanation throughout their briefs
15 and in their presentations today for the causes of injury to
16 the domestic industry is the changes in hot rolled coil
17 prices.

18 They just try to tell this Commission that
19 everything bad that has happened to the U.S. industry over
20 this POI is not related to increasing imports during '13 and
21 '14, import underselling for a commodity product throughout
22 most of the POI. It's all about the changes in hot rolled
23 coil prices and I think the problem with their argument, and
24 it's right in your record, is that it just doesn't work
25 throughout the POI because this is not a POI, which from the

1 beginning of '13 through the first quarter of '16 only has
2 declining hot rolled coil prices.

3 Instead, we have over different periods, periods
4 in which hot rolled coil prices go up and periods in which
5 they go down. And so, you know, has you have just in the C
6 Tables, you know, you can see that and we all know it
7 because we're familiar with the marketplace and you have a
8 big, hot rolled coil case coming up as well, that between
9 '13 and '14 hot rolled coil prices actually increased. The
10 unit cost to goods sold for the domestic industry increased
11 and yet, the U.S. industry's prices for HWR did not increase
12 as much. So if you really take the Respondents' argument in
13 a period in 2014 when hot rolled coil prices are
14 increasing, based on their argument, the U.S. industry has
15 to be doing better.

16 Not only do we have hot rolled coil prices
17 increasing in 2014, we also have demand increasing in 2014.
18 So why does the domestic industry do worse in 2014 than in
19 2013? There's no other explanation, other than imports
20 because operating profits go down, net profits go down,
21 subject imports increase their market share by 1.9 percent.
22 They get 10.4 percent of a market for a commodity product
23 consistently underselling by rates of 10 percent. I'll
24 discuss the normalcy of underselling shortly.

25 And so this is why -- and I read the prelim, you

1 know, before we get involved in this. You know when you
2 looked at the record between '12 and '14 for the prelim, you
3 voted 6-0 present material injury 'cause there you just had
4 over that period nothing but increasing imports and
5 decreases in the domestic industry's performance. So the
6 prelim was obviously much easier than the final because in
7 the final, in the last year of the POI you have the changes
8 by the domestic industry of cutting their prices, having an
9 impact on the subject import volumes, and in the industry
10 continuing to do poorly at a time when hot rolled was
11 falling. So there's no clear correlations there for the
12 Respondents to argue.

13 And in fact, if you want to test some of their
14 other theories of correlation versus some counter-factual
15 issues because I agree with something you said at a recent
16 hearing, Vice Chairman Pinkert, correlation isn't always
17 injury or it isn't everything, but it's more than a beanbag,
18 if I'm paraphrasing you properly. So look at Mr. Gurley's
19 argument about the collapse of energy tubal demand is what's
20 lead to the collapse in hot rolled coil prices and that,
21 even though there's not a relationship between the producers
22 of energy tubal products and the producers of HWR, that's
23 what really caused the injury to the HWR producers.

24 Well, I guess I'm pre-saging some arguments that
25 we'll make in a couple of weeks and maybe Mr. Gurley and his

1 colleagues in the hot rolled coil case want to rethink
2 things because you know energy tubular demand -- and I've
3 been dealing with energy tubular for 35 years -- it's at the
4 worse point in 35 years. I mean the rig-count is still in
5 the low 400s. Oil and gas prices may have come back.
6 Drilling isn't close to coming back and yet, I heard from
7 the Respondents, and we'll find out the actual percentages
8 in a few weeks, they said that in 2016 in the face of
9 probably the weakest actual demand for OCTG in line pipe
10 since the early 1980s they said hot rolled coil prices is
11 going up 70 percent this year.

12 So if you have this unbelievable correlation
13 between energy tubal demand and hot rolled coil prices how
14 can you have energy tubal demand continuing to plummet and
15 then have hot rolled coil prices go up by 70 percent? I'll
16 argue it in a few weeks. There's a lot of other things
17 going on like taking a couple million tons of unfairly
18 traded hot rolled out of the marketplace, but it's the same
19 type of arguments on coil.

20 I mean sometimes when you're trying to use facts
21 you got to make sure you understand all of them. These
22 cases are complicated. There's a lot going on in these
23 records and it's not because energy tubal dropped and hot
24 rolled coil prices dropped and the HWR industry does poorly.
25 So what's really going on in this case, and it goes on in

1 virtually every pipe and tube case. And no, you know if you
2 also took their theory, then every time hot rolled coil
3 prices were to fallen over the last 35 years we would've
4 been filing cases on pipe and tube products because the
5 energy is going to do worse.

6 Well, it's not the case. And the reason it's
7 not the case is a couple of reasons. You know you heard the
8 industry witnesses testify this morning about the fact that
9 they only keep a couple weeks of finished product inventor.
10 I don't think any of them talked about their raw material
11 inventory, so instead the Respondents just said today, well,
12 they may only have a couple weeks of finished products, but
13 we're sure they have a few months of hot rolled coil
14 inventory. Who? Does Maquilacero have that? I doubt it.
15 I didn't hear him testify. I think it was a lawyer who said
16 that. I don't k now where it came from. It's not my
17 clients who said it this morning.

18 I know they try to keep really tight hot rolled
19 coil inventories as well. People that's real working
20 capital. You know people aren't trying to maintain huge
21 amounts of inventory. They want tight supply chains and
22 small amounts, which is exactly why it's not the change in
23 hot rolled coil prices that caused demand for heavy
24 rectangular to go up and down.

25 Construction is doing very well. As you just

1 said, Commission Johanson, the problem with the decline in
2 2015 demand is all related because it consumes about 20
3 percent of the overall demand and construction may be 80
4 percent. And if you have for the John Deeres and
5 Caterpillars production falling by a quarter or more that's
6 a lot of tons of HWR. I mean just 20 percent that's still
7 3, 400,000 tons that are going to the Deeres and
8 Caterpillars and they're shutting down factories in the
9 United States and that's going to affect demand. That's
10 going to take time for that demand to rebound.

11 And then, you know, I looked carefully at their
12 arguments about, well, it's really SGNA costs and other
13 factory costs. And I said you know it's just SGNA over
14 fewer units. I said, you know, SGNA actually is going up
15 during the POI. Why is SGNA going up? I said, you know,
16 what our biggest cost is in SGNA? It's healthcare costs.
17 Then I started thinking, yeah, whose healthcare costs aren't
18 going up these days? So you actually want to increase your
19 profits so you can cover increased healthcare costs.

20 Mine changed on July 1. They just went up by
21 like 18 percent. We don't want any sympathy or empathy for
22 lawyers. We can handle that, but I mean everyone's
23 healthcare costs. So it's not just a matter of the same
24 SGNA over fewer units. It's that, yeah, healthcare is a big
25 part of SGNA and those costs are going to keep escalating

1 and you'd like to have higher profit margins than 3.7
2 percent in order to cover those costs.

3 Let's look at cumulation. Things I heard the
4 Respondents say today, well, one of the reasons you
5 shouldn't cumulate us is the Mexican product only comes into
6 Texas and the Turkey product mostly comes into the Gulf
7 Coast. Last time I checked, Houston is part of Texas, so I
8 mean the Mexican product may be come through Laredo, which I
9 recognize is a few hundred miles from Houston, but it's not
10 that far. And they say all the Korean product is just on
11 the West Coast.

12 Well, you guys deal with that in your tables in
13 the staff report and you know really you can see the fact
14 that it is true that the majority of Korean product comes
15 into West Coast ports, but you list in Table 4-5 the major
16 ports and which the third largest port for Korea,
17 Houston/Galveston, the same one as the biggest port for the
18 Turks and in close proximity to Laredo. So you have plenty
19 of overlap and there are lots of products being moved
20 around.

21 You know the Mexican Respondents argued, look,
22 the LWR case has no impact on us. We're still shipping like
23 80 or 90,000 tons a year. Well, because I did that case,
24 and I don't have all the numbers right at the top of head,
25 but we'll put them in the post-hearing brief. I seem to

1 remember that imports from Mexico before we filed that case
2 were over 150,000 tons a year, so the impact of the case did
3 two things. It reduced the volume, but to the extent that
4 people are getting no margins and reviews that means they're
5 adjusting their prices, removing the dumping and that's good
6 and that's why you heard people in the U.S. industry that
7 make both HWR and LWR tell you they're benefiting.

8 Now let me talk about underselling because I
9 think that really is a critical aspect to this case. First,
10 you know I think the Commission is justifiably focused on a
11 couple of basic issues here. This really is a commodity
12 product. I mean everybody that uses it says we want
13 4-square quarter wall, ASCM A-500 grade B. After that it's
14 only price that counts. So when you have underselling in
15 161 out of 182 comparisons that's important.

16 So the Respondents say, yeah, but you know the
17 average underselling is only 10 percent. It's normally much
18 more than that. Wow, I do a lot of cases at the Commission.
19 I don't know. I mean, yeah, some of our China cases we see
20 crazy numbers. We know the Chinese can be a little crazy in
21 terms of not caring about the pricing of products, but you
22 know in cases like cold rolled galvanized where you have
23 lots of countries, you know, 10 percent underselling is not
24 low compared to normal. It's significant and it had a
25 significant price affect here for the domestic industry.

1 And the facts are that with the Canadians not
2 underselling -- and we don't disagree with the Respondents
3 about the important cost of freight. That's why, as you
4 heard the testimony from Atlas's president of HSS, he said,
5 hey, we closed Blytheville because we were hurt on freight
6 going into the Southwestern markets. Arkansas is not that
7 big a market on its own, so that plant is there to serve the
8 Southwest and they were getting hurt trying to compete with
9 unfairly traded imports there. It also sits on the
10 Mississippi, so product going to New Orleans comes, you
11 know, right up around the Mississippi there.

12 So the fact that Canadian product priced the
13 same way as U.S. product might have a freight advantage in
14 areas like the Northeast or the Detroit area and you saw
15 that most Canadian imports -- virtually all of them come
16 into either Detroit or Buffalo. You know that's why they're
17 not injurious to the U.S. industry because they're not
18 underselling and they're only selling by virtue of the fact
19 that as a common owner that's where things are freight
20 advantageous.

21 So underselling is important here. And
22 referring to the public tables for products, you know, three
23 and four, which are Tables 5-6 and 5-7, you know we see that
24 for the domestic industry compared to Korea, the largest of
25 the three subject countries, who unfortunately were not here

1 today, that as the Korean products were underselling the
2 U.S. industry by double-digit rates in '14 their quantity of
3 feet sold were going up and the U.S. industry's were going
4 down.

5 And then when the U.S. industry responded by the
6 second quarter of 2015 by cutting its prices significantly,
7 which you can see, going from \$5 to \$4.34 then all of a
8 sudden you see those Korean quantity of feet going from
9 250,000 to 140,000, 115,000. So there is no doubt about one
10 correlation in this case because it's such a price-oriented
11 case and that is the domestic industry can take back volume
12 when it tries to eliminate the underselling with the subject
13 imports.

14 And luckily, and this is why all the industry --
15 and the same thing happens in 5-7. It's smaller numbers of
16 feet, but you see the exact same comparisons where you go
17 from big underselling, double-digit to overselling or almost
18 flat and you see the Korean feet going down and the U.S.
19 industry's feet going back up. And the reason is, as I
20 discussed, you know, with the clients at lunch today and
21 they go, God, we really hope you can win this case. It's
22 not because they're looking for the easy street in their
23 businesses. They care about their employees. They want to
24 be making heavy rectangular. They're mostly family-owned
25 companies in this industry, but they know how much the

1 imposition of duties have benefited them. They know that
2 it's leading to an ability to both produce more product and
3 make better margins so they can reinvest.

4 And of course, my fear in cases like this,
5 because we have the close cases and the not close cases, and
6 hopefully, I can still tell the difference at my age, is
7 that when we don't win the close cases, unlike what the
8 Respondents say about you never have to worry about us again
9 they seem to always come back and undersell again and sell
10 more volumes and then we got to do it all again. So it's
11 neither a threat nor a promise because I wouldn't make those
12 to the Commissions nor would I be sneaky with you, but we
13 ought to win this case at this time on this record. And I
14 think you should make a finding that the increase in imports
15 from '13 to '14 and their underselling was significant. The
16 underselling was significant, the price impact on the
17 domestic industry was significant, and the affect on the
18 industry's profitability was material and that should add up
19 to a present material injury finding.

20 And I won't give the rest of my time to
21 Respondents because I'd like to be out of here in six
22 minutes, but I thank you for your patience today and for all
23 your good questions. And I wish you Happy Bastille Day.

24 CHAIRMAN WILLIAMSON: Thank you, and you too.

25 Okay, Mr. Gurley and Mr. Nolan, you can begin

1 when you're ready.

2 CLOSING REMARKS OF MATTHEW M. NOLAN

3 MR. NOLAN: First of all, Happy Bastille Day to
4 Mr. Schagrin. I hope you're enjoying a lovely Domaine
5 Chandon tonight. It should be. I'll try to think of
6 something appropriate to drink tonight in your honor.

7 So let's get back to the issues at hand. Mr.
8 Schagrin has just gone through a number of factors to sort
9 of indicate why the explanations for different issues that
10 we've raised during the course of our testimony. He
11 suggested SGNA costs have gone up because of healthcare.
12 What has healthcare cost have to do with operating margins
13 affected by imports? Nothing. Your operating margins may
14 be affected by healthcare costs. Our law firm's operating
15 margins are affected by healthcare costs, but the imports
16 had nothing to do with that.

17 He says that, yes, of course, it's a commodity
18 product and you know because it's a commodity product
19 imports rose and took market share away. Well, you know if
20 you look at their slides we have a Tale of Two Cities here.
21 He wants you to focus on 2013 and 2014 and not look at all
22 about what happened in 2015 because in 2015 imports fell.
23 They fell before its petition. You can't explain that
24 behavior, other than something other than the petition was
25 going on here and they exited the market in significant

1 fashion.

2 In fact, at the preliminary determination we
3 already showed data to the Commission that showed about a 10
4 percent drop in imports the first half of 2015 versus 2014
5 or whatever we were at, at the preliminary. So that time
6 was already exited earlier. It can't be explained. He's
7 acknowledged that the Arkansas mill in Blytheville was
8 suffering freight cost issues. Freight cost issues are
9 freight cost issues, not having anything to do with import
10 penetration rates. It has to do with their inability to
11 move product from here to here in an economic fashion. That
12 plant closed because it couldn't make that cut. Freight
13 costs got too expensive for them. That is not an import
14 issue.

15 We keep coming back again and again on imports.
16 Well, if we want to get rid of the WTO and raise tariffs all
17 to 20 percent, we don't have to come here a lot. We all
18 know what happens in the steel industry. We're here on a
19 regular basis. We wouldn't be employed. We wouldn't need
20 the Commission if we didn't have these issues on a recurring
21 basis, but it is a fact that domestic demand of apparent
22 consumption dropped over 6 percent in 2015. That is an
23 indisputable fact. That is 132,000 tons in one year drop.
24 A 22,000 ton increase at the same time came in from Canada.
25 That is a fact.

1 It is a fact that Canadian imports rose
2 significantly during the POI at all levels at higher prices.
3 It is a fact that the price of hot rolled, heavy rolled
4 rectangular pipe is controlled by coil prices. It is very
5 difficult to say that it was not because all of the evidence
6 says that it was controlled and is controlled by hot rolled
7 coil prices. There is a near perfect correlation
8 demonstrated between those produces. Import volumes and
9 prices are affected by hot rolled coil just as the domestics
10 are. They fell in 2015 for the very simple reason that
11 demand dropped and that caused them to retreat from the
12 marketplace.

13 Mr. Schagrin likes to say, well, you know you
14 really can't look at hot rolled coil price changes and all
15 these other factors in the market. I'm not trying to give
16 you a perfect explanation for why the demand dropped. We're
17 giving you our best economic analysis of why the demand
18 dropped. Why else would hot rolled coil prices drop so much
19 unless some large segment of the industries were affected by
20 that market or were affecting that market on the downstream
21 side.

22 The fact remains that hot rolled coil prices
23 went from a high of 600 plus dollars to \$340 in one year.
24 That is a huge drop in the single most important raw
25 material for this industry. How do you not explain that

1 heavy rolled prices would not drop in tandem with that
2 level? And how do you not consider the fact that at that
3 steep a drop that of course there's going to be a cost
4 priced squeeze in the U.S. industry which has nothing to do
5 with imports.

6 And assuming that is the case, how do you
7 explain the fact, again, that Canada continues to come into
8 this market at high prices when the market demand was
9 declining in the U.S. Subject imports declined. Canadian
10 imports did not decline.

11 On a threat basis, we will address that in our
12 post-hearing brief. It suffices to say that Turkey is a
13 modest importer into this country. It has significant
14 limitations in terms of geographic reach and the requirement
15 that it price its product at a level, given the fact that
16 you have to order six months in advance to get it from that
17 country. We think those are differentiating factors. Thank
18 you.

19 CLOSING REMARKS OF JOHN M. GURLEY

20 MR. GURLEY: Again, for the record, John Gurley.

21 Just a few parting comments, one, when I first
22 read their brief, I noted that they had sort of proudly
23 stated that in 2015 they begun to slash prices. And they
24 said it today again in their testimony and it's kind of an
25 odd thing for a domestic producer to say "We slashed

1 prices." And then I'm thinking, okay, they said, well, we
2 slashed prices to get market share back, but then you look
3 at 2015 their market share went down, not because of us, but
4 because Canadians increased it.

5 So then we discuss, well, where are they
6 competing against the Mexicans and the other people and the
7 reality is the vast part of the country there's virtually no
8 competition with foreign companies. So I'm wondering if
9 they slashed their prices they must've been slashing their
10 prices against themselves. So it sounds like there was a
11 lot of competition among the American companies themselves
12 because it certainly wasn't with the Mexican that they'd
13 have to slash the prices.

14 Second, I'd just like to talk again just briefly
15 about the post-petition affects. I think we've tried to lay
16 to rest today the fact that Mexican imports declined because
17 of the petition. As we all saw the petition was filed and
18 Mexican imports had dropped well before that. Secondly,
19 when the preliminary determination came out, it was in 2016
20 and by that time the Mexicans had a two-week lead time.
21 They can do anything they want.

22 My last comment, as I see the red light is on,
23 is that I think this case is one where de-cumulation is
24 merited, given the significant differences between the
25 pricing and sales patterns of the Koreans, the Turks, and

1 the Mexicans. And thank you. And this is good to be out
2 before 4:00 o'clock at an ITC hearing.

3 CHAIRMAN WILLIAMSON: Okay. Thank you. And I
4 want to thank everyone participating in today's hearing.
5 It's now time for closing statement.

6 Post-hearing briefs, statements responsive to
7 questions and request of the Commission and corrections to
8 the transcript must be filed by July 21, 2016. Closing of
9 the record and final release of data to parties is August
10 10, 2016. Final comments area due August 12, 2016.

11 And with that, this hearing is closed. Thank
12 you.

13 (Whereupon, at 3:48 p.m., the hearing was
14 concluded.)

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CERTIFICATE OF REPORTER

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

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

HEARING DATE: 7-14-16

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: 7-14-16

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: Larry Flowers