

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
STEEL CONCRETE REINFORCING BAR (REBAR)  
FROM JAPAN, TAIWAN, AND TURKEY

) Investigation Nos.:  
) 701-TA-564 AND  
) 731-TA-1338-1340 (PRELIMINARY)

**REVISED AND CORRECTED**

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Date: Tuesday, October 11, 2016



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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

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IN THE MATTER OF: : Investigation Numbers  
STEEL CONCRETE REINFORCING BAR : 701-TA-564 AND  
(REBAR) FROM JAPAN, TAIWAN, : 731-TA-1338-1340  
AND TURKEY : (PRELIMINARY)  
- - - - - -x

Courtroom A  
U.S. International Trade  
Commission  
500 E Street SW  
Washington, DC  
Tuesday, October 11, 2016

The meeting commenced, pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Michael Anderson, Director  
of Investigations.

1 APPEARANCES:  
2 William R. Bishop, Supervisory Hearings and Information  
3 Officer  
4 Sharon Bellamy, Records Management Specialist  
5 Tyrell Burch, Legal Document Specialist  
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7 Michael Anderson, Director of Investigations  
8 Joanna Lo, Investigator  
9 Douglas Corkran, Supervisory Investigator  
10 Karen Taylor, International Trade Analyst  
11 Gregory LaRocca, International Trade Analyst  
12 Emily Burke, Economist  
13 Michele Breaux, Economist  
14 David Boyland, Accountant/Auditor  
15 Joseph Laroski, Attorney  
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1 Opening Remarks:  
2 Petitioners (Alan H. Price, Wiley Rein LLP)  
3 Respondents (Matthew Nolan, Arent Fox LLP)  
4 In Support of the Imposition of Antidumping and  
5 Countervailing Duty Orders:  
6 Wiley Rein LLP  
7 Washington, DC  
8 on behalf of  
9 Rebar Trade Action Coalition  
10 Burke Byer, President and Chief Executive Officer, Byer  
11 Steel  
12 Tracy Porter, Executive Vice President of Operations,  
13 Commercial Metals Company  
14 Peter Campo, President, Gerdau Long Steel North America  
15 Marcelo Canosa, Director, Rebar and Wire Rod, Gerdau  
16 Long Steel North America  
17 Don Barney, Director of Sales and Marketing - Bar Mill Group,  
18 Nucor Corporation  
19 Don Barney, Director of Sales & Marketing - Bar Mill  
20 Group, Nucor Corporation  
21 Roy Houseman, Legislative Representative, United Steel,  
22 Paper and Forestry, Rubber, Manufacturing, Energy, Allied  
23 Industrial and Service Workers International Union  
24 Dr. Seth Kaplan, Senior Economic Advisor, Capital Trade  
25 Inc.

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1 Alan H. Price and John R. Shane - Of Counsel

2

3 In Opposition to the Imposition of Antidumping and

4 Countervailing Duty Orders:

5 Arent Fox LLP

6 Washington, DC

7 on behalf of

8 Turkish Steel Exporter's Association

9 Namik Ekinçi, President, Turkish Steel Exporter's

10 Association

11 Ebru Dursun, Specialist, Turkish Steel Exporter's

12 Association

13 Matthew Nolan - Of Counsel

14

15 Harris Moure LLP

16 Seattle, WA

17 on behalf of

18 Taiwan Steel & Iron Industry Association

19 Adams Lee - Of Counsel

20

21 Rebuttal/Closing Remarks:

22 Petitioners (John R. Shane, Wiley Rein LLP)

23 Respondents (Matthew Nolan, Arent Fox LLP)

24

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

2 MS. BELLAMY: Would the room please come to  
3 order. Can you be seated, please.

4 MR. ANDERSON: Good morning, and welcome to the  
5 International Trade Commission. This conference in  
6 connection with preliminary phase Antidumping and  
7 Countervailing Duty Investigation Numbers 701-TA-564 and  
8 731-TA-1340, concerning imports of steel concrete  
9 reinforcing bar, or rebar, from Japan, Taiwan and Turkey.

10 My name is Michael Anderson. I am the director  
11 of the Office of Investigations, and I'll be presiding at  
12 this conference.

13 Among those present from the Commission Staff  
14 are on my far right, we have Mr. LaRocca and Mrs. Taylor,  
15 who are industry analysts. On my far left we have our  
16 investigator, Joanna Lo, and on my immediate left are two  
17 attorneys, Mary Jane Alves and Joseph Laroski. And on my  
18 right we have two economists, Michele Breaux and Emily  
19 Burke. And on my far right is David Boyland, our  
20 financial, accountant and auditor. And our supervisory  
21 investigator Mr. Corkran will be in and out of this  
22 conference, because he also has double duty with a hearing  
23 in the next room on copper pipe and tube.

24 I would like to remind all speakers not to refer  
25 in your remarks to business proprietary information and to

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1 speak directly into the microphones. We also ask that you  
2 state your name and affiliation for the record before  
3 beginning your presentation or answering any questions for  
4 the benefit of our court reporter.

5 All witnesses must be sworn in before presenting  
6 testimony. I understand the parties are aware of their  
7 time allocations.

8 Are there any questions regarding time  
9 allocations? If so, they should be addressed to the  
10 secretary.

11 Are there any questions?

12 Madam secretary, are there any preliminary  
13 matters?

14 MS. BELLAMY: No, Mr. Chairman.

15 MR. ANDERSON: Very well, madam secretary. Let  
16 us proceed with opening remarks.

17 MS. BELLAMY: On behalf of petitioners, Alan H.  
18 Price, Wiley Rein LLP.

19 OPENING REMARKS OF ALAN H. PRICE

20 MR. PRICE: Good morning, Mr. Anderson and  
21 members of the Commission Staff. I am Alan Price, here  
22 today on behalf of the domestic industry.

23 We appreciate the Staff's renewed attention to  
24 the crisis facing the U.S. rebar producers.

25 I would like to begin by looking back at the

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1 recent history and to put this investigation in context.

2 In late 2014, the Turkish industry told you  
3 that, and this is a quote, "there is no incentive for the  
4 subject producers to price aggressively in order to expand  
5 exports to the United States."

6 Allow me to tell you what really happened. In  
7 2015, Turkish rebar imports grew by more than 640,000 tons  
8 over 2014 levels to 1.6 million tons. In just the first  
9 half of the year, of this year, rebar imports from Turkey  
10 exceeded their 2013 volumes, which were previously found to  
11 be injurious. In 2013, Turkey shipped 7.6 percent of its  
12 total rebar exports to the United States. By 2015, the  
13 United States was Turkey's largest export market for rebar,  
14 accounting for 18.7 percent of their production, or their  
15 exports.

16 This share has only continued to grow, reaching  
17 nearly 20 percent thus far in 2016. These are remarkable  
18 trends for an industry that isn't supposedly interested in  
19 the U.S. market.

20 Growth in Japanese and Taiwanese imports has  
21 been no less shocking. They have surged into the market  
22 over the POI, especially after the 2014 antidumping order  
23 on Mexico took effect. And they have been hammering the  
24 U.S. industry.

25 From 2014 to 2015, Japanese volumes increased by

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1 nearly 200 percent and Taiwanese volumes grew by more than  
2 500 percent.

3 On a cumulated basis, the subject import volumes  
4 grew by around 1.2 million tons over the POI and have  
5 remained at very high levels in 2016.

6 Whatever they may tell you, these industries are  
7 keenly interested in exporting, they are opportunistic and  
8 they are targeting the U.S. market.

9 Imports from all of these countries are piling  
10 up on the docks, driving prices as low as we have seen in a  
11 very long time, well below \$400 a ton according to recent  
12 press reports.

13 This acceleration of already high subject import  
14 volumes in 2015 came at the direct expense of domestic  
15 production volumes and domestic workers. With modest  
16 demand growth and orders on dumped imports from Mexico,  
17 domestic mills anticipated a stronger market and tried to  
18 regain adequate pricing.

19 But the subject imports flooded in at unfair  
20 prices, capturing an additional 9.4 percentage points of market  
21 share in 2015, while the domestic industry lost 6 percentage  
22 points of market share.

23 As the domestic industry lost sales, production  
24 fell, capacity utilization was depressed further, and  
25 workers started losing their jobs.

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1           Faced with the likelihood of further volume  
2 losses, U.S. mills had no choice but to slash prices in  
3 late 2015 and 2016, giving away any profit recovery  
4 resulting from the antidumping order on Mexico and the CVD  
5 orders on turkey.

6           Following subject -- following subject import  
7 prices downwards, the domestic industry AUVs fell by more  
8 than \$120 a ton in the first half of 2016. This allowed  
9 them to stabilize market share in the short term, but only  
10 with dramatic financial consequences.

11           The domestic industry's operating profits fell  
12 by \$170 million a ton. Operating margins all but  
13 disappeared, and net incomes turned negative.

14           This is material injury, and it is the result of  
15 competition with unfairly traded subject imports. The  
16 preliminary pricing data shows pervasive and increasing  
17 underselling throughout the POI on a product that the  
18 Commission has found repeatedly is highly interchangeable  
19 and is overwhelmingly sold on the basis of price.

20           The Commission has confirmed huge volumes of  
21 lost sales to the subject imports in this investigation.  
22 The Commission has also found repeatedly that imported  
23 rebar competes head to head with domestic rebar throughout  
24 the market and that the domestic industry is not insulated  
25 from the effects of import competition.

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1            Nothing has changed here. Things will only get  
2 worse without relief. The Commission's formal period of  
3 investigation ends in June 2016, but in the third quarter,  
4 the subject imports cut prices even further to take  
5 additional volume from the domestic industry. The U.S.  
6 market is large, open and attractively priced. While poor  
7 conditions in the subject import producers' home and export  
8 markets will incentivize growing shipments to the United  
9 States, the domestic industry is already severely weakened  
10 and cannot withstand another year of pressure from nearly 2  
11 million tons of dumped and subsidized industry -- imports.

12            On behalf of the U.S. rebar industry and its  
13 workers, we urge the Commission to make a preliminary  
14 affirmative injury determination. Thank you.

15            MS. BELLAMY: On behalf of Respondents, Matthew  
16 Nolan, Arent Fox, LLP.

17            OPENING REMARKS OF MATTHEW NOLAN

18            MR. NOLAN: Good morning, members of -- ladies  
19 and gentlemen of the Commission Staff. Again, my name is  
20 Matt Nolan with Arent Fox. As usual, we represent the  
21 Turkish Steel Exporters Association and it's members in the  
22 concrete steel reinforcing rebar sector from Turkey, which  
23 includes Icdas, Habas, Colakoglu and others. Fortunately,  
24 today we're also joined by counsel for the Taiwanese Steel  
25 Association which we will hear from later today. I get the

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1 honors to do the opening.

2           So in the words of the late great Mark Twain,  
3 history may not repeat itself but it often rhymes. Just  
4 two years ago, we were before the Commission on the exact  
5 same case, Antidumping and Countervailing Duty claims  
6 against Turkish rebar producers. Of course now we have an  
7 Asian twist to it.

8           The result in that case was a finding of zero  
9 dumping margins, de minimis subsidies for Habas a barely  
10 above a de minimis subsidy fine against Icdas on what I  
11 consider to be a very questionable basis.

12           The latter, though, was enough for the  
13 Commission to find injury in the subsidies case only but no  
14 dumping order was issued.

15           Having been exonerated of dumping charges and  
16 having one producer without subsidies and one confident  
17 that 1.25 percent would be manageable, Turkish producers  
18 expected they were not under threat of a new case. They  
19 were wrong.

20           The U.S. industry was not happy with the result  
21 they got, and so they want a mulligan. They want to take a  
22 second bite at disrupting the U.S. market and perhaps  
23 further restricting access. Maybe they will succeed, maybe  
24 not. But I have some questions.

25           How frequently should U.S. producers be

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1 permitted to refile cases that have been adjudicated? What  
2 conditions have changed since the last time around? The  
3 mere presence of imports that have been adjudged to be  
4 fairly traded would not seem to be enough.

5           Most Turkish exports are already under a CVD  
6 order, they are by definition fairly traded in nonsubject  
7 merchandise. You can't consider fairly traded imports in  
8 the analysis.

9           Yes, Turkish imports have increased as a result  
10 of the finding of no dumping and minimal subsidy. But  
11 petitioners have not been impacted by the increased  
12 imports. In fact, they appear to have improved their  
13 performance during the short interim period from the last  
14 case, as raw material costs declined massively between 2014  
15 and 2015.

16           And yes, the U.S. market provides attractive  
17 prices. In fact, they are the highest prices in the world.  
18 It's hard to see why it would not be considered attractive  
19 to a country that sells all over the world.

20           U.S. producers still benefit from vertical  
21 integration, internal scrap operations, downstream  
22 fabrication units, which consume a significant percentage  
23 of their output, and that trend has nothing but continued  
24 to accelerate.

25           This strategy has become more important even in

1 the last two years since the last case. They are insulated  
2 from competition. U.S. producers still benefit from Buy  
3 America Act requirements, which is a significant part of  
4 the structural construction market.

5 U.S. producers benefit significantly from buying  
6 and declining scrap costs which have resulted in increased  
7 profitability. They want to increase that margin even  
8 further with these cases as the, quote, trade effects of  
9 this petition will result in fewer buyers of Turkish  
10 material.

11 U.S. producers showed great variability in their  
12 performance of the POI. I urge the Commission to consider  
13 carefully the different financial reporting that has  
14 occurred with the questionnaire responses. Without getting  
15 into specific details, there's a tremendous amount of  
16 variability there.

17 Is this really a case of unfair imports, or is  
18 it really a case of internal market competition among U.S.  
19 producers? It is the latter, in our view.

20 The only things that have changed since 2014 is  
21 that imports have increased and U.S. producers' margins  
22 have improved. If volume is the only measure of injury,  
23 then this deliberation will be short.

24 But we know it is not just a matter of volume.  
25 Petitioners cannot show price effects. They cannot show a

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1 reasonable indication of injury by reason of subject  
2 imports, and it is our intention to expand on these themes  
3 during our main presentation.

4 Thank you.

5 MS. BELLAMY: Would the petitioners please come  
6 forward.

7 MR. ANDERSON: Good morning, Mr. Price, and to  
8 your panel of witnesses. Welcome here, and please proceed  
9 when you're ready.

10 MR PRICE: Good morning, Mr. Anderson. Our  
11 first witness will be Mr. Peter Campo, President of Gerdau  
12 Long Steel North America.

13 STATEMENT OF PETER CAMPO

14 MR. CAMPO: Good morning, I'm Peter Campo,  
15 President of Gerdau Long Steel North America and I want to  
16 thank the Commission and Commission Staff for your renewed  
17 attention to the problems that unfairly traded imports  
18 continue to cause in this market. I appreciate the  
19 opportunity to appear before you to explain why trade  
20 relief from Turkish, Japanese and Taiwanese imports is  
21 critical to Gerdau and to the rebar industry.

22 You are probably familiar with rebar by now, but  
23 for those of you who are not, allow me to emphasize one  
24 point. This is one of the most basic steel products that  
25 you will examine. It's largely made to a single ASTM

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1 standard, mostly to one grade and only in a handful of  
2 sizes. It has one purpose, to reinforce concrete in roads,  
3 bridges and buildings.

4 Customers have few, if any, special  
5 requirements, and quite simply, it doesn't matter where the  
6 rebar is made or who makes it, it's sold on price.

7 Almost universally, whoever sells the lowest  
8 gets the sale. The Commission has examined this product  
9 several times, including just two years ago. Each time you  
10 found that it's highly interchangeable and that price is a  
11 critical factor in purchasing decisions.

12 This makes the domestic industry particularly  
13 susceptible to injury from unfairly traded imports. We  
14 compete with them directly, throughout the market, lead  
15 times are not an issue as Turkish, Japanese and Taiwanese  
16 material is stockpiled on the docks and at distribution  
17 points, ready for purchase at extremely low prices. Nor is  
18 freight an issue. The total freight costs from Turkey to  
19 Baltimore is often the same or even less than the is cost  
20 of shipping rebar from our mill in Sayreville, New Jersey,  
21 into that same market.

22 Buy America sales continue to be a small and  
23 declining share of the overall market, and we don't  
24 anticipate that the FAST Act for highway infrastructure  
25 will meaningfully increase the share of those sales.

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1           Even with the FAST Act, we anticipate only 2 to  
2   3 percent growth per year, which is barely above inflation.

3           We've heard it described as a slight bump in  
4   highway funding, and we think that characterization is  
5   accurate. In any event, our customers don't tell us when  
6   Buy America requirements apply, they just tell us the  
7   lowest price they can get in the market and ask whether we  
8   can meet it.

9           Price is king, whether we're selling to an  
10   affiliated or unaffiliated customer, to a distributor or to  
11   fabricators. We sell them all in exactly the same way and  
12   we have to sell at competitive prices or we don't get the  
13   sale.

14           As a result we're forced to fight cheap imports  
15   for each and every sale, and we can't compete with dumped  
16   and subsidized pricing.

17           While relief from dumped Mexican imports did  
18   allow us regain profitable pricing for a time, unfairly  
19   traded Turkish, Japanese and Taiwanese imports have flooded  
20   the market in the two years since the last order. With  
21   volumes growing continuously through 2015,  
22   imports increased market share by undercutting us on price and  
23   captured virtually all of the growth in demand, demand  
24   which remains below prerecession levels.

25

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1           By the third and fourth quarter of 2015, we were  
2 hearing about inventories of the subject material building  
3 up in the ports, and it was clear that they were going to  
4 keep pushing greater and greater volumes into this market  
5 with no regard for demand or any other conditions.

6           By 2016, facing the prospect of even greater  
7 market share losses, we slashed prices to try and prevent  
8 hemorrhaging volumes. The effect of this direct  
9 competition with unfairly priced imports, has been  
10 disastrous for Gerdau and more importantly, for our  
11 employees.

12           Our production, sales, financial performance,  
13 have all taken a significant hit, and we've been forced to  
14 operate our facilities at far below optimal capacity  
15 utilization levels.

16           As a result, our margins have suffered and we've  
17 not been able to make necessary investments at our plants.

18           In 2014, we told the Commission cheap imports  
19 forced us to idle our mills in Perth Amboy, New Jersey, and  
20 Sand Springs, Oklahoma, at the cost of 550 workers that we  
21 had to lay off.

22           At the time, we hoped that we would be able to  
23 restart these mills and rehire these workers, and we  
24 continue to maintain the mills with this outcome in mind.

25           Unfortunately, another wave of imports has kept

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1 us from doing so, and we had to sell both of these  
2 facilities to real estate developers earlier this year.  
3 Neither of them will ever make rebar again.

4           Since 2014, more adjustments have been necessary  
5 in order to survive in this market, resulting in further  
6 head count reductions. We've curtailed rebar production at  
7 our St. Paul, Minnesota, mill in 2014 -- I'm sorry, in  
8 2015, and we shifted rebar production from Charlotte, North  
9 Carolina, facility to Knoxville, Tennessee. Together these  
10 adjustments resulted in a layoff of almost 100 additional  
11 employees.

12           Without trade relief, those numbers, each  
13 representing a hard-working middle-class employee, will  
14 continue to dwindle as imports increase.

15           The subject producers have growing production  
16 capacity and weak home market conditions. Producers in all  
17 countries are facing difficult competitive situations in  
18 alternative markets, so they have little choice but to  
19 target sales to the United States.

20           They may tell you they have no real interest in  
21 the U.S. market and that their home markets are thriving or  
22 that they want to export to other places. The last time we  
23 were here, the Turkish industry told you, "there is no  
24 incentive for the subject producers to price aggressively  
25 in order to expand imports to the United States." They

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1 said that, "Turkey's rebar production will continue to be  
2 absorbed in Turkey's home market and in its traditional  
3 export markets."

4 Then from 2014 to 2015, U.S. imports of rebar  
5 from Turkey grew by more than 640,000 tons, more than twice  
6 their 2013 levels. Make no mistake about it, this is their  
7 market of choice and they will continue to push higher  
8 volumes into the United States at any price in order to  
9 capture sales.

10 Unless trade relief is granted, it's clear that  
11 the subject producers will continue to flood the market  
12 with dumped and subsidized material at a time of only  
13 modest and uncertain demand growth in the U.S. market.

14 Construction demand has recovered from the worst  
15 of the financial crisis, but we have seen post-recession  
16 growth begin to taper off over the last nine months.

17 The only way the U.S. market will be able to  
18 absorb these growing import volumes is if they put us out  
19 of business, and that seems to be exactly what they're  
20 trying to do.

21 I truly believe the fate of our workers and  
22 their families is tied directly to this case and to your  
23 decision to allow the investigation to proceed. For the  
24 sake of Gerdau and its employees, we urge you to grant  
25 trade relief against unfairly traded imports from Turkey,

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1 Japan and Taiwan.

2 Thank you.

3 MR PRICE: Thank you.

4 Our next witness is Mr. Don Barney of Nucor  
5 Corporation.

6 STATEMENT OF DON BARNEY

7 MR. BARNEY: Good morning, my name is Don  
8 Barney, director of sales and marketing for Nucor  
9 Corporation, the Bar Mill Group. For years Nucor has been  
10 sounding the alarm that rising steel imports are inflicting  
11 significant damage on the domestic steel industry. The  
12 problem has only gotten worse. Opportunistic foreign steel  
13 industry seem to view the United States as a market of both  
14 first and last resort, particularly in the midst of the  
15 current global overcapacity crisis.

16 This latest flood of rebar imports is a perfect  
17 example. As soon as antidumping orders on Mexican rebar  
18 were put in place in 2014, we started to increase prices  
19 and recover financially. Before the market had time to  
20 fully recover from the dumped Mexican volumes, the subject  
21 imports flooded in, far in excess of demand.

22 By 2015, there were nearly 2 million tons of  
23 these imports, up almost 80 percent over 2014.

24 As these volumes overshot the market, we saw  
25 inventories piling up on the docks by the end of 2015. We

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1     tried to hold prices steady, but subject volumes kept  
2     coming, exacerbating the overhang and undercutting on  
3     price.

4                 Since customers buy this product from whoever  
5     sells lowest, we continued losing sales volume because of  
6     dumped and subsidized import prices.

7                 By late 2015, we had lost so much volume that we  
8     ultimately had to slash prices to stop the bleeding and  
9     avoid mill shutdowns.

10                We may have accomplished this, but only with a  
11    huge hit to our bottom line. And no matter how low we go,  
12    they go even lower.

13                In a market like rebar, subject imports readily  
14    replace domestic production. This is one of the most  
15    interchangeable steel products on the market. It is made  
16    to the same standards and in the same sizes and lengths, sold  
17    to the same customers, and used for the same purposes. No matter  
18    who makes it or where it comes from, as a result, it is one  
19    of the most price-sensitive steel products on the market.

20                Over the years, we have heard foreign producers  
21    come in and try to convince you that we are protected from  
22    the impact that they have on market pricing. We've heard  
23    them say that Buy America protects us. We've heard them  
24    say that affiliated fabricators and scrap suppliers  
25    protect us. We've heard them say that they sell to

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1 different types of end users through different channels of  
2 distribution.

3           We've heard them say that rebar imports are  
4 necessary to fill a demand vacuum.

5           Thankfully you've recognized that none of this  
6 is true and have rejected these arguments over and over  
7 again.

8           Since Nucor has experience in some of these  
9 areas, I would like to state at the outset that these  
10 claims were wrong then and they are still wrong today.

11           First, Buy America simply has little impact on  
12 the market, represents a small share of sales and we  
13 generally have no idea whether a particular sale is a Buy  
14 America project. Customers are not eager to share that  
15 information with us because they fear it may limit their  
16 ability to demand the lowest price available in the market,  
17 almost always import.

18           Second, our affiliates are market players in  
19 their own segments. They buy and then sell in accordance  
20 with market conditions. We sell to both affiliated and  
21 unaffiliated customers, whether they are end users or  
22 distributors, and we compete for sales to all of our  
23 customers in the same way.

24           Our affiliated fabricator, Harris Rebar, needs  
25 to be competitive for sales of downstream products, and

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1 they can't do that if we force them to buy rebar from us at  
2 elevated prices. We need to sell them at competitive  
3 prices, and for the last couple of years, Harris has had to  
4 purchase subject imports because we just couldn't compete  
5 with unfairly traded subject import pricing.

6 Our scrap processors are the same. They are  
7 separate, independent business centers with their own  
8 profit motives, they buy scrap from them -- and we buy  
9 scrap from them in competition with other buyers in the  
10 open market.

11 Finally, there is no demand vacuum here that  
12 requires massive volumes of unfairly priced imports.  
13 Demand has been improving gradually, we are still far from  
14 where we were before the financial crisis.

15 Growth in construction demand seems to be  
16 leveling off, and we can't say how much longer it will be  
17 until the next downturn. We have more than enough unused  
18 capacity to satisfy modest demand growth we've been seeing,  
19 and we are happy to sell to any customer at a fair price.

20 But dumped and subsidized imports have kept us  
21 from doing so. In fact, domestic production declined in  
22 2015, despite modest improvements in demand.

23 After the orders on Mexican imports took effect,  
24 those dumped volumes began to decline. We thought that we  
25 would be able to maintain prices and increase sales.

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1 Unfortunately, dumped and subsidized Turkish imports  
2 continue to soar, even with the CVD order in place, even  
3 after they told you they had no interest in increasing  
4 shipments to the United States.

5 As if 600,000 additional tons of unfairly traded  
6 Turkish material weren't enough, seemingly overnight,  
7 Japanese volumes nearly doubled and Taiwanese volumes grew  
8 fivefold.

9 After a year of losing sales, we've tried our  
10 best to lower prices to compete, but these imports just  
11 keep getting cheaper and cheaper. Their distribution  
12 networks are growing as well. We are seeing foreign mills  
13 increasingly sell directly to customers instead of through  
14 brokers, and in customized lengths rather than standard  
15 stock lengths, so competition is only growing fiercer.

16 Given the cyclical nature of the steel business,  
17 this type of sudden, unfair import competition is  
18 particularly harmful when demand seems to be growing, and  
19 especially when that growth is limited and uncertain.

20 The steel industry depends on thriving when  
21 conditions are good or just even decent, so we can invest  
22 for the future and weather the storm when we inevitably hit  
23 another down cycle.

24 It's hard enough to see our bottom line suffer  
25 when we should be doing just fine. But it's harder to tell

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1 our teammates and their families that they won't be taking  
2 home as much pay as they should be, even as they hear the  
3 economy is doing better and improving a little bit.

4 At Nucor we tie compensation to production.  
5 This usually allows us to avoid large-scale layoffs. But  
6 every sale we lose to dumped and subsidized imports is  
7 money out of our teammates' pockets.

8 For their sake and for the sake of the U.S.  
9 industry, we urge you to make an affirmative determination  
10 so that this investigation may go forward.

11 Thank you.

12 MR PRICE: Thank you. Our next witness is  
13 Mr. Tracy Porter of Commercial Metals Company.

14 STATEMENT OF TRACY PORTER

15 MR. PORTER: Good morning. I'm Tracy Porter,  
16 Executive Vice President of Operations for Commercial  
17 Metals Company. In this capacity I oversee the operations  
18 in the United States as well as our operations in Poland.

19 I also serve as chairman of the Steel  
20 Manufacturers Association, which consists of 28 North  
21 American Electric Arc Furnace Steel Producers, including  
22 the rebar producers here today.

23 I appreciate this opportunity to appear before  
24 you to explain why trade relief against dumped and  
25 subsidized Japanese, Taiwanese and Turkish rebar imports is

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1 critical to CMC and the U.S. rebar industry.

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

9 With this perspective and from my work with the  
10 SMA, I can tell you that there is a broad consensus in the  
11 industry that conditions in the steel market today are as  
12 bad as they have ever been. This is a direct result of the  
13 market distorting unfair trade practices of subject  
14 imports.

15 In your many investigations involving this  
16 product, you have heard subject producers claim over and  
17 over again that their rebar does not compete with domestic  
18 rebar. This was not true then, it's not true now.

19 I would like to take this opportunity to tell  
20 you why.

21 It bears repeating that rebar is a highly  
22 standardized product that is principally sold on the basis  
23 of price. Rebar from the United States, Japan, Taiwan and  
24 Turkey is all interchangeable and is very much used for the  
25 same purposes and the same applications.

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1                   There is nothing about this product or the  
2 structure of the U.S. industry that insulates us, or the  
3 well-being of our employees, from the harm caused by these  
4 unfairly traded imports.

5                   CMC and the rest of the domestic industry  
6 compete with each other and with subject imported material  
7 for each and every sale day in and day out.

8                   As a larger company with affiliates at various  
9 stages of the value chain, CMC is well positioned to  
10 address a couple of valuable key points about competition  
11 in this market. First, our transactions with our  
12 affiliates are competitive and subject to market  
13 conditions, just like a transaction with unaffiliated  
14 customers.

15                   Every CMC entity is an independent business  
16 enterprise whose sole objective is to operate as  
17 efficiently as possible and to capture as much profit as we  
18 can.

19                   We have integrated fabricators and distributors  
20 in our business to gain additional profit in the  
21 fabrication and distribution business, not to prop up our  
22 rebar mills.

23                   As a result, we sell rebar to our affiliated  
24 customers at competitive market prices, just like we sell  
25 to our unaffiliated customers. If we can match the best

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1 price available in the market, we get the sale. If not,  
2 our affiliates, just like our unaffiliated customers, can  
3 go out and buy the cheaper product on the open market,  
4 including subject imports.

5 After all, our affiliates have to compete for  
6 sales just like our mills do, in the open market and on the  
7 basis of price. Even if we can force them to buy from us  
8 at higher prices, they would lose sales downstream and our  
9 business would take a hit anyway.

10 Next, our scrap recyclers do not insulate us  
11 from competition either. We take pride in being one of  
12 the largest scrap recyclers in the United States, and to do  
13 so, we must run our scrap business at market conditions, as  
14 market conditions dictate.

15 They may help to ensure some security of supply,  
16 but we can't just use them to mitigate price pressures in  
17 our downstream businesses. There is nothing they can do to  
18 insulate our rebar mills from raw material price  
19 fluctuations or competitions from imports.

20 Like rebar, scrap is an internationally traded  
21 product that is bought and sold on the open market with  
22 complete transparency and in competition with other  
23 producers and consumers. We sell scrap to CMC mills at  
24 market prices and we sell scrap to non-CMC mills at market  
25 prices.

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

5           At the end of the day, sales of rebar is based  
6 on three things: Price, price and price. Customers want  
7 the best price they can get regardless of the source.  
8 Nothing insulates us from unfairly traded imports. This  
9 should be clear from the speed with which the subject  
10 imports have flooded the market since dumped Mexican rebar  
11 exited in response to the antidumping orders.

12           We have been competing with Japanese, Taiwanese  
13 and Turkish rebar in all corners of the market, in all  
14 lengths and sizes, for sales to all types of customers.

15           While we used to see imports mostly in shorter  
16 lengths, especially 20-foot, we are seeing more and more  
17 40- and 60-foot imports, and even custom lengths, eroding  
18 our sales based even further.

19           We have been getting hammered with offers from  
20 all three countries at lower and lower prices. At this  
21 point, we just don't know if and when they will stop  
22 falling.

23           CMC is proud to be an innovator in the rebar  
24 market. We are a leader -- excuse me.

25           We were a leader with regard to micromill

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1 technology, and we continue to operate the newest mills  
2 with the newest technologies. But continually to innovate  
3 requires continued investments, and we have shareholders to  
4 satisfy.

5 Our shareholders demand returns on their  
6 investment. Following the 2014 antidumping and  
7 countervailing duty orders and seeing some growth in the  
8 market, we anticipated better market conditions and  
9 invested in a second micromill in Durant, Oklahoma, as well  
10 as an expansion of our Arizona facility.

11 If these unfairly priced imports keep flooding  
12 the market, we don't see any way that we can earn an  
13 adequate return on these investments. These investments  
14 and the jobs they support are both at risk of disappearing.

15 From CMC entity -- every CMC entity from our  
16 scrap yards to our fabricators competes in the open market,  
17 and we compete with anyone, domestic or foreign, as long as  
18 we have a level playing field.

19 On behalf of CMC, its workers and their  
20 families, we urge you to recognize the harm caused by  
21 dumped and subsidized rebar from Japan, Taiwan and Turkey  
22 and to reach an affirmative preliminary determination.

23 Thank you.

24 MR. PRICE: Our next witness is Mr. Burke Byer,  
25 president and CEO of Byer Steel.

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1 STATEMENT OF BURKE BYER

2 MR. BYER: Good morning. I am Burke Byer,  
3 president and CEO of Byer Steel. First I'd like to thank  
4 the Commission Staff for all of your time and attention on  
5 the continuing damage caused by subject import rebar.

6 Byer Steel is a family owned and operated  
7 business that manufactures rebar using 100 percent recycled  
8 material. Byer Steel has been in my family for over four  
9 generations, spanning more than 100 years. Our teammates  
10 and myself are very proud of what we have accomplished.

11 We're located in Cincinnati, Ohio, employing  
12 just a little over 80 teammates in our mill and fabrication  
13 operations, down from 180 teammates not that long ago.

14 Unlike some of the other producers here this  
15 morning, Byer Steel is a very small company. We make rebar  
16 and only rebar.

17 We offer some rebar fabrication and other  
18 services as well, but we depend on the ability to  
19 manufacture and sell this product at a fair price to the  
20 Midwestern market.

21 If we can't continue to sell rebar in the  
22 Midwest like we have for over the last 100 years, I will be  
23 forced to shut down these businesses.

24 We are already operating with just a single  
25 crew, less than half of the workforce that I would ideally

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1 employ, and things would only get worse unless we get  
2 relief from the latest flood of unfairly priced imports.

3           Since we were here last, the market gave us some  
4 reason for optimism. Relief against dumped Mexican imports  
5 helped. And there's been gradual recovery in the  
6 construction market since the financial crisis.

7           Unfortunately, we aren't seeing the kinds of  
8 benefits that we thought could accompany these  
9 improvements. Instead, these benefits are being captured  
10 by low-priced imports.

11           For the last year or so, at least since late  
12 2015, I've been watching mountains of subject rebar growing  
13 higher and higher on the docks, just nine miles from our  
14 mill. This material comes to Cincinnati from Japan, over  
15 6500 miles away, or Turkey, 5500 miles away.

16           This rebar comes upriver from New Orleans, gets  
17 unloaded and sits there ready for sale at prices below our  
18 cost.

19           It's almost like a second rebar mill in  
20 Cincinnati just floated up the river one day with months of  
21 inventory at lower prices.

22           Due to the fungible nature of rebar and that it  
23 is a purchased 100 percent based upon price, the clients  
24 that we've served for over 100 years have started buying  
25 from Turkey and Japan, and on the river, with no

1 hesitation.

2           If you've ever been to Cincinnati, you'd  
3 understand that there is no good sushi in Cincinnati, yet  
4 you can get all the Japanese rebar you want at prices  
5 cheaper than we can make it.

6           These imports are pricing us out of the market,  
7 and I mean completely out of the market. They have driven  
8 prices so low that it's become difficult to buy rebar even  
9 from our own mill. We've been forced to buy Turkish and  
10 Japanese bar for both our fabrication and stock sales  
11 because it just isn't price-competitive for us to make it.

12           I hate to do this because I know that it's  
13 feeding our own demise, but after a while you have no  
14 choice.

15           The premiums associated with different sizes of  
16 rebar are nonexistent because the subject mills are willing  
17 to sell in any size without premiums as if profit was  
18 something of an afterthought.

19           We have nowhere to hide from these imports.  
20 Since they have piled up relentlessly, they have forced us  
21 to match our prices dollar for dollar.

22           At this point, we don't -- if we don't match the  
23 import prices, we just don't get the sale, pure and simple.  
24 But when we drop our prices, import prices just seem to go  
25 lower and lower.

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1           Even with modest growth in demand, subject  
2 imports have totally inhibited our ability to participate  
3 in any of this. Imports are also keeping us from making  
4 money on some of the other services that we traditionally  
5 provide, like warehousing, same day or next day delivery.  
6 Why pay us to do it when you know the material is being  
7 stored at the docks for free, just waiting for you to send  
8 a truck in to pick it up at prices that will get cheaper as  
9 your truck drives to pick it up.

10           These conditions are not sustainable for my  
11 company, and I may be out of business unless the industry  
12 gets relief from these damaging low-priced imports.

13           We've already been forced to run on less than  
14 half the work force that we would employ if we were running  
15 at a full capacity. We've had to postpone millions of  
16 dollars of important upgrades to our mill, and we've lost  
17 long-standing clients as they suddenly switched over to  
18 imports.

19           It's a scary position for us. Even when demand  
20 seems to be improving a little bit, and this just will not  
21 last forever, we have to cut price back even further to  
22 unsustainable levels or cut production. You're out of the  
23 frying pan and into the fire either way.

24           Our margins and our co-workers all suffer,  
25 either way.

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1           Our pricing has dropped, our sales have  
2 declined, and our profit margins have been decimated.

3           With our position right in the middle of the  
4 country, it's terrifying that we're being undercut on basic  
5 steel products by manufacturers that make these products on  
6 the other side of the globe.

7           In short, if subject imports are allowed to  
8 continue hammering our market, it would likely be  
9 economically impossible for me to sustain and continue  
10 producing rebar. I would have no choice but to close our  
11 rebar facility and lay off our mill, fabrication, service  
12 center and recycling employees.

13           Our 100-year-old family business would come to  
14 an abrupt end.

15           On behalf of myself, my family, my teammates,  
16 please understand, rebar is a highly fungible product, sold  
17 on price and price alone. I ask that you grant trade  
18 relief to domestic rebar industry, and I once again  
19 appreciate your time and attention.

20           Thank you.

21           MR. PRICE: Thank you. Our next witness is  
22 Mr. Roy Houseman of the United Steel Workers.

23           STATEMENT OF ROY HOUSEMAN

24           MR. HOUSEMAN: Good morning, and thanks for your  
25 time this morning. I'm Roy Houseman, legislative

1 representative for United Steel, Paper and Forestry,  
2 Rubber, Manufacturing, Energy, Allied Industrial and  
3 Service Workers International Union, commonly known as the  
4 Steel Workers or USW. We are the largest industrial union  
5 in North America, representing more than 1 million active  
6 and retired members throughout the manufacturing sector.

7           Our members and their livelihoods depend on the  
8 fair trade and enforcement of U.S. trade laws, so I'd like  
9 to thank you for the opportunity this morning.

10           The Steel Workers strongly support these  
11 petitions and urge you to allow these investigations into  
12 dumped and subsidized rebar from Japan, Taiwan and Turkey  
13 to proceed. The rebar industry is very important to our  
14 union and its members. We represent workers in much of the  
15 industry, including at Cascade and a number of Gerdau  
16 facilities. These and other workers in the U.S. rebar  
17 industry are the best in the world, but they cannot compete  
18 against foreign producers that price unfairly and foreign  
19 governments that subsidize their domestic industries.

20           This is exactly what we were seeing in the  
21 subject countries. Our union and its members were  
22 optimistic after the 2014 antidumping and countervailing  
23 duty orders on Mexico and Turkish imports. We have seen  
24 less harm from Mexican imports, but dumped and subsidized  
25 rebar from Turkish producers have continued to pour into

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1 the U.S. market.

2           And yes, these are the very same Turkish  
3 producers who told you two years ago they had no interest  
4 in sending any more rebar over here.

5           Japanese and Taiwanese producers are now  
6 flooding the market as well. As prices for these imports  
7 just keep falling, none of them seem to be playing by the  
8 same rules that we are, the rules that their government  
9 agreed to.

10           The results are -- is that their workers keep  
11 their jobs while ours suffer layoffs, reduced hours and  
12 reduced pay. This is all happening at a time when it  
13 seemed like the recovery in the construction market was  
14 finally taking hold after the recession.

15           We saw modest growth in the construction demand  
16 and employment last year. Since rebar demands tend to  
17 track with construction demand, we thought our workers  
18 in the rebar industry were well positioned to benefit. But  
19 too much of this modest growth has been captured by  
20 unfairly traded Japanese, Taiwanese and Turkish imports.

21           Instead of being able to increase sales and  
22 production in response to better demand conditions, U.S.  
23 mills last year lost sales to the latest surge in dumped  
24 and subsidized rebar. Instead of being able to regain fair  
25 market prices after the antidumping orders on Mexican



1 imports, mills have been forced to slash prices to try and  
2 stem the losses of sales volumes.

3 Things have been really bad this year. Profits  
4 have fallen off dramatically and production remains  
5 depressed. Capacity utilization of the industry has fallen  
6 back to around 60 percent.

7 All of this means that our members are losing  
8 their jobs. Those still working are facing reduced hours,  
9 reduced pay, and the prospect of layoffs down the road. In  
10 2013, Gerdau laid off USW members at the St. Paul,  
11 Minnesota, facility and stopped making rebar there entirely  
12 in 2015. They have also cut back at their Rancho Cucamonga  
13 because of import pressure, pricing pressure.

14 There is a similar situation at Cascade, where  
15 we recently lost dozens of jobs permanently because of  
16 unfair competition with imports. Without relief, there is  
17 no doubt that this will continue.

18 We've been fighting against unfairly traded  
19 steel imports for years, and I can honestly say that the  
20 problem is as bad as it's ever been.

21 Many foreign governments see this industry as a  
22 political tool more than a competitive business. They  
23 drive production well above demand, and the United States  
24 is an easy target when they have nowhere else to sell.

25 Our economy is recovering, our markets are open,

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1 and our industry doesn't get endless handouts to keep us  
2 afloat. It's not right that we have to compete against  
3 producers that operate without regard for market  
4 conditions.

5 We should not be putting Americans out of work  
6 simply to provide foreign producers with a market for  
7 dumped and subsidized imports. Neither we nor our members  
8 have any problem with free trade, provided that it is fair  
9 trade.

10 We are willing and able to compete with steel  
11 industries across -- around the world, but we expect them  
12 and their governments to abide by the same rules that we  
13 do.

14 More importantly, we expect our government will  
15 stick up for us and enforce those rules when they are  
16 clearly being broken. Providing relief against unfairly  
17 traded rebar from Japan, Taiwan, and Turkey would help to  
18 ensure a level playing field in the U.S. market. On behalf  
19 of the steel workers that make rebar, retirees that depend  
20 on the health of the industry, and all of the communities  
21 and families that they support, I urge you to make an  
22 affirmative preliminary determination.

23 Our jobs and our members' jobs depend on this  
24 investigation. Thank you.

25 MR. PRICE: Thank you. I would now like to turn

1 to our presentation, our slide presentation, and I will  
2 start and then Mr. Kaplan will follow me.

3 Start with legal issues. The petition  
4 identifies all rebar as a single like product. The  
5 Commission has consistently treated all rebar as  
6 constituting a single like product. Rebar has the same  
7 basic physical characteristics and uses, almost all of it  
8 is being used in concrete. It is produced in similar  
9 facilities. It is sold through the same channels of  
10 distribution. It is interchangeable. It is perceived to  
11 be a single like product, and it is all priced similarly.

12 Turning to cumulation, the Commission is  
13 required to cumulate imports from the subject countries.  
14 Rebar from all three countries is interchangeable, there  
15 was an overlap in competition with imports from Japan and  
16 Turkey, present in all regions and imports from Taiwan  
17 everywhere but the northeast.

18 Subject imports were sold throughout the same  
19 channel of distribution, including to fabricators. Imports  
20 from all three subject countries were present throughout  
21 the POI. Taiwanese imports entered the United States in 23  
22 of the 42 most recent months and are consistently present  
23 in the U.S. market beginning in 2015. This is consistent  
24 with simultaneous overlap and presence found in a number of  
25 recent flat rolled cases.

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1           With regard to negligibility, imports from the  
2 subject countries are considered negligible if they account  
3 for less than 3 percent of imports in the previous 12-month  
4 period. The most recent complete import information is  
5 through August of 2016.

6           All three subject countries accounted for  
7 substantially more than 3 percent of imports during the  
8 period of September 2015 through August 2016, so  
9 negligibility requirements are easily satisfied.

10           We will now turn to Mr. Kaplan.

11           STATEMENT OF DR. SETH KAPLAN

12           DR. KAPLAN: Thank you. I am Seth Kaplan of  
13 Capital Trade. I'm going to present an economic overview  
14 of the case, beginning with to look at the trends in this  
15 investigation.

16           Summary of my finding is that subject imports  
17 increased both absolutely and as a share of both domestic  
18 consumption and production, that subject imports undersold  
19 domestic rebar and suppressed and depressed prices, and  
20 that the surge in low-priced subject imports caused  
21 material declines in the domestic industry's financial,  
22 trade and employment indicia.

23           Let me begin by looking at the conditions of  
24 competition. This is a product you've examined before.  
25 The Commission has looked at the conditions of competition,

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1 the Staff has looked at the conditions of competition. So  
2 let me go over those.

3 First, subject and domestic rebar are highly  
4 substitutable. That is a quoted from the Commission  
5 opinion in 2014.

6 If you need any more evidence, I would look at  
7 the other recent opinions as well, and they're all  
8 completely consistent on this point. This is a settled  
9 issue.

10 Rebar is purchased on price. As you could see,  
11 there are quotes from the Commission opinion of October  
12 2014, the Commission opinion of July 2013, the Commission  
13 opinion in December 2008. I think I did one of these cases  
14 in 2001. Nothing has changed. Been there, done that, same  
15 conditions, same product, same markets with small changes.

16 Demand for rebar is inelastic, once again, the  
17 last three Commission opinions on this product have found  
18 that changes in the price of rebar have a relatively small  
19 effect on total demand for rebar. That's because rebar is  
20 a small share of the final products which enter and rebar  
21 has no good substitutes. For your economists, the Hicks  
22 Four Factors all show that the demand is inelastic.

23 The demand for rebar in the United States  
24 increased over the POI. These are charts that were found,  
25 I believe, in the Staff report of the last investigation.

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1 They have been updated. So you have an increase in demand,  
2 although in about the last 12 months, things have become a  
3 little bit flatter than they were during the earlier part  
4 of the period of investigation. Another condition of  
5 competition that has been recognized that the demand for  
6 rebar is driven by residential and nonresidential  
7 construction, and there you see the data.

8 Another condition of competition in this  
9 particular market is the inventory overhang of subject  
10 rebar. Those are pictures of rebar on the docks. There is  
11 a quote from American Metals Market very recently, October  
12 6, 2016. "A major steel terminal in Houston is holding  
13 some 160,000 tons of rebar inventory, which would last two  
14 full months at current outflows of 160 trucks, or 3000 tons  
15 per day, according to a fourth rebar trader who visited the  
16 terminal last week."

17 What the Staff and the Commission understands  
18 about steel inventories is that sometimes they do not  
19 appear as domestic producer inventories or as importer  
20 inventories, but rather are held in the distribution  
21 channels.

22 So distributors or others are holding the  
23 product and it doesn't necessarily show up in the data  
24 because the purchasers and the distributors are not  
25 importers or domestic producers, the two sources of

1 inventory data in these investigations.

2 But there it is, and there's the quote, and  
3 that's just one place.

4 So the Commission has seen this before, and now  
5 they're seeing it again.

6 Subject imports compete head to head in  
7 channels, lengths and regions. Another condition of  
8 competition. The Commission has recognized that in no  
9 uncertain terms in its October 2014 opinion. The  
10 preliminary importers questionnaire show head-to-head  
11 competition based on length as well. Census data shows  
12 overlap of domestic rebar and subject rebar in the same  
13 regions. This is a commodity-like product, the most  
14 generic of the long products that is sold on price, it is  
15 sold in all channels, it is sold in all lengths, it is sold  
16 in all regions, it is head-to-head competition for its use  
17 in reinforcing concrete.

18 Now let me turn to import volumes. Subject  
19 imports increased absolutely. As a legal matter, it is  
20 evident on its face from this chart. As an economic  
21 matter, we'll see how large these volumes are and how rapid  
22 the increase has been. This is particularly striking given  
23 the comments made by Respondent in the 2014 investigation  
24 of their lack of interest in the domestic market.

25 I think this contradicts any notion of their

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1 lack of interest.

2           Subject imports increased relative to  
3 consumption. As you can see, subject import market share  
4 went up. And as you can see from the nonsubject import  
5 side, that they have taken share from both the domestic  
6 industry and from nonsubject products. Some of that is the  
7 Mexican imports exiting under the order, and they are  
8 nonsubject.

9           The Turkish imports more than replace them.  
10 Subject imports increased relative to production as well,  
11 so in the first test of whether imports are significant,  
12 they meet all three standards on a legal basis, and as an  
13 economic basis, given the generic nature of the product and  
14 the high degree of substitutability, these volume increases  
15 are significant and injurious.

16           Let's turn to underselling. Subject imports  
17 undersell the domestic industry, and the preliminary  
18 questionnaires that we have compiled with over -- well over  
19 100 comparisons, all but one show underselling, consistent  
20 underselling.

21           The margin of underselling has increased over the  
22 POI. Turkey had the largest underselling margins, although  
23 all three countries undersold, with the underselling  
24 margins increasing in 2015. And that is consistent with  
25 the results you see about the decline in the financials



1 that I'll show later. And this shows the problem is  
2 getting worse, and this shows the problem is current injury  
3 extending well over a year.

4 Past statements by Turkish Respondents are  
5 contradicted by the current import surges and underselling.

6 You've seen these quotes mentioned earlier.  
7 They are cited at the bottom. But the actual behavior of  
8 the Turkish industry as well as the Japanese and Taiwanese  
9 industry, belie any types of statements that they have no  
10 interest in this market.

11 As Mr. Nolan opened in this forum, talked about  
12 the U.S. prices being the highest in the world, and so this  
13 is the market of choice.

14 Further, there is evidence of a cost/price  
15 squeeze, which demonstrates price suppression and  
16 depression. The industry experienced a cost/price squeeze  
17 during the last 12 months, meaning that prices fell faster  
18 than costs. Gross margins reached their lowest levels in  
19 2016. I don't know if Mr. Nolan has had the time to  
20 compile the questionnaires. Things come in at a very  
21 ferocious state at this investigation.

22 But what you will find is that both the  
23 operating margins and the net margins are lower than the  
24 industry had in 2013 and '14, when the Commission found  
25 material injury to the domestic industry. Things are worse

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1 now on a financial basis.

2           The benefits the industry experienced after the  
3 2014 orders have dissipated.

4           I want to step back both from -- and address  
5 both lawyers and both economists, I'm glad there's two of  
6 each, and compare it to some previous cases and evidence  
7 you see here.

8           The Commission has sometimes not found price  
9 suppression and depression, because input costs are falling  
10 as well as profits and prices falling.

11           I think you could distinguish that via the  
12 cost/price squeeze. I think you could distinguish that  
13 statistically, as we have done in other cases. But there  
14 is additional evidence in this investigation that I think  
15 the lawyers should be concerned of when they look at their  
16 legal memo and the economists should be concerned of when  
17 they write their chapter on pricing. There is direct  
18 evidence from the purchasers on what affected prices. They  
19 were asked.

20           I would ask you to look at the data. Do they  
21 say prices fell because input prices fell or do they say  
22 prices fell because we had to match the price of imports?  
23 This data is different than data in past cases, and I think  
24 this is exactly the type of direct evidence that the  
25 Commission should find probative when determining whether

1 there's price suppression and depression. Evidence in  
2 addition to the evidence they had in the previous  
3 investigations.

4           Now let me turn to the industry indicia. And  
5 they show severe declines. Note the Commission found  
6 injury in 2013 and '14, that the orders were put in. That  
7 bar really goes in October 2014. And there were some -- a  
8 little bit of earlier benefits from the final duties being  
9 put in place. So you could see a slight increase from '13  
10 to '14.

11           But what you really saw is when the orders came  
12 in place and Mexico was taken out, that there was a really  
13 big increase in the profitability of the domestic industry  
14 in 2015. The surge in imports has dissipated that benefit,  
15 and now the domestic industry is operating at a level below  
16 that it did when the Commission found injury in 2013  
17 and '14.

18           There is current injury in the industry starting  
19 in 2015 with the import surge, lowering the profitability  
20 and dissipating the benefits gained from the order.

21           Similarly, net income margins saw the same  
22 pattern, and as you see, net income margins are actually  
23 negative in this investigation. They are below, once  
24 again, 2013 and 2014. And to the extent that there is  
25 injury, there is a strong argument to be made for serious

1 injury to this industry based on that, much less material  
2 injury by reason of imports.

3 Similarly, U.S. production decreased over the  
4 POI despite increasing demand. So you see a decline in  
5 shipments in 2015, despite the order and rising demand.

6 Witnesses have testified is that they -- in an  
7 effort to maintain prices, they gave up market share in a  
8 rising market. That is evidence of injury from the  
9 production side.

10 Also, because of that, the number of  
11 production-related workers decreased, they are related to  
12 the amount of output. Hours decreased because output fell  
13 in 2015.

14 The industry has lost sales and lost revenues.  
15 There's evidence not only of lost sales but also dropping  
16 prices to compete with imports. There's factual evidence  
17 of price suppression and depression in the lost sales and  
18 lost revenues questionnaires, and those are the  
19 questionnaires I was referring both lawyers and economists  
20 to in determining whether there is evidence for the price  
21 suppression and depression and determining in the pricing  
22 section what facts should be included in discussing how the  
23 pricing dynamics work. So I think both -- both the  
24 attorneys and the economists would find this information  
25 probative.

1                   Finally, let me summarize. The trade indicia,  
2                   output, sales and market share show injury. The financial  
3                   data is particularly weak and particularly injurious, given  
4                   the recent affirmative finding in the other case, that this  
5                   is now gone. The other indicia shows also signs of  
6                   material injury by reason of imports.

7                   Quickly let me discuss the lagged effect of  
8                   imports. The Commission has seen this pattern before. It  
9                   has been put before them by economists and by industry  
10                  witnesses.

11                  The U.S. government has recognized this as well,  
12                  that there could be lags from the imports to profitability  
13                  due to inventory accumulation, due to uncertainty of  
14                  continued import surges, due to a lag in the order book and  
15                  due to a lag in certain cases in contracts.

16                  What this means is and what you see in the  
17                  pattern is that the domestic industry lost market share  
18                  while retaining profitability in 2015, and then as the lag  
19                  has an effect on prices and profits that they lost  
20                  significant profitability and had significantly lower  
21                  prices in the 2016 period showing another side of the  
22                  injury, first the effects on quantity and then the effects  
23                  on profitability.

24                  Finally let me go through the threat factors  
25                  quickly. Likely to result in increased imports in the

1 United States. Yes, as Mr. Nolan said, it's the  
2 highest-priced market, and all those countries have excess  
3 capacity. The rate of increase of volume is expected to  
4 increase further. There is no reason to think it will stop  
5 unless orders are put in place. Price suppression and  
6 depression has occurred and the underselling has increased  
7 and it could be expected to increase should orders not  
8 occur. Inventories of the subject merchandise are on the  
9 ground in the United States. Once again, they might not be  
10 showing in the import and domestic producers, but they are  
11 in channel and the Commission regularly sees that.

12           There's a potential of product shifting, to the  
13 extent that foreign producers make more than rebar on their  
14 mills. If they make rebar and merchant bar, for example,  
15 they could switch to rebar production. They could also  
16 shift from third markets to the United States as well, they  
17 could also use excess capacity. All of those things  
18 suggest and indicate that there's a threat.

19           There are countervailable subsidy allegations  
20 being made as a factor, and there's likely to be material  
21 injury given these imports.

22           So I think the evidence on the record shows that  
23 the Commission could certainly reach a material injury by  
24 reason of imports conclusion, as well as a threat of  
25 material injury, that both findings are warranted by the

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1 record.

2           The U.S. is the preferred market for rebar  
3 exporters has been set, that means there is a threat given  
4 the excess capacity.

5           The conditions in the global market have deteriorated.  
6 That means this is the preferred market. Imports are piled  
7 high on the docks of Houston right now, and those piles  
8 will increase both in Houston and in other ports should the  
9 Commission not reach an affirmative determination. Thank  
10 you very much.

11           MR PRICE: Thank you. And that concludes our  
12 direct presentation.

13           MR. ANDERSON: Thank you, Mr. Price, and to the  
14 panel, thank you for your testimony. It's been very  
15 helpful. We would like now to take time to turn it over to  
16 our staff for questions. And we'll start with our  
17 investigator, Ms. Lo.

18           MS. LO: Hi. Thank you all so much for coming  
19 and helping us understand this industry. I have a few  
20 questions about the flow of imports.

21           Can you help me understand how -- how Turkey as  
22 well as Japan and Taiwan, how they're able to cover the  
23 transportation costs, given rebar is a fairly heavy  
24 product? And also, in the case of especially Taiwan and  
25 Japan, what's happening in their domestic markets, or Asian

1 market, for that matter, that makes transportation costs  
2 very -- not affected prices as much as they could? Thanks.

3 MR. CAMPO: This is Peter with Gerdau. I would  
4 suggest to you that ocean freight is an oversupplied market  
5 as well, and ocean freight rates are extraordinarily low,  
6 have been extraordinarily low through this period.  
7 Shipping from the Middle East to the port of Houston is  
8 typically 15 or \$20 a ton, so while it's a bulky material,  
9 it's dense and there's plenty of capacity available in  
10 ships running those directions.

11 So as a practical matter compared to overland  
12 truck shipping, domestically in the U.S., it's a minor  
13 cost.

14 MR. CANOSA: Marcelo from Gerdau. That is an  
15 interesting question, and we try to figure out how can they  
16 have a profit selling so far away and these prices here in  
17 the U.S., so they are clearly underselling the market.

18 DR. KAPLAN: The transportation costs are  
19 actually twice, because the scrap that is used to make the  
20 product abroad is often shipped from the United States to  
21 the foreign countries, where they then produce the product  
22 and ship it back.

23 So even with the decline in transportation  
24 rates, given the oversupply of the shipping industry right  
25 now, they bear a double cost that is not borne in the



1 United States to get it to the -- either at the mill in the  
2 United States versus at the port for the imports on an  
3 equal basis before it's shipped from there.

4 And this is the question that we asked in the  
5 closed room, is the exact question.

6 What I think we'll see is that these firms are  
7 dumping the product, we know already that the firms are  
8 subsidizing the product, and we think that contributes to  
9 their ability to both import the raw materials from the  
10 United States and export the finished product to the United  
11 States. But that remains to be seen from the Commerce  
12 Department investigation.

13 MR. BARNEY: Don Barney, Nucor. To address the  
14 second part of your question as far as the demand component  
15 in Taiwan and Japan. Japan typically would export some  
16 product into the Korean market, and we've actually seen  
17 Korean demand on the decline. The other part of that is  
18 that the global market has a severe excess capacity  
19 situation in all products, particularly in rebar. So the  
20 United States being a free market, open borders, everybody  
21 looks to here as an export market for first and last  
22 resort.

23 That's why we see the Taiwanese, Japanese and  
24 Turkish material come in here at exceptionally high  
25 quantities.

1           MR PRICE: Alan Price, Wiley Rein. There's no  
2 one I think appearing today for Japan. In every other  
3 steel case I'm involved in, there's always a claim that the  
4 Japanese products are somehow or other special. There is  
5 no such thing as special rebar. Basically, if it sinks in  
6 concrete, it works. If it sinks in water, it works. If it  
7 sinks in cement -- well, it should be concrete.

8           Let's put the demand situation globally. This  
9 is actually breaking news according to SBB, the World Steel  
10 Association just issued its short range outlook and its  
11 forecast, put this in perspective for everyone. And while  
12 all of our politicians talk about growth rates in the  
13 United States and whatever, let's look at what's going on  
14 globally.

15           In the globe, the United States is a bright  
16 spot. The World Steel Association today released its short  
17 range outlook for 2016 and 2017. World Steel forecasts  
18 that global steel demand will increase for this year, the  
19 total increase will be by 0.2 percent in 2016, following a  
20 contraction of 3 percent in 2015. And in 2017, the wildly  
21 optimistic forecast -- sorry, that's not the written words,  
22 those are my editorializing, is that demand for global  
23 steel will increase by 0.5 percent.

24           So the market globally is oversupplied, Asia is  
25 dominated by excess Chinese rebar exports, a lot of it by

1 the way is not classified as rebar. There's a whole bunch  
2 of tariff games that go on in China.

3 But the whole Asian market is flooded. The  
4 Asian -- the Chinese, and I think one thing our Turkish  
5 friends will agree on is that the Chinese have had massive  
6 excess capacity flooding markets, our Turkish friends have  
7 massive excess capacity. Some of their traditional Middle  
8 East market has also been taken by Chinese product and  
9 making it much more competitive for them.

10 Bottom line is the world is awash in rebar  
11 capacity, and Taiwan and Japan, this is an attractive  
12 outlet market, given how bad things are elsewhere.

13 MS. LO: Thank you very much, especially  
14 touching on what's happening with China.

15 I just had also a technical question. In the  
16 petition you cited trading companies. Is that the same as  
17 distributors as a channel?

18 MR PRICE: So you often have trading companies  
19 facilitating sales to distributors, sometimes they can be  
20 the same, but often they're different. It starts to go to  
21 a more macro sort of theological question, which is where  
22 do you look at your underselling and so forth. And there's  
23 a real argument that the underselling analysis, given  
24 global logistics in the world, whether you look at steel or  
25 anything else, should really now be FOB foreign plant to

1 domestic plant.

2 In this case, it will make no difference because  
3 there's massive underselling either way, but the points of  
4 competition are really starting to shift over time in the  
5 way markets work.

6 So there are trading companies. The trading  
7 companies help facilitate the sales. A lot of the  
8 distribution is different, I think it's fair to say, than  
9 the actual trading companies.

10 Mr. Porter?

11 MR. PORTER: I would comment on that, because we  
12 are global traders. The trading business is just that.  
13 You're putting buyers and sellers together on a global  
14 basis. Distribution often in the United States,  
15 particularly because that's what I'm familiar with, is the  
16 actual contact point between the trader and the customer.  
17 The ultimate user, oftentimes it may be a distributor to a  
18 distributor or something along that line.

19 One of the interesting developments in the last  
20 year or year and a half has been, particularly with the  
21 Turks, is that they are going directly to distributors as  
22 opposed to going through the trading arm of it. We've seen  
23 them actually bypass distributors and go directly to  
24 fabricators now.

25 So they have cut the middleman out, so to speak,

1 and are using that -- the dock, as you saw in the pictures  
2 there, is basically their domestic steel mill. They supply  
3 off the dock. It's readily available, and can be picked up  
4 tomorrow if I placed an order today, I could pick it up  
5 maybe this afternoon.

6 DR. KAPLAN: So just to kind of put a ribbon on  
7 that, on page 15 of the presentation, the Commission found  
8 that the subject imports compete head-to-head in channels,  
9 lengths and regions. It's even more so than it was then  
10 because of direct sales to distributors and direct sales to  
11 fabricators.

12 So it was already intense at all levels, and now  
13 it's grown even more so. Thank you.

14 MR. BARNEY: Don Barney with Nucor. Another  
15 thing, just to kind of build upon what Mr. Porter stated,  
16 as far as the imports coming in, historically, what you've  
17 seen is there was a margin in there for the trader. Now  
18 with the distributor being the actual trader as well, it  
19 just goes direct into the channel.

20 So to your point, as far as looking at the cost  
21 component of it, it just goes right in to the distribution  
22 and fabrication channel, without another potential layer in  
23 there.

24 MS. LO: Sorry. Thanks. So essentially the  
25 trading companies have been cut out of business?

1           MR. PRICE: I think it varies. I think it  
2 varies. I think the trading companies still play roles in  
3 a number of instances, and they do help facilitate a  
4 significant portion of the transactions. But, again,  
5 that's -- there is some shift going on in this product  
6 line. And it's something that I think the Commission could  
7 help gather data on in a final determination.

8           MS. LO: Thank you. I had a question to  
9 Mr. Porter and Mr. Barney. Without divulging any BPI  
10 information, I believe, those of you that stated that you  
11 import also, could you help me understand what has happened  
12 the last three years or so with your importing arms in  
13 regards to the subject imports? How do you guys choose how  
14 much to import, if the imports are so much cheaper than  
15 making it? I know they operate as independent companies,  
16 but how do you balance that?

17           MR. PORTER: We balance it basically in an  
18 economic equation in that business unit. So in a given  
19 market, there is bidding activity daily in the fabrication  
20 business, literally daily. Not to purchase but to sell  
21 fabricated product.

22           As a result of that, based on bid pricing that's  
23 out there, you have to look at your raw material components  
24 and do in some cases a blend, or in many cases, when you're  
25 close to, for example, in Houston or any of the ports of

1 entry, you have to go to a 100 percent usage of import  
2 material to be competitive in the bid market.

3           So the -- many of the independent fabricators,  
4 understanding that CMC, Gerdau and Nucor are less than 50  
5 percent of the fabricated rebar market out there, we supply  
6 less than 50 percent, there are a tremendous number of  
7 independent fabricators. The independent fabricators  
8 for the most part are buying imported material today. So  
9 we have to compete with those folks, and in doing so, we're  
10 not going to get the order on the fabrication side if it's  
11 not competitive. You're bidding against an import price,  
12 you have to have an import number or we lose money in that  
13 segment. So we've had to go both ways.

14           I'd also say, too, that this notion of the buy  
15 American thing, I spent many years in our fabrication  
16 business, and buy American was buy American.

17           In the fabrication world, the price is the  
18 price. They don't differentiate -- you know, well, you get  
19 to charge me more because it's a buy American program.  
20 That's a very small part of our book of business.

21           But more importantly, it's -- on bid day,  
22 everybody is trying to get the order, and as a result, it  
23 doesn't differentiate.

24           So we don't see any benefit of that. Not only  
25 the buy American provisions in buy America and buy

1 American, but we also see no benefit in the FAST Act. And  
2 that's been a big point others have tried to make about the  
3 protection the U.S. market has or U.S. producers.

4 The FAST Act is very slow in coming to market,  
5 and we don't anticipate it's going to have any significant  
6 impact. We just completed our business planning and just  
7 started our fiscal year in September for this year. We  
8 have no activity, nothing planned for fast money in other  
9 business plan, to tell you how little impact that's going  
10 to have.

11 So that notion that FAST money is going to help  
12 us and protect us is just absolutely nonsense.

13 MR. BARNEY: He answered that very well. I  
14 would just agree with what he had to say. And then any  
15 additional information that we could provide would be  
16 provided in the posthearing brief.

17 MS. LO: Thank you. I have one last question  
18 before I turn it over. Mr. Campo had testified that two of  
19 your facilities were sold to real estate developers;  
20 correct? Did I hear that correctly?

21 MR. CAMPO: Yeah, that's right. Two mill --  
22 mills had been idled, previously producing rebar. Both to  
23 be redeveloped for other purposes.

24 MS. LO: So they're not involved in rebar at  
25 all. Thank you. That's all I wanted to clarify.



1           MR. ANDERSON: Thank you, Ms. Lo.

2           And now let's turn the microphone over to our  
3 attorneys, Mary Jane Alves and Mr. Laroski.

4           MR. LAROSKI: In the supplemental petitions,  
5 petitioners explicitly added certain deformed wire. If you  
6 could indicate whether you're aware of any imports of  
7 deformed steel wire from the three subject countries and  
8 from nonsubject sources as well.

9           MR PRICE: So for those of us -- there's  
10 obviously history across multiple investigations here.  
11 This is an issue that arose in the Mexican investigation.  
12 In this investigation, we are aware of no imports from the  
13 subject countries that are of that nature.

14           But we're trying to keep our scopes consistent,  
15 and that's the reason for the amendment after discussing  
16 this further with the Commerce Department, we've added that  
17 explicit language.

18           MR. LAROSKI: Thank you, Mr. Price. And just so  
19 I better understand the product, because I wasn't involved  
20 in these past investigations, it struck me from the  
21 selection of pricing products, that it was a very narrow  
22 band of sizes that are selected for pricing, but the range  
23 of sizes is much larger than that.

24           MR. PRICE: So maybe one of our folks in the  
25 industry can also jump in. The overwhelming majority of

1 both domestic production and imports are all in those  
2 three -- four core sizes in the pricing products. These  
3 are the same sort of pricing products that the Commission  
4 has used. And I think you end up with this case having one  
5 of the highest coverage rates in terms of domestic  
6 production and import volumes of any cases I've been  
7 involved in.

8           So I think they're very representative, and  
9 again, it goes to the -- a high fungibility of these types  
10 of products and the standardization of these products for  
11 consumption.

12           MR. BYER: Burke Byer with Byer Steel,  
13 Cincinnati. Traditionally, once again, my family  
14 specifically has been in the rebar business in Cincinnati  
15 for over 100 years, and for the last, say, 37 years that  
16 I've been around, it was a -- once every year, maybe every  
17 other year, you'd see a barge come up the river of very  
18 limited sizes, 3s, maybe 4s, always in 20-footers lots of  
19 times and just maybe 40 grade.

20           Today I'm being offered as we speak up through  
21 sizes 11 and 60-footers and whatever grade you'd like to  
22 make it to Cincinnati. The dynamics are unbelievably  
23 different. They are -- they're doing all kinds of very  
24 ingenuitive things to be able to make the commodity  
25 products cross the region there. They are bending rebar to

1 load it into vessels, and the barriers of product  
2 flexibility are completely gone.

3 MR. LAROSKI: Pass the microphone.

4 MR. ANDERSON: All right. Thank you. I'm going  
5 to turn it over to our economist, but just a quick  
6 reminder, you're all doing a great job of identifying  
7 yourself, but occasionally please remember to identify  
8 yourself in case we're blocking the view of your nametags  
9 for the court reporter. So now we will turn the microphone  
10 over to Ms. Breaux and Ms. Burke.

11 MS. BREAUX: Good morning. This is Ms. Michele  
12 Breaux, and I would like to first thank you for all coming  
13 out here today. Your information is highly useful, and is  
14 definitely giving me a better look at the rebar industry.

15 As a quick caveat before I begin, as the  
16 economists, we usually get into business practices, so at  
17 any point if it becomes uncomfortable and you don't want to  
18 divulge BPI, just say we'll put it in our briefs and we can  
19 move right along.

20 So to start out, as I was saying, this is my  
21 first rebar case, so I want to make sure we're covering all  
22 our bases when it comes to raw materials.

23 So we are looking at scrap prices, and we want  
24 to make sure that that is the major raw material that we  
25 should be looking at. And if there's any more, please let

1 us know.

2 MR. CAMPO: Based on domestic production, that's  
3 the most relevant raw material. On a global basis, there  
4 are other -- basically you can produce rebar from iron ore  
5 as well through the integrated process. We've seen more of  
6 that in the last couple of years as China has pushed  
7 exports of semifinished products, we call it billets, for  
8 technical reasons they sometimes call it square bar.

9 And some of the subject countries are making use  
10 of that as a semifinished good which they turn into rebar  
11 and subsequently ship to the U.S.

12 MS. BREAUX: All right. My next question  
13 regards to raw material. This was touched on a little bit  
14 beforehand. But I want to know, how do raw material prices  
15 affect the price of rebar?

16 MR. CANOSA: Marcelo Canosa with Gerdau. They  
17 do affect price. Obviously, the number one, raw material,  
18 cost that we have to produce rebar. But interesting  
19 enough, if you follow the period of investigation, our  
20 selling price in the market dropped even further than the  
21 raw materials cost dropped from 2013 to recent month in  
22 2016. Especially in 2016 you see a huge drop in what we  
23 call metal spread, the difference between selling price and  
24 the scrap cost. And that was primarily due to unfairly  
25 trade imports from the subject countries that came in 2013

1 through '16.

2 DR. KAPLAN: Not to give an Intro to Econ  
3 lecture, but -- Seth Kaplan, Capital Trade.

4 But, you know, there's -- the market price is  
5 determined by supply drivers and demand drivers, and  
6 certainly input costs and scrap prices are an important  
7 supply driver, and every type of statistical work or  
8 theoretical work involving this, you certainly would look  
9 at that.

10 You also have the demand drivers, though. And  
11 there's two general demand drivers here that are important  
12 to look at. One is the overall strength of the market, the  
13 end use markets, and the other is the subject products.

14 So if the demand in the overall market is  
15 rising, it tends to push the demand curve out and cause  
16 prices to go up. And if the imports are entering the  
17 market, and in this case they're highly competitive and  
18 highly substitutable, that would tend to push the demand  
19 curve -- or minimize it and cause prices to fall, and shift  
20 it away from the U.S. market and toward imports.

21 The Commission in the last cases have had some  
22 confusion in trying to disentangle the effects of input  
23 prices and the effects of the imports. And I would say  
24 there's a couple things to look at here when you're looking  
25 at that.

1           The first is are prices falling at greater than  
2 the input prices. You've just heard testimony that they  
3 are. This is testimony from a witness who does this every  
4 day about his firm.

5           But you can also look at the aggregate data, and  
6 you can see that all input costs that go into the cost of  
7 goods sold and the -- just the scrap prices, that prices  
8 are falling faster than that, creating a cost price squeeze  
9 and lowering both the spread and the gross margins.

10           Finally, you can look at the direct evidence of  
11 what's causing prices to decline, and that is the surveys  
12 of the customers. And they have indicated that the imports  
13 are driving the prices down.

14           So I'm just trying to say this to help you  
15 distinguish between the effects of the import prices and  
16 the effects of the imports, because I think the Commission  
17 has had some difficulty doing that in the last several  
18 investigations regarding steel products. I'm trying to  
19 give you a path to be able to disaggregate the effects of  
20 the supply and demand side.

21           MR. PRICE: Alan Price, Wiley Rein. Let's go to  
22 slide 25 in the handout for a second. Which is the  
23 operating margin. It's not the gross margin chart, but  
24 let's just go to that for a second.

25           You actually see tremendous -- or pretty

1 substantial profit variations going on in this slide.

2           If it was just a constant raw material price  
3 variation driving everything, if this was like, you know,  
4 let's just say primary aluminum, where basically everything  
5 is converted over the LME price plus, you know, primary  
6 aluminum plus your finishing cost almost as a tolling  
7 charge, you'd expect to see very, very constant sets of  
8 profits and prices. And the spread over raw materials.

9           Here you're getting this variation, because  
10 there's an enormous variation over raw materials.

11           So as Mr. Nolan tried to kind of implicitly  
12 recognize, something else has to be causing this. That  
13 something else are the underpriced imports. His version of  
14 the world is somehow or other it's all domestic competition  
15 and imports and domestic production in this highly  
16 substitutable product somehow or other don't meet and  
17 don't -- you know, don't compete with each other.

18           That's a fantasy. They do meet. They do  
19 compete with each other. They have obviously had very  
20 significant impacts on prices. That's price suppression,  
21 price depression under the statute.

22           So while raw material prices have declined, the  
23 fact that you have a complete crash in profitability and  
24 this pricing occurred with huge underselling in a highly  
25 substitutable product is a -- is a result of that injury

1 and that causation.

2 MR. BARNEY: Don Barney with Nucor. To build on  
3 that a little bit further as far as the injury component  
4 side of things from 2015 and the pricing, we have so much  
5 supply of the import from Japan, Taiwan and Turkey that  
6 came in in the second half, that we were actually through  
7 2015 cutting production, which again at the outset of the  
8 statement that I had, we were actually affecting teammate  
9 pay as a result of the imports coming in.

10 So you see the dramatic impact that it had. We  
11 got into late in the fourth quarter and made a conscious  
12 decision that we did not want to inflict any more pain on  
13 our teammates, especially around the holiday season, we  
14 need to get our market share back.

15 So we lost significant market share, made a  
16 concerted effort to gain that share back through pricing  
17 that was driven lower based upon the imports. And that's  
18 what really created the situation.

19 Now, to build on that a little bit further, the  
20 concern is, you know, we get into this situation where  
21 we've got imports that -- you know, you look at the import  
22 volume kind of diminished a little bit in the early portion  
23 of the first half of 2016. That just gave them time to  
24 figure out exactly what they needed to do to come back in  
25 and undersell the market, this is a significant concern for



1 us.

2           Because now they're back to underselling the  
3 market, the import volumes are actually up through the  
4 first nine months over the 2015 period, and we don't see  
5 this diminishing whatsoever, subsidizing whatsoever.

6           MR. PORTER: The other thing I might add to that  
7 is that I've been doing this for 26 years, and this is  
8 really, to me, in many ways the perfect storm, except we're  
9 the ship being battered at this point.

10           When you have the opportunity, for example, with  
11 raw material input costs that you're talking about falling,  
12 I've never in my career seen the finished bar price chase  
13 it and pass it up.

14           Some of the pricing decisions that I've been  
15 personally involved in, in terms of direction of our  
16 company over the last year, have -- they're really  
17 unprecedented, and it's really very difficult to sit here  
18 and understand what is going on.

19           I think I'm a fairly intelligent person, and I  
20 can't understand what's going on in the minds of many of  
21 the subject import countries. But what I do understand is  
22 that we see a degradation of our business unlike I've ever  
23 seen before in this product. And these decisions are  
24 tough, because it -- we've had to curtail production. It's  
25 the balance between price and volume.

1           And steel mills like ours -- for example, our  
2 investment in Oklahoma that we committed to our  
3 shareholders is \$250 million. This is, and I can give you  
4 with absolute assurance, the lowest-cost production  
5 facility on the planet today. In Arizona. And this will  
6 be a replication of that. And we can't even begin to get  
7 close to these numbers.

8           So we buy the same scrap they're exporting out  
9 of the United States, converting and bringing it back. We  
10 know our utility costs in the United States in terms of  
11 energy is lower. Labor is not even a component really  
12 today in terms of the cost of production of steel. It's  
13 our fifth or sixth cost item.

14           Some of this is business proprietary, but I'll  
15 tell you that that's not much different than any of our  
16 competitors sitting at the table here.

17           So this notion that there are lower input costs  
18 for the foreign producers are absolutely absurd. All we  
19 can ever conclude at this point in time is that these  
20 are -- you know, they're dump products, and that they are  
21 underselling our product. And when you see prices -- the  
22 response was the U.S. producers lower their price, the  
23 response is to go lower. That tells me there's one  
24 strategy in mind, that's to gain market share and displace  
25 the U.S. producers. So --

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1 MS. BREAUX: Are all right. Thank you very  
2 much. This is Michele Breaux again. I'm moving on to  
3 demand.

4 Dr. Kaplan, you spoke to construction obviously  
5 would be one of the biggest indicators of how demand is  
6 going. Is there anything else we should be looking at as  
7 far as the demand for rebar?

8 DR. KAPLAN: Yeah, I mean, looking at the panel,  
9 it reinforces concrete. Concrete is used in roads and  
10 bridges. And nonresidential construction and some  
11 residential construction of multifamily housing.

12 So it is, in essence, a construction product.  
13 If anyone wants to add anything to that, feel happy to.

14 MR. PRICE: Yeah. Nothing has really changed  
15 here. There's no revolutionary new uses. So -- so there's  
16 some very insignificant amounts that go into mine roof  
17 bolts and some really odd little things here and there.

18 As Commissioner Daniel Pearson once -- former  
19 Commissioner Pearson once reminded me in his claim to be  
20 able to use any product he's ever -- that was ever before  
21 the commission in his era, he used them to help support  
22 tomato plants. But that's about it.

23 I don't submit people generally buy rebar that's  
24 a major demand item.

25 MS. BREAUX: All right. Michele Breaux again.

1 And so this is -- this next issue has been touched on, but  
2 I really want to kind of suss it out a little bit more.

3 Buy American, it was mentioned by both sides,  
4 one side saying it's more important than the other. But I  
5 wanted to kind of see how -- what role does it actually  
6 play? Because some of you mentioned that you don't even  
7 know that buy American is in play when you're trying to  
8 make a sale.

9 MR. PORTER: Tracy Porter with Commercial  
10 Metals. Twofold.

11 An independent rebar fabricator is not going to  
12 tell you what he's bidding on. He is going to order rebar  
13 and give you a price that he feels is a fair price to meet.  
14 Oftentimes in our case, it's meeting an import price, to  
15 get the order, we've got to meet it.

16 So the notion that there is some high visibility  
17 to buy America or buy American is absolutely absurd. Now,  
18 within our company, oftentimes we know that. But -- and  
19 all that happens really is that you cannot use foreign bar  
20 on that job.

21 But let me give you the practical side of it.  
22 If I have contractor ABC and they are bidding a job, you  
23 may have multiple contractors -- or suppliers bidding that  
24 same project. You can't -- they will not tolerate -- and I  
25 can give you absolute assurance, nobody is going to

1 tolerate you coming in and saying oh, we know this is a buy  
2 American job so we are going to raise your price.

3           They bid just like we do, on bid day it's the  
4 low price that gets the job. So there is no bifurcation,  
5 if you will, of the pricing in the marketplace. A lot of  
6 it we're unaware of. Sometimes we are aware. But that  
7 doesn't allow us to charge a different price. It's as  
8 simple as that.

9           And anything that -- anybody knows anything  
10 about the construction industry will tell you that those  
11 guys are as aggressive and vicious as it gets on bid day.  
12 So to try to add a premium for domestic use, it doesn't  
13 happen.

14           MR. CANOSA: I'll second Mr. Porter. We don't  
15 know when it's a buy American project or not. The  
16 customers buy for their stock and replenish their stock.  
17 In addition to that, buy American is an insignificant part  
18 of the business related to rebar, unfortunately.

19           MR. BYER: Burke Byer from Byer Steel in  
20 Cincinnati. The question is very poignant and simple and  
21 we appreciate it. I think the smell test would be we  
22 wouldn't be here if that was a benefit for us. And as a  
23 very close friend of mine just told me a few weeks ago who  
24 owns a large residential construction company in Cincinnati  
25 that has over 62 percent of the residential construction

1 permits in Cincinnati and Columbus, he has a model called  
2 the American Standard -- and I asked him, I said so is all  
3 of the products in that home model American products?

4 And he says I don't know, I don't care. And I  
5 said, well, what about the rebar? And I said is it going  
6 to help me raise the price on that house?

7 I said I don't know. And he goes, no, it won't.  
8 Does not matter.

9 And I know where he's buying his rebar, and he  
10 is buying foreign rebar that's going into all his homes in  
11 the Midwest.

12 MS. BREAUX: And just to follow up, and this  
13 might be something for your briefs, if you can estimate --  
14 I know some of you said it was a very small percentage. If  
15 you can give us what do you think the share of the market  
16 is, that would be great, as best you can.

17 MR. PRICE: Alan Price for Petitioners. We will  
18 do that.

19 MS. BREAUX: All right. So moving back into  
20 more basic questions about the industry, just to make sure  
21 that I have this correct. So what role do distributors and  
22 fabricators play in the market, and are there -- what  
23 percentage of the market is made up of companies that play  
24 both the distributor and fabricator role?

25 MR. CAMPO: It's Peter Campo with Gerdau. In

1 very rough terms, in round terms, probably three-quarters  
2 of the rebar that's consumed in the U.S. goes into a formal  
3 project of some kind, construction project of some kind,  
4 that's identifiable, a large project. That would be done  
5 by a fabricator, and virtually all those fabricators do  
6 both buy America work and not buy America work. As Marcelo  
7 said, they simply buy rebar into their inventory, they  
8 track it into the right projects, but they use price  
9 competition for both of them on the purchasing side.

10 In terms of what role distributors play, many or  
11 most of the fabricators also function as distributors, and  
12 larger distributors, master distributors, distribute to  
13 construction products, retailers or wholesalers throughout  
14 the country, on roughly the other 25 percent of the volume  
15 that doesn't go into large-scale significant projects.

16 MR. PORTER: Tracy Porter. Let me give you a  
17 great example of how a distributor works versus a  
18 fabricator. As Peter said, fabricators often will  
19 distribute product as well as -- these will be for  
20 contractors coming in to buy rebar for example on a  
21 sidewalk on a project that they are doing, typically  
22 20-foot or 40-foot lengths.

23 Where the distributor fits into the market, and  
24 I call them the independent distributor who is kind of  
25 unaffiliated with anyone, these are the guys that the

1 mom-and-pop, hardware stores and lumberyards around the  
2 country, that they distribute to. These customers are  
3 typically too small because they buy two or three bundles  
4 of a certain product, less than truckload quantities.

5           What we describe in our business as milk runs.  
6 They operate milk runs where they will go out and  
7 distribute or drop off product to eight or 10 customers in  
8 a given day. So as customer A calls in and says, I need  
9 two bundles of rebar tomorrow to replenish my stock, this  
10 guy will aggregate that with, you know, others that are  
11 doing the same thing and go out and deliver.

12           So that's the role of the distributor. He  
13 services some of the smaller customers in the marketplace.

14           DR. KAPLAN: I'd like to point out briefly what  
15 Mr. Campo said regarding the way fabricators operate.  
16 Possibly to we could all understand the buy America issue.

17           If the fabricator is buying for their own  
18 inventory, they know they're going to have multiple jobs,  
19 and so they just want stuff in their yard.

20           So the person selling doesn't know which project  
21 it's going to, and it might very well be the person buying  
22 doesn't know which job it's going to, and knows it's going  
23 to have to have some American stuff, if there is a buy  
24 American job among the many jobs they're doing.

25           But they're keeping their yard stocked, and I



1 don't even know if they know in advance which pile they're  
2 pulling the rebar from to make that particular contract.

3 Is that correct? Could you --

4 MR. CANOSA: Marcelo Canosa. That's correct.

5 MR. CAMPO: Yeah, Peter Campo, Gerdau. I would  
6 only add they have an obligation under buy America to have  
7 traceability of the material that goes into a job that has  
8 those requirements, and they can do that. Essentially they  
9 can track down to the bundle and bar level what the source  
10 of the material was, whether produced in America or  
11 elsewhere.

12 DR. KAPLAN: Seth Kaplan. When it's being  
13 bought, it's not like there's the buy America price list  
14 and the not. And you can see how this -- while the product  
15 is segregated in the yard, you could see how it's in  
16 essence commingled, depending on the job. So that --  
17 that's another mechanism by which you can't distribute in  
18 the Buy American side.

19 These guys don't know what they're selling for.  
20 Sometimes the other guys don't know what they're buying for  
21 specifically. It doesn't create a type of environment  
22 where you can price-discriminate, especially when the  
23 purchaser doesn't want that to happen.

24 MR. BARNEY: Don Barney with Nucor. Just one  
25 other clarification on the distribution side. The

1 distributors do sell the mom-and-pop operations, but we  
2 also see them selling more into the fabrication channel.  
3 So there really is no delineation on where their product  
4 will flow into.

5 MR. PRICE: Alan Price, Wiley Rein. Just going  
6 to the last page on your slide deck, 38, this was actually  
7 taken outside of Inbesa, which is the main dock in Houston,  
8 port. You can find similar products across the United  
9 States here.

10 Curiously, there's no inventory being maintained  
11 by imports or very little in this record. Last time we saw  
12 that by the way was in the 2001 rebar case, where we had  
13 almost identical pictures of hundreds of thousands of  
14 tons on the dock in Houston, and yet Mr. Silverman at the  
15 time said it was all phantom inventory.

16 This is held, we assume, by distributors, okay.  
17 It then gets sent to fabricators. It's just an accounting  
18 question and how it goes into the market and how it is or  
19 isn't picked up in your questionnaires.

20 So they're just -- you know, the channels are  
21 very commingled. They're different in the sense that some  
22 guys are principally distributors, some guys may be  
23 principally end users. But they're -- a number of  
24 operations do both, and even ones that are -- people think  
25 of as -- purely as a fabricator will still distribute, and

1 people think -- who are purely distributors often have some  
2 fabrication in it. And it is what it is.

3 MS. BREAUX: Michele Breaux again. You spoke  
4 about this earlier, and I kind of wanted to get more of an  
5 estimate of what percentage of the imports coming in is  
6 made up of fabricators and distributors directly importing.  
7 That might be something you can leave for later on.

8 MR. PRICE: We'll address that in the  
9 posthearing brief, but it is -- evolves, an evolution more  
10 and more in the marketplace that is going on.

11 MS. BREAUX: Next question. This again is a  
12 basic one about the product. Because it has been mentioned  
13 here that a lot of rebar is being held in inventory on  
14 docks. How long can it be held there? Is it -- I mean, I  
15 assume a long time but I just want to kind of --

16 MR. CAMPO: Peter Campo, Gerdau. It's a  
17 nonperishable product. It can sit there literally years if  
18 it needed to.

19 DR. KAPLAN: And this is -- I'm sure you should  
20 be speaking with the industry expert, but there is, I have  
21 heard argued for certain purposes, there is some benefit to  
22 rust in some occasions. So this is -- this stuff is not --  
23 there is certain sealed rebar, but this is -- this is a  
24 product that has that kind of gnarling on it, and the idea  
25 is it sticks to the concrete and reinforces it.

1           And so the -- there's no physical nature that  
2 you observe, it's not the outside of a car door or  
3 refrigerator. And the actual properties that make it --  
4 make it work aren't affected by it being outside.

5           MS. BREAUX: We're finished, thanks.

6           MR. CANOSA: I just wanted to add something  
7 related to the inventory at the port. Most ports allow  
8 90-day free storage, and sometimes well beyond that. So  
9 they use those ports as their distribution centers to the  
10 market.

11          MS. BREAUX: Thank you.

12          MR. ANDERSON: Thank you, Ms. Breaux. Now  
13 Mr. Boyland.

14          MR. BOYLAND: Good afternoon. I've already sent  
15 the companies follow-up questions and I appreciate your  
16 time considering and responding to those. I have a few  
17 questions here, which I don't think are BPI.

18                 In terms of related scrap supply, what are the  
19 primary advantages of having a related scrap supplier?

20          MR. PORTER: Tracy Porter with Commercial  
21 Metals.

22                 Ours is the evolution of the company as much as  
23 anything. I mean, our company started 100 years ago, and  
24 we were a scrap company in the beginning. It wasn't until  
25 the 40s that we got into steelmaking.

1           But the assurance of having a supply, the market  
2 does ebb and flow, and as prices move up and down, it does  
3 constrain supply at times. And also at other times,  
4 there's excess supply.

5           So it's basically just an integration tool for  
6 us.

7           MR. BOYLAND: Would the other companies concur?

8           MR. BARNEY: I would concur with that. It just  
9 sort of smooths out the supply chain when you need it, it's  
10 there.

11           MR. CAMPO: Yeah. Peter Campo, Gerdau. Very  
12 much the same. It's surety of supply. You can have a  
13 little more diversity in terms of the types of grades that  
14 we might use and that can change over time depending on the  
15 individual economic values of various grades. But for all  
16 intents and purposes, in an oversupplied market, and the  
17 scrap market is very much oversupplied today as well, it's  
18 really just a convenience as to when we buy and how we hold  
19 material.

20           MR. BOYLAND: And this -- I did have follow-up  
21 questions that are sort of touching on this, again to the  
22 extent that you could comment now. The way it was  
23 described, these scrap operations are business units  
24 generally. Is it fair to say that the prices being charged  
25 to the rebar mill is fair market value? I mean,

1 essentially it's a market price?

2 MR. BARNEY: Yes, Don Barney with Nucor. With  
3 scrap being a globally traded commodity, we sell scrap or  
4 scrap gets exported out of the country. So yes, it's sold  
5 at fair market pricing.

6 MR. BYER: Burke Byer from Byer Steel. I can  
7 speak from an outsider standpoint that I sell scrap  
8 products to all of their mills, and they have supply scrap  
9 operations that supply those operations. So it's a  
10 market-based pricing decision by their mills.

11 MR. BOYLAND: Thank you. With respect to the  
12 fabricator operations, this is sort of a similar question.  
13 The fabricators themselves are charged -- is it fair to say  
14 it's a fair market value, it's a market price?

15 MR. PORTER: This is Tracy Porter with  
16 Commercial Metals. Yes, it is. It is a formulaic based on  
17 our outside customer sales to what goes into our price that  
18 we charge our internal customers.

19 MR. PRICE: Alan Price, Wiley Rein. Again, you  
20 were touching on proprietary --

21 MR. BOYLAND: Again, if touching on anything,  
22 I'm happy to hear --

23 MR. PRICE: This was extensively analyzed in the  
24 last investigation, and the Commission concluded that it  
25 essentially was market-based pricing. So we -- so we can

1 review all of it again but --

2 MR. BOYLAND: Again, I did have a few follow-up  
3 questions which I think sort of touch on that, so the  
4 detail would be helpful.

5 I think one of the other questions, just as a  
6 general matter, the fabricators themselves, are they  
7 captive in any sense in terms of they're expected to buy  
8 from the mill, unless they have to buy from another source?

9 MR. BARNEY: Just like any customer, we have to  
10 earn the right to supply them by providing a competitive  
11 price. But we would like them to buy from us, but they are  
12 not required to buy from us.

13 MR. PORTER: The way I -- Tracy Porter with CMC.  
14 The way I describe it in the company is you can create  
15 false economies, and if the scrap moving to our customers  
16 and our product coming out of our mills to our fabricators  
17 is not transacting at market prices, we really put  
18 ourselves in a lot of peril.

19 So absolutely, they have the choice of who they  
20 select, and oftentimes it's not our own mills. It's buying  
21 subject imports.

22 DR. KAPLAN: As an economic matter, if the  
23 markets are all competitive, there's no benefits. So if --  
24 and the fabricator market has many, many, many participants  
25 in each area. It's a very competitive market.

1           The scrap market, as you heard, is a worldwide  
2 competitive market. It's not local. It's not even U.S.  
3 It's worldwide.

4           And the rebar market, well, it's worldwide  
5 market that's oversupplied in a competitive market.

6           So there's -- there's no advantage of figuring  
7 out where you could take the profits or take even more.  
8 You can't at any phase, because at every single level,  
9 you're dealing with a very competitive market, at the scrap  
10 level an international one, at the rebar level an  
11 international one, at the fabricator level whether it's  
12 local or national, all very competitive.

13           So that kind of -- you're asking the question of  
14 how they operate. I'm looking at it from a market  
15 perspective. It's kind of the ways they have to operate.

16           MR. BOYLAND: One other just final question on  
17 the fabricators, to what extent there would be sort of an  
18 indirect benefit, or not a benefit, but logistically the  
19 costs are lower to sell to a related supplier or related  
20 purchaser? I mean, is there anything to that, I mean, to  
21 the extent that, you know, having a related supplier being  
22 the purchaser, does that have any advantage in terms of  
23 volume or logistics?

24           MR. PORTER: Tracy Porter with CMC. You know,  
25 it really doesn't. Obviously you saw in the data that what



1 has happened to us in late '15 and '16 in terms of the loss  
2 of that volume on the mills, if there was a benefit, you  
3 know, it would have certainly shown up there.

4           But again, we operate these things as  
5 arm's-length transactions. And as a result -- I'll give  
6 you an example. You're asking about scrap, and what Seth  
7 was hitting on, I would tell you in the Houston market  
8 alone, in terms of scrap operations, there are probably  
9 well over 100 scrap dealers in the Houston market. So that  
10 market is very -- you know, you don't get an advantage over  
11 the competition or vice versa. It is you have to pay  
12 market prices to get the volumes that you require.

13           Rebar is no different. There are multiple  
14 fabricators, independent fabricators, in every one of these  
15 cities that CMC operates in. So we're competing against  
16 not only people sitting at this table, but we're competing  
17 against independent fab indicators as well. There's nobody  
18 that has a corner on the market so to speak anyplace,  
19 either in scrap or fabrication, I'm aware of.

20           MR. BOYLAND: Thank you. And shifting gears, on  
21 a cost side, in terms of the volume impact on COGS, could  
22 you describe how that impacted cost of goods sold? The raw  
23 material part is pretty straightforward. But on a volume  
24 side, how were costs impacted by production volume?

25           MR. PORTER: Tracy Porter with CMC. Any large

1 manufacturing heavy capital-intensive business, obviously  
2 volume has impact in terms of the cost. Volume is  
3 important to us.

4           What you've seen is we're all suffering because  
5 of that lack of volume.

6           So yeah, I think some of this is kind of  
7 business proprietary on our part, and what the direct cost  
8 is of lower production levels.

9           But you can imagine if you were, you know, a  
10 bakery and you're used to selling 100 cakes a day and you  
11 go down to 50 cakes a day, something is going to have to  
12 give. And in cases of some of our peers sitting at the  
13 table there, this has been people going away, mothballing  
14 facilities. We've had to rationalize capacity within our  
15 own company in the last two years and take this product off  
16 of some mills because there just was no market to take it  
17 to.

18           MR. BYER: This is Burke Byer from Byer Steel in  
19 Cincinnati. There's actually, in our little world, there's  
20 a negative curve cost point as volume decreases. Your  
21 biggest costs are raw materials. After that is maintenance  
22 and MROs, your roles, all these big things that are eating  
23 themselves alive all day long. And everything about  
24 running a steel mill, it likes to see continual work, it  
25 wants to get up and run and not be stopped.

1                   When you stop it, it becomes very disruptive to  
2 all of these mechanical parts. Beyond truly the first  
3 pain, which is having to let people go that did nothing  
4 wrong, and put them on the street without a job, after  
5 that, the operating costs per unit go up in a very negative  
6 curving manner, so it's a challenging point.

7                   MR. BOYLAND: Okay. So I mean, that's a fair  
8 point. When I look at the change in production volume,  
9 sales volume, we're going to see a corresponding impact on  
10 costs simply because of, you know, reduced utilization.

11                   One of the points that I think was raised in the  
12 opening testimony, and this again may get to business  
13 proprietary information, so you don't have to answer it  
14 here, but we are seeing differences in financial  
15 performance. What would those be -- what reasons would be  
16 explaining that? I mean, why would one company be  
17 performing differently, I mean, when we're talking about a  
18 commodity product that's rebar? What would be important to  
19 consider?

20                   MR. PORTER: Well, since none of us are privy to  
21 the information you see, it's pretty hard to comment.

22                   MR. BOYLAND: Exactly.

23                   MR. PORTER: So that would be speculation on our  
24 part. And I would say that our attorneys would provide you  
25 that though.

1           MR. BOYLAND: It was sort of my segue to say  
2 that's a very difficult question to ask directly either  
3 way. But that is kind of a -- I think an important point,  
4 to the extent that it could be further elaborated.

5           I think some of my questions follow up, did get  
6 to that, to some extent. But --

7           MR. PRICE: We'll address that in the post  
8 conference briefs.

9           MR. BOYLAND: Thank you. Thank you.

10           One final question. In terms of the rebar  
11 profile, the companies are indicating that we're all  
12 selling about the same profile of rebar. Is that a correct  
13 interpretation, that essentially, it's the same product  
14 mix?

15           MR. CANOSA: Marcelo Canosa. That's correct.

16           MR. BOYLAND: I know there's going to be some  
17 variation company to company.

18           MR. PORTER: What are you describing as profile?

19           MR. BOYLAND: I guess the size ranges.

20           MR. PORTER: Oh, yes. We all produce the same  
21 grades, the same sizes, same lengths.

22           MR. BOYLAND: So none of the U.S. producers here  
23 would sort of stand out in terms of a particular type that  
24 they specialize in?

25           MR. PORTER: No.

1           MR. PRICE: There are -- a very small portion of  
2 this market is coiled, for example, and not everyone has  
3 coiling facilities. But it's a very, you know, small  
4 portion of the total.

5           MR. BOYLAND: So there would be some at the  
6 margin?

7           MR. PRICE: You're looking at the fringes at the  
8 margins of differences. But again, actually, the pricing  
9 data goes to show, and some of the other data sets the  
10 Commission has collected on sizes and on length show, this  
11 is, you know, one of the most overlapped markets you can  
12 see in terms of domestic production capabilities. There's  
13 not a lot of distinction between facilities.

14           MR. BOYLAND: One final question.

15           I'm sorry, if you were going to -- Mr. Campo?

16           MR. CAMPO: Peter Campo, Gerdau. I think I can  
17 safely say for anybody here, if we thought there was an  
18 exploitable niche somewhere, we would have certainly gone  
19 and found it. So to the point -- the point taken, we  
20 literally all produce the same material in the same sizes  
21 and same lengths and same grades.

22           MR. BOYLAND: Thank you. One final question,  
23 kind of a miscellaneous. Do the companies use steel rebar  
24 futures? Are there -- is that an active market? Was it  
25 ever an active market? Because I think there was some push

1 in '08, and it may not come to anything.

2 MR. CAMPO: Peter Campo, Gerdau. We do not.  
3 There have been various market development efforts to try  
4 and introduce futures anywhere but outside China, I think  
5 there is probably a liquid market in China. But as far as  
6 I know, none of us participate in it, nor is there  
7 materially any market for futures outside of China that I'm  
8 aware of.

9 MR. BOYLAND: So none of the U.S. producers  
10 participate in it, and if -- to the extent it does exist,  
11 it's primarily a Chinese phenomena?

12 MR. CAMPO: I can tell you we do not. I'll let  
13 the others speak for themselves.

14 MR. BARNEY: Don Barney with Nucor. We do not  
15 either.

16 MR. PORTER: CMC does not. And I wasn't even  
17 aware there was a China futures market. But it's been  
18 attempted many times in the U.S., to do it, but it just  
19 hasn't gotten any traction.

20 MR. PRICE: Despite -- so despite very  
21 significant fungibility in the products, it's -- I would  
22 say the lack of a future market is because there are  
23 different grades, different sizes and -- going on there, so  
24 in fact, it is not technically a commodity. And so it is  
25 -- there were attempts to try to do it. It has

1 consistently not succeeded in the Western world.

2           One question, there is -- there are futures  
3 offered on the SHFE exchange. I'm not sure whether it's a  
4 very well -- robust market at all at this point in time.

5           MR. BOYLAND: Thank you. One final question  
6 again if we're talking about derivatives and hedges. On  
7 the cost side, do you have any mechanism for hedging scrap?  
8 Is there any --

9           MR. PORTER: No, I'm not aware of any in the  
10 ferrous scrap, which is what we consider -- no hedging  
11 mechanisms. There are hedging mechanisms in nonferrous  
12 products but not in ferrous.

13           MR. BARNEY: I would agree with that. We don't  
14 use any hedging instruments within the rebar market or  
15 within any of it. So no hedging that I'm aware. Don  
16 Barney with Nucor.

17           MR. CAMPO: Peter Campo, Gerdau. Same for us.

18           MR. BOYLAND: Thank you. I appreciate your  
19 testimony.

20           MR. ANDERSON: Ms. Taylor and Mr. LaRocca, your  
21 turn.

22           MS. TAYLOR: Good morning, Karen Taylor, the  
23 Office of Industries. First I want to thank everyone for  
24 coming and providing testimony. We realize that you're  
25 busy people and this is time out from your work, so we do

1 appreciate your coming here to answer my questions --  
2 answer our questions.

3 I want to direct my first question to Mr. Price.  
4 The description, the product scope of these  
5 investigations includes HTS codes that are specific to  
6 rebar as well as several others, codes covering bar that  
7 are not specific to rebar.

8 Are there imports -- rebar imports coming in  
9 covered under these other harmonized tariff schedule codes?

10 MR. PRICE: So now you get to the other part --  
11 one of the other parts of my job, which is enforcing these  
12 orders at the border. And we have found very many  
13 importers who are very clever and less than scrupulous, and  
14 sometimes less than scrupulous outright, or just trying to  
15 do minor things and claiming things are under another  
16 tariff code.

17 And the principal -- as far as we know, the  
18 subject imports are just in the principal rebar tariff  
19 codes.

20 What you find if it is not in the module that  
21 customs looks at at the end of the day, the odds of it ever  
22 getting caught and anyone ever asking a question is very --  
23 very problematic.

24 Let me give you an example, and this is a very  
25 real example. It involves Latvia, which is subject to an



1 order that's out there.

2 All of a sudden, there is -- almost overnight  
3 there was a 100,000 tons of alloy hot roll bar that came in  
4 from Latvia. And at the time, there was no rebar breakout  
5 in tariff schedule for alloy rebar.

6 As a result of that, those imports were never  
7 suspended, and those imports evaded duties. And so sadly,  
8 a big part of our -- of what we do is trying to figure out  
9 how clever, scrupulous, creative, unscrupulous folks will  
10 try to classify things in any way possible to avoid and  
11 evade the orders.

12 Now, we all know it's technically the written  
13 description that controls, but the more tariff numbers we  
14 have in that pot for customs purposes, the more likely it  
15 is that it will actually be flagged at the border and get  
16 suspended, because the written description, as much as it  
17 sort of is a theoretical basis of it, is not the way that  
18 this thing is actually triggered at the border when rebar  
19 crosses the border.

20 MS. TAYLOR: All right. Thank you. Karen  
21 Taylor again, Office of Industries. I'd like to direct  
22 this question -- I think it was you, Mr. Porter, who was  
23 talking about when the economist was asking about the  
24 primary raw materials used to make rebar, I believe it was  
25 you who mentioned that outside the U.S., there is some use

1 of semifinished as the primary input.

2 MR. CAMPO: Yeah, I believe I made that comment,  
3 Peter Campo, Gerdau.

4 MS. TAYLOR: I'm sorry, Mr. Porter.

5 MR. CAMPO: And yeah, that's our understanding.  
6 That as you might imagine, producers around the world are  
7 looking at semifinished products versus -- available in the  
8 marketplace versus their own cost to produce them. In some  
9 cases, making substitution decisions along those lines.

10 The most significant impact of that has been  
11 from China, which has pushed exports of very low-priced  
12 semifinished goods around the world. So we've seen even  
13 those who have the capacity to produce crude steel on their  
14 own suspend those operations and only do the hot-rolled  
15 rolling step of production of rebar.

16 MS. TAYLOR: How prevalent is that with the  
17 subject countries?

18 MR. CAMPO: I could only speculate. I think we  
19 should follow up and get you what quantified information we  
20 have.

21 MR. PRICE: Alan Price, Wiley Rein. I suspect  
22 you're better off asking the Respondents' panel that  
23 question. Certainly in the press, there is well-documented  
24 instances of Turkey and others importing what is now called  
25 square bar from China, because they're evading their own

1 tax -- the Chinese tax and working around the fat tax and  
2 duty drawback systems, thank you.

3           So it's technically not semifinished. So  
4 they're actually rerolling technical bars, in Chinese  
5 bars -- whatever you want to call it, into rebar in  
6 countries including, we believe Turkey, but we wouldn't be  
7 surprised to see it in other Asian -- in Asian countries as  
8 well.

9           MR. PORTER: Tracy Porter with CMC. To that  
10 point of our global operations, obviously we have a pretty  
11 good fix on what commodities are trading around the world  
12 at any given point in time.

13           We were astonished that the price of Chinese  
14 billets coming out of China. And I'll go so far as saying  
15 that we have absolute certainty they were arriving in  
16 Turkey. The thing that was astonishing to us was that  
17 these billets were sold at prices well below the domestic  
18 and global scrap market prices.

19           We know -- I've discussed this many times and  
20 there's no traction for it, but in many ways, China is  
21 under orders now that there is no rebar into the United  
22 States, or at least without heavy duties. My view is it's  
23 a circumvention of sorts to get to the U.S. market. But  
24 apparently, I don't have the legal background or the --  
25 it's a pure emotional statement, I'll say that on my part.

1 MS. TAYLOR: All right. Is using this  
2 semifinished bar, whatever you want to call it, as raw  
3 material, is that prevalent at all in the United States?

4 MR. PORTER: No. On CMC's part, no, absolutely  
5 not. We do not import any semifinished, what we call a  
6 billet in the industry, to produce them here.

7 MR. CAMPO: The same is true for Gerdau, Peter  
8 Campo.

9 MR. BARNEY: Don Barney with Nucor. We have  
10 imported some billets for our Connecticut operation.

11 MR. BYER: We do buy billets but we have not  
12 imported any.

13 MS. TAYLOR: Thank you very much. That's all  
14 the questions I have.

15 MR. ANDERSON: Okay. Thank you, Ms. Taylor.

16 Now we will turn the microphone over to our  
17 supervisory investigator, Mr. Corkran.

18 MR. CORKRAN: Thank you all very much for being  
19 here. My apologies for being late. We're kind of doing  
20 double duty on multiple cases today.

21 My first question is probably a catch-up  
22 question for Mr. Campo.

23 Mr. Campo, can you provide a little more detail  
24 about the status of the Perth Amboy facilities, both  
25 current but also over the past several years, in terms of

1 what their product mix was, in terms of what their  
2 operational status was?

3 MR. CAMPO: The Perth Amboy mill in Perth Amboy,  
4 New Jersey, produced both wire rod and coil rebar, until  
5 2010, was idled in 2010, has been maintained in an  
6 operational state until about 2013 or 2014. In late 2014  
7 or early 2015 we decided to sell the property, that it was  
8 not a viable market opportunity to restart production of  
9 those materials there, and the transaction to sell the  
10 property occurred in mid-2016.

11 Parenthetically, in that same time period, we  
12 established a rebar fabrication facility there that  
13 supplied from Sayreville, New Jersey, a different mill that  
14 we have. But it was unrelated to the original steel  
15 production at Sayreville -- I'm sorry, at Perth Amboy.

16 MR. HOUSEMAN: I would add that it was a union  
17 site too.

18 MR. CORKRAN: Thank you. Perhaps I missed the  
19 context of when Perth Amboy was being -- was going through  
20 these changes.

21 So does Perth Amboy's status have anything to do  
22 with the imports at issue today?

23 MR. CAMPO: To the extent that we expected the  
24 market opportunity would exist to restart the mill and that  
25 hasn't been the case in 2013 through 2015, yes, absolutely.

1           MR. CORKRAN: Okay. But just to be clear, this  
2 was -- this was an operation that was producing wire rod,  
3 coiled rebar, which is a small part of the market, had not  
4 been operational since 2013-14, if I'm understanding  
5 correctly.

6           MR. CAMPO: I believe it was idled in 2010.

7           MR. CORKRAN: 2010, okay. And was deemed not  
8 viable as early as 2013-14?

9           MR. CAMPO: Was maintained in an operational  
10 state through 2014 and 2015, before we decided to sell it.

11           MR. CORKRAN: Thank you. My next question was  
12 for Mr. Barney at Nucor. There was -- I think in part of  
13 your testimony, you were talking about the demand  
14 environment improving but really only gradually, gradually  
15 improving.

16           Has there been any region that has stood out in  
17 terms of relatively stronger or relatively weaker demand  
18 growth?

19           MR. BARNEY: From our perspective, really, no  
20 region has shown significant strength and demand. In some  
21 of the Sunbelt regions you could make the claim, in Texas,  
22 Florida, California, you see a little bit more improvement  
23 in demand. But overall, the modest improvement has been  
24 measurable across the entire country. So it's not -- it's  
25 not significant in any one area.

1           MR. CORKRAN: Thank you. My next question goes  
2 to Mr. Porter of CMC. And I was hoping maybe you could  
3 give us a little more description of micromills, what are  
4 their particular -- what is the benefit of a micromill  
5 versus a more traditionally sized mill, what is -- what has  
6 been your experience operating one micromill and bringing a  
7 second one up to speed?

8           MR. PORTER: I'd like to respond to that in the  
9 posthearing brief, if you don't mind. It's relatively  
10 proprietary.

11           MR. CORKRAN: Okay. Thank you. Actually, my  
12 next question I think also goes to Mr. Campo.

13           And I apologize for missing this earlier, but  
14 there was some discussion of the status of the Rancho  
15 Cucamonga facility. Can you provide a little more detail  
16 on that as well?

17           MR. CAMPO: Yeah. We have a rebar production  
18 facility at Rancho Cucamonga facility outside of  
19 Los Angeles. It's producing rebar today. It's probably  
20 running about 40 or 50 percent of its capacity, limited by  
21 market conditions fundamentally. It was purchased by  
22 Gerdau I think in 2010, was known previously as Tamco and  
23 has operated in that location for more than 30 years.

24           MR. CORKRAN: Thank you very much. That was  
25 very helpful. I appreciate that background.

1           Mr. Byer, question for you as well. I listened  
2 with interest to your testimony about the competition you  
3 faced from imports. Several times today you mentioned your  
4 competition with imports from Japan and Turkey. Have you  
5 seen imports from Taiwan in your market?

6           MR. BYER: So I have personally not seen imports  
7 from Taiwan. I know that the -- I know about the Japanese  
8 and the Turkish, because before I left town that week, I  
9 drove down to the docks and took pictures right here on my  
10 iPad of the Japanese and Turkish material.

11           As far as the traceability of it, I believe once  
12 it comes through customs at the border, there's no industry  
13 information that traces that out of where it goes inland,  
14 if I'm correct.

15           But I have not seen personally any Taiwanese  
16 material.

17           MR. CORKRAN: And I believe your testimony was  
18 that most of the imported rebar that you were seeing you  
19 believe is coming up the Mississippi to Cincinnati; is that  
20 correct.

21           MR. BYER: Yes. The majority of it is  
22 sitting on ports, docks in Cincinnati. One of the other  
23 interesting logistical points of it is as the coal industry  
24 has been decimated, those terminals are doing whatever it  
25 takes to get their operations going, along with the barge



1 movers, fuel rates.

2           So not only the cost to get it across the  
3 Atlantic or the Pacific is unbelievably lower than it  
4 traditionally is, the cost to get it up the river is  
5 immensely lower. The cost to handle everything is  
6 discounted.

7           So yes, it's all sitting there right on the  
8 dock, and it doesn't -- the question about Taiwanese is  
9 interesting, but as far as the market is concerned, they do  
10 not care where it comes from. It is all fungible, it's all  
11 the same. And it's who is going to give the lower price  
12 right now.

13           MR. CAMPO: Yeah. Peter Campo, Gerdau. We see  
14 subject imports literally on every coast, the Gulf Coast,  
15 Houston, New Orleans, Florida, Miami is very popular, up  
16 the Eastern Seaboard, and certainly on the West Coast of  
17 the U.S. as well. Perhaps not relevant to this discussion,  
18 but into eastern and western coasts of Canada as well.

19           MR. BARNEY: Don Barney with Nucor. And just to  
20 kind of build upon that a little bit more, before I  
21 relocated to Charlotte, I spent a fair amount of time out  
22 West at our Nucor facility in Plymouth, Utah. And the  
23 subject imports that you referenced, Taiwanese, I think we  
24 tend to think they're accumulating toward the coastal  
25 regions, but the reality is we've seen them in places like

1 Wyoming, Montana and Utah, so they are spreading out  
2 further into the market than just staying along the coastal  
3 regions.

4 MR. PRICE: And -- Alan Price. Just to  
5 summarize for one second, the record shows that the imports  
6 from all the countries are prevalent, there's sufficient  
7 geographic overlap for cumulation, sufficient temporal  
8 overlap consistent with all of your variety of recent  
9 determinations.

10 So we'll explain that more in the posthearing --  
11 postconference brief.

12 MR. CORKRAN: No, I would appreciate that,  
13 because I am quite interested in the ports of entry for the  
14 imports from Taiwan and in the -- and their particular  
15 presence in the U.S. market.

16 In terms of a reasonable overlap of competition,  
17 I was interested in the slide 25 that showed the proportion  
18 of operating margins in January through June 2016 relative  
19 to earlier periods.

20 If we're talking about the nature of competition  
21 in the U.S. market, can anybody describe what the import  
22 volume from Taiwan was during that six-month period?

23 MR. PRICE: I'll briefly step in and say the  
24 import volumes accelerated very heavily in -- from Taiwan  
25 throughout 2015 into 2016. And actually, the Taiwanese

1 imports were at June 30 about 3.4 percent of total imports.  
2 Huge surge of imports in July, August and September, and  
3 actually for -- and you will see massive amounts of  
4 Taiwanese imports come in through those periods.

5           So what you're seeing is an acceleration of the  
6 imports not only to meet the negligibility standards of 3  
7 percent, but actually when you get to August, which is what  
8 your data will be for negligibility purposes, it calculates  
9 just under 6 percent of the imports are now Taiwanese.  
10 These are again consistent with the volumes you have  
11 consistently found both to be above negligible,  
12 consistently be injurious in terms of -- in terms of the  
13 cumulation criteria for both injury and threat.

14           MR. CORKRAN: My next question is a development  
15 that I've found extremely interesting over the -- in recent  
16 years.

17           Can anybody tell me what the status of the  
18 independent steel alliance is at this point?

19           MR. BYER: I'm currently registered as a  
20 supplier to the association. I was a founding member as an  
21 independent fabricator.

22           What I can speak to it is it has moved very  
23 little domestic material, which was its intention, to be a  
24 cooperative to consolidate and bring buying power to the  
25 independent fabricator.

1           All I know of what it's ended up doing is  
2 aggregating import buys and buying imported material,  
3 helping facilitate by importing material for smaller  
4 fabricators in outer markets that normally did not  
5 participate in that. And it's -- that's all I know at this  
6 point in time. We have not sold a pound into it. And I  
7 have four members within 2700 miles of my facility. Good  
8 friends of mine. But they buy the foreign and not mine.

9           MR. CORKRAN: Who would those fabricators tend  
10 to be competing against? Would they tend to be competing  
11 against the related fabricators that we heard discussed  
12 earlier?

13           MR. BYER: It's different by market. I'd say  
14 there's independent -- multiple independent fabricators in  
15 each market, and there's potentially any larger mill-owned  
16 fabrication operation in any one of those markets. But  
17 that's -- they're competing with another fabricator for a  
18 specific job. Some of them as we mentioned are -- the  
19 lines get a little blurred when you talk about  
20 distribution. Some may distribute to a downstream concrete  
21 or masonry supply store. Most of them are selling listed  
22 fabricated commercial projects.

23           MR. CORKRAN: Mr. Barney, I think it was you who  
24 made the comment about the extent of the U.S. as a free  
25 market with open borders for steel products. We've heard

1 rebar compared to scrap in terms of global -- a global  
2 market.

3 My question is in a market such as that, why  
4 would we see a sustained premium in the U.S. market for  
5 rebar relative to world prices? Wouldn't we expect to see  
6 that premium diminish over time?

7 MR. BARNEY: I think that's evidence of the  
8 prior case, the remedy that was granted, we actually did  
9 see improvement in pricing and a realization of profit.

10 But that was very short-lived. If you see  
11 what's transpired in 2015 and then going into 2016, we've  
12 seen significant deterioration in pricing, and it's all  
13 driven by the subject imports.

14 So I don't -- from the premium standpoint, we  
15 had a period of time where we were able to get fair prices  
16 in the marketplace. But since the end of 2015 and going  
17 into 2016, prices have come down significantly.

18 MR. CORKRAN: If that price premium between the  
19 North American market and the world market is diminishing,  
20 and I was looking at MEPS data that suggested exactly what  
21 you're describing, should we -- if we are looking ahead for  
22 purposes of threat, should we expect to see diminished  
23 import volumes because of the reduced differential between  
24 the North American price and the world price?

25 MR. BARNEY: We talked about -- Don Barney,

1 Nucor. We talked about this a little bit earlier, and I  
2 don't know if you were in the room or not, but the  
3 situation is what transpired at the end of 2015 and early  
4 2016 when we drastically lowered our prices, we saw the  
5 import, the subject imports come in lower again. And  
6 that's what we referred to as just -- it just doesn't seem  
7 to be a bottom.

8           So despite the fact of what you're saying, I  
9 mean, this has been a continuation. We saw in 2015 with  
10 lost volume. And we see it in 2016. And it's kind of our  
11 worst fear as far as you're losing volume again, so it's a  
12 threat -- it's not a threat, it's actually injury from 2015  
13 and injury for 2016. So we're losing -- we've lowered our  
14 prices, profits have been decimated.

15           Now we've got imports coming in at lower prices  
16 again that we just can't compete with.

17           DR. KAPLAN: The U.S. is still the best market,  
18 as Mr. Nolan, who you missed in his opening statement,  
19 conceded, that it is currently the best market.

20           And there was previous testimony about the lack  
21 of strength in other markets relative to the United States  
22 expected in the future, both their demand side is expected  
23 by forecast that Mr. Price read off, and also on the supply  
24 side, as many of the markets that the subject producers  
25 sell into are either being stressed by increased exports

1 from China, or in the case of certain Middle Eastern and  
2 North African countries, are building their own facilities.

3 So I think -- I think the facts dictate that  
4 actually the threats are significant and sustained into the  
5 foreseeable future.

6 MR. PRICE: Alan Price, Wiley Rein. Just to go  
7 into a couple of issues here.

8 First, across all steel products the Commission  
9 has recently investigated, U.S. price tends to be on the  
10 high end of global prices and it generally has been for the  
11 last, you know, 20-odd -- at least 20-odd years that I've  
12 been really focusing on this, very narrow periods when that  
13 is not the case, perhaps in 2007, 2008. It wasn't the case  
14 when the Middle East was sort of going crazy and we were  
15 kind of entering the beginning of the financial crisis but  
16 no one really realized it, if we talk about sort of  
17 macroeconomics.

18 But the U.S. is generally an attractive price --  
19 an attractive market, one of the higher-priced markets in  
20 the world.

21 As you move into this product, all steel  
22 products, there isn't actually a single global price to it.  
23 And these guys -- these particular producers are  
24 particularly aggressive in their pricing, have stepped in  
25 at even lower levels.

1           What is interesting, that the margins of  
2 underselling have actually increased substantially during  
3 the POI to actually push in more volume, which is -- so  
4 these particular producers are problematic.

5           And despite what our Turkish friends will say,  
6 in fact, their market is suffering from substantial excess  
7 capacity for rebar, roughly 50 percent. You know, we can  
8 argue over which mills and whatever, but the capacity  
9 overhang is huge.

10           As a result, many of these mills will export at  
11 virtually any price, with some -- at this point.

12           And so constant -- constant pressure on the U.S.  
13 market vis-a-vis Turkey. Japan is purely opportunistic  
14 dumping going on, same thing with Taiwan at this point.  
15 Decisions to move product regardless of cost. And, you  
16 know, I'm still waiting for anyone from Japan to explain to  
17 me why their grade 60, grade 40, number 3, 4, 5, 6 rebar is  
18 special. It's not. Essentially, these countries have  
19 decided to dump at these particular prices.

20           MR. CAMPO: Peter Campo, Gerdau. I think the  
21 common denominator in my mind is you have three countries  
22 with far more capacity than -- far more supply than demand,  
23 and an opportunity to sell it elsewhere in the world  
24 market. Where wouldn't you do that but here? And all  
25 three with relatively weak home markets exposed to



1 competition from China, which has been very aggressively  
2 pricing literally worldwide.

3 MR. CORKRAN: I have one last question, which I  
4 think will probably be -- I'll ask for it in the  
5 postconference brief, more of a conceptual question I  
6 think. But we heard discussion earlier today of an  
7 inventory overhang held in the distribution chain and that  
8 it does not show up in the producer and importer  
9 questionnaires.

10 This is a concept question. But that  
11 characterization, doesn't that sort of overlook the fact  
12 that to be in the supply chain at the distributor level  
13 means that there has already been a sale in the United  
14 States, that the volume has already been picked up as a  
15 U.S. import entered into the United States and has been  
16 picked up in our price data as an arm's-length -- first  
17 arm's-length sale in the United States, such that it really  
18 isn't arguably missing from the data set? It may not  
19 appear as an inventory, but it is captured in the data set?

20 DR. KAPLAN: Yeah, let me address that. And I  
21 think -- I think the answer is yes and no. It's -- and I  
22 think you made the impact point. It's captured as a sale  
23 if the importer sold it, and you have the data. It's not  
24 captured in inventory because you don't collect inventory  
25 on that.

1           Now, the reason we raise that point is because  
2 that inventory overhang creates great pressure on U.S.  
3 prices, and as it came in, had big volume effects.

4           So as it came into the market in 2015, it picked  
5 up share and negatively affected U.S. production, which  
6 fell in a time of increasing demand.

7           Now in 2016, it's not in a building somewhere,  
8 but it's sitting on a dock. And that overhang has  
9 created -- well, that overhang, the last picture, has  
10 created the pricing and profit pressure that you saw in  
11 2016.

12           So to your answer, it should be in the pricing  
13 data, it should be in the import data, but it's not in the  
14 inventory data. And the effects of it being in inventory  
15 are manifest in the lack of shipments in 2015 and the  
16 decline in domestic production by these producers, and in  
17 their financial data in 2016, as this oversupply of the  
18 market hangs over and suppresses and depresses prices.

19           MR. PRICE: Alan Price. I'll just jump in one  
20 more time on this. I go down to the docks unfortunately  
21 surprisingly frequently, given what I do. And we haven't  
22 seen these types of -- sort of this -- what you're seeing  
23 in these pictures here, since, frankly, the 2001 period  
24 when we had just these same pictures, piles and piles of  
25 inventory just stacked up.

1           So it has dramatic -- you know, and you  
2 constantly see this. You have the -- it just sits there,  
3 it's hitting prices, it's affecting prices. And guess  
4 what, more of it is coming in.

5           And if you go back to the quote, it's this  
6 actual inventory from the AMM article that's sitting there  
7 in Inbesa right now. As it sits there, it's going to take  
8 just two months for this inventory to go out, and there's  
9 still more coming in.

10           So it's just a huge impact. First, as  
11 Mr. Kaplan said, manifested itself in volume in '15 when  
12 domestic production went down, and then transfers over to  
13 price as it just sits on the market and weighs on it and  
14 clobbers it.

15           And sadly, when the domestic industry has had  
16 to -- you know, not sadly. The domestic industry competed  
17 with it. Obviously, tremendous impacts on profitability in  
18 2016, as they just priced this. And you see imports step  
19 back maybe a little bit.

20           But when you come into July, August and  
21 September data, which the Commission can look at the  
22 official import data and the SEMA data out there, you see,  
23 well, never mind, we're going to just shove more into the  
24 marketplace.

25           That's what's sad about it. It's not like the

1 action the domestic industry took stemmed the flow of  
2 imports. It sort of paused it and then they said, well, we  
3 have to cut again because we need the volume because we  
4 have nowhere else we can ship in the world.

5 That is what the Turkish situation is, that is  
6 what the Taiwanese situation is, that is what the Japanese  
7 situation is.

8 MR. PORTER: This is Tracy Porter. I want to  
9 make a comment about it, because I've seen this really  
10 adverse effect on our business directly. We participate in  
11 the Texas market very heavily.

12 The inventory levels -- and those pictures  
13 really don't depict it. We've seen it, several of us have  
14 seen these piles, and it's mountains of steel sitting down  
15 there at the port, if you can envision 160- to 200,000  
16 tons, it takes up a lot of acreage.

17 The irony of all of this, and I don't know this  
18 to be a fact, it's supposition on my part, that there's  
19 almost like a supply chain that exists today between Turkey  
20 and the United States, and I won't comment on Japan at this  
21 point because I haven't seen the same behavior out of them,  
22 but that these ships are going to be coming regardless, and  
23 these act as buffers or surge zones for it.

24 The part that's really difficult for us is as  
25 these inventories rise, prices drop. And sound business

1 practice would tell you that you make a deal, you make a  
2 deal. But yet, we can find in some of the -- in the data  
3 that's been provided to you, we can find extraordinary  
4 outlying pricing to basically absorb or make room for the  
5 next ship that's coming in.

6           So the disruption that the marketplace is -- you  
7 know, the change in the behavior that we've seen over the  
8 last few years and this stockpiling, if you will, of  
9 material in the states is actually more consequential,  
10 because -- we've heard it from the stevedoring companies,  
11 there's another ship coming, they need to get this material  
12 out of here.

13           So there are times that these prices are  
14 absolutely absurd to make room, and there's opportunistic  
15 buyers willing to take part in that, which obviously  
16 trickles back into the marketplace, and that's what becomes  
17 the new standard.

18           MR. BYER: Burke Byer from Byer Steel in  
19 Cincinnati. To follow up on Tracy's point, the basic  
20 principles of buyer psychology has changed because of the  
21 dynamic change and the flow of the material in the market.

22           Traditionally when prices fall, buyers sit back  
23 and say it will get cheaper tomorrow. When prices rise,  
24 they step in and say well, I'll buy it today, it will be  
25 cheaper than if I buy it tomorrow.

1           This material is coming in, and I can tell you,  
2 for example, we're being quoted as we speak, sitting right  
3 here, we're being quoted numbers for material shipped in  
4 the first quarter of next year at prices that we thought we  
5 knew what the definition of ridiculous was, but it gets  
6 even more ridiculous. We have no idea what the scrap  
7 market is going to do next year. I have no idea what it's  
8 going to do tomorrow and it just traded yesterday.

9           Those prices will come up. To Tracy's point,  
10 it's paradigm that they will go all right, I'm going to  
11 liquidate the stuff that's there, and the price is running  
12 down before the market even gets here, material gets here.

13           And as the traders that we've dealt with have  
14 told us, they're like it's kind of like being a drug  
15 addict. You buy this, and when the price falls, you almost  
16 have to stay in the game and keep buying it to keep it  
17 moving and not lose your shirt.

18           MR. BARNEY: Don Barney with Nucor. I will  
19 state that it's the Turkish, the Japanese and the Taiwanese  
20 that are exceptionally aggressive in these markets. We're  
21 seeing Japanese bar in Houston at the same port that the  
22 other material is landing as well. So all three are  
23 participating at these aggressive price levels and  
24 impacting our marketplace.

25           MR. CORKRAN: Thank you all very much for your

1 testimony. That concludes my questioning.

2 MR. ANDERSON: Okay. Thank you, Mr. Corkran.  
3 I'm going to visually scan our staff here, if there are any  
4 more follow-up questions.

5 Ms. Lo?

6 MS. LO: Sorry. Related to what Mr. Corkran  
7 said, I had a question about this concept of excess  
8 inventory everywhere. If you could give us posthearing  
9 brief -- or sorry, postconference brief, what percentage of  
10 this inventory is held relative to apparent consumption.

11 And I know Mr. Kaplan had mentioned that some of  
12 the inventory can't be captured by questionnaire data,  
13 which we'll crunch obviously and report it, but also that  
14 90 days -- I believe Mr. Canosa had mentioned 90 days are  
15 free. But this inventory costs money to store, so what  
16 happens after 90 days?

17 So it's inventory -- typically 90-day kind of  
18 holding? And also, related, somewhat related, it's this  
19 whole import presence, several of you have testified to,  
20 you said that in Wyoming, there's some Taiwanese product.

21 From my understanding, there's no country of  
22 origin labeling on these bars; correct?

23 MR. PRICE: Actually, this is one of the unusual  
24 things about rebar, is actually there's a roll mark on it,  
25 and so -- and so everything has actually a country of

1 origin. Not that they're tagged when it comes over, but  
2 there's an actual roll mark.

3           So my best example of it was in the Capitol,  
4 they were doing a security project, and we got a call from  
5 the architect of the Capitol, and it's a Buy America  
6 project. Obviously no foreign rebar would logically be  
7 going into that.

8           They got a call from the architect that said  
9 this mark says Ukraine. Can I assume that's not domestic  
10 rebar? And the answer was yes, because it's rolled into  
11 it. So it's -- so it's a little different than most other  
12 steel products in that regard, and that's because the ASTM  
13 standards.

14           MS. LO: Just in the follow-up question on the  
15 Latvia issue, since they were caught, they were punished,  
16 right, and they did have to pay?

17           MR. PRICE: I'll address that in the  
18 postconference brief.

19           MS. LO: Thank you. Thanks.

20           MR. PRICE: At this point, it's quite historic,  
21 but it -- but again, the module didn't -- the point was the  
22 module didn't have alloy hot roll bar, which was the tariff  
23 number at the time. They were correctly classifying it at  
24 the time. It wasn't in the customs module, so no one knew  
25 to suspend it at customs.



1           MR. CANOSA: Can I follow up on your question on  
2 the port, 90-day free, what happened after the 90 days.  
3 It's related to Mr. Porter and Mr. Byers referring to the  
4 attorneys, to move. A lot of case they sell the material  
5 even below the price that is recorded in the customs  
6 documentation to be able to move the material so the next  
7 boat can come in or avoid port charges. So the offer price  
8 in the market is even below what you guys see in the  
9 customs records.

10           MS. LO: One final question that was brought up  
11 by Mr. Porter. You mentioned bundling these milk runs by  
12 these independent distributors. I had some issues with  
13 bundling questions.

14           But do you service these smaller customers as  
15 well? You're happy to do these milk runs to -- any of you?

16           MR. PORTER: No. When I say bundling, in the  
17 way rebar is packaged, it's called a bundle. So there's,  
18 you know, three or four bundles that are delivered to one  
19 customer and to the next.

20           Our company, CMC, does not distribute less than  
21 truckload quantities of rebar.

22           MR. BYER: That is our niche. We are the little  
23 guy. We -- you want anything from one ton to five  
24 truckloads a month, give us a call. We are losing that  
25 business to -- that's a traditional -- that's a service and

1 value that we have added that most steel mills can't  
2 perform. And we are losing that business to import  
3 materials that that will make mixed truckloads at the  
4 docks. You want to buy one ton of this, some 40s and some  
5 20-footers of those, you can mix and match that if you  
6 wish, doesn't matter. It's all the same to them, and the  
7 price is cheaper, and all the services at no extra cost.

8 MR. PRICE: We'll address it more in the  
9 posthearing brief, but the domestic industry actually  
10 services all of the marketplace.

11 MS. LO: Thanks.

12 MR. ANDERSON: Okay. With that, I want to say  
13 my colleagues have done a very able job of asking  
14 questions, I don't have anything further to add. I want to  
15 thank you all for your testimony. It's been very helpful,  
16 and we very much look forward to your postconference  
17 comments.

18 With the conclusion of this panel, we will take  
19 approximately a 15-minute break according to the clock on  
20 the wall, we'll reconvene at 12:40. So thank you very  
21 much.

22 (Recess.)

23 MR. ANDERSON: Good afternoon. Mr. Nolan, I see  
24 that your panel is all seated, and thank you for being here  
25 today. Please start when you're ready.

1                   MR. NOLAN: All right. Thank you very much.  
2 This is Matt Nolan with Arent Fox again on behalf of  
3 Turkey. Thank you for starting us early, so we are going  
4 to skip lunch, but that's okay because we're going to get  
5 out of here a little earlier, so that's a good thing.

6                   Our panel today is going to talk about obviously  
7 the foreign producer side of things. We are weighted on  
8 the Turkish side, since they're the 900-pound gorilla here  
9 as it were. Mr. Lee is representing the Taiwanese  
10 importers or producers, and so the order is I'm going to  
11 start with Mr. Namik Ekinici, head of the Turkish Steel  
12 Exporters' Association, and his associate, Ebru Dursun, who  
13 is his translator.

14                   Now, we worked on a statement for him, which is  
15 his statement. But because my English is a bit better than  
16 his, we figured it was easier for me to read his statement  
17 for him, so it's easier for you to understand. He will be  
18 available obviously to answer any and all questions, but  
19 will need the interpreter because Namik's English is  
20 about -- well, it's better than my Turkish, but that's not  
21 saying very much. So I'm going to start with Namik's  
22 statement.

23                   STATEMENT OF NAMIK EKINCI

24                   Ladies and gentlemen of the Commission Staff,  
25 good afternoon. My name is Namik Ekinici, and I am the

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1 president of the Turkish Steel Exporters' Association. I  
2 have been in the steel business for 50 years, and I'm also  
3 chairman of the board of a Turkish steel mill that produces  
4 rebar, Ekinciler Demir Ve Celik Sanayi AS. My hope today  
5 is provide you with some information and remove doubt about  
6 Turkey's participation in the U.S. market.

7           The Turkish Steel Exporters' Association is a  
8 business association of producers and exporters in the  
9 Turkish steel community. We have a membership of more than  
10 700 exporting companies. Our goals are to serve our  
11 members' needs and to realize the potential of the Turkish  
12 steel sector and to attain globally sustainable competitive  
13 strength based on fair trade.

14           When we first learned of these new cases, we  
15 were, quite frankly, surprised and confused.

16           Our country and producers just completed the  
17 very same investigations in 2014 only two years ago. In  
18 those cases, Turkish producers were cleared of all dumping  
19 charges, with no margins, zero margins. A very slight 1.25  
20 percent countervailing duty margin was found for Icdas, and  
21 we continue to believe that that finding was erroneous.  
22 Nevertheless, Turkey accepted a CVD order on rebar which  
23 continues today.

24           Habas, on the other hand, was cleared of any  
25 subsidy charges, and dumping for that matter.

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1           Having been found not guilty of all dumping  
2 charges and with minimal CVD rates in place, Turkey  
3 believed that it was cleared of further unfair trading  
4 claims and continued trading at nondumped, nonsubsidized  
5 prices.

6           Now, two years later, we're back speaking with  
7 the Commission on the exact same issues because the U.S.  
8 industry did not like the result it got the last time. Our  
9 question is, when will this cycle end? How often can they  
10 repeat this process against Turkey? And do we have to  
11 prove yet again that Turkey does not engage in unfair trade  
12 practices?

13           We do not dispute that Turkey is a world class  
14 steel producer and exporter. We are proud of our industry,  
15 and we are competitive in world markets, including the  
16 United States, without the need to dump or receive  
17 subsidies.

18           In 2015, we operated at relatively high capacity  
19 utilization rates, over 80 percent, which is close to the  
20 upper limit for our rebar mill. We consumed more than half  
21 of our production in Turkey on local and state construction  
22 projects. The other half was exported all over the world.

23           Our domestic construction market is quite active  
24 and is growing at a rate of over 6 percent per year, and we  
25 will give specifics on that in our post conference.

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1           While the U.S. is a significant market for our  
2 exports due to very strong demand and high prices, as  
3 Mr. Kaplan kept saying, it is not the largest or only  
4 export market for Turkey. Indeed, Turkey shipped over 4  
5 million metric tons to the Middle East region alone in  
6 2015. That includes the United Arab Emirates, Israel,  
7 Iraq, Egypt, Kuwait and Saudi Arabia.

8           Contrary to U.S. industry predictions in this  
9 case and the last case, demand in the Middle East has not  
10 fallen. It may change from country to country, but  
11 overall, the demand is stable and increasing.

12           Indeed, Turkey shipped to -- rebar to 150  
13 countries last year, unlike U.S. producers. We sell our  
14 products to all countries and in Turkey at the same basic  
15 FOB price. Except, for example -- except when it comes to  
16 the United States. We actually sell to the U.S. at a  
17 higher price in order to avoid dumping charges.

18           Even so, even with the additional price, our  
19 average U.S. price to the U.S. market is probably more than  
20 \$100 below U.S. prices simply because we do not need to  
21 make as much of a profit as the U.S. mills seem to.

22           We make a good profit on our business, we make a  
23 modest profit on our business. Our pricing is carefully  
24 considered to ensure we are not dumping, but we price to be  
25 competitive. Our price is largely dictated by scrap

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1 prices, which were quite volatile during the period of  
2 investigation.

3           In 2014, scrap prices reached nearly \$400 a ton,  
4 then dropped to \$250 a ton by mid 2015, and fell below \$200  
5 a ton by late 2015 and early 2016, a drop of over 50  
6 percent in the price of scrap will have an unavoidable and  
7 relative immediate impact on the price of rebar in the spot  
8 market.

9           It is not surprising that U.S. prices fell in  
10 this environment. It is neither our intention nor is it  
11 possible for the Turkish rebar industry to capture the U.S.  
12 market as Petitioners would like you to believe. There are  
13 several reasons for this.

14           Most specifically, U.S. producers enjoy  
15 significant advantages in this market. Since the last  
16 investigation and sunset reviews, the U.S. producers have  
17 become larger, they own rebar plants coast to coast and  
18 internationally, they are financially stronger and very  
19 importantly they are virtually completely vertically  
20 integrated.

21           In the U.S. market, U.S. producers have no  
22 international shipping costs, they control their raw  
23 material supplies, scrap, they have the ability to sell and  
24 deliver to U.S. customers that require just in time  
25 delivery, and U.S. producers are able to make use of the

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1 highest quality scrap at their mills and export secondary  
2 material to countries like Turkey.

3           On the other hand, Turkish producers cannot  
4 anticipate what scrap prices will be. We are not as  
5 vertically integrated as U.S. producers, who have better  
6 control of their scrap prices. We must accept lower  
7 quality scrap, and that scrap often comes from the United  
8 States.

9           We do not produce without firm orders, and we  
10 require payment at the time of shipment. We will not lower  
11 prices to capture markets, but we price our material  
12 consistently based on the world market.

13           The rise in our exports to the USA is due to the  
14 fact that U.S. importers prefer Turkish firms, which have  
15 competitive prices and abide by free market rules. This  
16 rise is brought about by competitive and demand-oriented  
17 sales, which constitute the operation of free markets.

18           Furthermore, the U.S. demand has also risen over  
19 the years. Increased demand naturally leads to increased  
20 imports. If this demand is not met by pricey domestic  
21 products but imported products and this constitutes a  
22 problem for domestic manufacturers, then maybe they should  
23 review their conditions of manufacturing instead of laying  
24 blame on imports which comply with WTO rules.

25           Further, as I noted earlier, we have developed

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1 other markets that are growing faster and offer us more  
2 opportunity, in particular the United Arab Emirates, which  
3 is the single largest export market for Turkey, and the  
4 Middle East, North and West Africa. We directed our  
5 marketing resources to the Middle East and African  
6 countries, which are growing economies, where consumption  
7 rate for rebar is relatively high.

8 Turkey is a responsible competitor. Thank you  
9 for your attention. I will do my best to answer any  
10 questions you have.

11 Thank you, Namik, for that.

12 Okay. So I'm going to go into this a little bit  
13 and hand it over to Adams Lee in a minute. We're going to  
14 go off my presentation, PowerPoint. I'm not going to  
15 bother putting it up on the screen because it's too much of  
16 a pain, and we're all sitting around the table.

17 Let's talk a little about history to start with  
18 on page 1, or page 2 of this PowerPoint. Turkey -- this is  
19 not Turkey's first rodeo, all right, in front of the  
20 Commission, in front of the Commerce Department. I've been  
21 advising them for over 10 years on these cases.

22 They have legal counsel. They know what the  
23 rules are. We do take a great deal of pain and effort to  
24 make sure we're following the rules.

25 Starting with dumping margins in 2003, we go to

1 2004, you start getting de minimis margins from Commerce,  
2 you get de minimis for Icdas, Colakoglu and Diler. 2005,  
3 Icdas order gets revoked, Habas gets zero de minimis  
4 margin, Colakoglu gets a de minimis margin. I'm not going  
5 to go through every single one of these, but the result of  
6 this is with all of the Turkish companies getting smart,  
7 they ended up with zero dumping margins and the order ended  
8 up getting revoked in 2008.

9           Now we spin forward to 2014, we do the case  
10 again. What happens? There's no dumping, there's no  
11 subsidies for one of the biggest exporters, and the others  
12 are stuck with a 1.25 percent barely above de minimis  
13 margin on CVD.

14           So what has changed since then? The Petitioners  
15 have been up here all morning telling you it must be  
16 dumped, it must be dumped, it must be dumped. The evidence  
17 suggests the exact opposite, that there is no dumping,  
18 there has been no dumping, and there will be no dumping.

19           So why are we back here today? What has  
20 changed? First, major U.S. producers like Nucor, CMC,  
21 Gerdau have further integrated operations from their scrap  
22 upstream to their downstream fabrication operations. They  
23 supply their own downstream operations from their internal  
24 production.

25           I found it curious when they sort of downplayed

1 significantly that, you know, well, we don't know what the  
2 price is to the fabricators, we can't tell, they don't tell  
3 us if Buy America matters or this or that.

4           They own the fabricators, all right. If you  
5 look at the specifics, the last case and this case, a  
6 significant portion of what they're selling goes to their  
7 own internal fabrication units.

8           If, in fact, the fair market value is being  
9 charged and if, in fact, imports are cheaper, why are they  
10 doing that? Why would they internally source a significant  
11 amount of their rebar to their own fabrication operations?

12           Why wouldn't you? That's the point of having an  
13 integrated operation. There's no benefit to having an  
14 integrated scrap, rebar and fabrication operation if you  
15 are not going to use it.

16           I submit to you that that gives them a fair  
17 amount of insulation from imports. They're using their own  
18 production upstream, their rebar productions midstream, to  
19 their fabrication facilities downstream. That's an  
20 important condition of competition.

21           Why does scrap matter? Quality, secure supply  
22 and cost. Those are the three biggies. Secure supply they  
23 did tell you about. They admitted that they wanted secure  
24 supply for their scrap operations. They didn't tell you  
25 when you have your own scrap supply, you can cull off the

1 top end of that scrap, use it on your own mill and sell the  
2 rest of it in the open market, which is in fact what  
3 happens. So they're using the best quality scrap in their  
4 operations.

5           And third is cost. They keep telling you that  
6 they are selling at fair market value. I suggest the  
7 Commission take a hard look at that. I'm not quite sure  
8 I'm persuaded by that. And we'll have to get into that in  
9 the post conference because that gets into some specifics  
10 that I'm not allowed to talk about.

11           Downstream operations, fabrication operations.  
12 Nucor has Harris Steel. They have at least 70 fabrication  
13 facilities in the United States. CMC has a downstream  
14 fabrication business. Gerdau has at least 60 or 70  
15 downstream fabrication operations in the United States.

16           These are not small operations. They are  
17 significant, and they are completely internally sourced by  
18 their rebar operations.

19           Buy America. I was curious that they kept  
20 downplaying the Buy America. Buy America is a law. It is  
21 a federal statute. It is a preference given to domestic  
22 merchandise. You are not allowed to sell to the U.S.  
23 government or state governments unless you comply with Buy  
24 America. And if you do, you get into trouble for it. So  
25 it's not so simple as we just sell a bunch of rebar, we

1 don't know where it's going.

2           The fabricators definitely know where it's  
3 going, and if you happen to own the fabrication operation  
4 that is supplying that, then you definitely know where it's  
5 going, whether you want to say we're not looking at it, but  
6 they are, I don't really care. The fact is Nucor owns  
7 Harris, Harris is running the fabrication operations on  
8 those Buy America Act projects, they are clearly buying  
9 U.S. material for those projects. It does matter.

10           Third, U.S. producers have been making money in  
11 the current market. Contrary to what they're saying to you  
12 in those lovely charts this morning, I have some  
13 inconvenient truths to provide you in a few minutes on the  
14 margins they are actually making in this market.

15           Yes, Turkish imports have increased. We are not  
16 going to deny that. They have gone up. They went up after  
17 they were investigated and exonerated. They went up after  
18 U.S. demand kept calling them and saying, the prices here  
19 are outrageously high, please come into this market. It's  
20 not surprising what happened.

21           In the end, U.S. consumers are paying the higher  
22 prices relative to costs as a result of this.

23           Slide 4. From the 2014 investigation. The  
24 Staff found in that investigation that raw material scrap  
25 accounted for about two-thirds of the cost of rebar,

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1 somewhere between 60 and 70 percent. That's in the public  
2 Staff report.

3           Assuming a ton of rebar cost 500, that would  
4 make \$330 of the cost steel scrap. A decrease in the cost  
5 of scrap to \$200 would then decrease the total cost to  
6 \$370, or 26 percent drop in the cost. With the consequent  
7 drop in price.

8           In 2015, steel scrap costs fell from over \$350  
9 to under \$200 a ton, indicating a downward price pressure  
10 of approximately 25 percent on rebar in the United States.

11           Slide 5. I went into Nucor's quarterly reports  
12 and culled out their actual scrap costs, which they report  
13 in their quarterly data.

14           If you notice from the chart, scrap costs fell  
15 precipitously in 2015. And, in fact, if you look at the  
16 numbers on the right side of this chart, I give a change  
17 from prior quarter and percentage change from prior year.

18           Once we get to mid 2015, the change is on the  
19 order of 40-plus percentage points in the cost of scrap.  
20 That is not an insubstantial drop. And you cannot tell me  
21 that that doesn't have a direct impact on the price of  
22 rebar, an overriding impact on the price of rebar. That is  
23 what drives the market.

24           Slide 6. To illustrate this, I did a  
25 correlation analysis of rebar scrap costs and rebar prices.

1 The lower blue line is the average heavy melt, number one  
2 heavy melt scrap price published in American Metal Market  
3 for Chicago. The top line is the FOB mill price reported  
4 in -- on a monthly basis in American Metal Market.

5 You will notice, one, there is a very high  
6 degree of correlation between scrap price and rebar price.  
7 Again, scrap price influences, if not drives, rebar price.

8 Also, and most notably, I ran a trend line  
9 analysis of the two sets, those are those two straight  
10 lines going down.

11 If you will notice, the margin between scrap and  
12 rebar price actually grew during the POI. It's more narrow  
13 at the front end -- or November 2012 and is expanded some  
14 by 2016.

15 So what you're seeing is instead of it being a  
16 flat line parallel, it's doing this. If imports were  
17 affecting this equation, it should go the other direction.  
18 You should be narrowing that margin, not expanding it.  
19 It's doing the opposite of what they're telling you.

20 This is, again, illustrated in slide 7. We did  
21 an analysis that simply indexes, starting both scrap and  
22 rebar price at 100, and then indexing the changes for you.

23 You will notice the digression in that rebar and  
24 melt scrap started deviating significantly in 2015. And  
25 deviating in a way that benefits the price of rebar. The

1 margins went up. Again, the margins went up.

2 Slide 8. Again, another illustration of this  
3 point. I'm sorry I'm beating on it, but this is pretty  
4 important.

5 We took the quarterly average price of scrap  
6 from American Metal Market and took the quarterly average  
7 price of rebar from American Metal Market and ran an  
8 analysis.

9 The margin percentage on the right side is the  
10 amount of the difference between a price of rebar over the  
11 price of scrap on a percentage basis.

12 Look what those numbers do. They start out at  
13 41 percent, and by the fourth quarter of 2015, we are over  
14 70 percent different. The margin went up to 70 percent.

15 That means rebar price, the spread between the  
16 rebar price and the scrap price, has increased  
17 significantly during that period.

18 It also explains another phenomenon. The  
19 Petitioners took great pains to say that the underselling  
20 has increased during the POI. Well, if Turkey is following  
21 the general rule, which is you add certain scrap to your  
22 price and sell at those prices competitively, then you're  
23 going to maintain a certain distance between your scrap  
24 price and your rebar price, which is going to be parallel.

25 If you do that in the U.S. industry, increases



1 that margin, you're going to create underselling. You are  
2 going to manufacture in underselling, increased  
3 underselling, which to me is an indication that either  
4 somebody got very greedy in this market or somebody is  
5 planning to try to play a game in front of the Commission,  
6 not sure which.

7 Let's move to slide 9. What are some key  
8 industry metrics? As we said, scrap prices fell, U.S.  
9 producers captured increasing margins relative to scrap  
10 costs. Prices fell less than scrap costs, leaning to  
11 better profitability for U.S. industry.

12 U.S. capacity utilization rates during the POI  
13 were relatively stable and actually increased during the  
14 interim period.

15 I would note, though, we have a very curious  
16 phenomenon here. We had a case that ended in 2014, or  
17 20 -- yeah. So we actually have data from 2014 from the  
18 last investigation, and I have reviewed the public record  
19 of it.

20 I would like the Commission to take a hard look  
21 at what the capacity utilization numbers were in 2013 in  
22 this case and what they're being reported at in this case.  
23 There is an anomaly. That's all I'm going to say.

24 Next page. It's very difficult to get public  
25 information on metrics without getting into APO data,

1 except with respect to, I think, CMC, because Commercial  
2 Metals is, I think, one of the more pure rebar companies of  
3 this group. New more makes everything, Gerdau makes  
4 everything, Steel Dynamics makes everything, so it's hard  
5 to pull that taffy apart without getting the BPI.

6 But CMC is -- from August 31, 2015 fiscal year.  
7 Their net sales between 2013 and 2015 went up  
8 significantly. 2014 went up, down a little bit in 2015,  
9 but still above 2013 numbers. And this is while scrap  
10 prices are dropping like a stone.

11 Their operating profit went up significantly  
12 from 204,000 to \$304,000, a 33 percent increase. Their  
13 finished goods selling price went down, as it should,  
14 because scrap prices went down, but not by much as you  
15 would have expected, given that scrap prices fell 40  
16 percent, their prices did not fall 40 percent.

17 The cost of scrap, however, did go down  
18 significantly, although reported as less than you might  
19 think. The metal margin went up, and their raw material  
20 costs as a percent seemed to remain relatively stable, but  
21 something doesn't seem right there.

22 So they reported a quote from their fiscal  
23 statement the average cost of ferrous scrap consumed  
24 decreased \$60 per short ton compared to physical 2014,  
25 which more than offset the decrease of total shipments and

1 an average selling price above and increased our average  
2 margins by 9 percent, quote unquote, from their annual  
3 report.

4 Slide 11. Some other U.S. industry metrics.  
5 Again, a large percentage of U.S. sales were to related  
6 parties, affiliated fabricators in particular, I think  
7 that's a key element here.

8 The average price to related firms is different  
9 than the commercial shipment price for this same period. I  
10 urge the Commission to look at that carefully, because they  
11 just testified that oh, yes, it's all fair market value,  
12 it's all at the same price.

13 Buy America Act requirements still cover at  
14 least 10 percent of U.S. producer sales, and based on the  
15 last case, the Commission found that domestic rebar  
16 preferences accounted for 20 percent of all sales. I don't  
17 think that's changed at all.

18 And, yes, the Fixing America's Surface  
19 Transportation Act is supposed to boost demand. Hasn't  
20 happened yet, but everybody is talking about 2017 being the  
21 magic year.

22 Also want to just note that they talked about  
23 shipping costs, and shipping costs coming up the  
24 Mississippi River. I want to come back to my slides in a  
25 second.

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1           It is a fact that shipping costs internationally  
2 are far cheaper than our surface transportation costs. You  
3 can ship scrap to Turkey, turn around and ship, turn it  
4 back around to the U.S. for less than it costs to ship  
5 rebar over land say 1000 miles, easy. That's a given. I  
6 accept that.

7           But what they didn't tell you is when you ship a  
8 barge up river, you have something called the Jones Act you  
9 have to deal with. You cannot use international shipping  
10 costs anymore.

11           The Jones Act says, it's a U.S. law that's been  
12 in effect for a long time, and it says you must use a U.S.  
13 crude, U.S. flag, U.S. built vessel for any coastwide  
14 trade. The difference in Jones Act prices for  
15 transportation and international freight is massive. There  
16 is a substantial increase because the Jones Act is  
17 designed, for better or worse, to protect U.S. shipping.  
18 That means that gives them an automatic guaranteed market,  
19 all coastwide trade is at a higher price than international  
20 shipping.

21           So let's go back to the slide. Slide 12, we  
22 talked a little bit about construction markets, slide 12  
23 and 13 give you a little feel for that.

24           You will notice on the first -- on slide 12, we  
25 do a little bit on residential construction put in place

1 for each of the years. And it went up pretty healthily in  
2 2013, 2014, 2015. I agree 2016 is showing some curb. But  
3 the demand curve during 2013-2015 was fairly robust. Also  
4 shows the seasonality aspect of it, as the Commission is  
5 well aware, there's a high degree of seasonality in  
6 construction markets. Doesn't happen in the winter very  
7 much.

8           So what you're seeing here is the bell curve  
9 from winter to summer, back to winter again. But it does  
10 show a fairly robust growth in construction rates on  
11 residential, and again, on slide 13 on nonresidential.

12           So the demand was there to support more traffic.  
13 The issue becomes, at what price? What price is the right  
14 price to sell at? And the Petitioners will keep telling  
15 you that it's because it was unfairly priced Turkish  
16 merchandise. I think what happened here is the U.S.  
17 industry invited imports to come in because they were  
18 charging such high prices relative to what scrap costs are.

19           And you may say well, that's enough for us to  
20 continue with the investigation, there's nothing I can do  
21 about that. But that is what's going on here.

22           Slide 14, Turkish producer metrics. The Turkish  
23 producers have a limited product range, more limited than  
24 the U.S. The vast majority of Turkish material will be  
25 coming in in the 20- to 40-foot range. Will you find some

1 small amounts coming in at different sizes? It's quite  
2 possible. But if you look at the responses, the  
3 predominant amount is always going to be in that range,  
4 most imports are going to be grade 60, some in grade 40, a  
5 very small amount in grade 75, but trace amounts.

6           And most of that is straight length rebar. I  
7 think the amount of coiled rebar is trace coming into the  
8 U.S. market relative to straight from Turkey. And it's not  
9 further fabricated. Obviously, the cost of having  
10 something prefabricated, the shipping costs would be too  
11 high. So you don't fabricate it, because you're shipping a  
12 lot of air at that point.

13           They have long lead times. You order from  
14 Turkey, it's 90 days before you see the material. So that  
15 means you're having to project out over 90 days what the  
16 price is going to be of that rebar. That results in a  
17 discount, because you are telling the Turkish producer, I'm  
18 not going to make a guess as to what that price is,  
19 particularly when you can't hedge, right, we just talked  
20 about there's no hedging on the rebar market right now.

21           So if you're buying 90 days out, you want some  
22 certainty that the price you're paying today is not going  
23 to be overpriced, so you're going to say I want a discount  
24 from what I would consider a nominal price in the U.S.  
25 because you're not going to give it to me for three months.

1 There is a discount that gets built in.

2 Payment is due upon shipment. When the Turks  
3 put that material on the boat, they expect money in the  
4 bank. So they don't take things on account. They sell to  
5 distributors, and the vast majority of Turkish shipments  
6 are sold within 100 miles of the port.

7 I would note that the discussion this morning on  
8 inventory, number one, that material is captured because  
9 everything hitting the U.S. shores has been sold to someone  
10 whether it gets here. As I said, you've got to complete  
11 the sale and pay for it before it ships so it is captured  
12 in the data set.

13 Number two, most ports that I know of have a  
14 45-day rule, which allows you to leave material on the port  
15 when you get it so you don't have to ship it onto your own  
16 yard. So a significant amount of material is going to be  
17 sitting on any yard because they keep it there for free,  
18 okay.

19 I'm not saying that there isn't more Turkish  
20 material. I would be crazy to tell you there isn't a lot  
21 more Turkish material coming in. The fact is inventory  
22 coming into ports as soon as it clears, you're allowed to  
23 keep it for 45 days without paying for it, that's a nice  
24 benny when you're not wanting to increase your stockyards.  
25 And as I said, Turkish material utilization rates are high.

1           Go to the Turkish market for just a minute. I'm  
2 almost done. The Turkish domestic market is very healthy.  
3 Their construction sector is growing at a rate of over  
4 6-1/2 percent right now. Long products demand increased 13  
5 percent in the first half of 2016. The additional growth  
6 projections in the Turkish economy, just looking at the  
7 latest statistics, running over 4, 4-1/2 percent for them  
8 right now. It's a very robust economy. It's improving.  
9 There's a lot of projects.

10           Turkey is always in a construction zone. They  
11 put a new airport in. They have got new bridges going up,  
12 two or three new highways, they've got the pipeline going  
13 in, a lot of activity occupying Turkish material.

14           And lastly, Turkish export markets. This is a  
15 POI chart, which is very similar to what you would see in  
16 2015. I took the midpoint for the POI.

17           But if you will notice, the number one export  
18 destination is the United Arab Emirates, followed by all  
19 other countries that are not listed here, followed by the  
20 United States, followed by Israel and Iraq and Ethiopia and  
21 Saudi and a number of other countries.

22           The only reason I put this up here is to show  
23 you just the diversity of export supply. We don't deny  
24 Turkey is an export market. It certainly is. But it  
25 doesn't sacrifice all these other markets for the U.S.

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1 market, because it wants diversity of supply. It wants to  
2 be able to say, we're shipping to 150 different countries,  
3 because if one market gets soft, another improves. If one  
4 market closes, another market opens.

5 They always maintain all the markets, which is a  
6 far cry from what you see with the U.S. producers, who  
7 basically stick to the U.S. and Canadian markets.

8 That's about all I have to say. I'm going to  
9 turn it over to Mr. Lee.

10 STATEMENT OF ADAMS LEE

11 MR. LEE: Thank you. Good afternoon. My name  
12 is Adams Lee. I'm with Harris Moure, and I am representing  
13 the Taiwan Steel & Iron Industry Association and a number  
14 of the Taiwanese rebar producers from that country.

15 Today I would like to talk about negligibility.  
16 When I looked at the petition, Exhibit 23 had the monthly  
17 import statistics for Taiwan and all the subject countries  
18 and total imports. I looked at it and said, hey, I think  
19 we have a -- we have an argument here. We can make this 3  
20 percent argument here, because when you looked at the data,  
21 you looked at 2013. Basically, Taiwan had less than 500  
22 short tons, basically nothing in 2013.

23 In 2014, for the entire year, they had a little  
24 over 6000 short tons, and that's out of 1.4 million total  
25 imports, so that's, again, well less than -- well below 1

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1 percent.

2           Keep in mind, that is also after the Mexican  
3 Turkish CVD order went into effect in the middle of 2014,  
4 and still Taiwan is well below negligible levels.

5           So then -- so the idea that the last order  
6 created an incentive for Taiwan to ship to the U.S. The  
7 import data for 2014 doesn't show that.

8           Going into 2015, you see a slight increase in  
9 Taiwan's import levels, but even through June 2016, that  
10 12-month period going from July 2015 to June 2016, Taiwan  
11 imports are still only at around 2.5 percent. So they're  
12 still under negligible levels.

13           So this morning, the Petitioners presented their  
14 slides on the domestic industry's performance over the POI.  
15 So from 2013, 2014, 2015 and through interim June 2016.

16           If you look at the imports, that's Taiwan's  
17 presence all the way June 2016 is well below negligible  
18 levels. It's only when you look at July 2016 and August  
19 2016, the August data was just released last week. If you  
20 just look at those two last months, that's the source of  
21 where Taiwan's import volumes bumped up above 3 percent.

22           So yes, if you are looking at a 12-month period  
23 going through August 2016 or even July 2016, we are above 3  
24 percent.

25           But if you're looking at whether Taiwan is the

1 cause of anything that's happening to the domestic industry  
2 in this POI, our import levels through June 2016 are  
3 clearly negligible, and we should not be held responsible  
4 for the condition that the domestic industry says they're  
5 in.

6           On negligibility, there was some discussion  
7 earlier this morning about the HTS codes that should be  
8 used to calculate the total imports. I think it was  
9 acknowledged that in terms of the subject imports, the  
10 three HTS codes that were listed do adequately capture the  
11 subject imports.

12           However, for the nonsubject imports, because  
13 there are roughly a dozen other HTS codes that were put in  
14 there to capture possible circumventions from the other  
15 previous orders, we would urge the Commission to look into  
16 whether the denominator of the negligibility calculation,  
17 whether that should be expanded to include certain rebar  
18 imports from other subject countries, such as China,  
19 Latvia, Ukraine, Belarus, et cetera, et cetera, whether the  
20 volumes of those nonsubject for this investigation, whether  
21 those nonsubject imports should be expanded in the  
22 denominator for the negligibility calculation.

23           So then I guess I would like to raise a number  
24 of issues regarding Taiwan's rebar imports, in part to  
25 highlight how Taiwan's imports are not a direct competitor,

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1 the overlap of competition with the domestic industry is  
2 attenuated at best. And, you know, just want to lay the  
3 foundation for these arguments so that the Commission can  
4 try to explore these issues in the final investigation and  
5 try to develop questions that will get further information  
6 on some of these issues.

7 First of all, Taiwan rebar imports came in  
8 predominantly through the West Coast ports, Los Angeles,  
9 San Francisco accounted for the vast majority of Taiwan  
10 rebar imports over the entire POI. There are no records of  
11 Taiwan rebar imports coming in through any East Coast  
12 ports. There are no Taiwan imports coming in through the  
13 ports of New Orleans, Miami.

14 So Taiwan is definitely West Coast  
15 predominantly, their presence is isolated to the West  
16 Coast. Whether the West Coast is just those ports, no, of  
17 course not. It comes in through those ports, but it is  
18 primarily servicing the West Coast. So whether it's going  
19 across to Utah, Montana, yes, but that raises another  
20 question, why is the demand still there?

21 Earlier this morning, the domestic producers  
22 talked about how, yes, they use the full range of products,  
23 you know, all types of grades, all sizes. But it was also  
24 noted that they prefer to run as long as possible, because  
25 that maximizes their profitability.

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1           So if you can run for a product that has a  
2 larger demand, of course the domestic producers are going  
3 to want to do that.

4           If you have a product that doesn't have a lot of  
5 demand, you only have occasional request for smaller sizes  
6 or irregular lengths or something like that, you're not  
7 going to go out of your way to produce it.

8           You can produce it, but that doesn't necessarily  
9 mean that you want to.

10           So given that there is a broad spectrum of rebar  
11 products out there and there's a broad spectrum of  
12 fabricators and types of projects that need rebar, what  
13 you're finding with Taiwan is that Taiwan rebar is -- a  
14 significant portion of it is going for smaller sizes. Like  
15 number 3s, you're looking at shorter lengths, 20, 20-foot  
16 lengths.

17           These are the sizes, the types that are not in  
18 the mainstream, they're not the primary products that the  
19 domestic producers wish to supply.

20           The other thing that is for Taiwanese suppliers  
21 is that they are -- it looks like they're supplying a lot  
22 of the independent distributors. So there was discussion  
23 earlier this morning about how the independent distributors  
24 are servicing the mom-and-pop hardware stores, the ones who  
25 are taking the less than full truckloads, these are the

1 milk runs.

2           So if there is a demand by these smaller players  
3 in the marketplace, it's not going to be the big guys, it's  
4 not going to be Nucor, it's not going to be Gerdau, it's  
5 not going to be CMC. CMC acknowledged that they don't do  
6 less than full truckloads. So there is still a demand for  
7 that segment of the marketplace. And given where the  
8 prices are in the U.S. market, Taiwan is -- was able to  
9 meet that demand.

10           So that's an important consideration that at the  
11 end in July, August, you know, most recently, Taiwan has  
12 been able to fill a market demand that clearly was not  
13 being satisfied by the domestics or by any other imports.

14           So one other thing that we noted in terms of why  
15 Taiwan is coming in so suddenly at July/August of 2016, we  
16 noted that Japan, in terms of their currency in 2016, the  
17 yen has experienced a significant appreciation. So just  
18 within 2016, it looks like the yen has appreciated about 20  
19 percent.

20           So that appreciation has a direct impact on  
21 their exports, because it just makes their products that  
22 much more expensive.

23           So we're looking at the data to see  
24 coincidentally, or perhaps not, it looks like Japan's  
25 import volume in July 2016 also dropped off very

1 significantly.

2           We are hearing that Taiwan was able to come in  
3 because they were a replacement for Japanese imports,  
4 especially for the number 3 sized rebar.

5           So the other thing that we wanted to raise,  
6 which may affect the final investigations analysis of  
7 negligibility, is that the margins alleged by the  
8 Petitioners for Taiwan, they were based on a calculation  
9 that relied on a surrogate value methodology for Taiwan.  
10 They used Taiwan import stats to value the main material  
11 inputs. It was very similar to how margins are calculated  
12 for Chinese nonmarket economy cases.

13           We feel that if the Department conducts its  
14 margin using the Taiwan Respondents' actual costs, we feel  
15 that -- we are hopeful that the margins will be  
16 significantly lower and hopefully de minimis.

17           Presumably, if any of the Taiwan mandatories  
18 receive a de minimis margin in the Commerce final  
19 determination, that would certainly affect your final  
20 negligibility analysis, and we feel that even one of the  
21 Taiwanese -- Taiwan producers, if they were to get  
22 negligibility -- sorry, if they were to get de minimis,  
23 Taiwan as a whole should also get below the 3 percent  
24 negligibility threshold.

25           So in short, Taiwan rebar imports were

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1 negligible for basically the entire POI. It's just July  
2 and August of 2016 that was pushing them above the 3  
3 percent threshold. So Taiwan looks like it was a  
4 replacement for Japanese rebar in smaller sizes and shorter  
5 lengths.

6           The products that are basically going to  
7 independent distributors, that are going to the smaller  
8 fabricators that are not fully served by the domestic  
9 industry. Taiwan rebar is primarily geographically  
10 isolated in the western markets, they are not competing  
11 directly in any of the East Coast or even the Midwest  
12 markets.

13           So we would hopefully request that the  
14 Commission try to develop questions for the final  
15 investigation that try to break down just exactly where are  
16 the Taiwan imports and hopefully that will demonstrate that  
17 Taiwan is not really competing directly with the domestic  
18 industry and are not a cause of injury or threat of injury  
19 to the domestic industry. Thank you.

20           MR. NOLAN: That concludes our affirmative  
21 testimony. We would reserve the balance of our time.

22           MR. ANDERSON: Thank you, Mr. Nolan, and to the  
23 panelists for your statements. It's been very helpful. We  
24 will now proceed with questions from Staff, and we'll start  
25 with Ms. Lo.



1 MS. LO: Again, thank you for your testimony  
2 today Mr. Ekinici. A question you already touched on in  
3 your testimony about the inventory numbers. Could you help  
4 me understand? So your inventory comes in and it's already  
5 paid for when it reaches our ports? Is that correct?

6 MS. DURSUN: Ebru speaks for Mr. Namik Ekinici.

7 Yes, the inventory or the products will come,  
8 but payments -- payments will be before the shipments.

9 MR. NOLAN: So they can't -- a ship can't leave  
10 until the shipment has been paid for, right. The ship  
11 won't leave the Turkish port until. So when invoicing  
12 occurs in Turkey and it's being loaded on the ship, they  
13 have to have assurance that an LC or something is in place  
14 to guarantee payment upon delivery. Essentially payment  
15 when it hits the ship. So they won't have any -- I mean,  
16 the foreign producers won't have any inventory. The buyer  
17 might have inventory in the U.S., but your Turkish  
18 producers won't maintain it.

19 MS. LO: And again, you only sell to  
20 distributors, no fabricators?

21 MR. NOLAN: So distributors and traders.

22 MS. LO: Only distributors.

23 MR. NOLAN: In Turkey. So there are some  
24 companies in Turkey that are just traders, right. They  
25 will buy from the foreign companies and the Turkish

1 producer will know it's going someplace, but -- or perhaps  
2 they will know it's going to the U.S., but they won't know  
3 the customer, because you will see some traders, in fact we  
4 were at a steel conference and I was approached this past  
5 week, and there were some steel traders in Turkey that  
6 that's all they do is they buy and sell.

7 MS. LO: I'll look at the numbers closer, and if  
8 I have specific questions, I'll direct them to Mr. Nolan.

9 The other question I had was, of all the Turkish  
10 producers you represent, do you know of production  
11 efficiencies or technologies that may have made the Turkish  
12 rebar producers more competitive pricewise, since scrap  
13 is --

14 MR. NOLAN: Well, Ebru is talking to Namik. I  
15 have been at most Turkish steel mills, so I think I can  
16 help with that.

17 So there's a couple of things to remember with  
18 Turkish industry. One, almost all Turkish steel mills are  
19 on the water, right on the Mediterranean Sea. There is a  
20 significant reason for that. Logistics makes a huge  
21 difference in this business. If you can have a ship pull  
22 up to a dock, unload scrap, convert that scrap into rebar,  
23 then fill that ship back up again and send it back out,  
24 that's a huge cost advantage, all right. You can actually  
25 afford to import your scrap, pay the shipping costs and

1 still have a better margin because of the proximity of the  
2 mill to the water.

3 Waterborne international sea traffic is by far  
4 the least expensive way to move any bulky product. And so  
5 if you can put a mill on the water or next to the water,  
6 that's an advantage.

7 Couple that with the fact that most Turkish  
8 companies have their own ships, they don't contract, they  
9 have their own charter operations. So they have the ships  
10 to go out and buy the scrap, pick it up, bring it to the  
11 port, to the mill, and the mill -- it sits -- there's a  
12 port, and the mill is here, it's their port, their mill,  
13 their ship.

14 They're integrated in the sense of when they  
15 make rebar, they control that part of the logistics part of  
16 the operation, which to me is actually as important as  
17 scrap and fabrication operations on the U.S. side. Because  
18 when you control that aspect, you control one of your  
19 biggest unknown costs, which is transport fees.

20 As I said before, the cost of transportation is  
21 lower than land transport, by far. So you can get away  
22 with a lot.

23 The other thing is that Turkey doesn't -- most  
24 Turkish companies are privately held. They don't have the  
25 same profit expectation, I guess is the only way to put it,

1 as a U.S. company that has shareholders to pay, dividends  
2 to pay.

3 So a modest profit for a Turkish company is  
4 quite acceptable, as opposed to perhaps a U.S. company that  
5 feels it needs to make a much higher profit margin relative  
6 to an equivalent Turkish producer.

7 So there's both a profit incentive and a cost  
8 advantage.

9 MS. LO: I'll direct this question to Mr. Lee.  
10 For the argument you made about Taiwanese imports replacing  
11 Japanese imports for the August and July data, do you know  
12 the status of Taiwanese replacing Japanese imports or other  
13 nonsubject imports going forward, or is it just an isolated  
14 incident? What is your contention?

15 MR. LEE: I do not have information developed on  
16 that.

17 I think what we've heard is that there was a  
18 significant presence of Japanese imports that came in 2015,  
19 2016. But as the yen appreciated in 2016, Japanese rebar  
20 became less attractive.

21 And so it's at that point where we had  
22 distributors, trading companies reaching out to the  
23 Taiwanese mills to say, hey, look, can you supply there?  
24 Taiwan was looked to as an alternative to what these  
25 distributors and trading companies had previously sourced

1 from Japanese rebar suppliers.

2 So in terms of what we think will happen going  
3 forward, it's hard to say. You know, we weren't actively  
4 going out looking for the U.S. market. It was the  
5 distributors and trading companies coming to our guys.

6 MS. LO: Thank you. That's all the questions I  
7 have for this panel. Thank you.

8 MR. ANDERSON: Thank you, Ms. Lo.

9 And now we'll turn it over to Mr. Laroski.

10 MR. LAROSKI: Thank you. And thank you both for  
11 your presentation. With respect to the Petitioners'  
12 statement of the domestic like product, will either  
13 country's counsel be challenging that definition?

14 MR. NOLAN: Not from the Turkish standpoint.  
15 Rebar has been around a long time. We've had enough  
16 investigations and reviews and sunsets that I don't think  
17 it's going to change much. So it is what it is.

18 MR. LEE: We're not challenging.

19 MR. LAROSKI: Thank you. And Mr. Lee, with  
20 respect to your arguments on negligibility, are you  
21 advocating that the Commission look at a different period  
22 for negligibility for one purpose as opposed to another?  
23 What's the actual period that the Commission is required to  
24 look at in your mind?

25 MR. LEE: I think the statute is pretty clear,

1 it's the most recent 12-month period that you have data  
2 available. So I think in terms of going through August  
3 2016, I think that's what the statute requires for you.

4 I think what we're asking the Commission to look  
5 into is, you know, for the circumvention reasons that were  
6 raised by Petitioners, you know, perhaps the denominator  
7 may need to be adjusted upwards for certain volume of rebar  
8 that has come in since 2013 under other HTS codes other  
9 than the three primary HTS numbers.

10 MR. LAROSKI: Will you address that in your  
11 posthearing brief as to what category should be included  
12 and what --

13 MR. LEE: Absolutely. I'll try to come up with  
14 something.

15 MR. LAROSKI: Another question to both Mr. Lee  
16 and Mr. Nolan with respect to the Petitioners, will there  
17 be any related party arguments?

18 MR. LEE: I don't think we're going to be  
19 raising any related party arguments.

20 MR. NOLAN: Not from this side. As I said,  
21 we've done this before, so it would have come up.

22 MR. LAROSKI: One other question I have with  
23 respect to the length of the rebar shipped, I think I heard  
24 from both Taiwan and Turkey that the majority of the  
25 shipments were shorter lengths of 20 to 40 feet from a

1 practical standpoint to the customer, what does that really  
2 mean, and -- I mean, if a distributor had an 80-foot length  
3 and a customer wanted 20s, is -- isn't it just a matter of  
4 a simple operation to fill an order with a larger length or  
5 for the customer to do it themselves, for that matter?

6 MR. LEE: I'll take the first stab at that. My  
7 understanding is that it isn't as simple as just taking an  
8 80-foot length and cutting it. If you have to cut it,  
9 that's an extra step that either the supplier has to do or  
10 the customer has to do.

11 So clearly, the preference for the customer  
12 would be to get what they want without any extra steps in  
13 between.

14 So if they are turning to domestic suppliers and  
15 say, hey, can you provide us with the shorter lengths, I'm  
16 sure the U.S. producers have it within their catalogue. It  
17 is within their portfolio of products that they can supply.  
18 But do they have quantities in inventory that they're ready  
19 to ship? I'm not so certain about that. So it's an extra  
20 effort for everyone involved to get those products out to  
21 those particular customers.

22 So whether it's easy or available, whether it's  
23 more available through a distributor or trading company who  
24 can source from Japan or Korea or some other import source,  
25 I think that becomes part of the calculation and customers

1 that are looking for that type of sale.

2 MR. NOLAN: We'll address this some in the post  
3 conference because we're sort of conferring on it to make  
4 sure. But my sense of it is is that Turkey sticks to sort  
5 of standardized sizes because it's easier. If you want to  
6 maintain a high throughput rate, which is characteristic of  
7 the Turkish industry, every investigation review we've ever  
8 done, it's sort of the utilization rates seem to be higher,  
9 and that's because they go for regular throughput rates,  
10 and they do that by maintaining standardized sizes that  
11 they offer to people.

12 That's not to say you couldn't offer a longer  
13 size, but they predominantly wouldn't do that, because it  
14 takes them out of their -- it takes them out of their sweet  
15 spot, right. From a mill standpoint, they produce certain  
16 things well and they produce some efficiently and  
17 competitively. That's where they stick.

18 So you're not going to see 80-foot rebar coming  
19 off of a ship from Turkey very often. It just doesn't make  
20 sense for them.

21 MS. ALVES: Good afternoon, Mary Jane Alves from  
22 the General Counsel's office. Thank you for your  
23 presentations this afternoon, they have been very helpful.  
24 I have two quick questions for Mr. Nolan and your client.

25 You alluded this afternoon to purchases by the



1 Turkish industry of second class scrap or the leftovers  
2 that the domestic industry didn't already have. What  
3 impact does that have as a practical matter to the end  
4 users?

5 MR. NOLAN: Okay. Namik is going to talk to  
6 Ebru. I'll start and then he can pick up on it.

7 Essentially, the mix of scrap that you get, you  
8 know, there's better pure steel commodity -- grade that  
9 when you put it in the electric arc furnace, it melts  
10 better, it has less impurities in it, it's cleaner, you  
11 have less slag stuff coming out of the bottom when you are  
12 doing that. So you have more efficient operation for doing  
13 that.

14 As you move down the scale with more impure  
15 scrap, more, I don't want to call it dirty, but scrap that  
16 is more mixed, you will have more impurities, you will  
17 have more issues with it, you will have more having to put  
18 ferro alloys in it, you'll have more issues that need to be  
19 addressed in the production process.

20 So what I think happens or what we believe  
21 happens is naturally, when you own your own scrap  
22 operations, it's, I hate to say it this way, but it's like  
23 having your own winery; right? You're going to keep the  
24 good stuff for yourself and then sell off the commercial  
25 stuff to everybody else. That's pretty characteristic.

1 That's a good idea from my standpoint. It makes you more  
2 competitive, because you're taking the most efficient, most  
3 high grade material, and converting that into yours, which  
4 costs less as a result, than selling the other stuff, where  
5 you're still making money on it.

6 So I think that is what happens in Turkey knows  
7 that when it buys scrap from the U.S. mills or from scrap  
8 providers, especially if it's an affiliate of one of the  
9 producers here, they are not going to get the same quality  
10 scrap as they get from, say, another country sometimes.

11 He reminds me, the cost of electricity is a very  
12 big part of an electric arc furnace. The impurities cause  
13 them to use more electricity to manufacture the rebar or  
14 steel from that. Therefore, it ends up costing more, so  
15 that's another cost factor that goes into it.

16 Thank you.

17 MS. ALVES: I'd like you to think about that  
18 response for purposes of your postconference brief. It's  
19 curious, then, so your production costs would be higher if  
20 you're both from an electricity standpoint and then from an  
21 impurity standpoint if you're purchasing the inferior  
22 scrap. But yet there are arguments being made by  
23 Petitioners that you're selling at increasing underselling  
24 margins in the United States.

25 MR. NOLAN: Right.

1 MS. ALVES: So is there a disconnect between the  
2 two?

3 MR. NOLAN: Only if you think that the Turkish  
4 mills are as efficient or less efficient than U.S. mills as  
5 opposed to more efficient. I firmly believe Turkish mills  
6 are simply more efficient at what they do as a general  
7 proposition.

8 I might add a couple of things to that. One,  
9 you know, there's this presumption that there must be  
10 dumping going on, unfair practices.

11 As I said before, Turkey has been through this a  
12 dozen times. They know the rules, follow the rules, last  
13 investigation they found no dumping.

14 Let's start from the premise of maybe they're  
15 not dumping this time, that little scintilla of  
16 possibility, maybe they're not dumping. So why are they so  
17 good at this?

18 As they said before, one, they don't expect as  
19 high a margin as U.S. producers do in order to make a  
20 profit. Their profit expectations are lower.

21 And, two, they manage to sell at a higher  
22 throughput rate on average and maintain a higher throughput  
23 rate.

24 You can lower your price and maintain a higher  
25 throughput rate, you actually -- you know the demand

1 curves, how that works. I mean, production curves is on  
2 cost. That's how they run their businesses, why they ship  
3 to 150 countries. They want to maintain their throughput  
4 rate.

5 MS. ALVES: Just a quick comment in response to  
6 that answer. As a legal matter, is the Commission required  
7 to assume for purposes of its preliminary determination  
8 that the imports are, in fact, unfairly traded?

9 MR. NOLAN: As a legal matter? No. But I like  
10 to -- you know, this infects the analysis. This goes back  
11 to how often does a petitioner get to come back and make  
12 the same argument over again. Because if that is indeed  
13 purely the case, then we could keep going through this  
14 cycle every year or two, forever. Maybe that is what's  
15 going to happen. I don't know. Maybe you'll keep me in  
16 business and get my kids through college.

17 MS. ALVES: Mine too. One other quick question  
18 for Mr. Nolan. You reference the Jones Act. Petitioners  
19 also mentioned this morning their understanding that  
20 notwithstanding the Jones Act, that transportation costs,  
21 for example, coming up the Mississippi River, have gotten  
22 substantially lower and more competitive due to the fact  
23 that there has been decline in the need for those shipping  
24 services for other products such as coal.

25 Are you aware of any changes that way?

1           MR. NOLAN: Yes. But this is relative to land  
2 transportation. This is relative to truck and rail. And  
3 so is it lower than it used to be relative to truck and  
4 rail? Yes. Is it still significantly higher than  
5 international shipping rates? Yes.

6           MS. ALVES: Thank you. Those are all the  
7 questions I have at this point.

8           MR. ANDERSON: Okay. Thank you. And now we'll  
9 turn it over to our economist, Ms. Breaux. Your turn.

10          MS. BREAUX: Good afternoon. I have a  
11 relatively few questions. And I wanted to start out with  
12 raw materials, since that seems to be the bulk of what's  
13 going on here. And I want to start out with the Taiwanese  
14 industry. I'm not sure if I caught this. I was trying to  
15 take in everything that the Turkish industries were saying.

16                 But I wanted to know, is scrap mostly what is  
17 used in the Taiwanese product?

18          MR. LEE: I believe so. I'll have to get  
19 confirmation of that. But I believe we are scrap based.

20          MS. BREAUX: If you can also figure out where  
21 the scrap is coming from, whether it's coming from the  
22 U.S., like the Turkish industry, that will be great.

23          MR. LEE: I'll look into that.

24          MS. BREAUX: And to follow up with the Turkish  
25 industry, I wanted to make sure, you said that you get

1 scrap from the U.S. Is that your main source of scrap, or  
2 is there --

3 MR. NOLAN: It varies. So Namik, the places you  
4 buy international scrap from?

5 MR. EKINCI: Europe, Russia, Ukraine, mainly  
6 these.

7 MR. NOLAN: So it's going to vary over time.  
8 And there was a suggestion -- well, not a suggestion.  
9 There was sort of an allegation this morning that Turkey  
10 has been buying Chinese bar and turning it into rebar in  
11 Turkey. That's not happening, okay.

12 The Turkish mills operate electric arc furnaces.  
13 They bring scrap in, you'll see it on any Web site for any  
14 Turkish rebar producer, they convert that scrap in the  
15 electric arc furnace into rebar and they sell the rebar.

16 There was a dalliance during the hot roll period  
17 when some of the Turkish mills were using some material  
18 from China and Russia because it got so cheap for a little  
19 while that it was just impossible not to. But they had so  
20 many issues with the quality that they stopped doing it.  
21 That's the only one that I know of, and it's not rebar.

22 MS. BREAUX: All right. My next question deals  
23 more with how raw materials, particularly scrap, affect  
24 prices. It seems pretty strongly that you are saying that  
25 the decrease in scrap prices should lead to a decrease in

1 prices.

2           What I want to know is how -- since raw  
3 materials only account for two-thirds of the costs, how the  
4 other third of costs have affected prices. And that might  
5 not be something you can answer right here, but I invite  
6 both sides to comment on that as well.

7           MR. NOLAN: I mean, you know, obviously the  
8 highest single fixed cost again comes back to scrap. And  
9 contrary to what people say, it took me 10 minutes to  
10 download a history of scrap prices and FOB rebar prices off  
11 of the American Metal Market site. You can duplicate this  
12 on a number of different sites.

13           Everybody knows what the price of scrap is, and  
14 you're not looking at what it was yesterday. You're saying  
15 okay, what was it the last two weeks, so if the trend is  
16 going down, well, I have an expectation about what's going  
17 to happen with rebar prices if I see it going this way as  
18 opposed to this way.

19           It's hard for me not to believe that every buyer  
20 of rebar is not aware of this chart, because American Metal  
21 Market sure likes to publish it a lot.

22           The other prices, a lot of them are costs of  
23 electricity, significant cost of manufacture. That's a  
24 disadvantage for Turkey obviously because they have higher  
25 costs for electricity, higher costs for natural gas, oil,

1 electricity generation relative to the United States.

2 But they still seem to be competitive in that  
3 environment.

4 Labor costs are higher in the U.S. as a general  
5 proposition. There are other costs that these mills have.  
6 Maybe there's more regulation. There's always the issue of  
7 safety regulations and things being more stringent in this  
8 country relative to other countries.

9 I think Turkey has a pretty good track record,  
10 but I think there's probably just more costs built into the  
11 U.S. system. The specifics we'll have to address in post  
12 conference because that gets into APO data.

13 MS. BREAUX: Specifically, I wanted to know that  
14 if -- when quoting a price for rebar, is there -- in any  
15 way is it pegged to scrap prices? So if I quote you a  
16 price code and it's based on scrap prices, will that price  
17 change or is it just a stagnant price?

18 MR. NOLAN: As I said, my perception of the  
19 industry is that everybody follows trend lines. So knowing  
20 that scrap is going down, you are going to have an  
21 expectation that rebar is going to follow fairly shortly  
22 thereafter. And so, you know, it's not an accident that  
23 this correlation exists between these two graphs, because  
24 there is this expectation.

25 Could you say, you know, is somebody going to



1 come up to you and say, well, I pegged scrap prices at \$280  
2 yesterday so I want you to lower your price by \$50 because  
3 it went down by \$50?

4 They will say no. I say intrinsically, it's  
5 buried in every negotiation that they have. They may say,  
6 well, imports are coming at a lower rate, so that's their  
7 argument.

8 Okay. The imports may be coming in at a lower  
9 rate because scrap prices went down, okay. So it really to  
10 me comes back to scrap price. I fundamentally believe that  
11 anybody buying rebar and anybody in this business knows  
12 that you follow scrap prices and you will adjust.

13 All the rebar manufacturers in Turkey follow  
14 these trends on scrap prices assiduously. I've sat in a  
15 room with the traders where they monitor on an hour-by-hour  
16 basis what scrap prices are doing in various markets  
17 because they're trying to buy it quick, when they can get  
18 it, convert that into rebar and move it out at the price  
19 that makes money for them on the basis of that scrap cost.

20 MS. BREAUX: All right. My next question comes  
21 from Buy American. I don't have the previous report on me  
22 handy, so the percentages that you quoted today, is that  
23 from the previous report?

24 MR. NOLAN: Yes, that's from the previous Staff  
25 report and publication 4496.

1           MS. BREAUX: Thank you. My next question, and  
2 this was brought up by the Petitioners, and it's the idea  
3 that there are end users and distributors in the United  
4 States that are directly importing product from subject  
5 countries.

6           And I wanted to get your opinion on whether or  
7 not you think that this practice is increasing versus  
8 something -- versus the usual model of just the importers  
9 importing and then selling to distributors.

10           MR. NOLAN: So I think we'll get into the  
11 specifics in the post conference, because there's APO,  
12 you've collected data on that in the questionnaire  
13 responses.

14           My perception is it's still predominantly  
15 distributors, if not almost exclusively.

16           There are some instances, because of the  
17 dumping -- no. Because of the CVD order that's been put in  
18 place, Turkish producers have set up their own importing  
19 operations because U.S. buyers are too wary to buy material  
20 from a country under order. So now they're acting as their  
21 own importers of record to allow that trade to continue and  
22 absorbing the risk of having a higher margin get  
23 established later.

24           So from that standpoint, once you set up  
25 yourself as your own importer of record, then you're

1 selling to distributors, still predominantly distributors,  
2 or is the possibility that some people are directly coming  
3 up to get rid of the middleman? I'd say quite probably  
4 there is some of that, but I don't think it's a predominant  
5 or a significant trend.

6 MR. LEE: I think for Taiwan, we're so small  
7 that we're really not in the end user market. We're just  
8 selling to distributors and trading companies.

9 MS. BREAUX: That's all the questions I have.

10 MR. ANDERSON: Thank you. Mr. Boyland?

11 MR. BOYLAND: Good afternoon. Thank you for  
12 your testimony. One question, Mr. Nolan, you referred to a  
13 lower profit expectation. Could you sort of flesh out, I  
14 mean, in what sense and why that would be the case? I  
15 mean, I sort of take profit -- companies try to maximize  
16 it. So what's different?

17 MR. NOLAN: So this is the definition between  
18 privately held and publicly traded companies right now.  
19 It's my perception, if you look at the big rebar players,  
20 Colakoglu is owned by the Colakoglu family, Ekinçiler is  
21 owned by the Ekinçi family. Icdas is owned by the family.

22 So these are family run international production  
23 businesses. It's not different than you would expect in  
24 any internal business. They will be more modest, I think,  
25 in their expectations, because they don't have to satisfy

1 50,000 shareholders who want their next dividend payment to  
2 go up to 81 cents this quarter as opposed to 79 cents.

3           There's just less pressure on them in that  
4 environment, as compared to, say, if you look at the U.S.  
5 financials, I've been poring over the 2015 annuals for CMC,  
6 Nucor and the others for the last four days, and they're  
7 all about what their earnings per share is going to be,  
8 what their profitability, what their dividend declaration  
9 is going to be to their shareholders.

10           I think there is in expectation of a higher  
11 profit margin to put distribution out. It was interesting  
12 that I noted that their cash position is as high as it's  
13 been in like 10 years in these companies. They say they're  
14 not making money, but they have a huge amount of cash built  
15 up. Presumably there's going to be some consolidation in  
16 this industry and that's what it's going to be used for.

17           MR. BOYLAND: Thank you. So it's not really so  
18 much of a structural difference in Turkey as a difference  
19 between public versus family-owned?

20           MR. NOLAN: For a Turkish business, an 8 percent  
21 profit margin is a great profit margin, okay. For a U.S.  
22 business, that might not be acceptable. They might say  
23 well, we have to make more than that.

24           And even so, I mean, assuming that Turkey --  
25 because Turkey wasn't found dumping in the last case.

1 We're not talking about now. Let's talk about 2013. So  
2 Turkey wasn't found to be dumping its product in 2012,  
3 2013. They were selling under the same conditions then as  
4 they're selling now, and yet they were -- all those mills  
5 were profitable in Turkey during that entire period. How  
6 is it possible unless their expectations are different or  
7 their mills are terribly more efficient?

8 I don't doubt the fact that the U.S. mills have  
9 gotten a lot more efficient over the years. Actually, the  
10 new mills that have come in, the mini mills and things  
11 here, are very competitive. But I do think there's still a  
12 disconnect on the pricing system, because the prices that  
13 are in this market -- you know, Mr. Kaplan was quoting me  
14 this morning at length about how I'm saying the prices in  
15 the U.S. are so high. They were high. They're the highest  
16 in the world. And yet that doesn't seem to make enough of  
17 a difference for them to make more money.

18 I don't really -- I can't explain that, frankly,  
19 because every other country that makes rebar -- like Turkey  
20 makes money on lower prices than that, good money. How do  
21 you explain that phenomenon and why is it appropriate to  
22 say that this market should be charging \$150 a ton price  
23 premium over everybody else? Is that really what we're  
24 going to be saying, that's the litmus test for injury right  
25 now, that you should be charging a price premium in this

1 market?

2 MR. BOYLAND: Thank you. I have no further  
3 questions.

4 MR. ANDERSON: Ms. Taylor and Mr. LaRocca?

5 MS. TAYLOR: Hello, Karen Taylor, Office of  
6 Industries. I'm going to ask you the same question that I  
7 asked the first panel, and this has to do with the  
8 prevalence of using purchased semi-finished steel instead  
9 of -- to produce rebar instead of scrap.

10 MR. NOLAN: I am not aware of a single  
11 producer/exporter to the United States of rebar from Turkey  
12 using anything but scrap to make rebar.

13 MR. LEE: For Taiwan, I'll have to confirm, but  
14 I believe that's also the case.

15 MR. NOLAN: And I will confirm it with our folks  
16 and all of the production companies to be absolutely  
17 positive about it, but I think I would have heard about it  
18 if it was going on.

19 MR. LEE: I don't think any Taiwan producers are  
20 purchasing semi finished steel to produce their rebar.

21 MS. TAYLOR: Or what was called, I think, square  
22 bar?

23 MR. NOLAN: Yeah, I know what square bar is.  
24 That's something that actually they make on their same  
25 mills here. And that actually raises a whole another set

1 of questions, because a lot of mills here produce more than  
2 just rebar. How are we allocating those expenses? How are  
3 we allocating the production?

4 This takes me back to another question about how  
5 again, capacity and capacity utilization reported in 2013  
6 in this is different than what we're talking about now at  
7 least according to the aggregate data I looked at. Why?

8 MS. TAYLOR: All right. I have no further  
9 questions.

10 MR. ANDERSON: Thank you. Mr. Corkran?  
11 Microphone is yours.

12 MR. CORKRAN: Thank you all for coming here  
13 today. Your testimony has been very enlightening.

14 I'd like to direct a question to Mr. Ekinici,  
15 please. Turkey has seen its share of political tensions in  
16 recent times. Can you talk a little bit about the impact  
17 that that situation has had on the Turkish economic  
18 environment and how that might impact rebar demand in  
19 Turkey?

20 MR. EKINCI: You mean demand in domestic, in  
21 Turkey market; right? It's growing, there is no impact of  
22 this thing -- also, you know, there is some political  
23 issues in Middle East, but it's not effect -- it's not  
24 impact to our export markets, we can sell to Syria and Iraq  
25 still. Also, we export to Israel, so it's growing too.

1           MR. CORKRAN: Thank you, I appreciate that  
2 response. My next question, I believe, is also, I think,  
3 for Mr. Ekinici. Can you tell me if the major Turkish  
4 producers have a relationship with the Independent Steel  
5 Alliance in the United States?

6           MR. NOLAN: They don't know what it is. We can  
7 address that in post conference. I'd have to ask a couple  
8 of the other producers like Colakoglu or Icdas, but I don't  
9 think anybody has a particular relationship with them.  
10 That's not my -- I don't have an impression that they have  
11 done anything. Otherwise there might have been a witness.

12           MR. CORKRAN: Thank you. My next question, for  
13 Mr. Lee. I was looking at some global trade statistics in  
14 terms of exports, and I was looking at the volume of  
15 exports originating in Taiwan and entering Canada. And I  
16 was trying to gauge the level of interest in the North  
17 American market of the Taiwan producers.

18                   It certainly appears that the volume is  
19 substantially higher in 2015 than it was in prior years.  
20 Can you give a sense -- or is Canada too short of number 3  
21 rebar? Do we know why there is these volumes of product  
22 entering Canada from Taiwan?

23           MR. LEE: I will have to look into that. I do  
24 know Canada has just -- they're in the midst of their own  
25 antidumping investigation on Taiwan and Japanese rebar. So



1 -- but as to why, what types of products the Taiwanese are  
2 shipping to Canada and how that compares to the products  
3 that they're shipping to the U.S., I don't have information  
4 on that yet. But I'll try to address that in the  
5 postconference brief.

6 MR. CORKRAN: Thank you. I appreciate that. It  
7 just seemed that that was one possible area of interest.

8 For Mr. Nolan, I was very interested in the  
9 presentation that you gave. I thought it was very, very  
10 helpful. I wonder if in your postconference brief, if you  
11 reproduce the data that's shown here in your slide 8, if  
12 you might include not only the metal margin but the metal  
13 spread and discuss the relative importance of those two  
14 concepts. You're right that when scrap declines rapidly,  
15 there can be a tendency to see the metal margin expand.

16 MR. NOLAN: Prices are chasing it down --

17 MR. CORKRAN: My back-of-the-envelope  
18 mathematics suggests that the metal spread in 2016 is not  
19 much different than it was in 2014. But that's very quick  
20 mathematics. But if you would please take a look at that  
21 and discuss the import of the two different concepts.

22 MR. NOLAN: Will do.

23 MR. CORKRAN: And then on slide 14, one of  
24 the -- one of the points that is made on here,  
25 second-to-last bullet point, is that the vast majority of

1 Turkish shipments are sold within 100 miles of port. What  
2 should the Commission make of that fact if -- if the  
3 situation is that the product is being -- how is the  
4 product being sold? Is it being sold in back-to-back  
5 transactions? You indicated that Turkish suppliers do not  
6 ship without an order already in place.

7 MR. NOLAN: Right. So they have shipped to,  
8 let's say they have sold to a distributor and they're going  
9 to sell 20,000 tons to this distributor. It goes, goes to  
10 the dock. It may sit in that yard at the dock for 45,  
11 upwards of 45 days before it's taken off, because it's --  
12 it's a service that's offered, they don't charge for it.  
13 So it will sit there for some period of time.

14 And then it will go into commerce, into various  
15 places. And I think, you know, based on the data that  
16 we've looked at and our experience, if it goes to Houston,  
17 it gets sold in the Texas region in that area around  
18 Houston, Dallas, Austin, Fort Worth, where there's a lot of  
19 building going on. It doesn't tend to move long distances.  
20 And that does give you what I would call more than a  
21 theoretical construct for why there is a significant  
22 difference in pricing.

23 Transportation costs matter here. If you have a  
24 mill that's in the internal Midwest of the United States,  
25 you'll be able to afford to charge more at that mill

1 because the cost of your competitor from Houston getting it  
2 to the middle of Indiana, that transportation cost has to  
3 get into the delivered price. The customer cares about  
4 your delivered price, not your FOB price. How much is it  
5 going to cost to get it to me? If delivery costs add \$100  
6 to that product, then you have a \$100 advantage selling out  
7 of your mill down the street relative to somebody that's  
8 going to ship it 500 miles. That's just normal.

9           If you look at where a lot of these mills are, I  
10 think there are some natural advantages that are built in  
11 which is why you're seeing a price premium. That's the  
12 only way I can explain a lot of it, frankly.

13           MR. CORKRAN: That's one I'd like to think about  
14 and ponder a little bit. Mr. Lee, I had another question  
15 about imports from Taiwan. Is it your contention that --  
16 I'll use the term profile, but I mean the mix of imports in  
17 terms of their size, grade, what have you, length, is  
18 different in 2006 than it was -- in 2016 than it was in  
19 2015?

20           And the reason I ask is because the importer  
21 questionnaires capture data for the characteristics of  
22 imports for 2015. Are you suggesting that it was  
23 distinctly different in 2016 for the imports from Taiwan?

24           MR. LEE: I think the questionnaires have some  
25 level of detail in terms of which products, which grades,

1 you know, the different types of rebar. But I'm not sure  
2 if it's enough, because I don't think it's -- if you're  
3 really able to distinguish, you know, whether your customer  
4 is a mom-and-pop company, you know, are they asking for  
5 subbundles, are they asking for less than truckloads.

6           Then in terms of the specific orders, you know,  
7 how much of that is a number 3 or how much is that an  
8 irregular length?

9           So the questionnaire, I'm not necessarily saying  
10 that there is a different product mix in there, but what  
11 our reaction initially is that for some reason, Taiwan was  
12 looked to as a viable supply alternative when, you know,  
13 prior to June of 2016, they really weren't in the U.S.  
14 marketplace so, you know, what products were they being  
15 asked to supply? They know that it seems to be the  
16 smaller -- you know, the smaller sizes, the shorter  
17 lengths, the stuff that is not your run-of-the-mill rebar.  
18 It's not the sufficient that's going to the major  
19 construction projects. We're talking more stuff that's  
20 going to, like, pull people who build swimming pools or  
21 lumber yards.

22           So it seems to be our guys are supplying for a  
23 smaller scale fabricator than someone else, but that's just  
24 based on what our guys are shipping out, and they're trying  
25 to figure out, you know, who is buying it, in terms of

1 comparing to, you know, other buyers in the U.S. market. I  
2 don't think our guys know enough about the U.S. market to  
3 make an informed comment on that.

4 MR. CORKRAN: Thank you all very much for your  
5 time. Thank you for appearing today. Appreciate it, and I  
6 have no further questions.

7 MR. ANDERSON: Thank you, Mr. Corkran. Any  
8 further questions from -- okay.

9 MR. LAROSKI: Mr. Lee and Mr. Nolan, Petitioners  
10 argue that Turkey, Japan and Taiwan should be cumulated for  
11 purposes of both present material injury and for purposes  
12 of threat. Do you agree with the Petitioners in both of  
13 those instances?

14 MR. NOLAN: Well, the statute seems to be fairly  
15 clear on these points. We would obviously argue that it  
16 shouldn't be cumulated, but I am a lawyer, and I know what  
17 the rules say. So we will address that in the  
18 postconference brief, but I expect you will follow the law  
19 the way it exists.

20 MR. LEE: I think we can also address the  
21 cumulation argument. I think for present material injury,  
22 I think cumulation is -- you have less room on that.

23 I think for threat, I would argue that Taiwan  
24 certainly should be decumulated from Turkey and Japan.  
25 But, you know, we will address that in our postconference

1 brief.

2 MR. LAROSKI: Thank you.

3 MR. ANDERSON: Okay. I just have a couple quick  
4 follow-up questions to what my colleagues have asked.

5 Mr. Nolan, on this chart, it's a very popular  
6 chart and very helpful. And I promised I was going to ask  
7 this before Mr. Corkran asked for an update. Could you,  
8 while you're adding the metal spread, could you also add  
9 the data for 2013 so we have a full data set matching our  
10 period of investigation?

11 MR. NOLAN: I didn't put 2013 in because it was  
12 pretty flat. It didn't show much of a delta. So what  
13 we're looking at is where the changes are occurring here.  
14 And if you look at -- I'll put it in. I've got all the  
15 data on a spreadsheet. I just have to expand it for that.  
16 I made the chart and it was too busy if I did that much  
17 data.

18 MR. ANDERSON: Thank you very much for doing  
19 that. Mr. Lee, just a quick follow-up. I've heard and  
20 we've heard your testimony today about -- I hear what  
21 you're saying that there is a limited area, limited  
22 products that Taiwan is competing in the U.S. market, and I  
23 also understand that you're arguing that the shipments  
24 mostly replaced Japanese product because the yen.

25 But my question goes to more when those products

1 are in the market, regardless of where, what level of  
2 competition are you seeing with U.S. producers, and could  
3 you either now or in the posthearing brief talk about that  
4 given that Petitioners have argued that they sell products  
5 in all parts of the U.S. market?

6 MR. LEE: Sure. I can address that in the  
7 postconference brief. But here, I think we can comment  
8 generally, particularly for the West Coast, basically west  
9 of the Rockies, you're looking at a market that the U.S.  
10 rebar suppliers really, if you look at a map as to where  
11 the U.S. producers are, and then you look at the limited  
12 number of U.S. producers who are in the West Coast, what  
13 products are they actually supplying.

14 What we're hearing is that the U.S. suppliers  
15 what are in the western market aren't necessarily providing  
16 a full range of product types or the full range of service  
17 options that are being demanded on the West Coast.

18 So Mr., I believe, Byer was talking about he's  
19 in Cincinnati and he, unlike the other domestic witnesses,  
20 he's focusing on the smaller mom-and-pop, that's his target  
21 audience there.

22 On the West Coast, I think there's a similar  
23 situation where the big U.S. producers who are out there,  
24 they are also focusing on the -- you know, the bigger, the  
25 fatter portion of the U.S. market. And so you have smaller

1 independent fabricators who are being shortchanged in terms  
2 of what their supply options are out there.

3 And so in terms of Taiwan coming in after  
4 basically not being in the U.S. market, I think the demand  
5 is there for someone, please, someone fill this market  
6 demand that the U.S. suppliers aren't meeting, that the  
7 Japanese have become cost-prohibitive. We just are  
8 desperate for some alternative supply to fill these demand  
9 requirements for the smaller guys out there.

10 MR. ANDERSON: Thank you for that explanation.  
11 That's very helpful. And if you have any specifics that  
12 you could provide in a postconference brief, that would be  
13 very much appreciated. Thank you.

14 With that, I think -- I want to thank you for  
15 being here, the panel. And I know this panel has traveled  
16 quite a distance to be here, so thank you for coming here.

17 And thank you for responding to our questions.

18 And now we'll just take just a couple of minutes  
19 to switch and go into closing arguments, so thank you.

20 CLOSING REMARKS OF JOHN R. SHANE

21 MR. SHANE: Thank you, members of the Commission  
22 Staff. I'm Jack Shane, here on behalf of the Rebar Trade  
23 Action Coalition. It's been a long day. You've heard a  
24 number of arguments this afternoon from Respondents, many  
25 of which the Commission has heard before and rejected. The

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1 facts here are simple, straightforward and more than  
2 establish a reasonable indication of material injury by  
3 reason of subject imports.

4 First, as noted earlier today, the statutory  
5 factors of cumulation have been met. Second, with regard  
6 to the volume of imports, these are significant by any  
7 measure.

8 When testifying before the Commission in the  
9 last rebar case, Mr. Nolan represented that Turkey had no  
10 interest in increasing shipments to the U.S., specifically  
11 stating, "Turkey has dedicated the vast majority of its  
12 production to Turkey and other export markets, the U.S.  
13 continues to be only one small destination for Turkey's  
14 export sales. They are not targeting the United States."

15 The facts tell quite a different story. Subject  
16 imports increased an astounding 160 percent from 2013 to  
17 2015, totaling more than 1.9 million tons in 2015.

18 These imports remain strong in the first half of  
19 this year and are now increasing once again.

20 As noted by domestic industry witnesses, subject  
21 rebar is piled up on the docks ready for sale at extremely  
22 low prices throughout the U.S., even in places like  
23 Cincinnati.

24 The Turkish industry also represented to the  
25 Commission in the prior rebar case that "there is no

1 incentive for the subject producers to price aggressively  
2 in order to expand exports to the United States."

3           Once again, this statement could not have been  
4 further from the truth. Instead, imports more than doubled  
5 their market share over the POI, stealing share directly  
6 away from the U.S. industry. As a result, U.S. producers  
7 were not able to take advantage of the modest demand growth  
8 in the U.S. market, with much of the increase in demand  
9 going to subject imports.

10           Indeed, in 2015, U.S. consumption grew by  
11 350,000 tons, while subject imports increased by over  
12 850,000 tons.

13           Subject imports took not only all the growth in  
14 the market during that period, but stole significant  
15 additional volume away from domestic producers through  
16 their dumped and subsidized imports.

17           Domestic production actually dropped by a  
18 whopping 550,000 tons in 2015.

19           Third, subject imports have had significant  
20 price effects depressing and suppressing U.S. prices,  
21 including overwhelming underselling of the domestic  
22 product. Subject imports have undersold the domestic  
23 product in almost every comparison in the reported data.

24           What's more, the margins of underselling  
25 actually increased, as you heard, during the period of

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1 investigation.

2           This is important because, as you heard earlier  
3 today from the domestic industry, rebar is a fungible  
4 product, it's extremely price-sensitive, and as a result,  
5 imports have to be low enough in price to capture the sale.  
6 They undercut the U.S. industry to sell volume, which is  
7 exactly what they have done here. When the domestic  
8 industry responds by lowering prices, importers drop their  
9 prices even further, beginning a downward price spiral,  
10 which in this case has resulted in a dramatic deterioration  
11 in U.S. prices.

12           As subject imports surged into the market in  
13 2014 and 2015, prices began to drop. The price collapse  
14 then accelerated dramatically in 2016 in the first half, as  
15 you know producers were forced to slash prices to maintain  
16 production. Because domestic producers can drop their  
17 prices only so far, the dumped and subsidized imports win  
18 the sale anyway. In this way, the subject producers have  
19 been able to penetrate the U.S. market quickly and easily,  
20 capturing sales at the expense of the domestic industry.

21           Fourth, this loss of volume and subsequent price  
22 drop has had a devastating impact on the domestic rebar  
23 industry.

24           As domestic industry witnesses testified, the  
25 surge of subject imports drove down U.S. industry

1 performance, as imports surged in 2015, industry production  
2 dropped by over a half million tons, as I noted previously.

3           The U.S. industry also lost over 8 percentage  
4 points of market share to subject imports during the POI.  
5 As the industry fought back by lowering prices to prevent  
6 further hemorrhaging of market share, the industry's  
7 operating income plummeted, falling by \$170 million in the  
8 first half of 2016, compared to the first half of last  
9 year. Operating income so far this year is barely above  
10 break even, while net income is actually negative. These  
11 are not sustainable returns.

12           The industry's capacity utilization rate remains  
13 at anemic levels. The average unit value of domestic  
14 shipments has declined since 2013, including a decline of  
15 over \$127 a ton in interim 2016, as domestic producers  
16 fought desperately to prevent further loss of market share  
17 to subject imports.

18           As you heard this morning, subject imports are  
19 injuring the domestic industry's workers as well, some  
20 producers like Gerdau have sold off certain mills for other  
21 uses, while others such as Nucor and CMC have ceased rebar  
22 production in certain plants.

23           Workers have been laid off, shifts reduced, and  
24 those that remain are working fewer hours and take home  
25 much less pay than they were just a few short years ago.

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1                   Each of these factors individually and  
2 collectively constitute material injury. Indeed this  
3 injury has occurred as subject imports surge into the U.S.  
4 market. The injury has also occurred at a time when the  
5 industry's performance should be improving as construction  
6 has made modest improvements over the POI, and the  
7 Commission imposed orders on dumped Mexican rebar and  
8 subsidized imports from Turkey. Fifth, and finally, the  
9 domestic industry is not only materially injured, but it's  
10 also threatened with material injury. We'll address this  
11 more directly in our brief.

12                   I'd like to take just a few moments and respond  
13 to some of the, I would characterize as inaccurate,  
14 statements that were made in this afternoon's panel.

15                   First, on the raw material issue, it appears  
16 that Mr. Nolan must be looking at a different record than  
17 we have here.

18                   Yes, scrap prices did fall. But as I heard this  
19 morning, prices, U.S. prices, fell significantly more than  
20 scrap did.

21                   Keep in mind, this was during a time of modest  
22 increase in demand.

23                   I urge you to take a look at the Commission's  
24 purchaser surveys in this case, which clearly indicate that  
25 low-priced subject imports are the reason for that drop in

1 price.

2           On one of Mr. Nolan's slides, he depicted  
3 results from CMC. A couple of problems with that slide.  
4 First, that slide is over a year old, and, in fact, the  
5 slide confirms exactly what you heard from domestic  
6 industry witnesses earlier today, which is that -- which is  
7 that in 2015, in order to try to maintain profitability,  
8 the U.S. tried to hold firm on its prices.

9           As a result, they lost over 500,000 tons in  
10 production, they had no option then towards the end of  
11 2015, early 2016, to respond to try to maintain production  
12 and market share to lower their price. And that's when  
13 their profitability plummeted. Net profit actually went  
14 negative during that time.

15           Another problem with that slide is it's more  
16 than just rebar. It includes other products, such as  
17 merchant bar, so there's other problems with the depictions  
18 in that slide.

19           Similar problem with Mr. Nolan's slide 16  
20 showing Turkey's export markets. Again, it's out of date,  
21 it's 2014, which is, as you'll recall, the time that the  
22 other case, the other investigation, was still ongoing.

23           If you take a look at data for 2015, for a full  
24 year of 2015, you will see that the U.S. is the primary  
25 export market now for Turkish exports.

1           On Taiwan, Mr. Lee has conceded based on the  
2 statute and Commission precedent that Taiwan is not  
3 negligible. Also, given the fact that we have sales of all  
4 three subject imports in overlapping regions, I think it's  
5 clear that all the products need to be cumulated from all  
6 producers. And all countries.

7           Mr. Lee also claimed that Taiwan is -- Taiwanese  
8 rebar is replacing Japanese rebar. However, if you take a  
9 look at the latest import statistics that shows it's just  
10 not true.

11           For example, Japanese imports in August were at  
12 one of their highest levels, so it's clear that Taiwan is  
13 not simply coming in and replacing Japanese product.

14           Many of the other primary arguments made by  
15 Respondents are ones that are all too familiar to the  
16 Commission --

17           MR. ANDERSON: Mr. Shane, I'm sorry, your red  
18 light has been on, so could I ask you to consolidate?  
19 Thank you.

20           MR. SHANE: Sure. Let me close up very quickly.

21           In conclusion, this is -- this is a story of  
22 unrestrained import pricing, import volumes surging in and  
23 a resulting slew of confirmed lost sales totaling in the  
24 hundreds of thousands of tons.

25           As a result of these imports, plants have been

1 lost, workers have been let go. The industry is in dire  
2 straits, and desperately needs your help. There's no  
3 question we meet the preliminary injury standard, and we  
4 urge you to reject the same recycled arguments this  
5 afternoon by Respondents, just as the Commission has done  
6 previously, and vote affirmative in this case. Thank you  
7 very much for your time.

8 MR. ANDERSON: Thank you.

9 CLOSING REMARKS OF MATTHEW NOLAN

10 MR. NOLAN: All right. This is Matt Nolan for  
11 the other side. I'll probably be a little bit shorter than  
12 that and not quite as polished as Mr. Shane's usual  
13 top-notch presentation.

14 I would love to get through one of these cases  
15 without having the word "China" come up at least 15 times  
16 during the course of the day. I just think we're going to  
17 be in that land for a while, and that belies a lot of the  
18 problems that we're all seeing and all these cases coming  
19 forward, which has nothing to do with Turkey, but that is  
20 what it is.

21 So we talked about the fact that volumes did go  
22 up. Yes, indeed, Turkish volumes did go up. And I've been  
23 quoted many times as saying that Turkey has dedicated the  
24 vast majority of its product to Turkey and other markets,  
25 and well, I must be wrong, except that's not what's going



1 on now. Except it is what's going on. 50 percent of  
2 Turkish production goes into the Turkish market. Another  
3 35 percent or so goes into other export markets.

4 So U.S. is not an insignificant market. It was  
5 bigger than it was before. I concede the point. But it  
6 sure as heck isn't the primary market. And I have and will  
7 provide in the postconference the 2015 data. And yes  
8 indeed, UAE or the Middle East is still the number one  
9 export destination, by far, for Turkish export products.  
10 We will provide you with 2015 updated data in the  
11 postconference brief.

12 This case has a number of inconvenient truths  
13 for the Petitioners. They don't like the fact that I use  
14 American Metal Market data saying, well, there's something  
15 wrong with this data. There must be something wrong with  
16 this data because the rebar prices in here can't be right  
17 and the scrap data here probably can't be right.

18 I submit to you that everybody uses this data,  
19 and it's pretty hard to say that it's going to be wrong,  
20 unless you're saying the entire data collection system for  
21 the steel industry is wrong.

22 The fact is that this data is reliable. It is  
23 what everybody in the industry uses, and as I said  
24 repeatedly during the comments before, everybody looks at  
25 the trend line analysis, what's the trend in rebar prices,

1 what's the trend in scrap prices. If the trends are going  
2 down, you tend to want to follow it down.

3           What the benefit -- what the Petitioners have  
4 benefited from is when scrap prices were going down, they  
5 were able to slow down the price drop and get bigger  
6 margins, which is why that chart was doing this for so long  
7 during the POI. They got caught in 2016 with it going the  
8 other direction. Scrap prices went up quick, but they  
9 couldn't change the prices quite as fast, so they got  
10 caught in a cost/price squeeze from that standpoint, due  
11 entirely to a rapid change in scrap prices, not imports.

12           Another inconvenient truth. Input -- import  
13 prices -- underselling by imports.

14           It has always been the case in this case, in  
15 every other case brought before the Commission, that Turkey  
16 has found to be underselling at some level in the U.S.  
17 market. We have been found to be not dumping in every  
18 single case since 2003. So is the underselling by virtue  
19 of unfair pricing or is the underselling due to a natural  
20 structural part of the two markets in operation?

21           And I submit to you it has been that way because  
22 there is a structural difference in the way Turkish imports  
23 enter this market.

24           Mr. Shane made much of the CMC slide being old.  
25 Yes, I admit, it is an August 2015 slide because that's the

1 last annual report that I had available to me upon which to  
2 call this data from the predominant amount of their  
3 financials are in their rebar operations. If you want to  
4 say these other operations had something to do with it,  
5 fine. The Commission can make up its own mind.

6 But I submit to you it is illustrative at the  
7 very least of what the profitability was of the U.S.  
8 industry for most of the POI.

9 They like to discount a couple of things. They  
10 can't escape the fact that the integrated nature of their  
11 operations is very important here, and I will say this  
12 until my dying breath in these cases. They have integrated  
13 their operations for a reason. There is security in having  
14 your own scrap operations upstream. There are benefits  
15 from having your own scrap operations upstream. You can  
16 buy the scrap, sell it to yourself in an internal rate of  
17 return, that makes money on both ends theoretically. You  
18 have secure sources to supply. You can assure yourself  
19 high-quality material going into your mills, the highest  
20 possible quality material. There's every reason why  
21 they're doing it. I applaud them for doing it.

22 But don't say you don't get a benefit from it,  
23 because why else would you be doing it? Downstream side is  
24 the same thing. Why have they invested so much money in  
25 Harris steel? Their downstream fabrication operations.

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1 Why is that ever-increasing portion of their sales? Why is  
2 it an increasing portion of their business model? Because  
3 they make more money doing it that way. That's a good  
4 thing for them.

5 But it also means they insulate all that  
6 production from import competition, and it has to factor  
7 into the Commission's analysis at the end of the day.

8 Buy America is still relevant. I don't care  
9 what they say about that. It is a law. It is a federal  
10 law that dictates that you must give a preference to  
11 domestic merchandise being sold for any federal or state  
12 infrastructure in this country. And if you don't use it,  
13 you get penalized for it, and I've gone through a few  
14 enforcement proceedings in my lifetime where people didn't  
15 follow those rules properly.

16 So the reality is Buy America Act, to the extent  
17 it is a factor, is a real factor here. You can't discount  
18 it as segmenting the U.S. market.

19 Finally, and I come back to this, transportation  
20 costs do matter in this market.

21 The U.S. industry has high overall prices for a  
22 couple of reasons. One, they do have some protected market  
23 because of Buy America. Two, they have a protected market  
24 because they have insulated downstream operations which  
25 they sell to. Three, they have the ability to put plants

1 in places that are far away from coast lines, and to the  
2 extent that they have those mills, they have an inherent  
3 transportation advantage over any other competitor which  
4 must put stuff on a rail or a truck or a barge to get the  
5 material to that location.

6 That transportation cost is built-in premium  
7 that you can sell at your plant. That's standard  
8 economics, right. I would do exactly the same thing if I  
9 were a profit-maximizer in that business. If my mill is  
10 right here and my competitor is going to charge you 20  
11 bucks more to ship it to you from his mill, I'll charge you  
12 \$19 and pocket that, but you get a dollar off. That's just  
13 natural.

14 At the end of the day, there are a lot of holes  
15 in this. I do not dispute the fact that Turkey's volumes  
16 increased. There is no question about that.

17 The question is did those imports increase and  
18 cause some kind of injury potentially to the U.S. industry?  
19 I don't think there's a reasonable indication of injury  
20 here. I think the entire explanation comes from the  
21 changes, the deltas in scrap prices that occurred during  
22 this POI, and the fact that the U.S. industry got caught a  
23 little bit at the end because scrap prices went up real  
24 quick, after they have been going down so long, and there  
25 was this feeling that oh, good times are going to be here

1 for a while.

2           They are complaining that their high prices are  
3 driving people to demand product from overseas. As we  
4 started out this conversation, U.S. prices are inherently  
5 high. You would think actually more material would be  
6 coming into this country, given how high they are. And yet  
7 countries like Turkey are showing some degree of restraint  
8 here, simply because they don't want to put all their eggs  
9 in one basket. I mean, there is the possibility that  
10 dumping order could be issued here. There is the  
11 possibility that a safeguards could be put in place in the  
12 U.S. on this.

13           Frankly, I think if they were going to bring a  
14 case, they should have brought a safeguards case, not an  
15 unfair trade practices case. Because all we're hearing  
16 today is volume, volume, volume. This case is all about  
17 volume. I concede the volume part. It's the rest of it  
18 that I don't concede. Thank you.

19           MR. ANDERSON: Thank you, Mr. Nolan.

20           On behalf of the Commission and the Staff here,  
21 I would like to thank the witnesses who came here today and  
22 counsel for helping us gain a better understanding of the  
23 product and conditions of competition in the rebar  
24 industry. Before we conclude, I want to mention a couple  
25 key dates going forward in the investigation.

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1           The deadline for submission of corrections to  
2 the transcript and for submission of postconference briefs  
3 is Friday, October 14. If briefs contain business  
4 proprietary information, a public version is due on Monday,  
5 October 17.

6           And the Commission has tentatively scheduled its  
7 vote on this investigation or these investigations for  
8 Thursday, November 3, and it will report its determinations  
9 to the Secretary of the Department of Commerce on Friday,  
10 November 4.

11           The Commissioners' opinions will be transmitted  
12 to the Department of Commerce on Monday, November 14.

13           And with that, again, thank you all for coming,  
14 and this conference is adjourned.

15           (Whereupon, at 2:42 p.m., the hearing was  
16 concluded.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Steel Concrete Reinforcing Bar  
(Rebar) from Japan, Taiwan, and Turkey  
INVESTIGATION NOS: 701-TA-564 and 731-TA-1338-1340  
HEARING DATE: 10-11-16  
LOCATION: Washington, DC  
NATURE OF HEARING: (Preliminary)

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

DATE: 10-11-16

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: Christopher Weiskircher  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Carmen Smith  
Signature of Court Reporter

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