UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:          ) Investigation No.:
LARGE POWER TRANSFORMERS ) 731-TA-1189
FROM KOREA                  ) (REVIEW)

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

Thursday, July 26, 2018

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

On behalf of the International Trade Commission:

Commissioners:

  Commissioner Irving A. Williamson (presiding)
  Commissioner Rhonda K. Schmidtlein
  Commissioner Meredith M. Broadbent
  Commissioner Jason E. Kearns

Staff:

  William R. Bishop, Supervisory Hearings and Information Officer
  Sharon Bellamy, Records Management Specialist
  Tyrell Burch, Program Support Specialist
  Nathanael Comly, Investigator
  Christopher W. Robinson, Investigator
  Andrew David, International Trade Analyst
  Cindy Cohen, International Economist
  David Boyland, Accountant/Auditor
  Karl von Schriltz, Attorney/Advisor
  Craig Thomsen, Supervisory Investigator
APPEARANCES:

Opening Remarks:

In Support of the Continuation of Order (R. Alan Luberda, Kelley Drye & Warren LLP)

In Opposition to the Continuation of Order (Jay Campbell, White & Case LLP)

In Support of the Continuation of Antidumping Duty Order:
Kelley Drye & Warren LLP
Washington, DC
on behalf of
ABB Inc. ("ABB")
SPX Transformer Solutions, Inc. ("SPX")
Delta Star, Inc. ("Delta Star")
Pennsylvania Transformer Technology, Inc. ("PTTI")
Virginia Transformer Corp. and Caravels, LLC d/b/a Georgia Transformer Corp. ("VA Transformer") (collectively "Domestic Industry")

Steve Robinson, Senior Vice President, ABB
Counsel, ABB
Steve Newman, Vice President, Delta Star
Dennis Blake, General Manager, PTTI
APPEARANCES (Continued):

Brian Mason, President, SPX
Karen Spors, Senior Business Counsel, SPX
Prabhat Jain, Chief Executive Officer, VA Transformer
Neerja Gursahaney, Managing Director, VA Transformer
Gina Beck, Economic Consultant, Georgetwon Economic Services
R. Alan Luberda, Kathleen W. Cannon and Melissa M. Brewer - Of Counsel

In Opposition to the Continuation of Antidumping Duty Order:
White & Case LLP
Washington, DC
on behalf of
Hyundai Electric & Energy System ("HEES")
Jun Kang, Sales Manager, HEES
Ted Arkuszeski, Production Manager, Hyundai Power Transformers USA
David Bond, Jay Campbell and Ron Kendler - Of Counsel

Rebuttal/Closing Remarks:
In Support of the Continuation of Order (Kathleen W. Cannon, Kelley Drye & Warren LLP)
In Opposition to the Continuation of Order (Jay Campbell and Ron Kendler, White & Case LLP)
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MR. BISHOP: Will the room please come to order?

COMMISSIONER WILLIAMSON: Good morning. On behalf of the United States International Trade Commission I welcome you to this hearing on Investigation No. 731-TA-1189 Review involving Large Power Transformers from Korea.

The purpose of this review is to determine whether revocation of the antidumping order on large power transformers from Korea would be likely to lead to continuation or recurrence of material injury within a reasonable foreseeable time.

Schedule setting forth the presentation of this hearing, Notices of Investigation and transcript order forms are available at the Public Distribution Table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the Public Distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information.

Please speak clearly into the microphones and
state your name for the record for the benefit of the court reporter. If you will be submitting documents that contain information you wish classified as business confidential your requests should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters?
MR. BISHOP: No, Mr. Chairman.
COMMISSIONER WILLIAMSON: Very well, let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of the order will be given by R. Alan Luberda with Kelley, Drye and Warren. Mr. Luberda, you have five minutes.

COMMISSIONER WILLIAMSON: Welcome Mr. Luberda, you can begin when you are ready.

OPENING STATEMENT OF R. ALAN LUBERDA

MR. LUBERDA: Thank you, Mr. Chairman. Good morning. I am Alan Luberda of the law firm Kelley, Drye and Warren representing the large power transformer industry of the United States.

You have before you a strong record supporting an affirmative determination in this first sunset review of the antidumping duty order on large power transformers from Korea. The Korean producers' behavior both preorder and over the last three years make it clear that if the antidumping duty order is revoked Subject Imports will
rapidly and significant increase to take sales and market share from the Domestic Industry.

They will do it through pervasive underselling which will lead to more pricing depression and suppression that along with the resulting loss of sales will financially devastate what is already a highly vulnerable Domestic Industry. In the original investigation the Commission found that the Korean Transformer Producers significantly increased their volume and market share to the United States at the expense of the Domestic Industry.

Commission did a thorough examination of a large number of bids and found that Korean Producers undersold the Domestic Industry in a significant majority of bids. The data shows that Korean Producers nearly always undersold the Domestic Industry on the bids that they actually won. The Commission also found that Subject Import underselling suppressed domestic prices.

This price suppression and loss of volume with the poor financial result at a finding of material injury by reason of Subject Imports. Statutorily, all of this preorder behavior is relevant evidence of what to expect if the Korean Industry is no longer subject to discipline of the order but the Korean Producers' actions over the last three years and the conditions that exist now for the Korean Industry and the Domestic Industry are particularly telling.
of what is likely to occur if the order is revoked.

After the order was published Subject Imports fell significantly from 2012 and 2013. Between 2015 and 2017 however the Subject Imports are beginning to increase their volume and market share, just as in the original investigation they did it through significant underselling.

The bid day the Commission examined for the recent period shows that as in the original investigation Korean Producers undersell domestic competitors in over 90 percent of the bids that the Korean Producers actually win and they almost never win the bid when they oversell. This explains the recent increase in Korean volume and market share and also explains the price depression experience during the review period.

Unfortunately, the Domestic Industry is currently in an extremely vulnerable condition in no small part due to the increase in Korean Imports. Domestic production and shipments are down. Past utilization is under 50 percent. Demand is falling and showing no signs of significant recovery.

The Domestic Industry has suffered operating losses in each of the last three years and with costs now rising pricing pressure from additional imports from low-priced Korean transformers will devastate an already struggling Domestic Industry. The record evidence also
demonstrates that the Korean Industry has the means and the will to rapidly do just that.

In 2017, Korea had over 54,000 MVA of reported excess capacity to produce Subject Imports are roughly the size of the U.S. Industry's entire reported capacity for that year. Korea is export oriented. They export over 80 percent of their production each year. The United States is already Korea's number 1 export market and Korean Producers have an extensive sales network here.

Finally, the Korean Producers' claims that they won't further target the U.S. Market for transformers with more volume are contradicted by the record. The alternative markets in the Middle East are small compared to the United States and have been shrinking. In fact, over the last three years the Korean Producers total shipments to all other markets combined have fallen while exports to the United States have increased.

Respondents cite recycle claims from the original investigation that Hyundai's production in Alabama will cause imports from Korea to decline are also disproven. As Hyundai Alabama increased the shipments over the review period Subject Imports increased rather than declined. Moreover, there is no reason the entire Korean Industry would forgo the very attractive U.S. Market, their number one market in deference to the Hyundai's Alabama facility.
Finally, Hyundai has also publically stated that it intends to continue shipping from Korea. If the order is revoked, Korean Producers will target their huge excess capacity on the United States, their number one market. They will engage in precisely the same behavior that they engaged in prior to the order and over the last three years with the aim of displacing domestic transformer production. We urge you not to let that happen and as you to reach an affirmative determination. Thank you.

MR. BISHOP: Thank you, Mr. Luberda. Opening remarks on behalf of those in opposition to continuation of the order will be given by Jay Campbell of White and Case. Mr. Campbell, you have five minutes.

COMMISSIONER WILLIAMSON: Welcome Mr. Campbell, you may begin when you are ready.

OPENING STATEMENT OF JAY CAMPBELL

MR. CAMPBELL: Good morning, Chairman Williamson. My name is Jay Campbell of White and Case here today on behalf of Hyundai. As I read Petitioners' pre-hearing brief I was struck by how little they mentioned non-Subject Imports. Petitioners only gave non-Subject Imports passing reference and even went so far as to note that non-Subject Imports were not responsible for the Domestic Industry’s loss in market share.

In other words, ignore non-Subject Imports.
There is nothing to see here. I invite you to please take a
look at Table I-I in the Staff Report on Page I-4. Look at
the market share non-Subject Imports held in 2017,
especially compared to the market share held by Subject
Imports from Korea. How could non-Subject Imports not be a
problem? The truth is non-Subject Imports are a problem and
they are a big problem for the Petitioners' case.

If, as Petitioners suggest, non-Subject Imports
are fairly traded then why are U.S. Producers unsuccessful
competing against non-Subject Imports? U.S. Producers
reported that they have lots of unused capacity. Why can't
they use this capacity to compete against fairly-traded
non-Subject Imports? How can the market share held by
fairly-traded non-Subject Imports be so high when U.S.
Producers have so much extra capacity lying around?

Clearly, the U.S. Producers have issues, issues
that are unrelated to Subject Imports. Now, this gets a bit
more interesting when you consider that one of the U.S.
Producers is also an importer from non-Subject Sources.
Please look at table III-X in the staff report on Page 3-13.
Look at the ratio of this company's U.S. Production to
non-Subject Imports in 2017.

Now ask yourself, why is this company here today?
What is it trying to protect? U.S. Production or
non-Subject Imports? Non-Subject Imports are the elephant
in the room and non-Subject Imports are why the Petitioners' story lacks credibility.

Now let's turn to Subject Imports. The Commission must decide whether revocation of the order would be likely to lead to material injury by reason of Subject Imports. We submit that the Commission should find in the negative for three main reasons.

First, the volume of Subject Imports would not be likely to increase if the order were revoked. The main reason for this is that Hyundai has become a significant U.S. Producer since the order was issued. As a consequence, Hyundai has already begun phasing down its exports of Korean transformers to the United States and this process will continue even in the absence of the order.

Moreover, even if Subject Imports were to increase in volume they would do so at the expense of non-Subject Imports, not Domestic Product. Table I-I in the Staff Report captures this vividly, comparing 2011 to 2017 the market share held by imports from all sources remained essentially the same at 83 percent. The market share lost by Subject Imports went to non-Subject Imports.

Based on this result we can expect the reverse to occur if the order were revoked. That is, any market share gains by Subject Imports would come at the expense of non-Subject Imports. U.S. Producers would be unaffected.
Second, significant price effects would not be likely if the order were revoked. The bidding data on record show mixed over and under-bidding by Subject Imports which is what one would expect given the closed nature of the bidding process. Absent the order, Korean Producers would participate responsibly in the U.S. Market. They would not want to invite a new petition. Also, the importance of non-price factors diminishes the likelihood of adverse price effects and the data also revealed that Subject Imports are not a cause of price suppression.

Third, lack of causation. We observe in the record data a lack of a causal nexus between Subject Imports and the U.S. Industry's financial performance. It's interesting though that we do see a correlation between the U.S. Industry's financial performance and the one U.S. Producer's non-Subject Imports.

With that, we have come full circle. It all comes back to non-Subject Imports, the big hole in the Petitioners' case. Thank you.

MR. BISHOP: Thank you, Mr. Campbell. Would the Panel in support of the continuation of the antidumping duty order please come forward and be seated? Mr. Chairman, all witnesses on this panel have been sworn in. This panel has 60 minutes for their direct testimony.

COMMISSIONER WILLIAMSON: Okay, Mr. Luberda you
can begin when you are ready.

MR. LUBERDA: Thank you, Mr. Chairman. We will begin with Mr. Robinson's testimony.

STATEMENT OF STEVE ROBINSON

MR. ROBINSON: Good morning, Mr. Chairman and members of the Commission. I am Steve Robinson the Senior Vice President of ABB's North American Transformer Operations.

ABB is one of the world's leading electric power engineering companies and their products and services in my opinion are second to none. In the United States ABB and its predecessor companies have been producing power transformers for over 100 years. The majority of the installed transformer base in the United States was produced by ABB or its legacy companies.

Until a few months ago ABB manufactured large power transformers at both our St. Louis, Missouri and South Boston, Virginia facilities. ABB was a Petitioner in this trade case to attempt to save its U.S. Facilities for large power transformers that were being --

MR. BISHOP: Could you pull your mic a little bit closer please and speak directly into it? Thank you.

MR. ROBINSON: Okay, is that better? Good. ABB was a Petitioner in this trade case to attempt to save its U.S. facilities for large power transformers that were being
decimated by aggressively low-priced imports from Korea that consistently undersold us. Those imports hurt our pricing and took our sales, even at long-standing customers.

The order did provide relief for ABB for a period of time and we did win back customers. For the last several years however the volume of large power transformer imports from Korea has increased again using low prices that have depressed our prices and taken sales and market shares.

Unfortunately, this increase in aggressive Korean pricing practices in recent years among other factors has cost us so much volume that we had trouble to justify maintaining our capacity in St. Louis. ABB made the difficult decision last year to close its St. Louis production facility and to consolidate our production in South Boston, Virginia at a reduced capacity level.

We have wound down transformer production in St. Louis since then and our last unit from this facility will ship next week. ABB however remains committed to the production of large power transformers in the United States. We have moved a large portion of that production and many employees from St. Louis to our South Boston facility and our new transformer engineering facility in St. Louis. We are working to help our remaining employees in St. Louis find jobs.

The Koreans' assertion that their imports are not
competing with ABB or other Domestic Producers is simply false. Hyundai's and Hyosung's Korean facilities produce every large power transformer model that ABB produces in the United States. We have been constantly in competition with them throughout the review period across our entire product line.

The competition with Korean Producers in recent years has again been on the basis of low prices; both base prices and total evaluated costs. The base price is the initial price of the transformer including any delivery and installation. The total evaluated cost includes the base price and the calculated cost advantage losses over the expected life of the transformer.

Both of these prices are important to our customers.

I'll note that underselling is how the Korean Producers operate globally. My previous position with ABB was also the head of power transformers for Australia. In market after market we have found ourselves undersold by the Korean Producers. There is one exception to this and that's Korea itself. Their market essentially has remained closed to all Foreign Producers including ABB while the Korean Producers have had access to all of the markets of the world.

In this country while good results are generally not published I think it's fair to say that every company in
this room has a good idea when they had been underbid and lost the sale. At ABB we know our customers and our competitors very well. We often have pre-bid meetings that give us a good idea of the project budget and what factors are going to be most important in the purchasing decision.

We typically know who is likely to be bidding against us based on who is qualified to bid and who already has blanket agreements or supply history with the customer. We also see actual published bid results in public utility bids. This also gives us a good idea where we have historically come out against our various domestic and foreign competitors.

We get meaningful feedback from customers after the bid is awarded. While we typically would not be told the actual reward price we are given enough information to know whether we are price competitive or not, where we were ranked to our competitors or approximately how far we are above the winning bid price.

We might be told that any bids within a certain percentage of the lowest bids were evaluated giving us an idea where our bid was relative to the winning bid. With this collection of information we have a reasonable indication of what the Koreans are offering in terms of their prices.

We know that in recent years one or more of the
Korean Producers have been aggressively underselling us in
bids because we typically only have one chance to bid on
projects there is significant pressure to lower prices when
we are bidding against the Korean Producers. We have had to
lower our prices to be competitive with dumped Korean Prices
at a variety of customers over the last two years.

Please don't misunderstand me. I'm not saying
that non-price factors don't matter in making sales. They
do. Every bidder has to be able to make the customer
specification and provide a high quality of product and a
variety of services, ABB has a great reputation for quality
products and excellent services.

We have great relationships with customers
established over long periods but we still must compete on
price. If we don't even well-established customers will
look elsewhere. As I mentioned earlier the order was
initially effective in putting us in a position to win more
business against the Korean Producers.

This market however is extremely important to
them as an outlet for the huge capacity and they are again
pushing hard with low prices. We are hopeful that recent
higher dumping margins against them will have some renewed
restraining effect on their underselling.

If this order is revoked however our experience
before the order and over the last few years tells us that
we can expect an onslaught of imports from Korea at aggressive prices that will further depress prices and jeopardize our remaining production operations in the United States.

For these reasons, it is critical to the long-term survival of ABB's remaining U.S. Production operations that the order be continued. I thank you for your attention.

STATEMENT OF BRIAN MASON

MR. MASON: Good morning, I'm Brian Mason, the president of SPX Transformer Solutions. I've served as the president of SPX for the past three and a half years. I appreciate the opportunity to testify before you today in support of retaining the anti-dumping order on large power imports from Korea.

SPX manufactures large powered transformers at our facility in Waukesha, Wisconsin. At the time of the original investigation back in 2011 and 2012, SPX had undertaken significant investments in that facility to expand production. That expansion created over 200 new jobs in Waukesha and the surrounding community. It was our expectation that the growing demand occurring in the U.S. market at that time would allow SPX to expand sales and increase profits in the coming years.

Our projections initially proved true. SPX was
competitive in the U.S. market and was able to gain additional business. We experienced thriving sales and a positive company performance for a few years and felt that our investments were well justified.

Beginning in 2014, we saw a dramatic increase in Korean imports in the United States. Those import volumes have continued and accelerated further since 2015, even with the order in place and at the U.S. industry's expense.

As the imports from Korea increased, we've seen our production and sales drop. That decline is particularly frustrating given that SPX is able to produce a wide range of types and sizes of large power transformers, including size that the Korean producers previously claimed could only be secured from Korea.

Specifically, SPX Canon has produced transformers in sizes ranging from 60 to 700 MVA or greater MVA sizes since the order was imposed. We do not face any technical limits on our ability to produce transformers with top-rated MVA of 300 more or even 700 MVA or more.

There are also no economic factors affecting our willingness to produce the very large sizes of transformers. We specifically invest to be able to do that. The only factor preventing us from producing and selling these larger sizes is the low-priced import competition we face.

SPX also has the ability to produce large
powered transformers in high line voltage or kilo volt ranges up to 765,000 volts. While we do not have the capability to produce transformers that exceed 765 KV, there's very little U.S. demand for transformers in that voltage level.

I should add that another U.S. producer, Mitsubishi, has a plant that is specifically designed to solely produce shell form units of 300 MVA and larger. It can also produce in sizes of over 765 KV. The domestic industry is well structured to supply the needs of U.S. purchasers.

Exceptionally low selling prices offered for the Korean product in bid competitions have allowed the Korean producers to gain sales and to export significant and increasing volumes of large powered transformers since 2014. Even with the order in place, the Korean producers routinely undercut our prices and captured bids by offering the lowest price, both in terms of the initial bid price and the total evaluated cost of the transformer.

Price remains a critical factor influencing buying decisions in our market. While the price offer on bids are confidential, general pricing information is disseminated through the market. We have a fairly good idea based on purchaser feedback of how our price offers compare to those of the Korean producers.
We know they sell below the prices we offer, sometimes well below our cost, and that they capture bids on that basis. In fact, we recently lost a bid to a Korean producer in our own backyard in Wisconsin, where we were the local supplier and we were able to meet the purchaser's needs.

The Korean producer undercut our price even after accounting for its transportation cost to ship to the product to Wisconsin. In fact, Korean producers undercut our prices wherever we compete throughout the U.S. market. We can provide documentation to you in our brief of these bid competitions and lost sales to Korea.

I understand that Hyundai has argued you don't need to worry about large volumes of imports from Korea in the future because of their affiliated Alabama facility. That facility has now been operating for seven years, yet we continue to face significant competition from Hyundai's Korean low-priced exports of transformers.

The Alabama facility isn't replacing supply from Korea. It's just another supply in the market. And the Alabama facility has no affiliation with the other major Korean supplier, Hyosung. Hyosung has shown no sign of backing off in the U.S. market either and SPX continues to lose sales to both of those Korean producers.

Some of those lost sales were particularly
injurious, because they involved blanket or alliance agreements. In an alliance agreement, the purchaser selects one or more suppliers for a specified period of time, generally several years and locks up all other suppliers for that period. We have already lost business in competition with Korea and alliance agreements with the order in place for reasons of price. If the order is removed, we have even greater concerns about losing projects to the Koreans.

At SPX, we're struggling to fill our plant and keep our workers employed with sufficient business. Our capacity utilization rate is very low and we have ample ability to increase sales and plenty of workers who would like to work -- like more work.

SPX is trying to bid on everything we can in an effort to increase our production, but we are struggling to compete with the low prices, the Korean producers.

I should add that not only do we lose business and competition with the lower price in Korea, but their low prices also have a depressing effect on the overall U.S. market prices.

When we hear that Korean producers are offering product at prices well below ours, we try to reduce prices to obtain future bids. These price reductions come at the expense of our bottom line.

If the anti-dumping duties are removed, our
large transformer business will be at serious risk. We would anticipate that not only future -- we would anticipate not only future declines in production, but also lost jobs and further deterioration in our financial condition as well.

When the imports from Korea entered the U.S. market, before the order was imposed, demand was increasing, yet they still caused injury to our industry. Recently, demand for transformers has been in decline. I expect demand to remain flat in the next few years with no projected growth and demand, increased volumes of dumped imports from Korea will capture a greater share of the market at our expense.

The financial problems in our industry have suffered -- as suffered will get worse. More jobs will be in jeopardy. And our significant investments will be for naught.

On behalf of my company and our workers, I urge you to leave this trade remedy in place to prevent that from happening. Thank you.

STATEMENT OF STEVE NEWMAN

MR. NEWMAN: Good morning. My name is Steve Newman and I'm the Vice President of Delta Star, a position that I have held for the last 12 years.

I'm responsible for Delta Star's sales and
marketing of power transformers. We produce transformers in Lynchburg, Virginia and San Carlos, California. Delta Star has been in business for over 100 years and we entered the transformer industry in the 1950s.

30 years ago, we proudly became an employee-owned corporation. We also pride ourselves in high quality products and services we provide to our customers.

I appeared before this Commission during the original investigation in 2011 and '12 to talk about the harm to my company caused by competition in the U.S. market with unfairly low priced Korean imports of large power transformers.

I thank the Commission for another opportunity to be here today to explain why Delta Star continues to need trade relief from these imports. If the anti-dumping duty order is revoked, Korean imports are ready and able to surge back into the United States in massive volumes, capture more sales in our market, and drive my company and other domestic producers out of the large power business.

I'd like to remind you how dire the situation was for Delta Star before 2012. We had been struggling for years to compete with the growing volumes of very low priced large power transformers from Korea before we filed this trade commission in 2011.

We experienced significant pressure to reduce
our prices in order to keep sales. Ultimately, we had to
lower prices because every sale is critical.

We were investing in the bid preparation
submission only to be continually undercut by the
unbelievably low Korean offers. And we knew what was going
on because we got informal verbal feedback from our
customers during or after the process.

Before the anti-dumping order was imposed, it
was not unusual for me to hear about Korean import offers at
20 to 30 percent below our actual costs.

We were losing sales to low priced Korean
suppliers or when the customer went into a low price Korean
supplier for an alliance agreement, that locked us out of
those -- in low prices and locked also Delta Star out for as
many as two to five years.

Demand for large power transformers growing in
the years before we filed our trade case, yet we won almost
none of that new business. It was going to Korean
importers.

In an effort to keep our workers employed, we
dropped our prices to keep business. We could only win bids
against the Korean importers, however, by offering prices
that were either at breakeven or lower levels.

Our profitability plummeted. I worried that we
would be forced out of the large power transformer business
altogether.

This trade case and the anti-dumping order has helped Delta Start. By 2012, I noticed that the Korean imports had backed off somewhat. We were able to win more bids without having to drop our prices to quite so low of a level.

But the Koreans' imports are still present in the U.S. market and they have been increasing over the past few years, again, by underselling us.

This has had a real effect on our ability to thrive as a company. I did not expect the Korean imports to disappear and Delta Star has never been afraid of competing with imports from any country on any even level.

But Korean large power transformers continue to exert significant volume and pricing pressure in the U.S. market today. I continue to hear that Korean bids are lower than ours, though to a lesser degree than before the order.

More troubling, however, is that even when we do have to reduce our prices to win a sale, it is increasingly difficult to raise our prices enough to cover our production costs. As long as low price Korean import offers are available in significant volumes with their established sales network and aggressive bidding, we cannot make a reasonable return in this price sensitive market.

Our modest financial recovery immediately after
the imposition of the anti-dumping order has been nearly
eviscerated. We are hanging on in the large power market,
but we are not growing as we had hoped.

If the U.S. market conditions were different, we
could sell our product at a price to cover all of our costs
and maybe make a reasonable profit. Then Delta Star would
increase production in large power.

We have plenty of available capacity to do so.
Instead, our LPD production has declined over the past few
years. There is no doubt in my mind that revoking the order
will be like opening the flood gates to even more low priced
and in fact dumped large power transformers from Korea.
Korean transformer producers remain major global exporters,
continue to be interested in the U.S. market. And without
the order, they will have every incentive to export even
greater volumes and drive us out of this business.

Now looking ahead, I do not expect U.S. demand
for large power transformers to grow the way it had grown
before the original investigation. That means that a flood
of Korean product will necessarily take more business away
from us.

We just cannot give our transformers away. The
situation with the anti-dumping order in place is not
perfect, but without the existing restraint on unfair Korean
pricing behavior, the outlook for Delta Star and the entire
U.S. industry for large power is bleak.

On behalf of my company and its owner employees, I urge the Commission to continue the relief that we need to survive as a U.S. industry. Thank you.

STATEMENT OF DENNIS BLAKE

MR. BLAKE: Good morning. I am Dennis Blake, general manager of Pennsylvania Transformer. I have worked in sales and marketing with several U.S. manufacturers of transformers and have spent my entire career since 1988 working with transformers and utilities.

Pennsylvania Transformer's facility is located in Cannonsburg, Pennsylvania. We can produce large power transformers in a wide range of sizes. We have over 1 million square feet of shop floor space, making us the largest production facility in the United States in terms of square footage.

Our cranes can lift 1 million pounds because the facility originally was built with the capacity to manufacture very large transformers up to 1,000 MVA and 765 KV.

As we are currently configured, Pennsylvania Transformer is able to produce large powered transformers from 60 MVA up to 500 MVA. We produce, for an example, quantity 3 single face 400 MVA units that are being used at a nuclear power station today.
While we would like to build units above 600 MVA and compete for 765 KV units, the prices for imports from Korea in this size range are too low for PTTI to risk this necessary investment.

Korean producers are also compete aggressively across the size range that Pennsylvania Transformer is currently producing.

We experienced a drop of imports of large power transformers from Korea in the years immediately after the order was imposed. We saw these imports return to the U.S. market in increasing volumes starting in 2014 and again at increasingly lower prices.

As far as I can tell, this market remains every bit as important to the Korean producers as it was in 2011 and 2012 and that is for good reason. The Korean producers have huge capacities and the United States represents the largest single installed base of large power transformers in the world. They also have a reputation for offering aggressive low prices to get and retain business.

As the Korean producers have continued their focus on the U.S. market, they have been driving a steadily decline in prices over the past several years. The feedback we get from customers on bids in which Pennsylvania Transformer is competing with the Korean producers typically shows the competing Korean prices well below our prices.
As a result, we have often dropped our prices to unprofitable levels just to stay in the market.

Both Hyundai and Hyosung have substantial sales forces in the United States. These companies are extremely focused on the U.S. market and are widely accepted by customers. Decisions to buy transformers are led by purchasing managers who are primarily concerned with how many transformers they can buy and add into the rate base within their available budget.

While quality, reliability, and lead times are important to the sales processes for all of us, price is paramount and the vast majority of bids awarded.

Of particular concern to me is the number of blanket or alliance agreements that have been won by Korean producers with low prices. We compete directly with imports from Korea for these bids. Such alliance agreements almost always result in the largest portion of the purchases being funneled to the alliance partners.

This is because the agreements lack in low prices and reduce engineering and product review costs for the producers and the purchasers. As the Korean producers have grabbed an increasing number of these blanket agreements, it has most often meant that we have lost the opportunity to even bid on multiple transformers over an extended period.
When those alliances are won are very low prices, they tend to exert continuing downward price pressure on the market over the life of this agreement.

For our unregulated customers, such as wind farms and other renewable energy sources, prices has also been a sales driver. During the original investigation period, there was a lot of excitement in our industry about the prospect of supplying new demand for step up transformers to the wind farms being built across the United States.

We had been very disappointed by the actual level of sales we have achieved at the wind farms. We can and do make these products, which are subtly within our range, but it is a highly price-driven business. The reality is that we had been completely shut out of the wind farm business, because of the Koreans manufacturers and particularly Hyosung have essentially bought all of this business with low ball pricing.

In fact, Korean producers bid on, make, and sell every side of transformer that Pennsylvania Transformer currently makes and we see them competing against us and most of our customers.

The Korean suppliers are viewed as having virtually unlimited capacity and among the lowest, if not the lowest pricing in the market place.
Pennsylvania Transformer currently has plenty of unused capacity and we would like to produce more large power transformers in a range of sizes. We would like to manufacture more of the larger sizes of transformers that our facility was designed to build and to participate more in the wind market. We just cannot afford to consistently meet or beat the low prices that Korean producers use to maintain their dominance at those customers.

A Korean producer made it clear to my company before the original investigation that it planned on crushing any producer that stands in its path to dominate the U.S. market for large power transformers.

That desire to dominate this market is still there as far as I can see. This anti-dumping order appears to be the only restraint on their ability to price us entirely out of the market for large powered transformers. If that is removed, the continued existence of the domestic large power transformer industry will be in jeopardy. Thank you.

STATEMENT OF PRABHAT JAIN

MR. JAIN: Good morning, I'm Prabhat Jain, the Chief Executive Officer of Virginia Transformer. I immigrated to the United States from India in 1968 with a Mechanical Engineering degree and only $8 in my pocket. After I arrived here, I earned a Master's degree at
Villanova University while working at an engineering firm in Pennsylvania.

I moved to Roanoke, Virginia in 1977 for an opportunity to work for General Electric Power Systems. In 1982, I was offered an opportunity to run a Virginia transformer company in Roanoke, Virginia.

At the time, Virginia Transformer was a struggling manufacturer of small transformers with 30-some employees serving the local mining industry.

I have spent the last 35 years working hard to build the company into a world-class transformer producer with one of the broadest product ranges in North America.

In 1982, I purchased majority share in the company. And in 2007, the company became completely family owned by our family. In 2003, Virginia Transformer purchased the transformer facility in Pocatello, Idaho. It invested $20 million to transform it into a producer that manufactures transformers up to 200 MVA and 345 KV voltage.

In 2015, we made a significant investment to acquire the state-of-the-art large power transformer facility in Rincon, Georgia that had been built by Efacec Portugal only a few years earlier.

The Georgia plant was built with the technology to produce transformers up to 1400 MVA and up to 500 KV class, including the shell form and core form transformers.
as well.

    Acquisition of this plant gave us one of the newest facilities as well as one of the broadest capabilities in North America to manufacture high quality, large power transformers.

    We have top level engineers and employ 200 people just in the large power segment in WTC, in the United States in the production of large power transformers. We provide an excellent product at competitive prices and are very proud of our quality, service, and on-time delivery.

    Unfortunately, so far, we are not achieving the hoped for return on our investment in the Georgia facility due to the competition with low-priced imports from Korea. We are also experiencing pricing on products manufactured in our Pocatello facility.

    Korean pricing is so low, that it makes it virtually impossible for us to compete for that business or to convince the investor-owned utilities to put the time and effort into qualifying us.

    We are slowly overcoming that, but the biggest obstacle we face going forward is the impact of low priced imports. If the order is revoked, Korean producers will have no limits on dumping and underselling in this market. If that happens, the company I have worked most of my career to build will be seriously threatened.
Today, a second generation of my family's employed in our business, including my daughter Neerja Gursahaney, who is the managing director of Georgia Transformer. On behalf of my family and hundreds of families that depend on Virginia Transformer for their livelihood, I urge you to continue the anti-dumping duty order on large power transformers from Korea. Thank you.

STATEMENT OF NEERJA GURSAHANEY

MS. GURSAHANEY: Good morning oh, sorry. Good morning. I am Neerja Gursahaney, the managing director of Georgia transformer. Georgia transformer's affiliated with Virginia transformer. The two businesses jointly market large power transformers in the United States market.

When we acquired the production facilities of Georgia transformer in early 2015, our goal was to expand our production and size range. As my father, Mr. Jane testified, the Georgia facility is a state-of-the-art facility that has new technology and equipment and highly qualified and experienced engineers.

The facility has produced units up to a 900 MVA transformer. Virginia Transformer's facilities and production capabilities should make us one of the top domestic competitors in the U.S. market. We are actively working to increase our production and sales on the full range of our transformer products to take advantage of our
expanded capability.

We are very eager to take full advantage of this major investment. Unfortunately, we are facing a major stumbling block in the form of low-priced imports from Korea producers. The Korean producers are hurting our business in two ways. First, they are exporting a very large volume of transformers from Korea at prices with which we find extremely difficult to compete. They have been depressing market pricing with prices that are so low, we simply cannot match them and run a successful business.

We have the choice of bidding at prices that are either too low to be sustainable or to bid at a reasonable price level and lose the bid. We have essentially been priced out of the market at many customers.

The second problem we face is that the low Korean prices have made it much more difficult to get the investor and utilities to spend the considerable time and effort to qualify Virginia Transformer in the large sizes of transformers that our Georgia facility was designed to produce.

It's hard to blame the purchasers. Why go to the effort to qualify a new supplier than cannot meet the prices of the current import source?

Thus, while we continue to compete with the Koreans across the market, we are forced to look for bid
opportunities with the public utilities or with customers that Korean producers have missed for some reason.

Public utilities are generally required to take the lowest price of any producer that bids and demonstrates that it can meet the specification. Thus, we are being pushed into a part of the market where the prices tend to be the lowest.

Moreover, the opportunities where the Korea producers are not bidding are becoming harder to find as Korea imports increase.

Despite the challenges created by the unfairly Korea imports, we have continued to try to build and invest in our company. Looking toward the future in 2017, we had made a substantial multimillion dollar investment in our engineering technology, tools, and capital equipment to make us even more competitive.

To compete effectively, however, we must have a market free of unfair trade that will allow us to obtain a reasonable return on our investment.

Revocation of the order covering imports of large power transformers from Korea would be incredibly detrimental to our business. With the order in place and the continued investment, we are hoping still to see positive effects on our business in the form of increased production, revenue, and employment.
Without the order, however, the large power transformer business we have built will be seriously threatened. Thank you.

STATEMENT OF R. ALAN LUBERDA

MR. LUBERDA: Good morning, I'm Al Luberda from Kelley Drye. And I'll conclude our presentation this morning with an outline of the main points of our case. We've provided the Commission and opposing counsel with a confidential version of our presentation on pink paper. A number of the slides are public, but there are some confidential ones.

If I could just ask the secretary about what our time mark is right now?

MR. BISHOP: You have 25 minutes remaining.

MR. LUBERDA: Thank you very much.

So slide 2 is the import volume of large power transformers from Korea was very high and surging between 2009 and 2011 prior to the filing of the petition.

Despite consumption growing over the period, the surge in volume led to a significant jump in Korean producers' market share as well. As you can see from slide 4, the anti-dumping case caused subject imports to decline dramatically 2012 and 2013.

Two of our witnesses testified today, however, once the Korean producers got their duty rates down, imports
from Korea again began to grow over the last few years through aggressive low pricing.

The Korea producers' market share was substantial and rose steadily from 2015 to 2017 despite Korea producers being subject to the discipline of the anti-dumping duty order and despite declining U.S. demand over that period.

Korean producers' behavior both pre and post order demonstrates that subject imports are very likely to increase significantly should the order be revoked.

The Koreans' recent growth in U.S. market share came by the same means the Commission found in the original investigation, by underselling the domestic producers. Prior to the order, Korea producers undersold the domestic industry 93 percent of the time on an initial basis and 95 percent of the time on a total evaluated cost basis for the bids they actually won.

Slide 7 shows that during the 2015 through '17 period, underselling remain the primary means by which the Korea producers win bids. The bid data show that more often than not when the Korea producers unsell -- undersell the domestic industry, they win the bid.

But equally important, when Korea producers did not undersell the domestic industry, they almost never won the bid in head-to-head competition.
Slide 8 compares the data from the original investigation to that collected in this review. In both cases, Korean producers under sold the domestic industry in 90 percent or more of the bids they actually won against domestic producers. The data from this review demonstrate that Korean producers are still underselling to increase their volume and market share at the expense of the domestic industry. And this data should come as no surprise.

Mr. Robinson testified bidding events are designed to achieve low prices. Purchasers confirm that price and total evaluated costs are still very important and that all purchasers ranked one of the -- as price as one of the top three factors in the purchasing decision.

The vast majority of domestic purchasers and domestic producers reported that differences other than price were never or only sometimes significant due to purchasing decision. And importantly, as you heard from our witnesses, general pricing knowledge is transmitted in the market just as the Commission found in the original investigation.

The data also show that U.S. and Korean producers competed throughout the period of review in every size range of subject transformers. The bid data reported by the purchasers in which there was at least one Korea and one domestic producer bidding, the vast majority of bid
events had from three to six different bidders and the bid
events with six bidders was the largest category. So very
robust competition out there.

Moreover, the pre-hearing report states that
Korea companies were competing with domestic producers on 86
percent of the 269 projects on which they bid since January
2015. So respondents cannot credibly claim that they are
not significantly competing against domestic producers for
sales of large power transformers.

In the original investigation, the Commission
found that subject imports suppressed domestic prices in an
expanding market. Record evidence shows that Korean
producers depressed domestic prices during the 2015 through
2017 period.

Purchasers and importers' comments summarized on
slide 12 confirm that they believe that revocation of the
dumping order is likely to lead to further price depression
and suppression.

The data also show that the domestic industry is
in an extremely vulnerable condition. Domestic production
and shipments are already down significantly, capacity
utilization is under 50 percent, demand's falling not
showing signs of recovering, and the domestic industry has
suffered operating losses in each of the most recent three
years with demand low and costs rising, the lost volume and
pricing pressure from additional imports of Korea transformers that undersell the domestic industry will be a financial disaster for the struggling domestic industry.

None of the reasons offered by the Korean producers as to why they will not further increase their imports to the United States is supported by the record data. Slide 14 shows that Korean producers have enough excess capacity to significantly expand their export to the United States regardless of what happens in other markets.

In 2017, nearly 30 percent of their capacity was unused. In the first quarter of 2018, Korean producers were utilizing less than half of their overall very large capacity.

Korea's excess capacity in 2017 amounted to over 54,000 MVA and that's what they've reported. It's probably larger. There is enough to replace nearly the entire reported capacity of the domestic industry available to them.

To use that excess capacity, the Korean producers must export the vast majority of it. In 2017, they exported 82 percent of their production.

The record shows that the United States is the Korea industry's number one export market and by far larger than any other export market. It's therefore the market that is most likely to receive the bulk of any increase in
exports to absorb the Korean producers' excess capacity if
the restraining effects of the anti-dumping duty order are
removed.

While Korea home market sales and export sales
to other markets decreased during the period of review,
their exports to the United States increased even under the
discipline of the order, Korea has taken an increased share
of the total transformer exports between 2015 and 2017.

Without the dumping order, the United States
would represent an even more attractive outlet for
increased subject imports from the -- Korea at the expense
of the domestic industry.

It's worth noting that while the United States
is Korea's top export market and neither domestic producers
nor any other foreign producers have access to the Korea
market, much of that infrastructure for large power
transformers in Korea is government owned and protected from
imports by exceptions taken from the WTO obligations.

The Chaebol System in Korea prevents other
foreign producers from access to the rest of the Korea
market. It's this protection that supports the dumping that
allows Korean producers to undersell the domestic industry
in the United States.

If the order's revoked, Korean producers still
in position to quickly increase their exports to the United
States. The majority of purchasers reported buying large power transformers pursuant to alliance or other long-term agreements and because those agreements limit who can bid on new projects and provide long-term sales opportunities for those who enter them, winning alliance agreements is extremely important.

Purchasers reported a large number of projects that are up for bid in 2018 and 2019. The huge excess capacity available to Korean producers, their demonstrated focus on the U.S. market, and the upcoming bid opportunities to bid on significant project will allow the Korean producers to very quickly overwhelm the vulnerable domestic industry if the order is revoked.

Confidential slide 21 shows the actual 2017 market share for the Korean producers compared to the domestic industry. Keep in mind, the Korean producers got this market share while already under the discipline of the order while the market was declining and while Hyundai's Alabama plant was allegedly inhibiting export to the United States.

The striped portion of the bar chart shows how much additional market share the Korean producers could take without product shifting and without taking any volume away from any other market. Revocation of the order would be devastating.
Korean producers have remained determined to ship to the U.S. market. For example, the Korean producers have dumping margins of 15 to 30 percent for the first few years under the order.

Then they're able to get their margins down to the single digits and their exports began to increase again. In March 2017, however, Hyundai's duty to positive rate went from about 4 percent to 61 percent.

To deal with this problem, Hyundai took advantage of a corporate reorganization that had been underway to spin off its transformer group into a division called Hyundai Electric Energy Systems. As of April 2017, Hyundai then began entering transformers as Hyundai Electric.

As a result of this name change, it made only the 22 percent all others rate rather than the Hyundai specific rate of 60 -- about 61 percent.

At no point did Hyundai inform the Commerce department what it was doing. When the scheme eventually came to light, Commerce initiated a successor ship review. Commerce has term Hyundai's behavior in not informing them and -- among other things as duty avoidance and it's preliminarily determined to apply retroactive 61 percent duties to Hyundai.

Final decision is pending and Hyundai still has
not paid the 61 deposit -- 61 percent deposit rate that it earned.

While Hyundai had other reasons to change its corporate structure, it used this reorganization to avoid its correct anti-dumping rate.

The point is that Korean producers have been doing whatever it takes to maintain and increase their transformer sales to their primary market, the United States.

Both respondents rely on alleged future increase in production at Hyundai's Alabama facility as evidence that imports from Korea as a whole will decline even if the order is revoked.

Such claims are unsupported by the evidence. First, Hyundai's Alabama operation has no impact on Hyosung's or Ilgin's exports to the United States. The question before the Commission is not what Hyundai will do in isolation, but what all Korean producers will do absent the order.

Record evidence provides that answer. While Hyundai Alabama operated throughout the review period, the volume and market share of subject imports nonetheless increased as shown on Slide 23. This directly contradicts respondent's claims.

Second, the Korea producers' behavior
individually do not support respondent's claims. In the original investigation, Hyosung told the Commission that subject imports would be stable or declining in the absence of an order, because Efacec, Waukesha, Hyundai and Mitsubishi had all expanded domestic capacity. That domestic capacity was added to manufacture all the products Hyosung was then claiming the domestic industry could not produce.

Nonetheless, we invite the Commission to review Hyosung's actual exports to the United States over the review period and evaluate just how accurate Hyosung's arguments were.

Hyundai's claim that the Alabama facility will supplant its exports from Korea is a rehash of the argument it made in the original investigation. That argument falls apart when you test it against its actual behavior since the order was imposed.

Hyundai claimed in 2012 that its U.S. production facility would mean fewer exports to the United States going forward. As the record shows, Hyundai was -- has continued to ship significant quantities of subject merchandise to the United States during the period of review from 2015 to 2017 even as its Alabama facility has ramped up production.

Hyundai's shipment levels from Korea have borne no direct relationship to its shipment levels from Alabama.
Hyundai, in fact, is attempting to maximize shipments from both facilities with anti-dumping -- with the anti-dumping duty order providing only -- the only restraint on its exports from Korea.

Hyundai also repeated in its pre-hearing brief in this review the claim that the Alabama plant will replace exports from Korea to the United States over time if the order is revoked. Over Hyundai's 2017 prospectus, states that its efforts to localize production were driven in part by its need to work around the 61 percent duty it received in 2017. These are the very restraining effects Hyundai is seeking to eliminate.

Moreover in March of this year, a Hyundai Official testified under oath at a Canadian international trade tribunal that Hyundai intended to continue supplying the United States market from Korea as well as from Alabama. This, too, is inconsistent with Hyundai's claim that Hyundai Alabama will largely replace Korea imports.

Hyundai's pre-hearing brief also claims that it will focus on exports to the Middle East rather than to the United States. In contrast, Hyundai's 2017 prospectus makes clear that it views the Middle East as a less promising market than the United States or North America in general.

Moreover, just a few months ago, Hyundai official told the Canadian tribunal that Hyundai intends to
continue shipping from Korea to the United States even with
the high dumping duties in this market.

Now Hyundai was trying to convince the Canadian
tribunal that more Korean exports would not end up in
Canada. And they obviously want you to believe that they
won't end up here. The Canadian tribunal didn't buy it,
however, and neither should this Commission based on the
evidence before you.

The record shows the Commission cannot rely on
the Korean industry's rehash of baseless promises not to
increase imports to its primary export market and not to
undersell the domestic industry to do it.

Rather, the Commission should base its
determination on the Korean producers' documented behavior
pre-order and post-order. There are huge capacity in excess
capacity and their demonstrated focus on exports to the
large U.S. market, their number one market.

One that basis, the Commission should reach an
affirmative determination. Thank you. The domestic
industry panel would be happy to take your questions now. I
just take a second to introduce my other colleagues here.

We have Karen Spors from SPX, who is also
available to take questions. And then I am joined by Kathy
Cannon, Melissa Brewer, and Gina Beck from Georgetown
Economic Services. So I know you all recognize. So thank
COMMISSIONER WILLIAMSON: Thank you. I want to express my appreciation to all the witnesses for coming to the hearing today. Your presence is very important to us. We'll begin the questioning this morning with Commissioner Kearns.

COMMISSIONER KEARNS: Yes, thank you again all for appearing today. The respondents referred to nonsubject imports as being the elephant in the room. And I do think we need to talk quite a bit more about the role that they play.

Hyundai provided a table on page 24 of its pre-hearing brief showing the shifts in market share between the domestic industry, subject imports, and nonsubject imports between 2011 and 2017.

In light of these trends, why wouldn't any increase in subject import volume after revocation come at the expense of nonsubject imports instead of the domestic industry?

MR. LUBERDA: Well, first, Commissioner Kearns, I note that in -- over the last three years, you can look at where the market shift has occurred as Korean underselling has been prevalent there. And the -- over the last three years at least, there has been a level sort of playing field when it comes to nonsubjects. They are large. There's no
question about that. The fairly traded imports from third
countries, though, have been level of the last couple years
and the market share has been coming from domestic
producers.

So if you look at our trends and their trends,
I'm not sure that it holds water, but you know, I'll say
that and Mr. Campbell's opening, he wants to make this kind
of about Hyundai versus ABB, that you know, ABB is importing
from other places and Hyundai is now a domestic producer.

But this isn't about Hyundai and ABB. This is
about the Korean industry and the domestic industry. There
are, you know, five other domestic producers not named
Hyundai. Most of them are here today. And there are other
Korean producers who don't care what Hyundai USA is doing
here and they continue to ship here.

There are also third countries who are competing
gloriously here for business, but as you saw from the slides
we presented, the unfairly traded imports from Korea are
underselling us and taking market share right now.

So this is, you know, if we had -- if this were
an investigation, that I think their claims might be a
little more relevant. But in a review like this, the fact
that we're competing against a large number of third country
markets is another indication that we're vulnerable when one
of the largest players in the world decides that it's going
to be the low ball pricer in our market.

MS. CANNON: Commissioner Kearns, could I maybe supplement that, please? So I would say, first of all, the fact that nonsubject imports have come into the U.S. market in increasing numbers once the order was imposed is not an unusual or unique circumstance. We see that frequently in sunset reviews. The Commission has seen that frequently. They often come in to try to take advantage of one, you know, supplier to a market and that is what initially happened. There were imports that raced in from other countries, trying to grab market share.

What the database doesn't show completely, though, is that the U.S. industry was also initially able to benefit. You saw the chart we put up that shows from 2012 to 2013 how low the imports were from the subject countries. The U.S. industry's market share went up then, too. You don't have those data points, but you do have a data point for 2015 and you see from that even then how high our market share had gone up to. So we were benefiting, too. They were benefiting, we were benefiting. That's not uncommon.

What happened increasingly over the most recent three years, though, is they have become more aggressive at using the low prices that they used before to take sales from us. And it's not just from nonsubjects.
Another one of the charts that we put up showed direct head-to-head competition, U.S. versus Korea, where they were getting the bids because they were at the low prices. They were taking them away from U.S. producers in direct competition.

So there's ample evidence on the record not simply of them displacing nonsubject, although they did that, too. We're not disagreeing, but they have taken it as well from the U.S. producers at the low prices that they used before and they will continue to do that. And that's the piece of the puzzle that they're really not acknowledging. They're trying to just look back and not acknowledge where they are now, what they've done recently, and what they have this ample capacity to do forward that will absolutely decimate this very vulnerable industry.

COMMISSIONER KEARNS: Okay, thank you. So I mean, what I'm hearing is, because I'm looking now at our staff report, Table 1-1. And there, we're comparing 2011 to 2017. And U.S. market share is up only .7 percent.

So I guess what I'm hearing from you is that you really have to not look at just 2011 versus 2017, but 2011, 2015, 2016, 2017 and see what's happened over the past three years.

MS. CANNON: Exactly. If you look at Table C-3, not all of it is public, but one statistic on it that's
public is that the U.S. market share in 2015 was 19.2 percent. And as you've heard our industry testify, and as your data show, 2012 and 2013 and 2014 were all lower volume years for subject imports.

And in each of those years, the U.S. industry was doing better, was gaining sales and had higher market share. We did benefit initially from the Koreans going away. It wasn't just the nonsubject.

What's happened over the most recent few years is the Koreans have searched back in more. And you see that in the confidential data for the most recent three years. The nonsubjects have not been the ones that have been increasing now and they're the ones that are displacing us. So it is a bit of a timing issue.

COMMISSIONER KEARNS: Okay, thank you. I guess that gets me to my next few questions, which is so you're still being hurt by Korean imports, even though Korean imports with the duties are now fairly traded. So what do we make of that? And why -- how can it be that you all are still being hurt by Korean imports?

And I guess part of my question, something I'd like you all to explain or touch upon, is how much the anti-dumping duties have changed over the past few years? And you -- Mr. Luberda, you mention that to some extent just with respect to Hyundai, but I know in the most recent
review, I believe all of the Korean producers have -- now
have the same margin and I'm wondering why -- what happened
there, why the margins are so much higher and what impact
that has had on the market and is expected to have on the
market in the next few years?

    MR. LUBERDA:  Well, obviously, with products
that are, you know, go for a million, $2 million, $3
million, a 60 percent margin makes a big difference in your
ability to sell and to the market and to undersell the
domestic industry.

    So what happened was that the Korean producers
received an adverse facts available for failure to
cooperate. You know, they of course argue they cooperated
fully.

    But you know, there was comparison of documents
to numbers reported and the department found their responses
to be unreliable. So they have deposit rates of 61 percent.
However, as we pointed out, Hyundai is really only paying 22
percent right now. And as we've shown in our brief, it's
likely that Hyosung is also only paying 22 percent.

    So there's no doubt that the 61 percent created
some burden to the extent that there has been any decrease
from in Korean imports from one or another, it's likely due
to that, not the -- anything they're doing in the United
States at Hyundai Alabama.
But the margins went up as Commerce found that they had to. And so, you know, those are the margins that they have to deal with right now.

Of course, the legal standard here is that if -- you know, the Commerce Department's found that if dumping recurs, it'll recur at 15 to 30 percent, right? And that was a level at which in '12, 2012 and 2013 subject imports did decline in the market and the domestic industry was better able to compete.

COMMISSIONER KEARNS: Right, but with those same margins, more recently--

MR. LUBERDA: So those margins--those margins start, became effective--the 2018 margins applied to everybody--became effective in March of 2018. So you don't have data on the record that shows their reaction to that, yet. Your record only goes through the first quarter of 2018.

COMMISSIONER KEARNS: But my question is, you just mentioned in the first three years after the Order was put in place that margins in the range of I think you said 12, 13, to 20 percent, that that had a big impact on market shares.

MR. LUBERDA: Yeah, it was 15 to 30 percent. So the average was 22. The deposit rates did not change. It takes about two-and-a-half years for the first deposit rate
to change at Commerce. So the first few years--because you have a year to wait to do the review--they take 18 months to complete. So it was into 2014 when they first--

COMMISSIONER KEARNS: So I guess your point is, more recently, in the past three years, the margins were lower than they were--

MR. LUBERDA: After that, the margins went into the single digits for awhile. Those, too, are under appeal. Everything--right now, everything is on deposit; nothing has actually been levied yet. Everything is on deposit. But it went down for three years or so, and then they started jumping up in March of 2017.

COMMISSIONER KEARNS: Okay, thank you. I have no further questions right now.

COMMISSIONER WILLIAMSON: Okay, thank you. Since I grew up in St. Louis, I've got to ask this question first. Where is the ABB plant located in St. Louis?

MR. ROBINSON: It's very close to--very close to Ferguson. So it's probably 15 minutes from the airport in St. Louis.

COMMISSIONER WILLIAMSON: Some place off Natural Bridge?

MR. ROBINSON: It's on Natural Bridge Road.

COMMISSIONER WILLIAMSON: Okay, thank you. Okay, now that I've gotten that out of the way,
why hasn't demand growth been more vigorous, given the
economic growth in the U.S.? I mean you've even indicated
that you don't expect demand to recover. So I'm just
curious, why is that the situation?

MR. MASON: Overall, the drivers of demand--

COMMISSIONER WILLIAMSON: Mr. Mason?

MR. MASON: Oh, I'm sorry. I'm Brian Mason with
SPX. Overall the drivers of demand for large power
transformers are actually increase in utilization of
electricity. Obviously there's been a lot of energy
conservation metrics--mechanisms put in place over the last
several years, so we're seeing very little growth in actual
consumption of electricity in the U.S.

So a lot of the demand for large power
transformers today is really more driven about replacement
of the aging fleet of transformers that are out there, and
then a little bit more on reconfiguration for really grid
security, you know, to make sure you've got the redundancy
there and spares for repairs. So all of the forecasts, all
of the investment numbers that are out from the publicly
traded utilities show kind of steady state investment in
the future going forward.

COMMISSIONER WILLIAMSON: Okay. What about in
terms--what impact does the increased focus on renewables--
does that have any effect on demand?
MR. MASON: It's demand, but it's reconfiguration. So a couple of things are in place. It used to be that the large transformer demand was really driven by large nuclear and oil—or I mean coal-fired facilities. Now as we see most of the investment going into smaller, natural-gas-fired, renewables—wind energy, solar energy installations—those tend to be kind of smaller, sometimes still large power transformers, sometimes medium power transformers, but they're much more distributed.

So we're just seeing really more a reconfiguration of the grid versus a reinvestment in the nuclear energy side of the plant—of the business, as well as the coal side of the business. I don't know if that was clear or not—much larger installations requiring bigger, more robust transformers to really kind of the smaller end of things.

COMMISSIONER WILLIAMSON: Okay. Mr. Jain, you talked particularly about your capacity for the large power transformers. So I was wondering your views on the market going forward.

MR. JAIN: Would you repeat the question?

COMMISSIONER WILLIAMSON: You talked about capacity of your form to build the large transformers, so I was just wondering about your views on demand going forward, particularly for the larger ones.
MR. JAIN: I follow up on what you were speaking about the wind power energy and the renewables. You know, I think it is likely it could increase. However, given the competition from Korea, it's very, very difficult for us to prevail in that market, even though the demand is there. And, you know, in our country we are 8 percent renewable right now, and are going to hopefully continue to grow, but it's really just the circumstances of the pricing in the marketplace is so bad right now, we just cannot prevail.

COMMISSIONER WILLIAMSON: Okay. What impact does climate change, or the natural disasters have on demand?

MR. NEWMAN: Mr. Chairman, we have not seen it have a big demand thus far—I'm sorry, Steve Newman from Delta Star—we've not seen it have a big impact. Now we do have some coastal areas that are concerned and starting to inquire.

To follow along on SPX's issue, for large power the main issue that we are not seeing replacement is the monitoring technology for transformers has exploded in the last few years. The ability to watch a transformer and allow it to go from 30 years to 50 years, but watching every component within that and having online communication about it is extraordinary. And that is also keeping demand low.

COMMISSIONER WILLIAMSON: Oh, you mean you can
keep using the transformers longer, as long as they tell you they're not going to blow tomorrow?

MR. NEWMAN: Yes, the fiber optics--yes, sir, the fiber optics and others that some of these companies have developed is extraordinary. And you can watch a transformer go all the way down to nearly the end of life, where before you would have taken it out of service based on time.

COMMISSIONER WILLIAMSON: Okay. Is there a difference between the U.S. firms and the Korean firms in using this technology, or competing on the basis of providing that kind of service?

MR. MASON: Most of that technology is deployed by the owners of the assets. So it's typically utilities implementing those, and they can be used in any producer's transformers. So it was really going more towards the demand of saying that, you know, by monitoring those it kind of decreases the short-term demand because you're going to optimize the asset for the longest period possible.

COMMISSIONER WILLIAMSON: Thank you. Does anybody else want to add anything on demand?

MR. ROBINSON: Mr. Chairman, Steve Robinson for ABB. We have developed our own technology for the digitalization on transformers, so we send out transformers what we call digital enabled that allows the customers to do
the monitoring that has been spoken of. So whilst the
customers specify it, we do have our own technology. That
R&D work actually took place in St. Louis.

COMMISSIONER WILLIAMSON: Good. Okay. Now is
that a sort of separate service that goes along with the—or
is that incorporated in the sale of the transformer?

MR. ROBINSON: It—again, Steve Robinson for
ABB—Mr. Chairman, it does depend on what the customer asks
for. Sometimes the customer will ask for a service package
that goes with that transformer. Other times they will
service that unit themselves, or use third-party companies
for service works.

COMMISSIONER WILLIAMSON: Okay, thank you. I
want to turn to the question of the alliance agreements,
blanket agreements, and whatever other ways that you sell
transformers. Just to clarify what are the differences
between these different approaches?

MR. MASON: So there's multiple different
methods of—I'm sorry, this is Brian Mason from SPX—there's
multiple different ways that the utilities procure.

So an alliance agreement is typically done to
ease the commercial transaction. And depending on the
utility, sometimes they'll sole-source to a given vendor for
a range of transformer sizes over a period, two to five
years are kind of normal ranges for those. Some of the
utilities may pick one or two vendors to be there, and they may do a split of share on those alliance agreements, again for a longer term.

And sometimes there is a hybrid where some of them will have three or four vendors into an alliance agreement, and then each time there's a new design those four vendors will bid for those.

So we differentiate that from the open market, which is a bid-for-bid design that's out there which, you know, public power or municipal markets are typical bid-for-bid. And then there's a lot of one-off needs from different utilities where those are bid-for-bid type alignments.

So one is really made to actually ease the procurement process for duplicative orders of a similar transformer.

COMMISSIONER WILLIAMSON: So when you have an alliance, is there someone who's like the lead partner, or the lead--and is that usually a producer of the LPTs?

MR. MASON: Again, Brian Mason from SPX. Normally somebody wins that alliance agreement, and they get either all of the share or the lion's portion of that share, the majority of that share, when they win it. And they lock out all of their vendors for that period of time.

COMMISSIONER WILLIAMSON: I still don't
understand it. Why do they call them an alliance agreement?

MR. MASON: The other part of the alliance agreement is that you typically, once you enter into that agreement with them, you also reserve space within the factory and guarantee them a lead time and everything. So you're working to reserve time so that you've got a committed baseload of volume for that duration. So really from a manufacturer's standpoint, it's kind of to allow us to forecast at least our manning strategies for the plant for a period of time.

COMMISSIONER WILLIAMSON: Okay. Either now or post-hearing, any estimates of what percentage of the market is covered by these agreements, and what percentage is covered by the open procurement.

MR. LUBERDA: I don't know that we can give you anything public today. We can try and--

COMMISSIONER WILLIAMSON: Post-hearing is fine.

MR. LUBERDA: We will try and provide that for you, Mr. Chairman.

COMMISSIONER WILLIAMSON: Because I guess the question is to what extent does the alliance agreements limit competition between subject imports and the domestic like product.

MR. LUBERDA: The record shows that they do--there is some limitation. There are some overlapping
alliance agreements, to they'll have more than one. And so you might have two alliance partners who might compete on a particular project if they're over the same size range of unit, too. It's not quite as rigid as it was during the original investigation. It's loosened up some. It could be that the dumping case had something to do with that. There was a little shock to the system there I think.

But it has gotten less rigid. Still, as I think you heard our witnesses testify, if you have an alliance agreement your chances of getting those sales over a period of time go up substantially. They don't have to buy from you, but, you know, to the extent that they projected that they're going to purchase over that period, they're going to--you know, you're the people who are going to get the first crack at it, for sure.

COMMISSIONER WILLIAMSON: Okay. Well the vendor who is not a part of the alliance agreement is worse off than someone who's in it?

MR. LUBERDA: Absolutely.

COMMISSIONER WILLIAMSON: Okay, well I'm not sure I fully understand it, but my time has expired. So let me turn to Commissioner Broadbent. Thank you.

COMMISSIONER BROADBENT: Thank you. And I welcome the witnesses today and thank you again for coming. It really helps us. And it's fun to see the
father-daughter team in the back row there.

Most U.S. producers reported operating losses throughout the period. Despite this, many producers announced investments in additional capacity. Can you explain what drives the lack of profitability in this industry, which does not appear to make sense given the industry's own actions or the nature of this market?

And I guess what I'm speaking about is all the increases in capacity. I mean it sounds like we've got a lot of structural demand decline, but then a lot of additional capacity has gone in by all the domestic companies. And I was trying to understand your thinking on that.

MR. MASON: Yeah, I would say in our case--this is Brian Mason with SPX--in our case, the actual investment went in pre the original ruling that went in. So we were actually fully operational in 2012 at the time.

And so our decision point really for investment was back in 2007-2008, which the industry was at, you know, capacity limited. We saw a lot of growing momentum for large power. We were already a significant large power manufacturer at the time. We just expanded the range of units that we could build.

So we saw a positive market dynamics back in 2009-2012 when we made that initial investment. Investments
subsequent to that were really just to augment the facility and drive productivity within the facility.

COMMISSIONER BROADBENT: So you didn't make decisions to expand after 2009, except--

MR. MASON: We made the decision point in 2009-2010 really before the initial order was put in place. And at that time there were very positive fundamentals for growth of large power in the U.S. And most of those have gone away.

COMMISSIONER BROADBENT: Okay, so SPX hasn't really expanded since 2009?

MR. MASON: Yeah, we basically started full production in 2012 at the Waukesha expansion, and we've really made no significant investment since that time.

COMMISSIONER BROADBENT: Okay. And are there other expansions in capacity that can be explained?

MR. ROBINSON: Yes, Commissioner. Steve Robinson for ABB. I'd like to maybe touch on two points you raised. You spoke about the operating losses over the last several years.

So we, as I testified, we suffered significant losses in the St. Louis facility. And those losses were driven by a loss of market share, and effectively having to compete in a market that was being aggressively underpriced by the Koreans. It got to the point where those losses
essentially made the St. Louis facility nonsustainable. We had to take the decision to close that
facility. But on the flip side, or part of that closure
process, as our commitment to the United States and our
customers in the United States, we are investing heavily in
both our South Boston, Virginia, facility, as well as our
Crystal Springs, Mississippi, facility.

Those investments are very much driven to be able
to serve around about 70 percent of what we did in St. Louis
in South Boston going forward. I would be happy to provide
the details of those investments in the posthearing brief.

COMMISSIONER BROADBENT: Okay, so what was the--
kind of the years you were thinking about closing the St.
Louis--

MR. ROBINSON: The decision was taken and
announced in November of last year.

COMMISSIONER BROADBENT: Okay.

MR. LUBERDA: Alan Luberda. If you'll remember
from the original investigation, the Koreans came in and
said, gee, the domestic industry can't make any of the stuff
we make. We're on the high end of the MVA range.

In fact, at that time Efasec came and testified
at the final. They had just built a facility to make the
things that--SPX had just invested to make those larger
sizes. So they were broadening the size range here to meet
the overall capacity of the domestic industry.

We're under--we're less than the whole market.
So it's not that these folks are over-investing in a market
that's not there. There's market there. We have to compete
for it. And maybe Ms. Gursahaney or Mr. Jain can reply, but
when Efasec looked to sell their facility, they looked to
broaden their product range. And there was a new facility
that they could buy.

So this has been about being able to service the
market that's actually there, and compete for that market.

MS. GURSAHANEY: This is Neerja Gursahaney with
Georgia Transformer. To add on to what Alan has said, that
was the reason why Virginia Transformer invested in
purchasing the huge asset and investment with Georgia
Transformer, was to increase our product scope in order to
meet the needs of the U.S. market.

COMMISSIONER BROADBENT: Okay, I should have
asked this question first because I still don't quite
understand what's going on with demand, and whether the new
demand, the shifting demand is within the scope of this
Order, or there's more demand for smaller transformers that
aren't covered by the Orders.

So if somebody could just kind of review for me--
and I know we talked about it, but what's going on with
demand?
MR. MASON: From a demand overall of transformers, it's fairly flat. We've had, you know, some slightly upyears, slightly downyears, but as we look over a three- to four-year period, demand in the United States proper has been fairly flat, while globally—and I think Steve can speak to it—

COMMISSIONER BROADBENT: But it's changing, right, for the different products based on the green energy and--

MR. MASON: Actually, within the scope of this, not really.

COMMISSIONER BROADBENT: Not really?

MR. MASON: So what you're really seeing is from the two, three, four hundred MVA, you're seeing more of a shifting down to just under a hundred MVA. So a lot of these wind farms and solar farms, while they're still buying large power transformers, they may not be buying a 400 or 500 MVA transformer the coal plant would have purchased. They're buying 3- or 4, 90 or 100 MVA type units for that.

COMMISSIONER BROADBENT: And those are in-scope.

MR. MASON: Correct.

COMMISSIONER BROADBENT: Okay. So to the extent that demand is changing because of different configurations of energy, it's not really increasing demand out of scope?

MR. MASON: Correct.
COMMISSIONER BROADBENT: Okay. And demand is flat overall?

MR. MASON: Right.

MR. ROBINSON: Commissioner, Steve Robinson for ABB. Maybe what I would like to add there is from a global perspective, from 2016 to 2017 we have seen just over a 30 percent drop in the market. That drop in the market continues into 2018.

COMMISSIONER BROADBENT: So that's conflicting information, right?

MR. ROBINSON: No, it's the global demand. So outside the United States the global demand has dropped quite significantly.

COMMISSIONER BROADBENT: So it's flat in the U.S. but dropping--

MR. ROBINSON: But in the U.S., dropped more than 30 percent. So obviously all the target markets for the Korean producers has dropped significantly and hence the increased pressure that we're seeing.

COMMISSIONER BROADBENT: And what's the cause for the global drop in demand?

MR. ROBINSON: A lot of the drop is coming out of the Middle East, and linked to the price of oil, and deferred projects, and cancellations. But there's also drops in Europe and the rest of the world.
COMMISSIONER BROADBENT: Is this because of this digitally enabled sensors that are able to keep the transformers online longer?

MR. ROBINSON: Not—I wouldn't say that's contributing, Commissioner, right at the moment. We will see that more and more going forward. It's just a general drop in demand.

COMMISSIONER BROADBENT: It seems kind of odd at this point. I mean, are other products following that 30 percent that are similar?

MR. ROBINSON: Commissioner, I don't have the exact details, but utilities and consumers across the world change out assets at a different rate. There might have been investment cycles in other parts of the world that are head of maybe investments like OSI or different investment cycles that may be contributing to that drop in demand.

COMMISSIONER BROADBENT: Okay. Let's see. Mr. Newman, you say that you're an employee-owned company. Are you an ESOP company? And if so, what factors led to your formation of ESOP?

MR. NEWMAN: We are. We are an ESOP corporation. We have—both of our facilities in the United States are part of that EOP. We were a spinoff of ATA Porter, which had some asbestos problems, you may remember. And when that occurred, there were a number of spinoffs, and
Delta Star was spun off as an ESOP.

COMMISSIONER BROADBENT: Okay. And does this affect your ability to invest in yourself and compete in the market?

MR. NEWMAN: It has not in the past. In fact, before this Order took place back in the 2007-2006 area, we invested about $45 million into our facilities. Today, if you were to visit, you would find it to be a world-class facility there. And our investment has not been in additional capacity over the last few years, it has been in R&D to keep us leading, cutting edge.

COMMISSIONER BROADBENT: That's good. Thanks.

Mr. Mason, from SPX, you stated that the Hyundai plant in the United States is an additional source of supply, not a substitute for Korean supply. Do you ever see bid competition from both the Hyundai plant in Alabama and the Hyundai affiliate in Korea for the same project?

MR. MASON: Yeah, and actually it's somewhat deceptive in some cases because what we will see on a bid list is it'll say that it's Hyundai Montgomery Alabama bidding. We will then ask specifically when the bid is won where is the source of the transformer being provided, and we'll get an answer back: Oh, the transformer is actually being manufactured in Olson, Korea. But the repair facility is in Montgomery, Alabama. That's what we meant.
So we are really not seeing much competition out of the Alabama facility. We're still predominately seeing our bids coming out of Ulson, Korea.

MR. ROBINSON: Commissioner, I would support that statement.

COMMISSIONER BROADBENT: Okay. And maybe for post-hearing you could kind of document that a little bit. That would be helpful. Thank you.

COMMISSIONER WILLIAMSON: Okay, thank you.

Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Thank you. I'd like to thank the witnesses for being here today.

I want to go back to the question of nonsubject. In the Respondent's brief they attach an exhibit, Exhibit 12, where they analyze some of the bid data with respect to nonsubject.

Do you agree that this analysis and the bid data that we have on the record shows that nonsubject primarily oversells U.S. industry in the comparisons that we have?

So it's at page 29 to 30 of their brief where they analyze this. And their point is, just to shortcut this a little bit, is that the nonsubjects have been successful in the U.S. market, even though the bid data we have on the record is showing that they are not the lowest price and so that would, they argue, suggest that there are
nonprice factors that are at play.

So the question really is, do you think there's record evidence showing that nonsubjects are winning by being the lowest price? And if they're not the lowest price and they're winning, then does that suggest that there are nonprice factors that come into play?

MR. LUBERDA: There are always -- this is Alan Luberda -- we're not denying that nonprice factors enter into the purchasing decision. Everybody here, you know, they have to put out a good product, they have to -- people have to wanna buy from them. And I wanted to point to one of our slides --

COMMISSIONER SCHMIDTLEIN: Well, so for nonsubject, do they win by being the lowest price? Or is it only subject that has to be the lowest price in order to win? Because there's some other issue with --

MR. LUBERDA: They sometimes win with low price. Sometimes they win with other things. But, you know, there was a chart where we had the circles, right? We more often than not -- yeah, so this one.

So the Koreans were underselling the U.S. We managed to win 8 out of 18 from the Koreans. And I'll get to the third country in a second. But we managed to win 8 out of 18 from the Koreans where the Koreans underbid us, which suggests that we did have some nonprice issues going
for us to win. And third countries did, too.

COMMISSIONER SCHMIDTLEIN: So what kinds of
nonprice factors would those be? Give me an idea.

MR. LUBERDA: I'll let the members of the
industry say what things --

MR. NEWMAN: They tend to be design, service,
expectations from the customer, meeting those expectations,
delivery time, those type items, reputation, or other items
that are considered.

MR. LUBERDA: So, yes. Nonprice factors do
matter. They matter to us. They matter to everybody. And
so we won some with nonprice factors. Nonsubject have, too.
But when you look at the data -- So there's no data here
that would suggest -- and there wasn't really on the
original investigation record either.

There's no data here that suggests that the
Koreans are primarily winning because of nonprice factors.
Because they almost never win when they oversell. You would
think the numbers for them would look a lot more like the
numbers for us, a little more 50-50, 60-40, if they could
argue that, hey, nonprice factors were a much bigger deal.

They're winning based on the record data, just as
they did in the original investigation where they almost
never -- they win when they undersell, they almost never win
when they don't. Now, this is a sample. But it supports
what you saw in the original investigation which was on a much larger scale of bid data that you collected.

COMMISSIONER SCHMIDTLEIN: So you all would argue that for the U.S. product and for nonsubject, price and nonprice maybe are more equal in the consideration of buyers, but when it comes to subject from Korea, based on this data, we should conclude that buyers are buying because of price? Is that correct? Am I understanding the argument?

MR. LUBERDA: I think you should conclude from this data that price is an extremely important consideration in all sales, but it is one of the important considerations that lead purchasers to purchase from the Korean industry.

MS. CANNON: This is Kathy Cannon. I think what you should also conclude from the data is that, and what we've heard from the industry, is that the nonsubject imports' prices are very close to theirs. You're not seeing a big difference in the prices between the -- they are higher than Korea. And so when they're getting the bids, the U.S. producers, like on this chart, and the nonsubject producers are getting the bids, they're all at a higher price point than the Koreans.

So when the U.S. industry, even in the early years of the -- after implementation of the order -- lost bids and nonsubjects got the bids, the industry did better.
You heard everyone testify. Because the prices weren't so low. All the prices had risen. Nobody was selling as low as the Korean producers were. The Korean producers are the problem price-wise. Nonsubjects and U.S. producers are much more on a competitive par price-wise.

MR. NEWMAN: If I could just add to that. The fact is that we all have CRM systems. We're watching these, and we know who we're bidding against. But in --

COMMISSIONER SCHMIDTLEIN: That's another question I had. So, but go ahead.

MR. NEWMAN: So when we end up doing that, we know if we're going up against some of our colleagues in Europe, GE, SMIT, these guys, we're probably gonna win some, we're gonna lose some. It's gonna be close. But when you go up against the Koreans, as much as they may like us, enjoy our service, enjoy our reputation and what we end up doing, if you're 30% below them, they are going to be inclined to buy that 30% below product. That's what gets them over that hump.

COMMISSIONER SCHMIDTLEIN: When you said we have CRM system so we know who we're bidding against, what -- can you elaborate on that? 'Cuz that was a question I had. Do you know in advance who you're bidding on, and how is that?

MR. NEWMAN: Generally we do with investor-owned utilities. With some of the Muni's and Coop's, they have an
open process and they will take bids from anywhere across the world despite reputation. It's low price.

We oftentimes though, when we're competing against anyone else in this room, we generally know who the bidders are going to be. We generally have an idea of the quality factors and there, whether they won or not in the past there, and that helps us. It may not help us get a profit out of it, but it will help us understand kind of where we need to go in.

COMMISSIONER SCHMIDTLEIN: So how do you have that information?

MR. NEWMAN: We get it like everyone else, I think, from our rep networks. We have a rep network through the country and they receive feedback. They can come in, in the form of a municipal bid, as official data that comes back.

We can get it back from a company saying, "You were coming in 5 out of 5, you were 2 out of 5, you were 20% below," that information doesn't always come back and you don't always get a number, but generally you did get a flavor for where you were in the market.

COMMISSIONER SCHMIDTLEIN: But in advance, when you're looking to bid and you know who you're bidding against, how do you know who you're bidding against? If it's not an open, you know, a publicly-owned utility?
MR. NEWMAN: Generally you would know. A
customer, like an investor-owned utility, whose approved at
that facility.

COMMISSIONER SCHMIDTLEIN: I see.

MR. NEWMAN: So you know that ahead of time and
your CRM system would tell you in the past the feedback that
we've gotten is, Delta Star was 3rd place, maybe ABB was
2nd, Koreans were 1st and you have that information as you
go into those bidding processes.

COMMISSIONER SCHMIDTLEIN: And what does CRM
stand for?

MR. NEWMAN: It is a Customer --

COMMISSIONER SCHMIDTLEIN: Relation --

MR. NEWMAN: -- Relations package, yeah.

COMMISSIONER SCHMIDTLEIN: Management? Okay.

MR. NEWMAN: Yeah.

COMMISSIONER SCHMIDTLEIN: Okay. And is this
consistent with the other experiences for the witnesses on
this panel?

MS. GURSAHANEY: I would agree. You know from
past history with a customer who they have bought from. So
you take that as knowledge going forward. Well, they have a
preference for possibly a Korean supplier or a domestic
supplier. And you know in advance what are their hot
buttons? Are they worried about lead times? Are they
worried about quality? And other factors that may not be
price-driven. You'll know what they emphasize. Thank you.

MR. MASON: Likewise, sometimes we're just told. We're told right up front who is on the bid list. Sometimes it's right in the specifications. Qualified bidders for this bid, and they'll list whose on the list. And so you'll know right up front from the documentations. So more often than not, we know on a public utility, who is on the bid list. From a municipal or public power opportunity, we'll be told, "We'll accept anybody, and we'll evaluate the submittals on a one-for-one basis."

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BLAKE: A lot of times, we would see who's on the bid list from our rep force, and what we see is if the Koreans are on it, there's so much resource to put together a proposal, that we just won't even bid it, just because we know that we lost on a low-price proposal, so that's how we do that.

COMMISSIONER SCHMIDTLEIN: So my time is up, but I just wanted to follow up. Are most of these bids -- and I know one of the other Commissioners touched on this, the Alliance Agreements and the Master Agreements, I guess is sometimes they're called, or blanket agreements -- are most of these projects bid with that in place?

MR. MASON: The vast majority of transactions are
done open-market, so bid-for-bid, and you know who you're bidding against in some cases, many cases you don't. The Alliance Agreements tend to be higher volume over a longer period of time. To exactly say what percent of the total, we'll have to work on that post-brief to try to divide up what we think the total market is. But in our piece of it is, it's kind of a 50-50 proposition.

COMMISSIONER SCHMIDTLEIN: Okay. And what others -- Mr. Newman, you had --

MR. NEWMAN: Same price. About 50%.

COMMISSIONER SCHMIDTLEIN: Okay. Okay. All right, well, my time is up. We can follow-up with the next round. Thank you.

COMMISSIONER WILLIAMSON: Thank you.

Commissioner Kearns?

COMMISSIONER KEARNS: Just to pick up an issue we just touched on. Public utilities, can you tell me more -- what percentage of sales go to public utilities? I think I've read that price is more important there and if you can tell me more about that, how important is price?

And does this suggest that the Koreans, since they seem to be -- that seems to be their strong point, price, do you tend to see the Koreans do better in sales to public utilities than you do in other segments of the market?
MR. NEWMAN: So first, a lot of the public utilities do not have as large a power as some of the smaller quantities they tend to have, because they tend to be distribution less transmission. Staying within the guidelines of large power, yes, almost all of them are price-driven.

Some of them do have the ability to get some very carefully worded items related to quality and past actions. But it does tend to be an item that relates to public bidding. As a result, Delta Star doesn't always get to bid in some of those because our product tends to be very high-quality, a robust transformer, and if someone is willing to just buy on price, it is very difficult sometimes for us in that market.

MR. MASON: Price is always important on every one of the bids. You know, really, the Alliance Agreements in that part of the market, really is more about if pre-qualification is required to bid on those. And you typically need to motivate a utility to want to qualify somebody.

So if they think they've got a competitive group of suppliers already, they may not qualify somebody, but if somebody were to walk in the door and offer them a price that was significantly below what they're currently paying, then they may be willing to spend the money to requalify.
That said, there's several large public utilities or industrial-owned utilities that buy on nothing but price. And every day, over the transom, that's all that matters in the negotiation.

There are others where it's uniformity of the fleet that's out there. So that, from their maintenance aspects and all of that, they've got the same transformers, or a very limited range of transformers, so they understand what they have to do if they have to repair those units.

COMMISSIONER KEARNS: Just one more question about public utilities. Do many of them have domestic purchasing requirements? Do they Buy American?

MR. MASON: So all of the federally-owned or municipal have some form of Buy American. But, as you know, Buy American comes in many flavors and forms, and most specifically, Buy American acknowledges anybody that's got WTO Trade Agreement in place with the U.S. So every country that we compete with is considered Buy American.

MR. LUBERDA: That includes Korea.

COMMISSIONER KEARNS: Okay, thank you. My next question I think is for Mr. Robinson. How does ABB decide where to source its product? When to use imported product and when to use domestically-produced?

MR. ROBINSON: Commissioner, what we effectively do is, if we don't make that product in the United States,
we will source that from one of our other entities internationally. If it's manufactured in the United States, we purchase from the United States.

So just to, I guess, reiterate with the closure of St. Louis, we transferred around about 70% of what we did in St. Louis to the South Boston, Virginia facility. So we still are a very strong domestic supplier.

COMMISSIONER KEARNS: Okay. But, well, I mean, given that these products tend to be made to order, help me understand what that means when you can make it in the U.S. versus when you can't.

MR. ROBINSON: So we have, I guess, each factory has a particular range and what I call a particular "sweet spot" where it's specifically that factory specifically designed to compete in that size of transformer. Very few factories have the ability to compete across the entire range. There's multiple factories to do that. So we pre-qualify our factories with our customers based on what that factory is capable of manufacturing.

COMMISSIONER KEARNS: Okay. And if that's right, that it depends on what you're producing, would it be right to assume that your imports, as a percentage of total sales, or however you wanna say that, imports to domestically-produced ratio is roughly the same throughout, over the years?
MR. ROBINSON: I think I would like to provide that detail in the post-hearing brief.

COMMISSIONER KEARNS: Okay. Okay, thank you.

So I wanted to talk about prices in other markets. How do U.S. market prices for LPTs compare to prices in other export markets?

MR. ROBINSON: So, Commissioner, Steve Robinson for ABB. The U.S. market tends to be a higher priced market compared to the rest of the world.

COMMISSIONER KEARNS: Can you tell us more? How much higher? Why it's higher? Et cetera.

MR. ROBINSON: I think I can include that in the post-hearing brief.

COMMISSIONER KEARNS: Okay, that would be helpful.

Okay, so I guess this is probably for Mr. Luberda. You had mentioned—well actually it's probably for all of the witnesses, but you all have talked about how the Korean market is closed, whereas the U.S. market is open. How do the Koreans keep their market closed? Is it tariffs? Is it nontariffs? If it's nontariffs, you know, what are those barriers? Is it subsidies? Help us understand that.

MR. LUBERDA: This is Alan Luberda. So as I alluded to in my comments, the first thing they do is that
the Korean Government took exception to the WTO obligations so that they could--so that their public procurement, their government procurement, would not be subject to import competition.

It so happens that the largest utility in Korea is KEPCO. It's owned by the government, Korea Hydro. For large power transformers, the infrastructure that would buy large power transformers is significantly controlled by the government. And that then they've taken exception to the WTO obligations there.

The rest of the market, there's not a formal ban but Korean companies just do not buy from anywhere but Korean companies. And I saw in the Koreans' brief that well, you know, it's a small market--and it is a small market--so clearly what they're doing with all that excess capacity they have--it's a small market and, you know, people just don't know how to sell here. Nobody has had any luck. People have tried. Nobody has had luck selling in the Korean market. They just won't buy foreign, period.

In this market, as you can tell from the record, everybody is willing to consider foreign. There is no "buy America" preference here, because all the major competitors have agreements that allow them to sell. So whether you're a TVA or Bonneville Power, whoever it is, they can buy imports.
Maybe, I think Mr. Robinson can address this since ABB is, you know, among the group here, the global supplier and there are many other countries, and maybe he can comment on their efforts to try to get into Korea, whether they've tried, and what happened.

MR. ROBINSON: Commissioner, Steve Robinson for ABB. The Korean market is closed to us. We don't have the opportunity to pursue opportunities in that market. We operate on a global basis. We have globally factories. Korea just isn't open to us.

COMMISSIONER KEARNS: Just two quick follow up questions. One is, Mr. Luberda, you mentioned the WTO commitments. I'd like to know about the U.S. FTA commitments, if that also—if we didn't get any better market access there?

And then the other question—and hopefully you can answer that now—the other thing, I'm hoping you can help to document this, the closure of the Korean market. I don't want to spend a lot of time, but maybe in the post-hearing brief if you all could provide us import data for the product to see, give us some rough estimate of how open the market is. Because I do think it has an impact on the way we look at a sunset review. That would be helpful.

MR. LUBERDA: Okay, we'll try to do that for you post-hearing.
MS. CANNON: Commissioner Kearns, if I could just add that the Korean Respondents I believe have admitted on the record that they are a closed market. They aren't contesting that here, I don't believe, although you are welcome to confirm that with them. But there is a statement to that effect in the staff report.

COMMISSIONER KEARNS: And any comments on the U.S. FTA, U.S.-Korea FTA government procurement commitments.

MR. LUBERDA: I'll have to look back at it, but we'll be happy to put that in the post-conference brief--post-hearing brief, excuse me.

COMMISSIONER WILLIAMSON: Okay, thank you. And while you're looking at that, if the EU-Korea FTA gives them any better access. If you happen to know it.

MR. LUBERDA: I don't happen to know that, but we can look at it.

COMMISSIONER WILLIAMSON: I mean it's not worth a lot of time, but I was just a bit curious.

I've got a question of the evaluated costs. Petitioners indicate that total evaluated cost analysis doesn't involved consideration of factors such as quality or lead time. This is at page 16 of your brief.

How do Petitioners consider nonprice factors such as quality or lead time, if it's not in the evaluated costs of the original costs?
MR. LUBERDA: Before the witnesses answer, that statement, what that's meant to convey is that in the total evaluated costs, so that is a number you take the base price of everything you're selling them, and then they're calculating—in the bid itself, or the RFP itself, it's saying we are going to evaluate your transformer for its load and no-load losses at this dollar amount over a specified period of time. Usually about 40 years. And we're going to add that into it. So those are things, things like that, or a warranty. So those are monetized. A warranty, if you have an extended warranty, that has a value. It can be monetized. Quality. Things—quality and those other things from that sentence, those are not monetized things.

So that was what we were talking about--

COMMISSIONER WILLIAMSON: So is it the producer or the purchaser who is coming up with this evaluated cost?

MR. LUBERDA: Now I'll let the knowledgeable people talk about that.

COMMISSIONER WILLIAMSON: Okay.

MR. MASON: This is Brian Mason from SPX. The purchaser determines the total evaluated cost. So total evaluated cost is typically the total owning cost of the transformer. So like we said, it's a combination of the first price, plus any losses that that transformer would
generate while it's connected to the electric power grid. And that's factored over a period of time, anywhere from 10 to 30 years normally. But the biggest indicator of that total owning cost is the purchase price of the transformer.

COMMISSIONER WILLIAMSON: Okay. And do these--so purchasers and sellers don't usually differ on that evaluated cost? It's sort of a standard thing the industry does?

MR. MASON: It's a standard thing, but the cost per kilowatt hour of loss may change depending on where the unit is deployed. So that number may move, depending on the purchaser. But the actual methodology is quite similar.

Then there are a few non-cost factors that go in, and lead time would be one of those.

COMMISSIONER WILLIAMSON: That go into the evaluated cost figure?

MR. MASON: No--

COMMISSIONER WILLIAMSON: Oh, that are separate?

MR. MASON: Non-cost factors.

COMMISSIONER WILLIAMSON: Okay, that a purchaser is going to take into account.

MR. MASON: Right.

COMMISSIONER WILLIAMSON: Okay, thank you.

Respondent Hyundai argued that there was no price depression by reason of subject imports during the period of
review. Do you agree with this argument? And if not, why not?

MR. LUBERDA: This is Alan Luberda, Commissioner Williamson. So the—over the period of review, costs and prices were both going down. There was price depression. Prices went down by more than costs at a time when Korean producers were underselling us.

So we think this is evidence of price depression during this period, not price suppression. We're worried that there's going to be price suppression going forward, and maybe still even price depression as costs have been going up in 2018. And if the Koreans are not restrained by the Dumping Order at all, it is going to get much worse on the price depression and suppression front.

MS. BECK: And just—

COMMISSIONER WILLIAMSON: Ms. Beck?

MS. BECK: to add, Mr. Chairman, the data on the record that you do have for 2018 that do show the cost increases. Prices in the U.S. are actually going down during that period. So they're experiencing rising costs. So we can see how the imports have influenced them in that period.

COMMISSIONER WILLIAMSON: Okay. And is it the Koreans or something else that's causing the prices not to go up at the same rate?
MS. BECK: Well the evidence based on the pricing data shows the imports from Korea are underselling.

COMMISSIONER WILLIAMSON: Okay, thank you. The Respondent Hyundai argues that domestic industry's financial performance doesn't appear to be correlated with subject import volume or market share. Does this suggest that adverse impacts by subject imports is not likely? I know you don't agree with that.

MR. LUBERDA: This is Alan Luberda. So to start with, if you look at what happened to our domestic industry's market share compared to the Korean industry's market share over the last three years, and looked at nonsubject import market share, we would disagree that there's no correlation between what's going on with Korean imports and our bottom line.

I mean, if this were an investigation, original investigation, there is a correlation on the volume side. And the pricing data that you collected confirm exactly--what's going on today is exactly what happened in 2009 to 2011 in terms of the prevalence of Korean underselling.

So I'd say our performance--and if you look to 2017, which the whole period was very difficult, but we got worse over the period, I'd say the correlation is pretty strong based on the data that's on the record for the most recent three years, which from our perspective ought to be
fairly predictive of what we should expect to see over the next imminent period from the Koreans. And in spades if the Order comes off.

MS. CANNON: Commissioner Williamson, if I could just supplement that, as I mentioned earlier this argument by the Korean is based on two disparate data points, 2011 and 2017, and ignoring what's happening over the period as a whole. And while your database doesn't pick up all of the industry's performance form the 2012 to 2014 period, you do see that the--as the Korean imports dropped, that's when the U.S. industry has testified everything was getting better. And you do see that in 2015 the industry's market share was better.

So there was some gains by them. There is that correlation. What you absolutely see, as Mr. Luberda said, is the 2015 to 2017 period as the Korean market share went up, the industry's market share went down and nonsubjects were stable.

What you also see is ample evidence of underselling that correlates directly with three years of operating, and increasing operating losses by this industry, and that does not correlate with the nonsubject import pricing behavior which they themselves emphasized was not at that low point as the Korean pricing.

COMMISSIONER WILLIAMSON: Okay, thank you. How
do large power transformer operations fit into or complement
the broader operations of domestic producers? To what
extent do complementary aspects of the LPT production help
explain the pattern of persistent LPT losses reported to the
Commission? You folks make other things and have other
operations--

MR. LUBERDA: Just to clarify--this is Alan
Luberda--just to clarify, the data we reported is only for
the industry. I just want to make sure I understand what
you're asking for.

So this data is only for this industry. It
doesn't include data for, you know, small power transformers
or something like that. So I just wanted to make sure that
the witnesses understand what you're asking us to comment
on.

COMMISSIONER WILLIAMSON: Sometimes businesses
in making decisions about a particular sector of their
industry, it depends on what's happening with the larger
company and how that is doing. So it's kind of a--I realize
we're looking at a particular industry, but it may be
helpful to understand the bigger picture.

MR. MASON: This is Brian Mason from SPX. I
think it's different for each one of us. I know with the
folks at this table that there are dedicated large power
only facilities. There, in the case of ABB, an ability to
bundle with other things. In our case, we're a discrete transformer manufacturer only.

Our large power facility is co-located with medium power as well, but the largest portion of both the manpower and the size of the facility is dedicated to large power. So we're pretty much all-in in making, you know, the subject transformers out of our Waukesha facility. We have separate facility in Goldsboro, North Carolina, that makes smaller transformers. But economically isn't divorced from the Waukesha facility. But we are solely a transformer manufacturer.

MR. NEWMAN: Steve Newman with Delta Star. All we make is transformers and service them, and place them in place. So that's all we do.

MS. GURSAHANEY: This is Neerja Gursahaney, with Georgia Transformer. Between Virginia and Georgia Transformer, we do produce small, medium, and large power transformers. Georgia Transformer specifically focuses only large power.

MR. ROBINSON: Mr. Chairman, Steve Robinson for ABB. We are a very diverse engineering company that makes a huge range of products across the electrical industry. We run our businesses as discrete businesses within the ABB umbrella, obviously looking to serve the customers as best as we can as ABB. The decisions and
direction that we take are as the discrete businesses.

COMMISSIONER WILLIAMSON: Thank you. By the way, how is the small and medium sized transformer business doing in general in terms of demand and how companies are doing?

MR. MASON: Market demand in general--again this is Brian Mason--

COMMISSIONER WILLIAMSON: Excuse me, I'm sorry.

MR. MASON: It's stable. But we have some of the same issues that we're talking about today now entering into the medium power space, as well. But in general it's been a good, stable market, not growing, not shrinking.

COMMISSIONER WILLIAMSON: Okay. Good. Thank you for those answers.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Okay, let's see. Large power transformers are expensive pieces of capital equipment. For many product types that we look at, we generally expect the U.S. industry to have an advantage in producing high-tech heavy capital equipment. Why then does the U.S. industry only account for a small portion of this market? And why are there so few exports of this product?

MR. ROBINSON: So, Commissioner, Steve Robinson for ABB. If I look at our company, we are a global company. We have transformer manufacturing facilities around the
world as close to our customer markets as we can get.

We typically serve out of the U.S. factories for the U.S. market. For other markets around the world, we serve out of factories that are closer to those customers.

COMMISSIONER BROADBENT: So you're not even selling to Central America or Mexico out of this market?

MR. ROBINSON: We have--Commissioner, we have factories in Central America, South America. We have factories in Europe, factories in Asia.

COMMISSIONER BROADBENT: Okay. Anybody else?

MR. NEWMAN: Steve Newman with Delta Star. Our company believes we filed this at least 10 years too late. There was a lot of demand that was gone by the time we filed this, and there were a lot of decisions to defer large power investment that just--I think we went too late.

MR. LUBERDA: Commissioner Broadbent, we were discussing this a little bit yesterday. If you look around the world, there is--Mr. Robinson just testified a few minutes ago that--in response to a question, that demand in the rest of the world is down.

There's overcapacity in the rest of the world. The Koreans are exporting to the rest of the world, and they're the low-priced--they are a low-priced getter in the rest of the world. The Chinese are out there as well. So--and our capacity here is less than total demand in this
market. It's not an inability to technologically compete in any way, shape, or form. But, you know, we're having trouble competing with the Koreans on our own turf. To then try and, with just as good a technology, and then try and go abroad and compete with them in those other markets, I'm sure would present some difficulties.

COMMISSIONER BROADBENT: Okay, can you discuss the role of Chinese suppliers both within the global market and in the U.S. market?

MR. LUBERDA: This is Alan Luberda. I'll give a quick start and then turn it over to our witnesses. So imports from China have not been that large. Up to now they've started into this market. They just recently got put on the 301 list. We'll see what that does. But I don't even think it's a 25 percent tariff, so we'll see what it does. But they are the largest, according to the export statistics, they are the largest exporter to other markets in the world.

COMMISSIONER BROADBENT: Yeah.

MR. LUBERDA: And I'll let maybe Mr. Robinson comment on the Chinese in the rest of the world.

MR. ROBINSON: Commissioner, Steve Robinson for ABB. Certainly in the U.S. I would fully agree with what Alan has just said. It's a very small player that we see. From a global scale, obviously we see the Chinese
manufacturers a lot more in the rest of the world. ABB do
have factories in China to support the Chinese market and
the Southeast Asian market, but we do see China elsewhere.
Less so here.

MR. LUBERDA: This is Alan Luberda again. I'll
just add that number two exporter in the world is Korea. So
Korea, China, both tend to be low pricers and both are out
and about in the world.

MR. BLAKE: This is Dennis Blake, PTTI
Transformer. Most of the industrial and utilities that buy
the majority of the large power transformers just won't buy
from China yet. And so we're watching it. You know, they
will buy from Korea, and they have the same prices. So we're
just watching the Chinese in the market, and right now the
utilities have not accepted them as a supplier yet.

COMMISSIONER BROADBENT: Thank you very much.

What accounts for the decline in generator
additions in 2017, as reported in Figure 2-2 on page 2-12 of
our staff report?

MR. LUBERDA: Okay, so you're asking what's
accounting for the change in capacity addition?

COMMISSIONER BROADBENT: In generator additions.

MR. LUBERDA: So that's U.S. utilities scale net
summer capacity additions, retirements, and changes?

COMMISSIONER BROADBENT: Right.
MR. LUBERDA: Okay--

COMMISSIONER BROADBENT: Maybe Mr. Newman has a--

MR. NEWMAN: Steve Newman for Delta Star. If I could just clarify, are you talking about what has decreased from 2016 to 2017?

COMMISSIONER BROADBENT: Yes.

MR. NEWMAN: We did see a change in our market. I'm not sure about others. That after the Metcalfe occurrence that occurred in California, there was a resiliency push in 2016 to have some replacement transformers for GSUs.

So there was a national security push that occurred for about a year. There were some purchases made, and I would imagine that that reasonably lines up with that.

COMMISSIONER BROADBENT: You had a spike in 2016 that kind of came back?

MR. NEWMAN: That's what we saw, yes, ma'am.

COMMISSIONER BROADBENT: That makes sense.

Thanks.

MR. MASON: Commissioner?

COMMISSIONER BROADBENT: Um-hmm.

MR. MASON: Can I add--this is Brian Mason--the other thing that would go in there as well would be renewable energy additions offsetting some of the need for
that, as well. So we're seeing a lot of the large coal, or inefficient coal plants being retired. So that's significant capacity, but would typically be an offset by smaller gas units that probably run closer to peak capacity, and then likewise wind and solar.

COMMISSIONER BROADBENT: Okay.

Mr. Blake or Mr. Luberda, domestic parties, given that there are relatively few transactions within this market compared to many other markets, why wouldn't all qualified suppliers compete for all bids? I'm trying to understand a business model where you decide not to go after relatively scarce business opportunities.

MR. LUBERDA: So I will let Mr. Blake talk about this. I think the issue—we explained some of this in our testimony—is that you have to take scarce resources. There were 550 bids I think in the 2015-17 period that we collected data for. Not every domestic producer bid on everything. The Koreans did not bid on everything.

The domestic industry bid on more than anybody else. Nonsubjects also didn't bid on everything. In the original investigation, the Commission recognized that not everybody would be expected in a bid environment to bid on every bid opportunity. It is expensive to put together bids. And I'll let them talk about that. But it's expensive.
If you're going into a situation in which you expect to see somebody who is a complete low-ball pricer, you are going to have to make a decision on whether it's worth bidding at the aggressively low price you're going to need to to beat out the Korean producer for example. Putting all those resources there and maybe losing anyway, or instead seeking another opportunity. That's how we explained it in our testimony, but, Mr. Blake, why don't you start and then others who want to chime in, please.

MR. BLAKE: Dennis Black, Pennsylvania Transformer. It could take up to 5 to 10 hours of an engineer's time to put a proposal together and fill out pages and pages of documents for the utility. And you're putting all those resources in for a bid when you know you're going to lose it, we'd rather put those resources in another bid where we know they're not competing to give us a fair level playing field. Because we only have so many limited resources to do bid preparation. So that's the decisions we have to make, and hopefully we do make the right ones. Sometimes we don't.

COMMISSIONER BROADBENT: Why is it so time consuming to do the bids?

MR. BLAKE: The utilities require almost a full design on the power transformer before you bid. And we also--for the loss evaluation, we have to tell them what our
losses are going to be. And if we don't design it to those
losses, we'll get penalized later.

So we've got to spend a lot of time in the design
process, and read--their specifications could be 2- or 300
pages long of very detailed information. And you miss one
little line item on there, it could cost you a lot of money
and a missed bid. So we have to spend a lot of time on each
specification so we can meet the customer's requirements.

COMMISSIONER BROADBENT: You said "loss
evaluation"? I didn't understand that.

MR. BLAKE: That's the total ownership cost.
You have the first price of a transformer, and then you have
the efficiency of the transformer, and they apply a
dollars-per-loss for that. And it's interesting that
transformers are very efficient. You know, they're 99.95
percent efficient to like 99.8. So it's a very, very
efficient machine. So really the loss valuation really
doesn't have an effect. This really comes down to the
price. If you have the low price, your losses aren't really
going to change you ranking in the bid.

MR. NEWMAN: If I could add just briefly to
that--Steve Newman from Delta Star--I agree with Dennis with
the number of hours of engineering. To put together a
proposal takes us three weeks. It is not an easy process.
There is a lot of paperwork that's required. You have to
have a lot of certification. They want to understand every part that's going into it. It is an extensive process to put together a bid, and that determination is one that we make very carefully.

MR. ROBINSON: Commissioner, Steve Robinson for ABB. I would fully agree. It's weeks for us to put a bid together. The larger the transformer, the more engineering hours that go into that transformer to optimize as much as possible in the bidding phase.

So it's an important factor when you're facing competitors who are aggressively underpricing the market as to whether you will pursue that bid.

COMMISSIONER BROADBENT: Are you saying you think you do less bids now than you did when the Order was in effect--than before the Order.

MR. ROBINSON: I would need to check the data and come back in the post-hearing brief for that.

COMMISSIONER BROADBENT: Okay.

MR. MASON: Could I--this is Brian Mason for SPX. We have pulled back because we've had to pull back on some of the resources that we have up there. To give you a little context, you asked kind of the level of effort that goes in there, it is several weeks for us to do a single bid.

And as you look at the product, it's not like we
can go through a design process and create a design that we
can then use over and over again like you can in most
industries. On average, we build 1.2 units for each design
that we do. So virtually every one of them is, every aspect
from the tank sizing to the core sizing, to all of the cut
pieces of material that go into the unit are designed
specifically for that instance. So it's quite cumbersome.

MR. BLAKE: Dennis Blake, Pennsylvania
Transformer. And with large power transformers, you have
the shipping considerations.

So you first of all have to find out, you know,
where's the location of where this transformer is, and can
you get it to that location? And what are your shipping
limitations? And then sometimes you take that back to your
design team just to do the proposal. So, you know, just all
that work, and using outside contractors to find locations
of rail sidings and stuff, it's just cumbersome.

COMMISSIONER BROADBENT: Okay, thank you very
much.

COMMISSIONER WILLIAMSON: Commissioner
Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you. Do you all
have any examples of instances where you haven't bid, since
the order has been in place, because the Koreans were going
to be bidding and you didn't want to use the resources to
put together the bid? That you could put on the record in the post-hearing?

MS. GURSAHANEY: Yes, we have examples of opportunities that we have refrained from bidding because we knew there was a Korean supplier bidding on it.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. LUBERDA: Commissioner Schmidtlein, we will survey the industry and we'll get you some data for post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, that would be helpful. Thank you. I just have a couple more questions. I wanted to go back to where we had left off when I was questioning in the last round on Alliance Agreements. If someone could talk to me a little bit about what those are. Are they literally contracts that you have? Or is it really more of a "You are now certified to bid"?

MR. MASON: This is Brian Mason from SPX. They are contractual agreements. They vary in the substance as to the commitment of both parties to the other party, but a typical aspect is agreed upon terms and conditions, payment terms, limits of liability, all that, but then it gets into, it's typically a commitment on a design type of family of design types, so typically a range of sizes of transformers for different opportunities. And again, every utility does them a little bit different, but it's typically a
contractual commitment for an estimated volume of work.

COMMISSIONER SCHMIDTLEIN: But when there's multiple suppliers--this is what I'm having difficulty understand, what are the commit-, what's the nature of the contracts? So lay out sort of the specifications in general terms as you're talking about, are you committing that you will bid on anything that comes up?

MR. MASON: Yes.

COMMISSIONER SCHMIDTLEIN: So you're presenting to the --

MR. MASON: In those Alliance Agreements, we've then agreed that whatever opportunities come up, we will go, we will bid against the other qualified vendors that are in that Alliance Agreement. Or we will bid for anything, any sole source agreements come up, we will in fact, design and build those units.

COMMISSIONER SCHMIDTLEIN: Okay. So there are some Alliance Agreements where you are the exclusive supplier?

MR. MASON: Yes.

COMMISSIONER SCHMIDTLEIN: So you've already won the business?

MR. MASON: Yes.

COMMISSIONER SCHMIDTLEIN: Okay. But other ones you are competing still with the other suppliers that are --
MR. MASON: Correct.

COMMISSIONER SCHMIDTLEIN: -- you know, parties to that agreement?

MR. MASON: Right. And they aren't -- some of them have firm number of units tied to them. Others are, in general, their intention is based on a forecast to give you X number of units, you know, so it has some leeway depending on preference or cost or delivery items where they could switch the percentage that you get of that contract between two vendors, based on performance.

COMMISSIONER SCHMIDTLEIN: So when you are in an Alliance Agreement, is it the same expense in putting together a bid for -- when you're not the exclusive supplier, right? So you're gonna be bidding. Are you incurring the same type of expense as discussed?

MR. MASON: Yes. Everybody bidding on that Alliance Agreement would have pretty close to similar costs if the costs of labor and everything else were the same.

COMMISSIONER SCHMIDTLEIN: But I mean in terms of putting the bid together. So if the --

MR. BLAKE: Dennis Blake, Pennsylvania Transformer. Typically, an Alliances are three to five years, so a utility will buy the same transformer design, maybe twelve of them over a five-year period. So in Year 1, you put the total expense together for your proposal, and he
may buy two of these transformers in Year 2, maybe four in Year 3, and you already have an agreed set of terms, conditions and pricing already set in place. So in Year 3 the utility says, "Hey, just send me two of these orders," and they just send you those two.

Now, in some contracts, you would have two Alliance partners and both of them would just be in that little avenue in those five-year period, they maybe would bid against each other just for some competition. But all the six other bidders that lost out in the initial Alliance will not have an opportunity in that five or six years.

COMMISSIONER SCHMIDTLEIN: Okay. So in a typical Alliance, there's only one or two suppliers that are members of that particular Alliance?

MR. BLAKE: Depends on the utilities. Some utilities would give one supplier 100%, some utilities will put three suppliers in the Alliance. It just depends on how the utilities want to do it. And utilities do it because it's very easy for them in Years 2 or 3 and 4, all they have to do is send out a purchase order. They don't have to go through the whole procurement process again. And that's the huge benefit for them.

COMMISSIONER SCHMIDTLEIN: So an Alliance Agreement usually starts with an actual project and bid that you are approved to be a part of this agreement, you are
winning business at that point and then there are potential
more units that are gonna be sold in the future, is that how
I'm understanding this? Because just putting together a
design that's gonna be used --

MR. BLAKE: And the future units are really the
exact same ones that you bid --

COMMISSIONER SCHMIDTLEIN: In the beginning?

MR. BLAKE: -- in the beginning. Now they may
come up with a new opportunity, a different design, and they
may say, "Well, we like our three suppliers in Alliance.
These three guys will bid on it," but then they may open it
up to outside suppliers to give them an opportunity else,
and every utility is different.

COMMISSIONER SCHMIDTLEIN: So do you find
yourself in Alliance Agreements with the Koreans?

MR. BLAKE: Yes.

COMMISSIONER SCHMIDTLEIN: So in those cases
where it still has to be bid, I assume, you can't decline to
bid later because the Koreans are involved.

MR. BLAKE: We wanna keep the utility happy, so
we'll bid.

COMMISSIONER SCHMIDTLEIN: Right.

MR. BLAKE: I mean, even though they're there,
we'll supply a bid.

COMMISSIONER SCHMIDTLEIN: So how much of sales
involve Alliance Agreements overall?

MR. BLAKE: No more than 50%, you know, but more than 10%. And that's, you know --

MR. LUBERDA: Commissioner Schmidtlein, I think a few minutes ago -- we're gonna look into that, we'll survey and try and figure that out, but I think a few minutes ago some of the witnesses said it was sort of half and half.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. LUBERDA: Alliance is not alliances. I just wanted to make sure, just in the way it was phrased that, they're not in an alliance with the Korean producer. The Korean producers would have an alliance. Each individual transformer producer has its alliance with the customer. So the customer has multiple alliance agreements that would cover the same --

COMMISSIONER SCHMIDTLEIN: I see.

MR. LUBERDA: -- products. So it's --

COMMISSIONER SCHMIDTLEIN: That's helpful.

MR. LUBERDA: -- not one agreement --

COMMISSIONER SCHMIDTLEIN: It's not one agreement that everybody is --

MR. LUBERDA: Right.

COMMISSIONER SCHMIDTLEIN: But the terms of that Alliance Agreement with the single purchaser and the multiple suppliers, they're different terms covering the
same project?

MR. LUBERDA: They're gonna cover the same project or, you know, types of transformer range, whether
they have -- or for the industry answer, whether -- the terms are likely to be very similar because it's for the
same units, but I'll let you guys answer, whether there are differences.

MR. BLAKE: This is Dennis Blake, Pennsylvania Transformer. The alliances will be different in the terms
of conditions. It may be the same project or the same alliance, but each supplier would have its different set of
terms and conditions with that customer.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BLAKE: Even though it's the same alliance, they may be able to negotiate something a little bit better
against somebody else versus maybe someone like an ABB or something like that.

COMMISSIONER SCHMIDTLEIN: So once there are these Alliance Agreements in place, is this limiting
competition between the suppliers down the road to a certain extent?

MR. BLAKE: At the beginning you have maybe eight or ten people going at the alliance and that's when they get their savings at that point, where people are, you know, trying to put their best foot forward at the beginning, and
at that point, there are two or three people in there and it keeps them honest until the alliance is up.

MR. MASON: The other thing to remember is that the Alliance Agreements typically are for a range of transformers for a particular use. So you could have a large utility that has an Alliance Agreement only for their transformers for the State of Ohio. And they may have another one for only, say, 60 to 100 MVA. They may have another one for 100 MVA to 250, and another one for larger.

So most of the larger public utilities have dozens of the Alliance Agreements. But, you know, they'll tend to lock up, you know, try to whittle down the number of suppliers that are there. And I would like to step back to the question you asked before, you know, are any of us in an Alliance Agreements with Korean manufacturers?

I know of none that I'm in an Alliance Agreement anymore with Korean manufacturer. And every one of those were previously held with two or three competing alliance founders, the pricing was so low by the Korean vendors that they went sole source on those and blocked out all of the predecessors or all of the people, the incumbents that were on those. So, and we can give you some details on that.

COMMISSIONER SCHMIDTLEIN: And is that since the order has been in place?

MR. MASON: Yes.
COMMISSIONER SCHMIDTLEIN: Okay.

MR. LUBERDA: Just in the last two years.

COMMISSIONER SCHMIDTLEIN: Okay. That would be helpful. Thank you. All right. The last question I had is based on something that was said in the petitioner brief. And I think, Mr. Mason, you may have touched on this in your testimony during the presentation, which is a statement that when one or more, and maybe we just covered this, but "when one or more Korean producers is among the suppliers selected, price competition is particular acute," selected for an Alliance Agreement.

And so my question was, could you put some corroborating documentation on the record supporting that statement as to how the price competition is particularly acute, as compared to, I suppose, other domestic producers or nonsubject.

MR. LUBERDA: We'll do our best to do that. Obviously we don't get all of the bids, so we have what we did and how -- we'll have information about how they bid and why, but we won't have everybody else's bid. You do have a pretty good record of how nothing's transpired during the period of review. But we will try to give you some specifics as to the particular Alliance Agreements to the extent possible.

COMMISSIONER SCHMIDTLEIN: Okay. So that
statement was really just based on your experience as suppliers? That when Koreans are involved in bidding through an alliance that they have with that purchaser, competition is more acute?

MR. MASON: Yes.

COMMISSIONER SCHMIDTLEIN: Okay, all right.

Thank you very much.

COMMISSIONER WILLIAMSON: Commissioner Kearns?

COMMISSIONER KEARNS: Just to follow up on Alliance Agreements. So even if a purchaser has just one Alliance Agreement, there's nothing in that agreement that would prevent the purchaser from purchasing from another source, kind of on a case-by-case basis during the term of the Alliance Agreement is that right?

MR. MASON: It depends. We have some that, you know, in the Alliance Agreement, they agree to give us, say, 90% of the volume. And they could go to another provider if we're unable to deliver or our lead times are too far extended.

So normally there has to be a cure period that's in there, so the vast majority of agreements tend to lock up for what you've been on that you'll get all of their requirements when necessary. Say I'm gonna buy 100 units, but they intend to buy 100 units, so you're gonna get probably close to that number.
Then other Alliance Agreements will basically be very straightforward and say we are going to split the volume 50-50 between two vendors, and whether it's exactly 50-50 or not -- it may move a little bit, but some of them have the ability to take whatever volume from whichever supplier they want. So there's a range of agreements there.

COMMISSIONER KEARNS: Okay, thank you. I wanted to go back to a point that Commissioner Broadbent was raising about U.S. producers' exports. I think Mr. Robinson, you, if I understood you, you basically explained that in a lot of these other markets, you produce locally for that market, is that right?

MR. ROBINSON: Yeah, Commissioner, that is correct.

COMMISSIONER KEARNS: Okay. And so in those markets, is it pretty much exclusively produced by -- your sales are exclusively from production within that country, or do you kind of mix and match?

MR. ROBINSON: No, we do mix and match.

COMMISSIONER KEARNS: Okay.

MR. ROBINSON: Just to clarify, I mean that is based on the capacity that we have in those markets with the factories that we have -- I mean there are some countries of course where we do not have manufacturing facilities.

COMMISSIONER KEARNS: But that's a bit different
from your experience here in the U.S., isn't it? Where you, as you explained when I raised this the last time around, you do mix and match in the U.S., too, but I got more of a sense from that answer that it depends very much on what you're producing as opposed to where you're producing it.

MR. ROBINSON: So, Commissioner, maybe just to, if I can state, just to answer that question directly. So in terms of the U.S. manufacturing, what we don't do is we do not bring in imported transformers that would compete with our own in U.S. manufacturing base. We would import transformers that are outside the range and capability of our U.S. facilities.

COMMISSIONER KEARNS: Okay. Turning to pricing, another issue that was touched upon a little while ago. I understand prices are down. We were talking about price suppression, price depression. Can you talk about what prices have been like since March? I think that's when the higher duties have gone into place.

MR. LUBERDA: I think we would want to do that post-hearing because it involves individual company's expressing things about price, I just wanna be careful about them having to give out proprietary information or information that might be of a competitive nature. So if it's okay, we would prefer to give you some answer to that after the -- in our post-hearing brief.
COMMISSIONER KEARNS: Okay, that's fine. Last question I have, input costs. How have changes in prices for inputs such as grain-oriented electrical steel affected your bid pricing for LPTs during the period of review. Do your contracts with customers ever include price adjustments for raw materials?

MR. MASON: So again, depending on the customer, some of ours have escalation/de-escalation clauses, so any material costs would be passed through directly. As it relates to the Section 232 imports and its effect on grain-oriented electrical steel, to date that hasn't had an effect yet as we look at, or we typically contractually buy steel for a year to a year and a half forward, so since those effects went into place end of February of this, that has not had a net effect yet on grain-oriented electrical steel.

MR. ROBINSON: So, Commissioner, Steve Robinson for ABB. We had seen as of April/May this year, we have started to pay the 232 tariffs associated with the grain-oriented electrical steel. I think if you look at that and then that price suppression that you spoke about in the market, that's really for us the importance of maintaining this order. With the import costs going up and that continued price pressure downwards. It's important for the survival of our U.S. facilities.
COMMISSIONER KEARNS: Thank you very much. I have no further questions.

COMMISSIONER WILLIAMSON: Thank you. Just a few questions. Just one more on the Alliance Agreements. Is a particular utility likely to have, say, a series of Alliance Agreements, one say for a particular size of units and maybe another one for other sizes of units, or is it just that for a -- or also gonna just have one for the all of their procurement for the next year or two?

MR. MASON: Most of them have multiple agreements. So case in point, I have one Alliance Agreement where we have 100% of a range of their products that goes up to roughly 100 MVA from 10 MVA. They've got another supplier that does all the units that are less than 10 MVA. And they have yet a different supplier for great than a 100 MVA.

COMMISSIONER WILLIAMSON: Thank you. I was wondering. Mr. Blake, I was very struck by your comment that this investor the utilities has not been buying transformers from China. And I was -- few areas where we've not seen somebody buy something from China since I've been here eleven years. Can you explain that?

MR. BLAKE: We haven't seen it yet and when we started talking about reading these specifications that are very elaborate, I think sometimes the Chinese do not put
together great proposals and at that point the utilities
don't wanna risk, you know, $2-3 million, if they're not
gonna take their time to put in a proposal. It could be a
language issue, but we just haven't seen that emphasis yet.
With the investor utilities. Now on the public power market
and that type of market, you may see them a little bit more
in that market, where the quoting and the specifications are
less stringent.

COMMISSIONER SCHMIDTLEIN: Okay, thank you.

MR. LUBERDA: Commissioner Williamson, I'm just
gonna put out there, this Commission has seen many times
that Chinese industry's come up the learning curve pretty
fast, so while that may not be happening now -- not saying
that we won't eventually be here talking about Chinese
transformers someday --

COMMISSIONER WILLIAMSON: I caught that. Thank
you. I think the question on this Section 232 has already
been asked. Is there anything else on the 301 tariffs or
Section 232 tariffs we should take into account here? I
think it's already been addressed.

MR. NEWMAN: Mr. Chairman, Steve Newman from
Delta Star. The 232 I'll speak to because it's been of
great interest to us. We think that it could end up
affecting the overall prices 6% to 7%. That's not
overcomeable. It's simply will be another pressure in
addition to the other pressures that we have. We've asked
the Department of Commerce to look at the steel coming
inside transformers from other countries and they said that
is not a 232 opportunity. And therefore, it will not be, so
there will be, if it goes through as it is, we fear that
there is, on top of everything else, a potential 6% to 7%
for U.S. manufacturers and not for others.

COMMISSIONER WILLIAMSON: Okay, thank you.
That's all the questions I have. Commissioner Broadbent?

COMMISSIONER BROADBENT: Okay, so that's a 6% to
7% increase in GOES? I mean, because of the increase in the
grain-oriented electrical steel?

MR. NEWMAN: I'm sorry? Please repeat.

COMMISSIONER BROADBENT: Okay. You said you were
looking, estimate at 6% to 7% increase because of 232
tariffs. And that would be a tariff on the grain-oriented
electrical steel as your input?

MR. NEWMAN: It would not only be the
grain-oriented electrical steel, the GOES, but also the
other steel that goes into the product, so the entire tank
is made out of very thick, 5/8-inch steel and other steel
would be affected and the other items is GOES steel is very
difficult to capture in an Alliance Agreement for inflation
or decreasing, because there is really not a good commodity
that captures GOES steel, because it follows the steel
price. When GOES steel on its own moves in a strained
direction, it's difficult to get that recovery in alliance
deal.

COMMISSIONER BROADBENT: Okay. In March, several
U.S. senators sent a letter to the President asking him to
include within 232 tariffs several additional tariff lines,
including laminations, cores and core assemblies used in the
production of transformers. These senators were concerned
that foreign producers would use foreign GOES to produce
cores for export to the U.S. Can you discuss the extent to
which you have seen an increase in imports of these
products, laminations, cores and core assemblies, as a
result of the 232 tariffs?

MR. LUBERDA: I think that's something we'd have
to do post-hearing.

COMMISSIONER BROADBENT: Okay, that'd be helpful
if you can.

MR. MASON: Commissioner, can I make one comment
on that.

COMMISSIONER SCHMIDTLEIN: Sure.

MR. MASON: This Brian Mason with SPX. We have a
lot of concerns over the expansion of the 232 tariffs to
fabricated GOES as well. As you know, there's only a single
supplier in the U.S. and that supplier does not have
sufficient capacity to feed the U.S. market.
So if the expansion were to go out and cover all
other fabrications and everything of grain-oriented steel,
we have no supply chain alternatives as an industry. And at
that point, we're exceptionally fragile as a group. And
likewise, we'll be competing against imported transformers
from subject and nonsubject countries that don't have any
tariffs on imported transformer at that point, so we're
gravely concerned about that.

COMMISSIONER BROADBENT: Okay, thank you. Mr.
Chairman, I have no further questions.

COMMISSIONER WILLIAMSON: Okay. Let's see. Any
further questions, Commissioners? Okay. If there are no
further questions from Commissioners, does staff have any
questions for this panel?

MR. THOMSEN: Craig Thomson, Office of
Investigations. Staff have no questions.

COMMISSIONER WILLIAMSON: Okay. Do respondents
have any questions for this panel? Okay, thank you. Well,
I can dismiss this panel. We can take a lunch break. We'll
reconvene at 1:20. I want to remind everybody that the room
is not secure, so please take any business proprietary
confidential information with you. Thank you.

(Whereupon a lunch recess was taken, to reconvene
at 1:20 p.m. this same day.)
AFTERNOON SESSION

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

COMMISSIONER WILLIAMSON: Thank you, Mr. Secretary. Are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that the Panel in opposition to the continuation of the antidumping duty order have been seated. All witnesses on this Panel have been sworn in and this Panel has 60 minutes for their direct testimony.

COMMISSIONER WILLIAMSON: Good, Okay. Thank you. Mr. Campbell, you may begin when you are ready.

MR. CAMPBELL: Good afternoon, Commissioners. This is Jay Campbell again of White and Case. Our first witness will be Mr. Jun Kang of Hyundai Electric.

STATEMENT OF JUN KANG

MR. KANG: Good afternoon. My name is Jun Kang. I'm the Sales Manager for Hyundai Electric and Energy Systems sales office in Atlanta, Georgia. I have worked in the business of selling transformers since I began my career with Hyundai in 2003 working both in Korea and in the United States.

Currently, I am responsible for Hyundai's sales of power transformers in North America. During my testimony I will refer to large power transformers as transformers for short. In the past, Hyundai only sold transformers in the
U.S. Market that were produced at its facility in Ulsan, Korea. That changed in November of 2011 when Hyundai's U.S. affiliate Hyundai Power Transformers U.S.A. or HPT for short began making transformers at its new facility in Montgomery, Alabama.

Since that time, HPT has steadily grown and is now a top U.S. Producer of power transformers. We are proud of our success with HPT. It is very difficult to compete in the transformer market. Power transformers are expensive pieces of capital equipment that are targeted to last 30 years or more. For this reason, most customers require potential suppliers to undergo rigorous qualification procedures that can last up to a year and also want to see that this potential supplier has a proven track record of supplying high quality transformers with low failure rates.

With HPT we had to start small selling transformers with a low to medium MVA and Kilovolt ranges but we steadily gained customers' confidence for larger sizes and now supply the U.S. Market with transformers up to 600 top-rated MVA and 500 Kilovolts. Also, as my colleague will explain, we are working to expand HPT's production capacity.

As we have increased sales of transformers made out of our Alabama facility we have decreased our exports to
the US from Korea. By establishing firm roots in the United States Hyundai has made clear that it intends to serve the U.S. Market from its U.S. Facility. In contrast, we are focused on selling transformers made at our Ulsan plant to our principle markets in Korea, Asia and the Middle East, all of which are growing markets.

I will now comment on each of these markets.

Starting with Korea, although demand for transformers was soft over the past several years it is poised to grow substantially. As everyone in the industry knows growth in renewable energy has led to and is expected to continue generating an increase in the demand for transformers. Korea leads the way in such growth.

As noted in our prehearing brief, the Korean Government has announced its new energy road map which aims to generate 20 percent of Korea's electricity from renewable energy sources by the year 2030. We anticipate that Korea's investment in green energy will require a significant number of transformers over the next several years and beyond.

Indeed, over the next two years various Korean firms intend to develop 4 gigawatts of offshore wind energy including a 1 gigawatts joint venture project between Australian Energy Development Firm Macquarie and Korea's Gyeongbuk Offshore floating wind power. A separate project being built by Korea Offshore Windpower, which is a
subsidiary of the Korea Electric Power Corporate KEPCO which is Korea's state-owned utility will be a 2.5 gigawatt offshore wind farm. For context based on estimates we would expect to sell more than 20 transformers for our 2.5 gigawatt project.

More generally, KEPCO is increasing its investment in energy generation, transmission and distribution by 17 percent in 2018 and will continue to increase its annual investments over the next two years. This too will generate additional demand for our transformers.

Speaking of KEPCO I would like to address one argument made by Petitioners contending that we are banned from selling transformers to KEPCO. However that ban applies to Hyundai Heavy Industries or HHI not to Hyundai Electric. Although HHI used to produce transformers, Hyundai Electric has been responsible for Hyundai's transformer business since the 2nd quarter of 2017.

Accordingly, the ban does not apply to our sale of transformers in Korea. Outside of Korea we see significant investment in the electricity grids in other Asian Countries such as Malaysia, Indonesia, Thailand and Vietnam. So we also expect there to be opportunities to sell transformers in these countries.

Indeed, Hyundai opened a new office in Bangkok,
Thailand in 2017 to further pursue such efforts. We also sell high volumes of transformers to Middle Eastern Countries including Saudi Arabia, Bahrain, Qatar, and the United Arab Emirates. Although demand was down during the past several years due to low oil prices, demand is on the rebound.

According to public reports, the six member states of the Gulf Cooperation Council will need to reinvest 131 billion U.S. Dollars in electricity generation, transmission and distribution infrastructure to meet the needs of growing populations and economic development in those countries. Because of their central role in electricity generation and energy grids, transformers are at the heart of such investment.

By way of example, projects in Al Mutla, Kuwait, the New Makkah Gate in Saudi Arabia and the New Sudair Solar Power Project in Saudi Arabia have all generated demand for electricity and in turn, transformers.

Additionally, recent changes to Korean Labor Law will, by their nature restrict Hyundai's future production capacity, effective July 1st, large Korean companies are required to restrict workers to a 40-hour work week with 12 hours of overtime. Firms which violate this rule will be subject to fines and possible prison sentences for executives.
We have no plans to hire new workers at this time and it would take 3-5 years to train them. As a result, Hyundai will necessarily have to reduce its transformer production in order to comply with the law. I will now return to the U.S. Market and discuss the nature of competition in this market.

With respect to supply, there are three main sources of transformers to the U.S. Market: U.S. Producers, Korean or Subject Producers and third country or non-Subject Producers. First, I will comment on the U.S. Producers based on what our sales representatives observed and also based on our market intelligence.

Starting with ABB, this company recently closed its main U.S. facility in St. Louis which was a surprise to everyone in the industry. ABB can still produce transformers at its South Boston facility but I understand that this facility is limited to medium-sized transformers probably up to 200 top MVA rating. I have not heard of any ABB plans to expand the capacity of that plant to produce larger transformers.

Also, when ABB participates in bids we mostly see them offering transformers made in their foreign plants including plants in Brazil, Canada, Spain and Poland. Regarding Pennsylvania Transformer, I do not see this company bidding much in the U.S. Based on feedback we have
received from customers we understand that Pennsylvania Transformer has lost customers in the past because their transformers have not performed very well.

In light of this, we do not consider Pennsylvania Transformer to be a significant competitor. Virginia Transformer is mostly active in bids to supply transformers up to 100 MVA and below and our customers give them mixed reviews in terms of quality. Virginia Transformer also owns Georgia Transformer which have a plant in Rincon, Georgia. This is a newer plant that came online around the same time that HPT opened the Alabama facility.

However, our sense from customer feedback is that customers remain skeptical about Georgia Transformers' ability to deliver transformers that will perform well over the life of the product. We also hear rumors that Georgia Transformer has financial issues which is another factor that scares off customers.

Mitsubishi is another newer entrant that opened a plant in Memphis, Tennessee in 2012. However Mitsubishi only makes shell-type transformers and focuses on high voltage classes, so we do not see them much in bid competition.

This leaves Delta Starr and SPX both of which we see as active in bidding for medium-sized transformers up to 200 MVA.

Based on our discussions with customers we
understand that both companies have good reputations for the supply of small to medium sized transformers. Regarding Korean Producers, there are four but only two are significant participants in the U.S. Market. Hyundai, as I have discussed, is currently phasing down its U.S. Exports to make room for HPT's local production.

Hyosung has been successful in developing a reputation as a reliable supplier of high quality transformers. Iljin has made some sales in the U.S. but is a much smaller producer capacity-wise and is more focused on other markets. LSIS, the 4th producer is also small and has never been active in the U.S. transformer market. In fact, even in Korea we find LSIS is more focused on selling other types of electrical equipment other than transformers.

Turning to non-subject suppliers, our sense is that non-Subject Imports are the largest source of supply in the U.S. Transformer Market. Of the non-Subject Suppliers, ABB and Siemens have top brands and good reputations. ABB, as mentioned, imports from their facilities in Brazil, Canada, Spain and Poland. ABB is a global producer and that is how they are perceived in the market place.

Siemens has plants in Austria and Brazil. SMIT which has facilities in the Netherlands and Germany is another strong competitor. Then there are two producers in Mexico, GE Prolec and WEG which we spell W-E-G both of which
we understand offer low prices but I do not have specific
information.

There are also Chinese suppliers of transformers
to the U.S. Market. These are low-priced transformers that
are mostly sold to the public utilities. Because
non-Subject Imports have such a strong presence in the U.S.
Market we have had to work hard to make sales of
transformers produced by HPT and to gain the customers'
trust.

To do so, we focused first on selling to
municipal and public utilities because many of these buyers
do not require prequalification. As we established HPT's
ability to supply transformers to these type of customers we
were gradually able to demonstrate HPT's reliability and
could approach other types of customers such as
investor-owned utilities which do have rigorous
qualification requirements.

Today, we tend to stay away from public utility
bids because it is very hard to compete with the Chinese so
active there. Consequently to that extent we compete
against U.S. Producers it is primarily for sales to
investor-owned utilities. The bidding process for private
utilities is strictly closed. These utilities do not
disclose competing prices. At most, they give us vague
feedback after the project has been awarded that out base
price was low or high. Consequently we find that our success with private utilities has more to do with the quality of our product, the overall soundness of our proposal and our past performance. Price is just one of many factors that private utilities consider when awarding bids for transformers. Moreover, each bid project is unique, calling for customized specifications. As a consequence we could not sell at lower prices even if we wanted to. Rather, we set prices based on our costs and reasonable profit. Also, it is important to note that investor-owned utilities invite which suppliers will bid and many investor-owned utilities perceive U.S. producers as unable to supply quality high voltage and large sized transformers probably greater than 300 MVA.

This concludes my comments and thank you very much for the opportunity to testify today and I am happy to answer your questions.

MR. CAMPBELL: Thank you. Our next witness is Mr. Ted Arkuszeski of Howard Power Transformers USA.

STATEMENT OF TED ARKUSZESKI

MR. ARKUSZESKI: Good afternoon everyone. My name's Ted Arkuszeski. I'm the Production Manager for Hyundai Power Transformers USA or HPT for short. HPT is a subsidiary of Hyundai Electric and Energy Systems Company.
and a U.S. Producer of large power transformers. Our production facility is located in Montgomery, Alabama. I personally have worked for HPT for seven years and have worked in the area of transformer production since September of 2011.

I'm here today to discuss HPT's history and current capabilities as well as our contribution to the local economy. Hyundai Power Transformers USA was established in July of 2010 and we commenced production operations in 2011. Initially, we had the capability to produce power transformers up to 600 in top-rated MVA and up to a 550 Kilovolts in voltage.

Over the years we have steadily expanded our manufacturing capabilities, increasing our manpower and developing the skill of our members and adding manufacturing equipment. It's not enough however to make power transformers. To sell them and be successful in the marketplace a supplier must pass the purchaser's rigorous qualification requirements before it can bid for any business.

These qualifications include customer reviews of a host of metrics related to our company's past performance and current operating conditions which include our safety records, quality processes, our on-time delivery performance, the skill level and years of experience of our
members, internal test failure rates and various
certifications for special processes as defined by our
compny's ISO standards.

Customers also review raw material procurement
and evaluate our vendors and component suppliers. The
qualification process can range from several months to up to
over a year and it is most commonly accompanied by an
outside audit and evaluation of our facility prior to any
final decision being made.

Also for many customers, qualification is not
enough. The supplier must also demonstrate a proven track
record of supplying reliable transformers. As my colleague
June Kang explained, although progress developed steadily
over a number of years, Hyundai Power Transformers USA in
Montgomery, Alabama has proven to the marketplace that we
can make high quality and reliable power transformers and
this explains the success we've had to date.

Currently, our plant has the capacity to produce
roughly 85 power transformers this year, both subject and
non-subject. In terms of MVA, our overall production
capacity is around 14,000 MVA. However, our capacity is set
to expand. Earlier this year Hyundai Power transformers USA
announced a multimillion dollar expansion of the Montgomery
plant that will increase our production capacity by over 60
percent.
With the expansion we will also have enhanced capabilities, producing transformers up to 650 in top-rated MVA. Construction began just this month and we expect to be completed over the next 18 months. As part of the expansion we are making modifications to our existing capacitor bank, adding another testing generator, increasing our crane capacity.

Currently, we are working to relocate our 200 ton and 300 ton cranes and adding yet another 200 ton capacity overhead bridge crane. We are also proud of HTP's contributions to Alabama's economy. Our Montgomery facility currently employs just over 300 people. With the expansion we plan to hire 86 more workers.

Because of the production of transformers requires highly skilled workers we are also investing in workforce training. In this regard, we have partnered with the state government to help develop its workforce training planning an activity through the Alabama Industrial Development Training Program. We also have partnerships with Alabama's two and four year state colleges in order to contribute to workforce training and development.

In conclusion, we are proud of the success HPT has achieved so far and we look forward to more success in the future. Since Hyundai Power Transformers USA was established in 2011 we have demonstrated a solid track
record as a supplier of high quality and reliable
transformers in the U.S. Market, have steadily increased
production and sales and we are implementing plans to grow
our production capacity and capabilities.

    I want to thank you all for your time and Mr. Jun
and I will welcome any questions.

    MR. CAMPBELL: Our last speaker is Ron Kendler
of White & Case.

    STATEMENT OF RON KENDLER

    MR. KENDLER: Good afternoon. My name is Ron
Kendler with White & Case here on behalf of Hyundai.

You have heard today from Hyundai representatives
who have worked both in Korea and in the United States.
Their testimony lays the foundation for and strongly
supports a finding that a revocation of this Order would not
lead to the recurrence of injury.

    This is evident by first examining the conditions
of competition in this unique, highly specialized industry.
And, second, by assessing the likely volume, price effects,
and impact of revocation.

    Regarding conditions of competition, the
Commission has recognized, both in this review and in the
original investigation, the unique nature of this industry.
LPTs are custom-made capital equipment costing millions of
dollars each, and designed to last for decades.
The process of selling such goods is likewise unique. Competition in the LPT industry is marked by five distinct conditions of competition. First, nontransparent bid competition. Second, the predominance of factors other than price. Third, alliance agreements that are open to competition. Fourth, supply conditions highlighting that subject imports are not the problem. And, finally, demand conditions that will ensure vibrant competition both in and outside of the United States. I will address each in turn. 

First, starting with the nontransparent nature of bidding. As you've heard from Jun Kang earlier today, Hyundai primarily sells to private utilities whose bidding process is strictly closed. The record before the Commission corroborates Hyundai's experience. Data shows that most purchasers and suppliers--out of 24--hold prebid meetings during which pricing is not discussed. And then, in the course of bidding negotiations themselves, 18 out of 23 purchasers stated that they do not quote competing prices during negotiations. Even those who stated that they do report pricing information do not disclose actual prices.

Taken together, these responses share one underlying crucial fact. Private purchasers typically do not reveal the details of producers' pricing to competing bidders. Without such information, it is impossible for
suppliers to attempt to gain market share through underselling.

Second, purchasers consistently stated that price is not the most important factor. Indeed, only one, one out of twenty-seven responding purchasers, stated that it is. It is therefore hard to understand Petitioner's argument that, quote, "price drives purchasing decisions in the LPT market." End quote.

So then if not price, what is most important? Quality. Specifications. And technical expertise were all cited by a plurality of purchasers as being the most important factors in their decisionmaking. And, other non-price factors such as product consistency, technical support, and meeting industry standards were deemed very important.

Now this makes perfect sense, given the nature of the LPT industry. When purchasers spend millions of dollars on a complex technical good, the failure of which would be catastrophic, quality and reliability rank supreme. And just as they recognize that price is not a central factor, so too should the Commission in its analysis of competitive conditions in this case, and in turn in assessing whether injury can recur.

The third unique condition of competition in this industry is the use of long-term agreements, including
alliance agreements. As Commission staff notes, just over half of purchasers have bought LPTs under such agreements. However, viewing such agreements as locking in supply from particular producers, as the Petitioners allege, over-simplifies and obfuscates the nature of such agreements.

In the original investigation, the Commission recognized that alliance agreements--and I quote--"do not guarantee sales for a producer." And during the POR, only one alliance agreement actually required the purchaser to buy from the supplier. Although a handful of agreements in place--excuse me--although a handful of agreements were exclusive in nature, responses generally indicate that even with alliance agreements in place purchasers provide bidding opportunities to multiple suppliers.

In sum, alliance agreements neither lock in supply nor lock out competitors.

Fourth, I'll turn to supply conditions in the United States which make one thing clear: Subject imports are not the problem. A number of U.S. producers for various reasons unrelated to subject imports are simply not able to supply the U.S. market.

For starters, a number of purchasers have stated that U.S. producers cannot supply the larger size transformers in which these purchasers are interested.
Record data corroborates this, as well as the fact that U.S. producers have historically supplied smaller rather than larger transformers.

Unfortunately, the specific information related to this point is confidential, but we refer the Commission to pages 9 and 25 of our prehearing brief, and the confidential purchaser's views contained therein.

Next, the shutdown of ABB's St. Louis facility eliminated a key source of domestic supply. And as noted in our prehearing brief, ABB's refusal to directly answer straightforward questions from Commission staff with respect to this shutdown is disconcerting. It raises more questions than it answers.

At the same time, you've heard today from Ted Arkuszeski. HPT has made significant strides in production and sales from its Montgomery, Alabama, plant. This underscores the seriousness with which Hyundai treats its status as a U.S. manufacturer.

If the Order is lifted, HPT's success as a U.S. producer precludes a meaningful import--increase in import volume, let alone the alleged flood of imports that Petitioners envision.

Now on the import side of U.S. supply, two trends are clear. First, subject imports from Korea will not likely be significant in the event of revocation in light of
HPT's ramp up of U.S. production and the fact that Elgin and
LSIS, as the Commission has recognized, are not significant
exporters.

But second, and more importantly, to the degree
at all that imports are problematic, it is nonsubject
imports that deserve the Commission's scrutiny. Nonsubject
imports were the largest source of LPTs during the original
investigation and had an even greater presence during the
POR, constituting a sizeable majority of U.S. consumption,
demonstrating that these nonsubject foreign producers,
rather than the domestic industry, are the true
beneficiaries of the Antidumping Order.

Again, much of this information is confidential,
but we urge the Commission to take a close look and keep
these figures in mind to provide context when considering
Petitioners' arguments.

The final relevant condition of competition is
demand both in and outside of the United States. And with
respect to each, it is apparent that demand will drive
continued growth for LPTs, while at the same time ensuring
that Korean producers will also focus on market outside of
the United States.

As discussed in our prehearing brief, the factors
that drive U.S. demand for LPTs, electric power, industrial
construction, and housing starts, all recognized by the
Commission in the original investigation, are all projected
to grow.

The U.S. Department of Energy predicts the steady
growth of electricity demand from now until 2050.
Industrial construction is forecasted to grow 2.8 percent
this year, and then more than double to 5.8 percent next
year. And single-family housing starts, which the
Commission noted are more influential with respect to
electricity demand than multi-family housing starts, have
grown 40 percent by first quarter over the last three years.
Because LPT sales lag housing starts by 18
months, this, along with the other projected trends in
electricity demand and industrial construction, will drive
LPT demand in the coming years. And the current state of
the U.S. energy market will further propel such growth.

U.S. infrastructure is aging rapidly, with over
65 percent of power transformers in the national grid being
over 25 years old. Their replacement will stimulate new
purchases. And the growth in utility-scale renewable energy
will add to demand, a fact to which numerous purchasers have
attested on the Commission's record.

Put simply, U.S. demand is expected to grow for
the foreseeable future. Similar trends are evident in
subject producers other key markets, starting at home in
Korea. As the Commission is aware, Hyundai produces LPTs
for sale in both the domestic and export markets.

Korea represents a sizeable and growing portion of Hyundai's sales. Further, as seen in table IV-8 of the Commission staff report, in the first quarter of 2017 approximately 18 percent of Korean producers sales were made to the domestic market.

In the first quarter of 2018, this figure doubled to 39 percent. And this increase is expected to continue. Data on the record before the Commission reflect the fact that the growth in renewable energy has led to, and is expected to continue generating, an increase in the demand for LPTs.

Korea leads the way in such growth. As noted in our prehearing brief, the Korean Government announced its new energy roadmap which aims to generate 20 percent of Korea's electricity from renewable energy sources by 2030.

Next, when Hyundai looks abroad, it seems significant demand from other key markets. The Middle East is a key market, both currently and in the future. As seen in Table IV-12 of the Commission staff report, in 2017 Korean exports of LPTs to Saudi Arabia, Bahrain, the United Arab Emirates, Qatar, and Kuwait, together represented 34 percent of all such exports.

Moreover, the need for electricity, particularly in the Gulf States, is surging. The six member states of
the Gulf Cooperation Council will need to invest $131 billion in electricity generation, transmission, and distribution infrastructure in the next five years to meet the needs of growing populations and economic development.

Because of their central role in electricity generation and energy grids, LPTs are at the heart of such investment. Demand from the Middle East is therefore likewise expected to grow.

With these conditions of competition in mind, we can turn to the statutory factors to be considered by the Commission in determining whether or not to revoke the Order. That is, based on the conditions of competition for the industry, we see that the likely volume and price effects and impact of revocation will not lead to the recurrence of material injury.

Starting with volume, in the event of revocation any increase in the volume of subject imports would not be significant. First and foremost this is because of HPT's considerable presence in and sales to the U.S. market. But it is also because the other statutory factors upon which the Commission relies all indicate that any increase will not be significant.

Korea's production capacity declined over the POR, and none of the four Korean producers have invested in any additional capacity. Increased demand in key markets
such as the Middle East, East and Southeast Asia, will lead
to greater subject shipments to those markets rather than to
the United States.

The lack of inventories in this industry means
that that factor is not relevant. Antidumping Orders in
Argentina and Canada will not affect imports as Korean
shipments to Argentina were already low prior to the
Argentine Order, and Korean producers reported shipping LPTs
to Canada during the POR when the Canadian Order was in
place. Product shifting is unlikely due to the long lead
times in this industry and the fact that 94 percent of
Korean producers' current production is focused on the
production of subject merchandise.

And finally, any increase of subject imports
would come at the expense of nonsubject imports. Adverse
price effects are equally unlikely. The reported bidding
data, combined with the closed bidding process, indicate
that underbidding is not likely to be a problem.

The nature of this industry and the product
ensures that purchasers will continue to focus on nonprice
factors such as quality and reliability, thereby precluding
any adverse price effects. And the lack of price
suppression by subject imports during the POR means that it
will not likely be a factor in the future.

In addition to the lack of volume and price
effects, there would be no likely adverse impact in the event of revocation. There is no causal nexus between subject imports and the domestic industry's financial performance. After the Order went into effect, nonsubject imports replaced subject imports in the market. Thus, if the Order is revoked, and if subject imports increase, they will replace nonsubject imports rather than domestic production.

And finally, the projected growth in U.S. demand necessitates a steady supply of LPTs in the market.

As the Commission considers whether to revoke the Order, I would like to echo the words from our prehearing brief and urge you to look beneath the surface. Once the Commission does so, numerous key elements inherent to this case from the unique nature of this industry to the role of nonsubject imports, and indeed the efforts of a U.S. producer to import nonsubject merchandise, indicate that injury will not recur if the Commission revokes the Order. Accordingly, Hyundai urges the Commission to do so. Thank you for your time today, and we look forward to your questions.

STATEMENT OF DAVID BOND

MR. BOND: Good afternoon. My name is David Bond, and I'm an attorney with White & Case.

In the Petitioners' brief, and again this morning
during their presentation, they spent a considerable amount of time talking about the spinoff of HEES from Hyundai Heavy Industries. In our view, the spinoff is irrelevant to your analysis here. But at the risk of being dragged down into the mud, we think it is important to set the record straight on a few points.

First of all, all of the key decisions related to the spinoffs occurred long before the Commerce Department's preliminary changed circumstance determination—"I'm sorry, before the Commerce Department's final determination in March 2017 where it assigned the AFA margin to Hyundai.

In November 2016, four months before the Commerce Department's decision, the board approved the spinoff. In January 2017, about eight weeks before the Commerce Department's determination, Hyundai notified the Korea Financial Services Commission. And in February, about a month before the Commerce Department's determination, the shareholders approved the spinoff.

`So while it is true that the spinoff only became effective a few weeks after the Commerce Department's determination, all of the key decisions that led to that were set in motion long before Hyundai was aware that the Commerce Department would assign it an AFA margin in mid-March.

Second of all, the spinoffs were made for purely
commercial reasons. Prior to the spinoffs, HHI consisted of several divisions, each of which made very different products, had very different groups of clients, et cetera. You had divisions that made ships. The shipyard at Uulstan is the largest in the world, so you had ship productions side by side with the production of transformers, robots, a variety of different products.

So in order to improve the efficiency of these companies, the decision was made to split them up so that the individual companies were more rationally related to specific products and client groups. And I'd note that HEES with the transformers was not the only spinoff. Multiple companies were spun off at the same time, most of which have absolutely nothing to do with transformers.

Therefore, the claim that the transactions were performed in order to avoid dumping duties, or in relation to any other findings by Korean authorities, is obviously incorrect.

Third, Petitioners counsel incorrectly states that DOC was not notified prior to the spinoffs. That is incorrect. As the Department itself noted in its preliminary changed circumstance determination, and I quote, "On January 27th, 2017, counsel to HHI informed Commerce of the likely spinoffs when they met with Commerce officials."

So Commerce clearly was on record about eight
weeks before the spinoff--I'm sorry, eight weeks before their AFA determination and even longer prior to the actual effective date of the spinoffs.

And fourth, we believe that the Commerce Department's AFA determinations were illegal, and for that reason both of them are currently on appeal before the Court of International Trade. Oral argument in the POR-3 appeal was heard recently, and we expect a ruling to be issued in that case probably before you have a vote in this sunset review. So hopefully you will have an opportunity to see where the court comes out with respect to our claims and the legality of those AFA rates.

Thank you.

MR. CAMPBELL: Jay Campbell with White & Case again. This concludes our affirmative presentation. We look forward to your questions. Thank you.

COMMISSIONER WILLIAMSON: Thank you. I wanna express appreciation for all the witnesses for coming and the testimony that's been presented. It's kind of hard to figure out where to begin. So I'm gonna be jumping around here.

Mr. Kendler, you had, I'll use that -- because quality was much more important than price, therefore price is not that driving force. But that would indicate that, look at Tables 2-8 and -10, it looks like domestic producers
and subject producers are comparable. I mean there's nothing that indicates that one has an advantage over the other when it comes to quality. And so if that's the case, why isn't price the driving force?

MR. KENDLER: Thank you, Commissioner Williamson. Ron Kendler, White & Case. I would contend that it boils down to, again, other nonprice factors. It's not just quality. We have existing relationships. We have technical support. We have the fact that, even though at times you have Alliance Agreements that set out basic design. Producers still have unique transformers to offer. There's a whole host of nonprice factors that become relevant in an industry like that where the product is very expensive. It's highly customizable. It's meant to go into service for decades.

COMMISSIONER WILLIAMSON: Yeah, but usually when we have those kind of things, you have a bunch of purchasers in here telling us this is what's driving it. We don't have anything really on the record that substantiates those differences. At least that I can recall seeing.

MR. KENDLER: Well, I would point again to the purchasers stating the most important factors all of which are not price. That in my mind is what sets up the counter to petitioners point that it is the driving factor.

COMMISSIONER WILLIAMSON: But when they talk
about what's, you know, does one side have advantage over
the other? They're basically comparable. I don't -- I'm
mixing up the tables here, but if you look at those -- well,
there's three sets of tables. 3-6 and I guess 2-8 and 2-10.
Anyway, you can look at post-hearing. But the data that we
have show that products are comparable.

They don't seem to give advantage to one or the
other. More so than we see in most cases. And then I know
what you said about, where quality ranks, but price is the
second factor. So I just, I don't see what's the basis for
them saying these other factors outweigh price?

MR. KENDLER: We can address this post-hearing,
but at this point, I would just point to things like
existing relationships, customer support --

COMMISSIONER WILLIAMSON: But anything to
substantiate that, because right now we -- at least I
haven't seen anything yet.

MR. KENDLER: Certainly.

COMMISSIONER WILLIAMSON: And it's just, they say
it and you say it. Okay. The other thing that struck me, I
think you said, the fact that, you know, Hyundai's, you
know, the Alabama operation precludes increases in imports.
And that word precludes really struck me. Because if they
can sell both from the Alabama facility and from Korea, why
not do that?
MR. KENDLER: Well, I think the focus is to increase imports from Alabama and that's what we've seen over the POR is that ramp-up of production. We see that now with the investments efforts that are being made as we've heard from Mr. Arkuszeski. I think that that's the aim over time is to shift.

I mean it makes sense certainly for Hyundai's U.S. customers to source more and more from the United States. It makes sense for Hyundai to serve those customers from the United States. So I would say that the effect is preclusionary insofar in that it's in Hyundai's interests and in its customers interests to serve from the Montgomery plant and Hyundai intends to continue doing so and to ramp that up.

COMMISSIONER WILLIAMSON: Okay, Mr. Campbell?

MR. CAMPBELL: I would just add that over the three-year POR, you actually see that phase-down. You see the declining exports coming from Hyundai in the reported U.S. shipments and you see conversely an increase overall from 2015 to 2017 for HPT, the U.S. facility.

COMMISSIONER WILLIAMSON: Okay. But then you have the other Korean producer, too. So the volume --

MR. CAMPBELL: Right, with respect --

COMMISSIONER WILLIAMSON: -- at the end, the volume of imports is --
MR. CAMPBELL: Right, but the fact remains that
-- I'm sorry, I don't mean to interrupt, but in the original
investigation, and it was true then and it's true now that
Hyundai and Hyosung were the only two Korean producers of
significance that exported to the United States.
That remains true today. Ilgin and LSIS are both
much smaller Korean producers with insignificant exports to
the United States. And Hyosung, based on their pre-hearing
brief, you know, they have discussed how, explained how
their success in the U.S. market is largely based on the
reputation that they've established based on quality power
transformers and reliability, and not based on price.
And in fact, we submit that the bid data
corroborate that, that point that they've made and we can
discuss that more in post-hearing since it involves
confidential data. But that's how we account for each
producers. The fact remains that Hyundai is a very
significant, one of the two significant exporters.
And the fact that it has now an affiliated U.S.
producer that is one of the top U.S. producers at this
point, is a very significant change since the original
investigation, that adds to and demonstrates why, if there
were a revocation of the order, there would not likely be a
significant increase in imports from Korea.
COMMISSIONER WILLIAMSON: Okay. How dependent on
demand growth is your argument that an adverse impact is unlikely? And I ask this question, given that the domestic producers said demand, I guess, basically gonna be flat. I know other arguments you've made about why you expect it to grow, but they were also talking about the fact that the existing, with the monitoring that can be done, the existing transformers can last longer. And I don't think you mentioned that fact. So I was -- so you do have different outlooks on growth going forward?

MR. KENDLER: We would posit that the projected demand that's been stated are ones that have made by sources that are very familiar with the industry. They were submitted with our brief. These are sources, as well as the producers themselves, are familiar with the equipment.

The equipment itself is not going to double the life of a transformer just by virtue of its placement. And the calculations are made for the equipment stand. So I would just point to the studies that have been done of this industry by professionals who are familiar with it.

COMMISSIONER WILLIAMSON: Okay. But why are the producers that went out looking -- you have the other since--

MR. KENDLER: Well the one thing --

COMMISSIONER WILLIAMSON: Why are the exports dueling?
MR. KENDLER: Certainly. Particularly, one thing that struck me listening to petitioners' testimony and the producers' testimony was that it was very rear-ward looking, with respect to both the United States and the rest of the world in terms of demand.

The only thing they mentioned was low oil prices in the Middle East, and that is a condition that did exist, but the condition looking forward is the massive increase in electricity consumption that we're seeing, and the industrialization in those countries which is demonstrably linked to an increase in demand in the future.

At the same time, petitioners said nothing of the factors that the Commission noted in the original investigation -- are tied to projected demands in LPTs, housing starts, industrial construction, electricity demand, those have all been projected to increase.

All I heard from the other side was about things that have been happening in the past and other hardware changes that could be linked to improvement, but do nothing to counter the data, again, from independent surveys that demonstrate that, on a macro level, this market will increase significantly in demand in the coming years.

COMMISSIONER WILLIAMSON: Mr. Kang?

MR. KANG: If I may add -- this is Jun Kang from Hyundai -- I listen the domestic suppliers mentioning
something about the fiber optic technology and monitoring devices to predict the life cycle of a transformer unit. That's just for better prediction and better management of an existing transformer unit. It doesn't change the fact that that unit is old and it needs to be replaced eventually after 30 or 40 years of life cycle has been achieved.

So we think historically the U.S. market has had that constant need of replacement transformers throughout the system. Some units out there are 70, 80 years old. Just because, you know, the purchasers have their own budgets. So depending on their budgets and plans, they keep on postponing it or they want to use it a little bit more. Give it a try. But the need is out there. And also, one more point I would like to make is, we see some of the private utilities now teaming up to come up with stacking the transformers and sharing among them.

Because in preparation of the major events such as climate disasters or terrorists attacks, these are critical infrastructure equipment. So we see even Department of Energy heading program that looked into this, but a number of utility companies are trying to get prepared in advance and they buy, they are trying to buy a standardized type of transformers where they can share the transformers in a certain location and get prepared for the
very bad incidents.

COMMISSIONER WILLIAMSON: Does that mean a higher level of demand? This sharing? Or how does that effect overall demand?

MR. KANG: Overall demand? I wouldn't say it would be a substantial increase, but it is -- yes.

COMMISSIONER WILLIAMSON: Okay. Good. Thank you for those answers. Commissioner Broadbent?

COMMISSIONER BROADBENT: Thank you. I wanna welcome the panel and thank you for your clear presentation. Mr. Kang, this morning, we heard testimony from producers that in some cases, Hyundai Montgomery will win a bid, but the transformer will actually be made in Korea, and the maintenance will occur in Montgomery. Does this happen? And if so, under what circumstances?

MR. KANG: That particular project was where we produced a shunt reactor unit which is a type of a transformer, but it's a nonsubject item. And we produced it from Korea and brought it into Wisconsin, but we utilized Alabama's entity name because Alabama was responsible for the local installation and the transportation.

COMMISSIONER BROADBENT: So that just happened once?

MR. KANG: As far as I know, yes.

COMMISSIONER BROADBENT: Okay. Can you explain
in greater detail which Hyundai entities are covered by the ban on sales to KEPCO? And which ones are able to sell to KEPCO?

MR. KANG: Hyundai is banned from KEPCO in terms of Hyundai heavy industry is being banned, but being Hyundai Electric, we are not the entity that is banned from KEPCO.

MR. CAMPBELL: And Hyundai Electric is the entity that makes large power transformers. So in effect, there is no current KEPCO ban on LPTs supplied by Hyundai from their Ulsan plant in Korea.

COMMISSIONER BROADBENT: Did that spin-off help that situation? In addition to the dumping duties?

MR. KANG: Yes, it did help.

COMMISSIONER BROADBENT: Okay. Mr. Kang, given the size of the large power transformers, how important are transportation costs dictating whether a specific supplier will be able to sell to purchasers that are not in close geographic proximity?

MR. KANG: Transportation costs occupies quite substantial portion of the overall offer amount.

COMMISSIONER BROADBENT: Mr. Kang, on Page 2-13 of the staff report, it states that one reporter whose name is in brackets, or confidential, reported a large increase in the number of smaller windfarm generator transformers. The importer expects the future electrical grid to be more
decentralized, which will reduce the average size and increase the quantity of new power transformers. Do you agree that the grid is likely to become more decentralized?

MR. KANG: As the domestic supplier mentioned during earlier today hearing, we agree that the renewable energy sources, the shift towards renewable does make the transformers smaller and may require quantity-wise, it may require more transformers. Comparing to the existing main power sources from nuclear or cold-fired.

COMMISSIONER BROADBENT: Okay. So what does that do the in-scope group of transformers? Is that all in-scope that you're talking about? Are they gonna shift from larger to smaller and maybe more, but they'll still be in-scope?

MR. KANG: The feedback that I just provided about expecting smaller and more transformers from renewable side is just for that windfarm or the solar farm only. And there may be some auxiliary or distribution infrastructure that may accompany that new windfarm or solar farm in the certain location. But in terms of LPTs, 60 MFAs and above, yes, shift towards renewable will make the transformer sizes smaller and we expect more quantity.

I see. This is Jun Kang from Hyundai. The average sizes of windfarms or solar farms that I see, based on my experience, they are maximum, on a single farm, it will be a 200 megawatt project. And those farms can go down
probably below the scope of 60 MVA or 60 megawatt sizes. But most of the windfarms I would say 60 are within the scope, yes.

COMMISSIONER BROADBENT: Thank you very much. I appreciate that. So what factors drive increased demand for the larger transformers?

MR. KANG: The larger transformers I would say, as I mentioned before, the replacement needs are still there. Not all the generating stations are closing down these days. We do see needs from the nuclear side and also cold-fired and also gas-fired plant replacement needs. And also there are substation units which are transmission-purpose transformers that are pretty good size units within the transmission system that needs to be replaced.

COMMISSIONER BROADBENT: Okay. What accounts for the consistent presence of subject imports from Korea in the U.S. market, despite the presence of the antidumping order? Isn't this an extremely expensive product for purchasers to buy while paying an antidumping duty as well?

MR. CAMPBELL: Some customers we understand that Mr. Kang corroborate or elaborate, but my understanding is that some U.S. customers still prefer Korean product based on prior experience. This is the type of product that proven track record and knowledge and familiarity with the
product matters, so there is still U.S. demand for Korean transformers, even with the duty. But I'll let Mr. Kang elaborate on that.

MR. KANG: Yes, so this is Jun Kang from Hyundai. Purchasers, they approve the vendors by factory, manufacturing location. So, for example, if they approve Alabama, that doesn't mean they approve Ulsan. They separately pre-qualify each manufacturing location and in terms of Alabama, there are still limitations in terms of, because of the crane size and the test slab capacity, there are types of units that Alabama cannot produce at this moment. So in those cases, we need to look into bringing in from Korea.

COMMISSIONER BROADBENT: Okay. This question relates to the transparency of the pricing information. You all were pretty clear in your view that price information doesn't transfer about very easily. Most purchasers reported that they generally do not quote competing prices during negotiations.

But on Page 513 we provide purchasers statements about how general pricing information becomes known in the U.S. market, including through post-bid feedback, the RFP process, win/loss rates, historical price data and market index trends. This suggests that there are many informal mechanisms for prices to be shared throughout this market.
even if there's little formal quotation of competing prices in the market. Do you agree with this characterization?

MR. KANG: I will like to make a distinction between the types of customers we deal with, the public utilities. Because it's an open bid, of course, we can take a look at the competitors or the participants pricing level. IOUs, Investor-Owned Utilities, it is extremely difficult to get any type of feedback from our customers, even after they order through our competitor, they wouldn't even share who won that project.

They wouldn't give out the name. So obtaining pricing feedback, we do occasionally get a vague feedback that, "Hyundai, you were not quite there," that level of feedback. But in terms of giving us exact percentage or any value, they would not give out those type of information.

COMMISSIONER BROADBENT: Well, for just the post-hearing, could you look at Page 5-13 and just comment on how that's characterized? I don't know if it's distinguished between the utilities versus the IOUs. Thank you.

COMMISSIONER WILLIAMSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you very much. I'd like to thank the witnesses for being here this afternoon. With regard to Hyundai U.S., Hyundai Korea's
production and supply strategy, is there a coordinated
supply strategy for the U.S. market between those two
entities? Do the two entities talk to each other and decide
which entity is going to bid on a particular project?

MR. KANG: When we first receive a new request
for quotation, then that RFQ is shared with the sales teams
of both entities, and we do -- unless the client specifies,
"Hyundai Ulsan, you guys come in, Hyundai Alabama, don't
come in," that kind of -- unless they don't specify, we
usually come up with two quotations for a certain type of
transformer. And that quotation, two quotations are
compared at our sales headquarters in Korea.

COMMISSIONER SCHMIDTLEIN: And then you make a
decision to submit one? Or do you sometimes compete with
each other on the same project?

MR. KANG: There are times when the customer
doesn't have a preference, so we let the customer choose
which location you would like us to proceed with. So we
submit two proposals.

COMMISSIONER SCHMIDTLEIN: There are times when
you will submit two proposals?

MR. KANG: Yes.

COMMISSIONER SCHMIDTLEIN: And if you are
submitting only one proposal, can you talk about what is the
determining factor for --
MR. KANG: Yes. If it's a situation where the customer wants local manufacturing only, they sometimes specify that. They only want U.S. or North American suppliers. In those cases, we only pursue our Alabama facilities' proposal. And vice versa, there are customers who really prefer Ulsan factory, and also, as I mentioned before, there are types of units that we cannot manufacture from Alabama. So in those types of cases, we only go with Ulsan proposal.

COMMISSIONER SCHMIDTLEIN: So is that the only time you would go with the Korean factory is if Alabama doesn't produce it or if the customer has a stated preference for the Ulsan factory?

MR. KANG: Yes, that is.

COMMISSIONER SCHMIDTLEIN: Okay, thank you. This might be a question for Mr. Campbell. In the petitioners' exhibits that they attached and in the, actually the public version, at Slide 8, in looking at the bid data, they created an exhibit -- I'll let you pull it up here -- so the caption on the exhibit is "Underselling remains the key when Korean producers win bids."

And they've calculated the percentage that -- the percentage of Bids 1 where the Korean bid was the lowest was 90% from over the period of, well, most of the period of review, '15 to '17, and that that demonstrates that price is
the driving factor when the Koreans win. Can you respond to
that argument?

MR. CAMPBELL: First of all, yes, because this
is limited to instances where Korea actually won. In our
view, it presents a limited picture and is not indicative of
the Korean producers' behavior overall.

In Exhibit 12 to our prehearing brief, we
provided the bidding--a compilation of the bidding data
results. And in our view what it shows is mixed
over-bidding and under-bidding. So if you look overall at
the Koreans' behavior, I think that's what you see, rather
than under-bidding. It's a mixed picture.

Secondly, more broadly than the bid data,
purchasers reported--it's indicated in the staff report that
there is no price leader. There are no price leaders in the
U.S. LPT market. And secondly, purchasers also reported
that Korean and U.S. prices are comparable.

So I would say that limiting this slide, which
limits the instances to where Koreans won, is not indicative
of the overall behavior. And overall behavior shows more of
a mixed over-bidding, under-bidding, which is what you would
expect in the context of a bid competition for
investor-owned utilities that largely closed.

COMMISSIONER SCHMIDTLEIN: But doesn't it
suggest something, that 90 percent--when you look at just
the ones the Koreans won, that 90 percent of the time they are at the lowest price, whereas if you look at when the U.S. wins or when nonsubject wins, it doesn't approach the 90 percent level of it being the lowest price?

In other words, it looks like price is driving those decisions. But when you're talking about other bidders, it's not always based on price. And that because of--and the reason that that's--you know, the demonstration for that is this bid data that we have. I mean, is it just a coincidence that 90 percent of the time they're the lowest bidder when they win?

MR. CAMPBELL: I think we've have to comment posthearing, because--

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CAMPBELL: --there is--you know, also in the bid data the purchasers were asked to report the reasons for awarding the project. And all of that is confidential, but that would help us dig into the details of each of these instances where Korea won.

And my point is that I believe from memory at least, there are, you know, explanations of why the Koreans won, and the explanation is not price.

COMMISSIONER SCHMIDTLEIN: Okay. If you could do that posthearing, that would be helpful.

Okay, shifting gears just a little bit with
regard to the question of the role of nonsubjects, and I think this was part of the presentation, the argument being made that nonsubjects are the largest source in the market. And that if the Order is revoked Koreans would take subject—would take share from the nonsubjects rather than the U.S. producers. That's basically the argument. Because—and the argument goes—the U.S. is not benefitting from the Order, and this is demonstrated by the increase in nonsubject share over the course of the period of review.

So can you respond to the argument, if you look at Figure I-1, which is on page 1-6, which shows the relative shares of apparent consumption from 2012 to 2017? And you see there that after the Order was put in place, subject does decrease U.S. gain in 2013. And then around two thousand—actually the U.S. does better in I think '13-'14-'15, and then starting in '15, Koreans start to increase but they take share from not just nonsubject but also U.S. over '15, '16, and '17, and in fact take more share from the U.S. than they do from nonsubject.

So doesn't that undermine the argument that if you revoke the Order, it won't have an adverse effect on the U.S. producers?

MR. CAMPBELL: Well what I would point you to, Commissioner, is Tables I-8 and I-9 in the staff report, which provide a more accurate view or picture of what's
going on. Because those tables break MVA down by range, 60
to 299, and 300 MVA and above.

And Petitioners made a big deal about the past
three years, and they argued that, look, if you look at 2015
to 2017, you see that the subject imports' market share
increased while the U.S. producers' market share decreased.
But that's skewed by MVA and product mix.

And when you look at the tables I-8 and I-9,
which are broken down by MVA range, you see a more accurate
picture. You see in Table--I can't use numbers, it's VPI,
but if you look at Table roman numeral I-9, you see that in
the larger MVA, transformers 300 MDA and above, where U.S.
producers aren't as active, you see that they actually
gained market share.

And then if you turn to--so subject imports were
not taking market share there in that MVA range. And then
if you turn to Table roman numeral I-8 in the size ranges
from 60 to 209 MVA, 299 MVA, where U.S. producers are more
prevalent and where they indicate demand is trending, you
see a much different story. And you see what's going on
with the nonsubject imports compared to the U.S. producers,
and the U.S. producers' loss of market share.

So I would point you to those tables. And we
submit that that demonstrates that nonsubject imports are
the principal cause of any harm, and nonsubject imports were
the main beneficiaries of subject import--any loss in market share by subject imports. And figure I-1, we can elaborate posthearing, but a limitation with that table is that it's not broken down by MVA range like Tables roman numeral I-8 and I-9.

COMMISSIONER SCHMIDTLEIN: So is it your argument, though, that the U.S. isn't--I mean they do participate in the greater-than-300 MVA, right?

MR. CAMPBELL: We recognize that, yes.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CAMPBELL: But nevertheless, we also understand from Mr. Kang that a perception still persists among U.S. purchasers that U.S. producers lack--that U.S. producers lack--that U.S. producers lack capabilities in the greater-than-300 MVA range. And you do see that U.S. producers aren't as active there as they are in the 60 to 299 MVA range.

COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank you. My time is up

COMMISSIONER WILLIAMSON: Commissioner Kearns?

COMMISSIONER KEARNS: Thank you, all the witnesses, for appearing before us today. I guess I want to go back to an issue that was discussed earlier about demand in the future.

As I understand it, you expect that LPT demand
will go up because electricity consumption in the United States is likely to go up? Is that basically right?

MR. KENDLER: That's correct. Based on projections by the Department of Energy, yes.

COMMISSIONER KEARNS: Okay, so I'm wondering, if you look at--now I've lost the page--we've got a graph in the staff report that shows electricity consumption over the past I think it's five years. And one point is, demand has been pretty constant during that whole period.

And I heard what you said before, Mr. Kendler, about how you think Petitioners are kind of relying too much on the past to project the future, but--and it's not just three years, it's five years they're showing pretty constant electricity consumption. And I'm wondering, you know, given that, how much credence we should put in the idea that demand will take off going forward?

MR. KENDLER: The credence I would give is the fact that this is a study from the Energy Information Authority of the U.S. Department of Energy. They, in that study that we submitted with our brief, noted the kind of stagnant demand that you, Commissioner Kearns, had noted. And based on their projection there will be that steady increase for the next 32--sorry--yes, 32 years.

So I recognize and understand that demand has been, as you said, relatively staid for the last several
years, but the projections are that it is going to increase, and that's based on studies from authorities that regularly study and understand these markets.

COMMISSIONER KEARNS: Okay. Now the other point on this, though, is, doesn't the recent past suggest that, that electricity consumption and LPT consumption are not all that well related?

In other words, you see on that graph pretty flat electricity consumption, but we know that LPT has sort of gone up and down, and we talked throughout the day about the reasons for that. And so--and especially given that this is a product that lasts 30 years, and that there's these other factors that play, changes in energy types, the monitors that allow the product to last longer, all these other factors, is it really a good basis to kind of project what LPT demand will be based on electricity demand when the past seems to suggest that they're not that well correlated?

MR. KENDLER: I would say that it's one of several bases--

MR. BURCH: Would you please identify yourself?

MR. KENDLER: Ron Kendler, White & Case. I would say that it's one of several bases. It's not the only one. Just to go through a few of your points, we heard from Mr. Kang earlier that these monitors will essentially just tell you what's going on inside the transformer. They don't
mean that the lifespan of the good is changing, necessarily.

We've also seen the other elements of demand, or
the demand drivers that the Commission has noted in the
original investigation, particularly industrial construction
and housing starts. And those have increased, or are
increasing, with industrial construction increasing this
year and next year, projected, as well as housing starts
increasing over the last three years every first quarter.
And there is an 18-month lag between that increase and the
increase in demand for LPTs.

So I'm not suggesting that purely by virtue of
the projected increase of electricity that will
automatically result in increase in demand for LPTs. This
is just one factor in a broad picture that, taken together,
suggests that the increase in demand for LPTs is there.

COMMISSIONER KEARNS: Okay, thank you.

Now turning to price, Commissioner Schmidtlein
had you look at slide 8 of Petitioner's presentation. I
guess I'd have you look at slide 7, as well. I mean there--
because I think I heard in your answer that you said, well,
slide 8 only relates to bids won with under-selling, but
with slide 7 we're seeing what happened where Korea
over-sold. And it's a pretty different picture from when
Korean under-sold.

So how do you square this with the notion that
pricing isn't that important?

MR. CAMPBELL: Jay Campbell with White & Case.

Well first of all, I will point out again that this slide is limited to instances where either the United States or Korea won the bid. So it's not indicative of the Korean industry's overall behavior with respect to price.

COMMISSIONER KEARNS: Could you--before you go on--what do you mean by that? Can you flesh that out a little bit more?

MR. CAMPBELL: Well this only shows--this data set is limited to instances where both Koreans and U.S. producers were present in terms of competing for a bid project. And it's also limited to instances where either a U.S. producer or a Korean producer won.

So in that sense, it's not complete. It's not showing Korean producers' bidding behavior overall, because it's limited to instances where they competed against a U.S. producer, and it's limited to instances where either a Korean or a U.S. producer won.

COMMISSIONER KEARNS: So basically it's not really factoring in nonsubject imports and what role they played in this?

MR. CAMPBELL: Right.

COMMISSIONER KEARNS: Okay. And was there something else you--I kind of cut you off there. Was there
something else you wanted to say?

MR. CAMPBELL: Yeah, could you please repeat the question, actually?

COMMISSIONER KEARNS: Sure. Sorry. I mean it just seems to me that overall this chart does seem to suggest that pricing does matter; that Korea does pretty well when it under-sells, and it doesn't do very well when it over-sells.

MR. CAMPBELL: Okay, so--Jay Campbell with White & Case. First to clarify our argument, we are not contending that price is not important. In fact, we recognize that in the staff report purchasers rated it as very important.

But nevertheless, our point is that price is not the most important factor. And that's also supported by the staff report where purchasers rated three other factors as the most important factor more often than they rated price as the most important factor.

COMMISSIONER KEARNS: On that, because we hear this argument a lot, and it seems to me that--I mean normally what we have to decide is, okay, price and quality and several other factors are all over important, but what distinguishes the subject imports from the U.S. produce?

And as Commissioner Williamson seemed to suggest, it just seems to me like what I've seen on the record
suggests that price has distinguished subject imports from
domestic product. And I'm not so sure that quality really
does, or these other factors. How would you all respond to
that?

MR. CAMPBELL: Well, Commissioner Kearns, I
would point you again to—or remind you that this is a
limited data set. It's a sample. And, you know, the
purchasers were asked to report their five top bids over the
past three years, or over the POR, when both a Korean and a
U.S. producer were present.

So it's a limited data set in that sense. And if
you look more broadly, you find that purchasers reported
that Korean prices and U.S. prices were comparable. And
they also reported that there's no price leader in the
market.

So, you know, we submit that that more broad
evidence indicates that with respect to Korean, it's not
price that is the sole factor that is driving their winds,
or that is distinguishing their power transformers from the
power transformers of U.S. producers.

COMMISSIONER KEARNS: Okay. I think this
question is for Mr. Bond. I think you were talking about
how you all are appealing the AFA determination. Do we know
what the rates would be if AFA had not been applied? And
maybe the answer is no. I don't know the answer.
MR. BOND: This is David Bond. There are two periods of revision Hyundai received AFA. The same 60 percent AFA rate. The first, which was POR 3, the Commerce Department issued a preliminary determination without the use of any AFA, and the percentage there was 3 or 4 percent. And for reasons which we still don't understand, things changed drastically by the final in that.

For POR 4, the Commerce Department went--

COMMISSIONER KEARNS: Changed drastically just in the sense that they found AFA? Or other things as well?

MR. BOND: Correct. So they went from using all of their information in calculating a rate, to disregarding it all and just using the 60 percent rate.

In POR 4, they went immediately in the preliminary determination to using the same 60 percent AFA rate. So there never was a preliminary calculation of our rate that I can provide to you. But it would have been in line with previous reviews in about the 5 to 10 percent range.

COMMISSIONER KEARNS: Okay. And would your appeal affect the rates for all of the Korean producers, or just for Hyundai?

MR. BOND: So for POR 3, Hyundai did not receive AFA. Only we did. So it would only affect us there. For
POR 4, we both received AFA and we both appealed. So, yes, it would affect both for POR 4.

COMMISSIONER KEARNS: Okay. Thank you. I have no further questions.

COMMISSIONER WILLIAMSON: Okay.

MR. BURCH: Commissioner Williamson?

COMMISSIONER WILLIAMSON: It's me?

MR. BURCH: Um-hmm.

COMMISSIONER WILLIAMSON: Let me start again.

What explains the volume pattern for subject imports we see on the record with significant declines just after the Order was imposed, followed by significant increases? The domestics have argued this at pages 29 and 30 of their brief.

MR. KANG: This is Jun Kang from Hyundai. Of course when we initially was imposed of the tariff, it was a very surprising decision for us. So we initially panicked. And also later on, moving forward, we came up with the Alabama plant, and Alabama plant gradually gained its reputation as a qualified U.S. producer. But as I mentioned before, there are certain types of units that cannot be produced from Alabama. At certain times, Alabama was gaining traction so their manufacturing slots were becoming limited. So I believe that is the reason for that type of a pattern.
COMMISSIONER WILLIAMSON: In other words, you're saying that once you regained your balance, you had Alabama but you also resumed the exports from Korea?

MR. KANG: And also there are clients who still prefer Korea plant. So we cannot predict the client's purchasing plant in advance, whether they're going to order $10 million of units per year, or twenty. But for that certain period of time, I believe those customers placed orders more than usual.

COMMISSIONER WILLIAMSON: Okay, thank you.

What happened to subject imports in the interim period 2018? There was a significant change there.

MR. CAMPBELL: This is Jay Campbell, White & Case. We can address that more posthearing. For now we can only really speak for Hyundai. But for Hyundai, it's just indicative of their shift, phasing down, decreasing shipments from exports from Korea in favor of U.S. production.

COMMISSIONER WILLIAMSON: Okay, thanks.

Anything more you can add posthearing will be helpful.

What about Korean exports to Saudi Arabia in 2017? There was a significant change there, too.

MR. CAMPBELL: This is Jay Campbell with White & Case. I'll let Ron Kendler elaborate, if he can, but, you know, as we've noted, demand was down in the Middle East
over the past three years largely due to low oil prices. But based on the public information and the studies we've put on the record, and Hyundai's information, we believe the demand in the Middle East bottomed out, and now it's rebounding. So looking forward we project that the Korean industry's shipments to the Middle East will increase as demand in the Middle East picks up.

COMMISSIONER WILLIAMSON: Okay. But the pattern wasn't uniform among all the Middle East countries, I don't think.

MR. KENDLER: Ron Kendler from White & Case.

Beyond reiterating what Mr. Campbell--

COMMISSIONER WILLIAMSON: If you want to address it--if there's anything further posthearing--

MR KENDLER: We can address that, yes.

COMMISSIONER WILLIAMSON: Thanks.

Petitioners say that the basic market dynamics, importance of price, dissemination of pricing information in the market and the decision by our suppliers about when and how they fit, you're saying these factors or these dynamics really haven't changed since the original POI. Do you agree with that?

MR. CAMPBELL: This is Jay Campbell with White & Case. The basic bidding dynamics?

COMMISSIONER WILLIAMSON: The bidding and market
dynamics. I guess they might be the same, actually.

MR. CAMPBELL: Well in terms of the bidding dynamics, I'll let me Kang speak to this, if he'd like to, but our understanding is that the basic bidding dynamics have not changed in the sense that for public utilities the bids are public, whereas for investor-owned utilities, private utilities, the bidding process is largely closed.

So we would say, no, that there haven't been significant changes in the bidding dynamics.

COMMISSIONER WILLIAMSON: What about the purchasers' decisions about when--about when and how to--no, what about the decisions by suppliers about when and how to bid?

MR. CAMPBELL: Well--this is Jay Campbell with White & Case--on that point, I think what you're referring to is the argument by Petitioners that if they perceive that a Korean is present, they're not going to bid. But the bid data on record do not support that contention at all.

There were 267 bids reported, or bidding projects reported where a Korean was present. And out of those 267 bids, U.S. producers were bidding, or at least one U.S. producer was bidding in 231 of the bids. That's 87 percent of the time.

So the Petitioners' argument that they stay away when they hear that Koreans are present is totally refuted
by the record facts.

COMMISSIONER WILLIAMSON: Okay. On that score, there was a lot of talk this morning about the alliance arrangements. In any respects do you disagree with what the Petitioners were saying about those?

MR. KANG: This is Jun Kang from Hyundai. In terms of alliance agreements, we most of all agree with what the domestic suppliers have mentioned this morning. Alliance agreements, once under the agreement, that particular supplier can supply transformers to that purchaser for extended period of time.

But many times the large size investor-owned utility company, they have multiple types of transformers within that bid package, 25, 30 types of transformers. So what they do is, they divide it by subcategories, and it can range from 60 MV sizes up to 400, 500 sizes.

So we do compete with domestic suppliers in those type of alliance agreement bids, but in the large size, 300 maybe above, we do not see domestic suppliers being competitive in those type of units.

COMMISSIONER WILLIAMSON: Okay. Thank you. I'll come back to that, but did Hyundai and Honsai ever really pay the lower duties that I guess were in effect for awhile? And sort of how did that happen?

MR. BOND: This David Bond from White & Case.
I'm not sure what you mean by "really ever pay," but since the original investigation there have been five annual reviews. And it's only a final determination and a review, once all court litigation has been completed, that results in payment of duties. And to this point, all of the reviews are still in court. So we haven't gotten to the point yet of paying any duties because the results in each of the reviews are still subject to change by the court appeals.

COMMISSIONER WILLIAMSON: Okay, thank you. I think this came up earlier about the ban by KEPCO of certain companies. And I guess both Hyundai and Honsai are now saying because under the name changes they are no longer affected by those bans. Is that correct?

MR. KANG: This is Jun Kang from Hyundai. Yes, that is correct. We are no longer affected by the KEPCO ban.

COMMISSIONER WILLIAMSON: I was just surprised that, wouldn't an administering authority or whoever say just because you changed your name, that doesn't mean that it's not the same company?

MR. KANG: I cannot--I do not have the answers to that question.

MR. BOND: This is David Bond. I think it's important to reiterate a point I made earlier, which is that HEES, the transformer company, was not the only company that
was spun off. There were six divisions. Several of those
divisions, which made products ranging from ships to robots
to environmentally--

COMMISSIONER WILLIAMSON: I understood your
argument that--

MR. BOND: It's not an argument, I'm telling you
about--

COMMISSIONER WILLIAMSON: I understand your
point. There's some real commercial reasons to do it. But
there were also some benefits that flow from that.

MR. BOND: Absolutely. And my guess would be
that the authorities inferred from the fact that there were
commercial reasons for doing this, that there was no reason
to object.

COMMISSIONER WILLIAMSON: Okay. How significant
are those bans in terms of the market, the Korean market?
If you don't know, that's okay, or you can do it
posthearing.

MR. KANG: KEPCO is, although the domestic
suppliers introduced the material that, you know, we are
export driven company, but domestic market KEPCO is the only
electrical utility company in Korea. So it is a very big
customer for us.

COMMISSIONER WILLIAMSON: Good. Okay, thank you
for those answers.
Commissioner Broadbent?

COMMISSIONER BROADBENT: Thank you.

Let's see. Mr. Kang, and Mr. Campbell maybe, too, can you respond to the argument raised on pages 26 to 28 of domestic party's prehearing brief in which they state that the Korean Utility KEPCO is not required to consider bids from foreign suppliers of large transformers, which is an exception from the WTO agreement on government procurement? Is that true?

MR. KANG: I am the sales manager for North American sales, but based on what I hear from my colleagues who are in charge of the domestic sales, yes, I believe that is true.

COMMISSIONER BROADBENT: Okay, so doesn't that make the Korean market fairly closed and insulated?

MR. CAMPBELL: This is Jay Campbell, White & Case. Yes, it does. But also for purposes of the Commission's analysis, I think the significance of that is that it also means that the Korean market is a significant market. More importantly, what it means is the Korean market is a significant market for the Korean industry where they make a significant number of sales.

COMMISSIONER BROADBENT: Good point.

Oh, and then I just had one question out of curiosity. Mr. Kang, have you seen a slowdown in the growth
of demand for the generators within the renewable energy segment of the market as a result of the solar safeguard tariffs?

MR. KANG: I am aware -- this is Jun Kang from Hyundai. I am aware there was a tariff towards the solar PV modules, but based on the market intelligence that I receive, I do not see any kind of declination of such opportunities.

COMMISSIONER BROADBENT: Okay, good, thank you very much, and that concludes my questions.

COMMISSIONER WILLIAMSON: Thank you, Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Thank you, I just had a couple more questions -- one having to do with demand. I thought I read somewhere it might -- I don't know if it's in Hyundai's brief or Petitioner's brief that housing starts were up 20% over the period of review from '15 to '17 but yet demand in the U.S. for LPT's had gone down.

So I just wondered since your projection for demand in the future seems to be based on housing starts along with a few other things, but my sense was housing starts was a large driver of demand for LPT since it drives electricity demand.

How do you square that?

MR. KENDLER: Ron Kendler from White & Case, very
easily. The staff report notes, and this is based on the
questionnaire response I believe of a domestic producer that
the demand for LPT lags housing starts by approximately 18
months.

COMMISSIONER SCHMIDTLEIN: I see.

MR. KENDLER: So we've seen the marked increase,
particularly in the last year to two years so we can expect
that in the next year and a half that demand in LPT's will
continue to rise.

COMMISSIONER SCHMIDTLEIN: Okay, alright, thank
you. And my last question and I'm not sure you can answer
this but I feel like it's a little bit ironic that we have
Hyundai here represented in full force by counsel who has a
U.S. plant and your argument is you're going to produce more
from the U.S. plant, that you're not going to bring in as
much from Korea.

And presumably, you don't have that as much of an
interest in whether or not the order stays in place but
Hyosung is not here and they're bringing in quite a bit from
Korea. So why aren't they here?

Right -- it seems to be the opposite of what you
might expect, any ideas why -- I mean they submitted a brief
but why aren't they here to answer questions since they
don't have a U.S. facility and --

MR. CAMPBELL: This is Jay Campbell with White &
Case. I'm very reluctant to speculate or speak on their behalf but I think perhaps we could invite them to address that in a post-hearing brief.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CAMPBELL: That's probably the most accurate way to get an answer.

COMMISSIONER SCHMIDTLEIN: Yes, you're probably right about that.

MR. CAMPBELL: As far as why we are here -- Hyundai, yes even though we are -- Hyundai is phasing down exports, you know, it doesn't want -- an anti-dumping order is a real pain frankly. You have to -- they will continue shipping to some extent more limited than before and in decreasing volumes and certainly there won't be an increase, but to have to participate in the administrative review process and deal with the uncertainties of anti-dumping reviews and all that, I mean they would like to see the order go away.

COMMISSIONER SCHMIDTLEIN: Yeah, I understand that. Okay, thank you very much I have no further questions.

COMMISSIONER WILLIAMSON: I'm sorry, Commissioner Kearns?

COMMISSIONER KEARNS: Thank you. Well let me just pick-up from there. I mean I understand an order, it's
a pain but I guess if I were you I would also be thinking
well it's a lot bigger pain on your Korean competitor who's
very dependent on exports from Korea and you're less
dependent, so it does seem surprising that if you all are
moving even more into U.S. production I would think you'd
see some benefits since you're having an order in place, any
thoughts on that?

MR. BOND: This is David Bond, I have a few. I
have just two -- two in particular and these are more
personal views than -- well based on some experience but
first of all you can imagine the financial consequences of a
60% duty on the, you know, the annual trade that we're
talking about it. It's enormous potential liability.

In our view, a liability that's based on an
illegal finding by the Commerce Department but nevertheless
there it is. So, you know, to the extent that there might
be some marginal benefit of having Hyundai continue to be
subject to duties from HPT's point of view, those benefits
pale in comparison to the liability and the uncertainty
that's generated with respect to the imports that we will
have to continue to make of some transformers from Korea.

So, you know, overall it's a much better
situation for Hyundai to have the dumping order go away even
if that means that Hyundai is to some extent benefitted as
well because we'd get rid of the risk of very high duties
with no legal justification as well as the administrative
costs both to the companies and their legal fees of
participating in these processes each year.

COMMISSIONER KEARNS: Okay, thank you and Mr.
Kang, if I heard you correctly earlier, you explained the
reason why you all originally invested in Alabama and that
you sort of panicked when you -- when the order was on its
way, is that about right?

MR. KANG: Yes, this is Jun Kang Hong, from
Hyundai, that is correct sir.

COMMISSIONER KEARNS: Okay, and then the timing
of that makes sense. I mean I -- you know, in terms of when
the petition was filed and when you began production. But I
guess if the order is what got you to invest in the U.S.,
you know, it's hard to think that when we remove the order
that you'll invest even more in the U.S.

MR. KANG: This is Jun Kang from Hyundai. The
Alabama plant was established -- the construction was
finished in November of 2011 so the start of construction
was, I believe, late 2010 timeframe.

The top management's review and consideration
plans to establish a new plant was 2009 timeframe I believe.
So this was before any kind of indication that we're going
to be hit with tariff.

COMMISSIONER KEARNS: Okay, but then what did you
mean earlier about, you know, panicking and that's why you decided to invest in Alabama?

    MR. KANG: That is not correct sir. We panicked after we initially were penalized for the tariff but that was not the driving force of making a -- we did not, that had nothing to do, nothing to do with the establishment of the Alabama plant.

    MR. BOND: This is David Bond. I think what he was saying was they panicked and therefore for a period of time stopped exporting from Korea. Yeah there was a period of time I can tell you -- we were there where the company needed to understand the process and what a final anti-dumping duty order meant and to consider how they were going to continue exporting from Korea.

    And during that period there was a suspension or a significant reduction in exports, but the panic related to the dumping order is completely unrelated to the decision of opening the plant in the United States. That was well underway before the anti-dumping investigation was initiated.

    COMMISSIONER KEARNS: Okay, thank you. Switching subject to non-subject imports -- I think Mr. Campbell you had us look at Table 1-8 and Table 1-9 to explain what was happening with respect to non-subject imports versus subject imports, versus domestic production from 2015 through 2017.
And I think that's a very interesting point that you made, you know, when you compared the different types of LPT's that are covered here and I hope that the Petitioners will respond to that because I think it's a pretty interesting argument.

But I will ask -- I note that if you look at 2015 to 2016 on the smaller MVA side of the market, it looks like maybe that does tell a different story and I don't know if you can address that now or just in a post-hearing brief but if you can help me understand what we're looking at there, it does seem like kind of a different situation there where Korea was more of a force.

MR. CAMPBELL: Yeah, if it's alright with you Commissioner, we'll address that post-hearing.

COMMISSIONER KEARNS: Sure. I don't have the data in front of me but if you look at I think average unit values of Korea product in third country markets versus U.S., it seems that you know, that that would give -- that would cause you to question whether third country markets are going to be a real focus of Korean producers in the future.

Can you say anything about that in terms of, you know, and also this morning we talked a bit about -- about export prices and prices in third markets -- in third country markets and I think the domestic industry suggested
that the prices in the U.S. market are much higher.

So can you help us understand sort of if an order is revoked what impact that -- what impact, how likely it is that Korea will start exporting more to the U.S. vis-a-vis third country markets, given pricing in the U.S. and third countries?

MR. CAMPBELL: Okay, this is Jay Campbell of White & Case. With respect to AUV's you know our opinion is that they're not meaningful -- terribly meaningful when you're talking about a customized product so I don't think the AUV's can really tell you the story of prices.

But on comparing prices in other markets to the U.S. market, that's something where we're going to have to do further research and comment post-hearing.

COMMISSIONER KEARNS: Okay, okay, thank you.

Just a couple more questions here -- oh I want to turn back to private utilities. I think you all had said that you don't sell much to private utilities -- I'm sorry public, I'm sorry I wrote down private but I meant public utilities -- public utilities.

Can you tell me more about you know, what percentage of the market is public utilities and is it that you sell not at all in to public utilities or almost not at all -- just tell me more about that aspect of the market.

MR. KANG: In terms of public utilities I believe
there are thousands of them in the United States because each city has you know, municipal public utility boards. There are many public entities where the transformers -- transformer bids come out.

In terms of the private investor-owned utilities, there are only a limited number of companies out there in the United States although probably combining all of them -- maybe a couple of hundreds of them, IOU's out there.

So the number-wise there are a lot more public utilities out there in the U.S. market and in terms of our participating we -- we actually penetrated into the U.S. market in the '80's so it's been more than 30 years since we've been doing business in the U.S.A.

Back then we knew -- we found out that the public utilities they don't have a pre-qualification process so like the maybe, what the Chinese are doing right now, you know, that was what we did in the '80's.

For 30 years we've accumulated many reputation and many -- we have customer clients in place. There's no more reason for us to participate in a bid where we know we're going to lose money. So that's why we are more focusing towards the investor-owned utilities where the IOU's they have vigorous pre-qualification process and they select what vendors they want to participate in the bid, whereas public's -- you know, everybody can bid.
COMMISSIONER KEARNS: Okay, so basically the pricing's just too low for public utility?

MR. KANG: Yes.

COMMISSIONER KEARNS: Okay, oh last question -- the same question I asked the Petitioners this morning about pricing and pricing in this year and I know you test on this, a second ago in response to a question from Commissioner Williamson, but I'm trying to figure out the -- what impact the new dumping margins since March -- what impact that has had on the market in terms of pricing?

MR. CAMPBELL: Yeah, Commissioner, I don't think we know the answer at this time but we'll look into it for the post-hearing brief.

COMMISSIONER KEARNS: Okay.

MR. CAMPBELL: Okay.

COMMISSIONER KEARNS: Thank you, I have no further questions.

COMMISSIONER WILLIAMSON: Does any Commissioner have any further questions? Since there are no questions from Commissioners, does staff have any questions for this panel?

MR. THOMSON: Craig Thomson, Office of Investigations, staff has no questions at this time.

COMMISSIONER WILLIAMSON: Thank you, do Petitioners have any questions for this panel?
MR. LUBERDA: No Mr. Chairman.

COMMISSIONER WILLIAMSON: Okay, thank you, then I can dismiss the panel and thank you for coming. And we will now have closing statements. Those in support of continuation have 9 minutes from direct and 5 from closing for a total of 14 minutes.

And those in opposition have 19 minutes from direct, 5 from closing for a total of 24 minutes, and as usual we'll combine those times and of course you don't have to use all that time, thank you.

MR. BURCH: Closing and rebuttal remarks on behalf of support of the continuation of the order will be given by Kathleen W. Cannon of Kelley Drye & Warren. Miss Cannon you have 14 minutes.

COMMISSIONER WILLIAMSON: Welcome Miss Cannon, you may begin when you're ready.

CLOSING STATEMENT OF KATHLEEN W. CANNON

MS. CANNON: Thank you Chairman Williamson and thank you to all the Commissioners for your attention today. We appreciate that. I'd like to start by recognizing an issue that Commissioner Schmidtlein just mentioned regarding who's not here today which is Hyosung, a Korean producer that everybody admits is a major supplier to this market and has been very active over the review period.

I always have a concern when only one of the
Respondent producers comes to a hearing, that the presentation becomes a little bit stilted and skewed so that it appears that that one producer's experience speaks for everyone -- here in particular it does not.

Hyosung, as you recognize does not have an Alabama facility and Hyosung behavior has not always been the same as Hyundai's so I refer just urge caution in listening to the presentation and assessing both the comments today as well as what you may see in the briefs, not to accept the presentation by Hyundai as speaking for the industry as a whole.

When you asked about Alabama facility, Mr. Campbell claimed that there would be declining exports as a result of that but again that's only limited to his claim with respect to his company, Hyundai that he's representing.

He's not able to speak, as he said, for Hyosung overall and I would encourage you instead to look at your staff report and the behavior by the Korean industry overall and the market share that they have gained over 2015-2017 period when you're assessing the likely behavior of the industry as a whole, not simply that of Hyundai.

I also have a little bit of a deva vu experience here, heartened back to the original investigation because we've heard a lot of the same arguments presented here that we heard at the original investigation and you'll find if
you look back at the final determination of the Commission
at that time, one of the most noteworthy arguments they made
back then was that in 2012 the Alabama facility was going to
replace the Korea market -- the Korean producer, Hyundai as
a source of supply. If you see slide 25 in our
presentation, you'll see the exact quote in the 2012 brief
by Hyundai to that effect. Well it's now 2018 -- 6 years
later. That didn't happen. And their arguments today that
we'll qualification takes up to a year or we have to get to
know people, I mean come on.

First of all qualification generally takes much
less than a year especially with the low price supplier and
second, six years is more than enough time for them to have
been accepted. They haven't replaced that source of supply
now so their new argument is, "Well, we're going to expand.
We're going to add 60% capacity."

That isn't as significant an action as
establishing the facility was originally and the original
establishment didn't stop them from selling so even if you
accept those arguments, that's not going to cut off supply
any more than it has during the last few years.

And the final point I'd make on that is that
their testimony was also construction's going to take 18
months. Well 18 months from now puts that into 2020 so
that's a long time for us to continue to endure what they're
doing right now without that capacity expansion.

I think Commissioner Broadbent, you asked if the
spinoff helped the situation of abating the KEPCO ban on
Hyundai and Respondents acknowledged that it did. It made a
big deal about our arguments that this spin-off was not --
was done in advance of them knowing about the duties and the
change.

Our point isn't that the spinoff was done
precisely to avoid the duties, our point is that when they
did it first they didn't tell Commerce about it once they
did it and second that they basically took advantage of it.

They took advantage of it by coming in with the
new named company and saying just as apparently they have
done in Korea -- oh, we're no longer Hyundai. But what's
interesting is if you look at what they've actually said at
Commerce where this issue has been vetted in extensive
detail, they haven't made the argument that they are not the
successor in interest to Hyundai.

And when you look at what Commerce found and this
is on the record, this is in our pre-hearing brief in
Exhibit 5, we've given you the Commerce findings. And I
think one of the statements is worthy of quoting.

What Commerce said is, "That Congress anticipated
that companies may make certain business decisions that
would allow them to avoid the payment of appropriate cash
deposits.

For example, a company could create a new entity in which that new entity would produce and export the prior company's merchandise and enter that merchandise at a different or lower deposit rate.

In this chain circumstances review, we are concerned that such a situation exists," and then they go on to describe these facts. So that is exactly what our concern is and that's what, you know, has led to their behavior over these last few years.

Let me shift now to demand. There's been a lot of discussion about demand. We're going to give you some further details from the U.S. Energy Information Administration in our post-hearing brief regarding the electricity demand increase which has been subject to a lot of discussion.

Our data show that the forecast is only for a 0.9% annual increase through 2050 and that you know, up until 2017 it was negative so that really isn't the dramatic growth that would be needed to allow them to expand their exports or continue to supply here as they urge that they would like to do.

They also have claimed that Korean capacity has declined. But look at your staff report carefully. There aren't any reports of actual plant closures by these Korean
producers over the period.

In any event, what is uncontested is the massive idle capacity that continues to exist in Korea today. And if you look at slide 15 in our presentation you will see how large that idle capacity is that exists even under the data they have presented relative to U.S. capacity as well as the size of the U.S. market and it's devastating.

There's been a lot of discussions too that they're not going to sell here because they're going to be selling increasingly to the whole market or the Middle East or other markets. Again, I would encourage you to look at our PowerPoint presentation slide 27, see what Hyundai said which was in their prospectus. They said there are all kinds of downtrends in the Middle East which is not consistent with their claims.

And look at the past behavior -- over the period these markets are going down. Their whole market and the other export markets are going down. I'd call your attention in particular to ITC pre-hearing report at IV-21 which has global statistics on each of the different markets and it shows that the sales to the U.S. market are going up, but sales to Saudi Arabia and many of the other markets are going down, and also shows just how much smaller those markets are relative to what the U.S. is -- I think we're at like 34% and they're at you know, single digit percentages.
So these are not going to be markets that are going to be able to replace what they're selling here. Their arguments also about demand encouraged you to pay no attention to history and rely instead on claims and projections by them as to what they intend to do.

But I would remind you that under the statute, Congress said that some of the best indicators for you in a sunset review as to what behavior will be are the pre-order behavior when they were allowed to operate without the discipline of the order as well as their actual behavior under order and factors such as idle capacity, export orientation and whether they target the United States, all of which support a finding that their likely volumes will be substantial here.

They claim that the success with public utilities was based on quality not price. Again, that was a claim they presented below and yet as you see in the data, it's not just the 90% underselling that we cited, which was true for the bids where they won as Mr. Campbell said.

It's also the case on -- as you see on slide 7 of our PowerPoint that they were winning by low price. Whenever they were not the low price, they were not the ones getting the bid. That's not consistent with claims that they are getting bids because of their quality or other extraneous factors in price.
There were also some comments about the reason they're getting bids is because the U.S. producers have shell-type transformers or high voltage transformers and Hyundai doesn't really see that.

I found those kind of ironic because in the original investigation there were a lot of comments about needs for those types of products and since the original investigation, the U.S. industry has actually undertaken a lot of investments to be able to make large sizes, we make shelf room, we make everything and yet we still are unable to compete because again it goes back to price and not our capabilities.

If you look at slide 10 on our PowerPoint you will also see a very significant overlap regardless of size between the Korean and the U.S. supply so it's not a matter of what size range they're in, it's simply a matter of the prices at which they're sold. I think one of their statements today was also that South Boston is only in medium large power transformers. I'm not sure what they're calling medium but ABB manufactures large power transformers as they're defined in the scope of this order in South Boston.

And as you heard the testimony this morning, despite the closure of St. Louis, they have shifted and expanded sales at South Boston by 70% so they're not out of
that business or this subject product business by any means.

Non-subject imports have been a heavy focus of theirs today. Again, I would urge you not to focus on the two data points on which they've asked you to focus. I would say that we would like to address Tables I-8 and I-9 that they have cited in our post-hearing brief because most of that is confidential but we will do that.

And I would also flag that when they talk about this they're completing ignoring the price effects of the imports. They talked very little about that but their brief actually acknowledges that the non-subject imports aren't as low priced as they are.

They claim we recognize that price is not an essential factor in sales -- that's wrong, we've never said that. Slide 9 of our presentation says just the opposite and flags all the purchaser quotes about the importance of price.

And slide 7, as I mentioned earlier, shows that they win quotes when they are lower priced. They told you the elephant in the room was non-subject imports. I disagree -- I think the elephant in the room is price based nature of their competition -- that is what they consistently hide from today.

They focus on everything else as to why they're getting sales but they completely ignore the very compelling
data that you have that shows that they are underselling still in 90% of instances, and that when they capture bids, they are doing it on the basis of low price.

You recognized in the past that industries that are selling a more technically advanced product wouldn't be underselling and yet that is what they are continuing to do here.

And I'll finally just comment on their complaint at the end that they've been subject to enormous costs of this case and the duties and their concern that it needs to be lifted because of the terrible burden it inflicts on them.

I would simply submit that that pales in comparison to the devastating injury that they have caused this industry, both before the order was enclosed, as well as on-going injury while this order has been in effect and as they have been able to avoid some of the duties through the schemes that we cited earlier today.

So I would encourage you to find based on the evidence of record, that relief is continued to be needed in this case and to leave this anti-dumping duty order in place. Thank you very much.

MR. BURCH: Closing and rebuttal remarks on behalf of opposition to the continuation of order will be given by Jay Campbell and Ron Kendler of White & Case. Mr.
Campbell and Mr. Kendler you have 24 minutes.

COMMISSIONER WILLIAMSON: Mr. Campbell and Mr. Kendler, you can begin when you're ready.

CLOSING STATEMENT OF JAY CAMPBELL

MR. CAMPBELL: Thank you, this is Jay Campbell of White & Case, 24 minutes? Alright sorry, we're going to be here for 24 more minutes -- no, I'm just kidding. Alright so ultimately this case is about causation.

Would revoking the anti-dumping order have a material impact and the answer is no. Subject imports would not be likely to increase significantly. That's primarily because Hyundai is not a significant U.S. producer but also because of growing demand in other markets and new labor laws that are restraining the Korean industries production.

But perhaps most importantly, even if subject imports were to increase, they would do so at the expense of non-subject imports. I would turn your attention again to Table I-1, look at what happened after the anti-dumping order was issued comparing 2011 to 2011, excuse me -- 2011 to 2017.

Subject imports market share went to non-subject imports and we can expect the reverse to happen if subject import volume were to increase. Now the Petitioners have focused on the past three years -- 2015 to 2017, and again I would turn your attention to Tables I-8 and I-9 -- those
tables tell a different story and they show that subject imports are not the problem. Again, lack of causation, revocation of the order would not have a material impact.

Also, something that remains unexplained. I made a point this morning and there was no attempt to rebut it. I did say non-subject elephant -- non-subject elephants. I did say that non-subject imports are the elephant in the room -- they are. The U.S. producers claim to have a lot of excess capacity and at the same time they look at the market share that non-subject imports have.

Look at Table I-1 -- look at that market share. If U.S. producers have so much excess capacity, how come they are so unsuccessful competing against non-subject imports? The reasons -- they must have problems, they must have issues and those issues are other -- are not subject imports or else they would be able to compete against what they consider to be fairly traded, non-subject imports and they're not.

On pricing again we -- I point you to our Exhibit 12 in our pre-hearing brief. We believe overall the picture -- the data, the bidding data on record reveal that the pricing by the Korean industry was mixed overbidding and underbidding -- again, more broadly than the reported bid data.

Purchasers' reports that there are no price
leaders in the market and purchasers also reported that
Korean prices and U.S. product prices are comparable. The
U.S. producers also make the point that in their brief and
today again, but they stay away from bids where they think
Koreans are present but again, the record facts -- the data
on record totally refute that contention. They show that
actually in 87% of the bid projects where Koreans were
present, a U.S. producer also bid -- clearly they're not
staying away when they perceive that Koreans are present.

Now we've been -- it's true that we represent
Hyundai and Hyundai is the one that opens up the U.S.
facility and we can only speak for Hyundai in that respect
but we've been called out a bit for that saying that we
can't speak for the rest of the Korean industry.

And the fact remains that LSIS and ILJIN are
small, they were not significant exporters during the
original period of investigation -- they would not likely be
significant exporters if the order were revoked. That
leaves only Hyosung and Hyosung has argued in their brief
and demonstrated that they are successful in competing on
the basis of non-price factors and we will comment
post-hearing but we will demonstrate that the bid data
corroborates their claim.

Overall however, we -- the larger point is that
because of a number of factors -- if you revoke the order on
that there would not likely be a significant increase in the
imports from Korea overall.

My final point before I turn it over to my
colleague, Ron, I have to call out ABB's credibility on a
point they made -- their representatives made earlier today.
Their representative testified that they only import from
their non-subject plants when it's a -- when the
specification calls for a size transformer that they do not
manufacture in the U.S. market.

While I ask you to please take a look at their
ABB's ratio of imports compared to their production. It's a
significant number and it really calls into credibility that
statement made earlier today by their representative. Thank
you.

CLOSING STATEMENT OF RON KENDLER

MR. KENDLER: Thank you Jay, thank you Chairman
Williamson and the Commissioners. I'm just going to hit on
a few brief points. Listening to Petitioners, I thought a
lot about what a sunset review means and what the Commission
does.

And in my mind the goal of a sunset review is
forward looking. The Commission is to evaluate what will
happen granted based on the past, if the order is revoked.
And in order to make that determination it has to look like
it does in other investigations, other reviews, at a whole
host of volume and information -- much of it very complex.

And what perturbs me in particular about what I heard from the Petitioner's side today is that it's all looking in the rear-view mirror and it's all simplifying a lot of complex information. And in my mind I heard this both when talking about demand, when talking in part about alliance agreements and when talking about Montgomery and I'm just going to briefly touch upon each of those issues.

So with respect to demand, what we did is we looked at the factors that the Commission highlighted in the original investigation -- electricity, industrial construction and housing starts. We heard nothing from the other side about those factors and we see that those factors will lead to projected demand.

What we did hear, I'm glad Miss Cannon brought it up in her closing was that .9% figure from the EIA -- that's exactly what we cited in our brief and I quote the exact language of the EIA -- "Electricity demand will grow steadily through 2050."

Now I'm not staying electricity demand alone will generate the increased demand in LPT's but again it's a complex picture. There are a lot of factors here and we have to look forward, not back.

What you heard from Petitioners was the decrease in electricity. We heard about the decrease in foreign
demand, for example from the Middle East in the past. But
what we have is numerous independent reports, both public,
and proprietary, estimating and predicting significant
demand increases in the future.

So again, are we going to look forward, are we
going to look back, are we going to look at the complex data
or are we going to look at the simplification? And when we
look at the complexity and when we look forward we see
increases in demand.

We see the same thing with respect to alliance
agreements. We heard a lot from the other side about how
they shut out competition, when again in reality this has to
do with qualification, with quality, with the expediting of
process while at the same time ensuring competition.

It's through looking at those details that we
understand the effect of the alliance agreements. Finally,
I was particularly disturbed also by this notion of Hyundai
recycling arguments.

When you look at the factual record -- yes,
Montgomery was planned prior to the investigation, it was
cited by us in the investigation but it also shows a
significant disregard for what it takes to build capacity
and experience in this industry.

At the risk of repeating myself, these are
complex goods. Hyundai invested in a new work force in
creating hundreds of jobs in the United States -- that's no small task and we can't simply be expected to snap our fingers building large power transformers takes time and training.

HPT has done that. HPT has accomplished that and it continues to -- intends to continue doing so. And so we have to look forward at what HPT intends to do in this market. It's not about recycling arguments, it's about making long-lasting investments in the United States, which is what Hyundai is doing. Thank you again for your time.

MR. CAMPBELL: Actually this is Jay Campbell, I apologize I can't help but make one quick plug for Hyundai. Contrasting them to ABB it's really interesting that while ABB shut down a facility and laid off employees, Hyundai is expanding its Montgomery facility and hiring employees, so I'm just pointing that out. Thank you today for your time.

COMMISSIONER WILLIAMSON: Thank you. I want to thank all of the participants in the hearing today and it's now time for closing statement. Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by August 3rd, 2018.

Closing of the record and final release of data to parties is September 5th, 2018. Final comments are due September 7th, 2018. And again thank you to all for
participating, this hearing is adjourned.

(Whereupon the meeting was adjourned at 3:40 p.m.)
CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Large Power Transformers from Korea

INVESTIGATION NO.: 731-TA-1189

HEARING DATE: 7-26-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Review

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

DATE: 7-26-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor’s Representative

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