

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
LIGHT-WALLED RECTANGULAR) 701-TA-449 and
("LWR") PIPE AND TUBE FROM) 731-TA-1118-1121
CHINA, KOREA, MEXICO,) (Preliminary)
AND TURKEY)

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Wednesday,
 July 18, 2007

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:33 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

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 GEORGE DEYMAN, SUPERVISORY INVESTIGATOR
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 JUSTIN JEE, AUDITOR
 KARL TSUJI, COMMODITY-INDUSTRY ANALYST

APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping and
Countervailing Duties:

On behalf of U.S. Producers, Allied Tube and Conduit;
Atlas Tube; Bull Moose Tube Company; California Steel
and Tube; Ex-L-Tube; Hannibal Industries; Leavitt Tube
Corporation; Maruichi American Corporation; Searing
Industries; Southland Tube; Vest, Inc.; Welded Tube;
and Western Tube and Conduit:

DAVID KLIMA, Vice President of Finance, Leavitt
Tube Corporation
GLENN BAKER, Vice President of Sales & Marketing,
Searing Industries
ED KURASZ, Vice President & General Manager of
Mechanical Tube Division, Allied Tube & Conduit

ROGER SCHAGRIN, Esquire
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Washington, D.C.

In Opposition to the Imposition of Antidumping and
Countervailing Duties:

On behalf of Mexican producers/exporters, Hylsa (now
Ternium; Maquilacero; Nacional de Acero; Perfiles y
Herrajes; Productos Laminados de Monterrey; and
Regionmontana de Perfiles y Tubos:

JEAN-MARIE DIEDERICHS, General Manager, Productos
Laminados de Monterrey
LAURA BAUGHMAN, President, The Trade Partnership
SALVADOR BEHAR, Legal Counsel for International
Trade, Secretaria de Economia, Trade and NAFTA
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YOHAI BAISBURD, Esquire
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P R O C E E D I N G S

(9:33 a.m.)

MR. CARPENTER: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of countervailing duty and antidumping investigation Nos. 701-TA-449 and 731-TA-1118-1121 concerning Light-Walled Rectangular ("LWR") Pipe and Tube from China, Korea, Mexico, and Turkey.

My name is Robert Carpenter. I'm the Commission's Director of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, George Deyman, the supervisory investigator; Russell Duncan, the investigator; on my left, David Fishberg, the attorney/advisor; Ioana Mic, the economist; Justin Jee, the auditor; and Karl Tsuji, the industry analyst.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones.

We also ask that you state your name and affiliation for the record before beginning your

1 presentation.

2 Are there any questions?

3 (No response.)

4 MR. CARPENTER: If not, welcome, Mr.
5 Schagrin. Please proceed with your opening statement.

6 MR. SCHAGRIN: Good morning, Mr. Carpenter,
7 members of the Commission staff. For the record, my
8 name is Roger Schagrin of Schagrin Associates, and I
9 appear on behalf of Petitioners.

10 The case before you today is a very clear
11 cut injury case. The beginning of the POI in this
12 case overlaps with the end of the POI in the previous
13 LTV investigation of imports from Mexico and Turkey.
14 That case went negative because the industry
15 experienced strong performance indicators in the first
16 half of 2004.

17 What has happened to this industry since
18 that negative decision in the fall of 2004? First and
19 foremost, consumption of LWR in the United States has
20 increased rapidly between 2004 and 2006, in the range
21 of a 20 to 25 percent increase in consumption.

22 With such a rapid increase in domestic
23 consumption, you would expect the domestic industry to
24 have done great, right? Wrong. Domestic production,
25 shipment and employment all appear to have fallen.

1 Domestic profits and profit margins have fallen
2 dramatically.

3 It appears from the data gathered thus far
4 that profits fell by about a third between 2004 and
5 2006 and by more than half between the first quarter
6 of 2006 and the first quarter of 2007. The reason for
7 these declines are that imports absolutely skyrocketed
8 during the POI.

9 Cumulated subject imports increased from
10 181,000 to 315,000, a 74 percent increase between 2004
11 and 2006. Now, even though demand is flattening out
12 in 2007, imports increased again in the first quarter
13 over first quarter 2006 import levels, and they appear
14 to be even higher in the second quarter of 2007 based
15 on licensing and import data available thus far as
16 compared to the first quarter of 2007.

17 These imports are underselling the domestic
18 industry. They are causing price suppression and
19 depression, lost sales and lost revenues. The
20 Commission should of course keep in mind that the
21 statute requires that the relevant economic factors be
22 considered in the context of the business cycle and
23 condition of competition of the industry being
24 analyzed. In the context of a huge increase in
25 demand, even flat indicators should demonstrate

1 injury. Here almost all indicators are down.

2 In the final Commission hearing in 2004,
3 Terry Mitchell of Northwest Pipe made a good analogy
4 about the industry's performance in the first half of
5 2004. He said the company's Houston facility had
6 experienced 12 bad quarters from 2001 to 2003 and then
7 two good quarters in the first half of 2004. He said
8 that a football coach who went two and 12 would likely
9 lose their position. The Commission did make a
10 negative determination because of those two good
11 quarters.

12 In mid 2006, Northwest Pipe ceased
13 production in its Houston facility, one of the largest
14 production plants for LWR in the United States of
15 America. At the end of 2006, unfortunately the coach
16 was replaced.

17 Recently Northwest Pipe, a public company,
18 announced a replacement for Mr. Mitchell and said that
19 its Tubular Division sales had fallen from \$125
20 million to \$80 million annually. Of course, this
21 includes both subject and nonsubject products, but we
22 think a big portion of that decline was from their
23 exiting from the LWR business where they had been a
24 major player before.

25 I've been representing this industry since

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1 1982. In the old days when the industry's market
2 share had fallen from 90 to 80 percent because of
3 dumped imports we were able to gain relief. In the
4 2004 case, even though the industry's market share had
5 fallen considerably again the industry was unable to
6 obtain relief.

7 Now the industry's market share is in the
8 low 50s. Even if the industry maintains decent profit
9 margins, underutilizing assets will result in
10 disinvestment.

11 As you'll hear today and as can be seen from
12 the record, that process has already begun. This
13 industry is now at a tipping point with a number of
14 producers experiencing losses or just barely operating
15 above break even. Companies are selling capacity, and
16 without relief from unfair trade the U.S. industry
17 producing LWR is going to be pushed over the edge.

18 This record requires a unanimous preliminary
19 affirmative injury determination. Thank you very
20 much.

21 MR. CARPENTER: Thank you, Mr. Schagrin.

22 Mr. Baisburd, if you would come forward,
23 please?

24 MR. BAISBURD: Good morning. My name is
25 Yohai Baisburd, and I'm an attorney with the law firm

1 of White & Case, LLP. We appear here today on behalf
2 of the Mexican light-walled rectangular pipe and tube
3 industry.

4 The principal members of that industry are
5 Hylsa, Maquilacero, Nacional de Acero, Perfiles y
6 Herrajes, Productos Laminados de Monterrey, also known
7 as PROLAMSA, and Regionmontana de Perfiles y Tubos.

8 I am joined here today, or will be shortly,
9 by Mr. Salvador Behar, legal counsel at the Embassy of
10 Mexico, Mr. Jean-Marie Diederichs, the General Manager
11 of PROLAMSA, Inc., the U.S. importer for the largest
12 Mexican producer exporter, and by Laura Baughman,
13 president of The Trade Partnership.

14 We will discuss why there is no reasonable
15 indication of material injury or threat thereof.
16 Right now I just want to take a moment to highlight a
17 few things that will give you a sense of how we view
18 this case.

19 As you probably already know, this is the
20 third time since 1995 that this U.S. industry has
21 tried to impose antidumping duties against imports
22 from Mexico of light-walled rectangular pipe and tube.
23 In both previous cases, the Commission correctly
24 issued negative determinations and should do so here
25 again because:

1 1) U.S. producers enjoyed near record years
2 in 2004, 2005 and 2006; 2) The Commission has already
3 determined that these very producers were not
4 vulnerable to material injury in 2004 and 2005; 3)
5 2006 was one of the best years in terms of the overall
6 industry on record; 4) In the past three years, U.S.
7 producers have increased production, increased
8 capacity and increased their sales. Finally,
9 operating margins were in double digits for two of the
10 three years in the POI.

11 Look, we recognize that the first quarter of
12 2007 was not as good as 2006. However, that single
13 quarter must be put in perspective. The first quarter
14 of 2006 was exceptionally strong. In fact, it is our
15 understanding that it was by far the best quarter
16 during the three-year period under investigation, so
17 when you compare it to 2007 of course it makes the
18 first quarter of 2007 look worse than it really was.

19 Moreover, as Laura and Jean-Marie will
20 discuss, the first quarter of this year was something
21 of an anomaly because of the mixed signals that end
22 users sent to the market towards the end of 2006 and
23 the clear pause in GDP growth during that first
24 quarter. The outlook for the rest of this year is
25 promising because market experts widely expect GDP to

1 grow at a healthy rate.

2 We see this as really a threat case. What
3 the Petitioners appear to be concerned about is the
4 increase in subject imports, particularly those from
5 China, and their loss of market share. However, the
6 financial performance of the Petitioners demonstrates
7 that they are not vulnerable to subject imports, even
8 on a cumulated basis.

9 Furthermore, we believe it is appropriate
10 for the Commission to focus in its threat analysis on
11 the behavior of imports from Mexico by themselves.
12 Mexico exports have acted responsibly since the ITC
13 issued its negative determination in 2004.

14 The doom and gloom predictions of the U.S.
15 industry did not happen. Mexican volumes have been
16 stable, and its prices have remained high. In fact,
17 Mexican exporters have lost market share in the U.S.
18 market since that 2004 decision.

19 Given these facts, we ask the Commission to
20 decumulate Mexican imports and issue a negative threat
21 determination as well.

22 We look forward to providing you greater
23 detail after Petitioners once again tell you why the
24 end is near if the Commission fails to find a
25 reasonable indication of injury. Thank you.

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1 MR. CARPENTER: Thank you, Mr. Baisburd.

2 Mr. Schagrin, please bring your panel
3 forward at this time.

4 MR. SCHAGRIN: Good morning again, Mr.
5 Carpenter. Before I introduce Mr. Glenn Baker, I do
6 just have a point of clarification.

7 It sounded from Mr. Baisburd's opening that
8 the Mexicans have lots and lots of witnesses, which is
9 fine as far as I'm concerned -- the more the merrier
10 -- but I don't think we were noticed of them, or maybe
11 of the changes.

12 I know what I picked up today as to today's
13 calendar, the public conference, just lists two
14 witnesses, and I thought I heard about four or five.
15 I don't object. I just wanted to clarify.

16 It would have helped us in our preparation
17 if we knew at the time of the announced witnesses who
18 all the witnesses would be for the opponents.

19 MR. CARPENTER: Mr. Baisburd, do you have a
20 comment?

21 MR. BAISBURD: I do, and perhaps I was
22 speaking too fast. I named exactly three witnesses,
23 two of which are already on the list, and the third,
24 Mr. Salvador Behar, is from the Embassy of Mexico, and
25 I notified Commission staff two days ago that they

1 would be appearing. It wasn't four or five.

2 MR. CARPENTER: Okay. Thank you.

3 MR. SCHAGRIN: No problem. Maybe they have
4 multiple positions and that's why I misheard, people
5 being talked about as exporters, importers, et cetera,
6 and I thought they were multiple or obviously the same
7 people wearing multiple hats.

8 At this time I'd like to invite Glenn Baker
9 to present his testimony.

10 MR. BAKER: Good morning, Mr. Carpenter and
11 members of the Commission staff. For the record, my
12 name is Glenn Baker. I am vice president of Sales and
13 Marketing for Searing Industries. Our company is
14 located in Rancho Cucamonga, California, in one of the
15 outlying suburbs of Los Angeles.

16 Searing is a family owned business. The
17 founder of that company had worked in a number of
18 positions in various pipe and tube companies in the
19 Los Angeles area since the 1950s and was a minority
20 owner of one company when he established his wholly
21 owned company, Searing Industries, in 1985. He has
22 since passed away, but his sons run the company today.

23 From 1985 until 2007, Searing Industries
24 never laid off an employee, and that includes during
25 the two serious recessions experienced in that period.

1 Now, in 2007, at truly great pain to everyone in the
2 company, we have had to lay off employees. This has
3 occurred in spite of a good economy and relatively
4 healthy demand. The reason that this has occurred is
5 because we are just getting hammered by unfairly
6 traded imports.

7 At Searing we have five mechanical tube
8 mills on which we can either produce round or
9 rectangular tubing. We have one large structural mill
10 which only produces structural tubing outside the
11 scope of this investigation.

12 Light-walled rectangular tubing is normally
13 made to an A-513 specification. We do not provide
14 mill certificates with this product because the trade
15 does not expect us or our competitors to provide mill
16 certificates for this product. They just know that
17 our product and the imported A-513 product meets the
18 mechanical property requirements and wall thickness
19 tolerances of ASTM A-513.

20 Most of what we produce is uncoated or black
21 light-walled rectangular tubing. However, we also
22 produce galvanized product using galvanized strip and
23 then regalvanizing the weld zone. We also make LWR
24 with a prepaint primer applied to the product.

25 On the west coast, LWR, or ornamental tubing

1 as we normally refer to it, is generally sold to
2 distributors who in turn sell the product to end
3 users. Some end users are big enough to buy directly
4 from mills or directly from importers. This product
5 is generally used for ornamental fencing, window
6 fashions, frames, metal furniture, store shelves,
7 display racks, carports, exercise equipment and
8 literally dozens of other applications.

9 I testified in the final Commission hearing
10 in August 2004 in the dumping cases against Mexico and
11 Turkey. Like the other witnesses that day, I told the
12 Commission that the only reason the injury we had
13 suffered between 2001 and 2003 dissipated in 2004 was
14 because of the unusual steel price movements and the
15 benefits we saw in particular at Searing because of
16 the steep reduction in imports in the second quarter
17 of 2004.

18 Now Searing and five other west coast
19 producers are literally feeling like we are being
20 attacked in a pincer movement with large volumes of
21 Chinese and Korean material arriving in west coast
22 ports, which is taking a tremendous share of the west
23 coast distributor market.

24 In fact, the import inventory held by
25 distributors and by importers is incredible. I know

1 of one import yard where an importer has 2,000 tons of
2 unsold material from China that recently arrived. In
3 the old days importers always presold the imports, but
4 now they are importing large quantities of product
5 that has not been sold yet and are selling it out of
6 inventories held in or near the ports.

7 At the same time, we are losing business
8 right on the west coast. Our business in states like
9 Arizona, Colorado and New Mexico is being adversely
10 impacted by imports from Mexico and Turkey which are
11 coming in through Texas. In the early part of my
12 career Searing used to ship a lot of product to Texas.
13 Now that business has virtually dried up.

14 We are probably the largest and I hope the
15 most efficient producer of ornamental tubing on the
16 west coast. However, we are a family-owned company.
17 There is no corporate parent with deep pockets who is
18 going to lend us money to stay in business and survive
19 tough times.

20 I really do not know how we are going to
21 survive when every day I see prices from importers to
22 distributors of black ornamental tubing at close to
23 our coil cost and have galvanized tubing close to our
24 galvanized strip cost.

25 One last item I thought you might be

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1 interested in. We will try anything at Searing
2 Industries to reduce cost. We all know that in the
3 United States health care costs are a significant
4 employment cost for private business.

5 At Searing we decided to try to reduce those
6 health care costs by offering on a completely
7 voluntarily basis an incentive for employees to lose
8 10 percent of their body weight and thus receive a
9 \$500 bonus from the company. Keep that weight off,
10 and you continue to receive bonuses in the future.

11 The program has been very successful, with
12 about 40 percent of all of our employees
13 participating. We hope this reduces time lost due to
14 illness, as well as health care premiums.

15 One way we do not want to slim down is by
16 laying off our employees. If unfairly traded imports
17 aren't stopped then it is probable that the jobs of
18 all of our employees will be lost and our facility
19 closed.

20 Thank you for the opportunity today.

21 MR. SCHAGRIN: Thank you.

22 MR. KURASZ: Good morning, Mr. Carpenter and
23 members of the Commission staff. I am pleased to have
24 the opportunity to appear here at this conference
25 today.

1 For the record, my name is Ed Kurasz. I'm
2 the vice president and general manager of the
3 Mechanical Tube Division for Allied Tube & Conduit.
4 I've been in the metals industry for 20 years, 16
5 years at Allied.

6 The president of our company, Rick Filetti,
7 testified just a few weeks ago in a similar conference
8 on Sprinkler and Fence Pipe. I will reiterate some of
9 the points made in that testimony, which are important
10 in this case as well.

11 We produce products subject to this
12 investigation at four different plants in the United
13 States. The plants are located in Harvey, Illinois;
14 Philadelphia, Pennsylvania; Pine Bluff, Arkansas; and
15 Phoenix, Arizona. This gives our company significant
16 opportunities to save on freight costs while covering
17 the entire United States market.

18 We produce the subject square and rectangle
19 tubing products on the same mill equipment which we
20 produce circular mechanical tubing and sometimes other
21 products. The rectangular shapes start out as
22 circular products and then are formed into
23 rectangular, including squares.

24 We specialized in galvanized ornamental
25 tubing because our company has an in-line process

1 which we believe provides a cost advantage through
2 greater galvanizing efficiencies over both domestic
3 and foreign competitors.

4 Over the past several years, the prices of
5 galvanized ornamental tubing from Mexico have
6 considerably undersold our products. As a result,
7 Mexican companies have been taking market share from
8 Allied Tube & Conduit. Indeed, they are selling a
9 similar galvanized rectangular product to the same OEM
10 and distributor customers that we sell to.

11 In addition to ever growing competition from
12 Mexican mills, within the past year we have also seen
13 aggressive pricing and significant availability of
14 galvanized ornamental tubing from China.

15 The Chinese and Mexican producers
16 manufacture LWR products to either industry
17 specifications or to the specifications required by
18 most original equipment manufacturers. I would like
19 to give you a few examples of the volume and price
20 effects of these unfairly traded imports on Allied's
21 business.

22 I understand that these examples have
23 already been reported confidentially to the Commission
24 in the lost sales and lost revenues allegations in
25 this petition.

1 A major share of our sales are to U.S.
2 producers of carports. Allied has seen our position
3 change from being either the exclusive or majority
4 supplier to becoming a minority supplier to these
5 carport manufacturers.

6 Mexican producers have taken this carport
7 business from Allied for one reason and one reason
8 only. Lower prices. They certainly do not offer
9 better quality than Allied, and I can assure you that
10 they do not offer better service or delivery. Their
11 offers are considerably lower than market prices,
12 simply too good for our customers to pass up.

13 On another major end user account we lost
14 nearly 5,000 tons of annual business when a customer
15 shifted their entire annual purchase requirements to
16 much lower priced galvanized ornamental tubing
17 imported from China. The loss of this account alone
18 has had a major negative impact on our ornamental
19 tubing business.

20 Now that I have described some examples of
21 sales lost to these unfairly traded imports, I would
22 like to shift to discussing the price impact of these
23 imports. Our steel costs have increased in the second
24 quarter of this year, and our zinc costs have been
25 skyrocketing over the past two years. We also have

1 seen a significant increase in energy and benefit
2 costs.

3 We attempted price increases on our
4 ornamental tubing to take effect in early June.
5 Unfortunately, it was unsuccessful. In fact, at the
6 same time we were attempting to increase prices on our
7 galvanized ornamental tubing I received market reports
8 from my sales staff indicating that PROLAMSA was
9 reducing prices in the market.

10 Like everyone else in the industry, we have
11 seen demand in the marketplace expand considerably
12 between 2002 and 2006 as the United States economy
13 experienced strong economic growth.

14 As I mentioned previously, I have been
15 involved in this product line with Allied for 16 years
16 so I have already seen several business cycles. In
17 past strong demand cycles, Allied saw significant
18 increases in sales volume and profitability
19 improvements. The surge of unfairly traded imports
20 has meant that Allied has not seen the benefits of the
21 growth in demand.

22 I know that Rick Filetti testified that the
23 first quarter 2007 was the worst Allied has
24 experienced in 22 years. Obviously it was the worst
25 in my 16 years as well. We were literally struggling

1 to make sales at prices which cover our variable costs
2 in order to keep the tube mills running and our
3 employees working.

4 Without relief against dumped and subsidized
5 imports from China, it is clear that we will have to
6 take mills out of production, and we will be unable to
7 continue investing to remain the most efficient pipe
8 and tube producer in the world.

9 I would invite any of the staff to visit our
10 plant in North Philadelphia, Pennsylvania. It is only
11 a 90 minute train ride and 20 minute taxi ride from
12 the station to our plant. I can guarantee with
13 confidence that you will not see mills in Mexico,
14 Turkey, Korea or China that are more efficient than
15 any of our four mills in the United States.

16 On behalf of the hard working and dedicated
17 employees of Allied Tube & Conduit, I would ask this
18 Commission to make an affirmative preliminary injury
19 determination so we can compete in a fairly traded
20 marketplace.

21 Thank you for your time.

22 MR. KLIMA: Good morning, Mr. Carpenter and
23 members of the staff. For the record, my name is Dave
24 Klima, and I'm the vice president of Finance at
25 Leavitt Tube Company, LLC, located in Chicago,

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1 Illinois. I have been with the company for 12 years.

2 Leavitt Tube Company was founded in 1956 and
3 marked its fiftieth anniversary in 2006. To my
4 knowledge, since our founding the company has always
5 produced light-walled rectangular or ornamental
6 tubing. In our Chicago plant we produce both light-
7 walled rectangular tubing, as well as the heavier
8 walled structural tubing. We also produce round
9 mechanical tubing and circular pipe.

10 In 1985, Leavitt built a new plant in
11 Jackson, Mississippi, to take advantage of lower
12 freight costs by having a plant in a great location
13 with access to what was clear to the company to be
14 rapidly growing markets for these products in the
15 southeastern and southwestern United States. Jackson
16 is in an ideal location from a freight perspective.
17 At our Jackson plant we only produce ornamental or
18 round mechanical tubing.

19 At the 2004 final hearing in the Turkey and
20 Mexico cases the president of our company, Parry
21 Katsafanas, testified. He remains the president of
22 the company today. He told the Commission then that
23 we had six mills in Chicago that produced ornamental
24 tubing.

25 I also understand that another issue brought

1 up during that hearing is how the domestic industry
2 could perform well financially while operating at low
3 capacity utilization rates. I am sure that Mr.
4 Katsafanas explained at the hearing that our 2004
5 performance benefitted greatly from steel and tubing
6 inventory value increases.

7 The bottom line in any manufacturing
8 business, even one that has a relatively high variable
9 cost compared to fixed costs, is that the
10 manufacturers are simply not going to perform well
11 over time if assets are underutilized.

12 That has been the problem even in a rising
13 market for the ornamental tubing business. As the
14 chief financial officer of the company, I participate
15 in decision making along with our company president on
16 what to do with underutilized assets. I think that
17 recent decisions by Leavitt Tube Company illustrate
18 the injury caused by the massive amounts of unfairly
19 traded imports of ornamental tubing in the U.S.
20 marketplace.

21 First, after several years of chronically
22 underutilizing the ornamental tubing mills in Chicago,
23 with all six of the mills running less than one shift
24 per day on average we decided to sell the two smallest
25 mills in Chicago and utilize the other four mills more

1 efficiently.

2 We completed that sale through a broker to a
3 buyer who will move these mills to South America.
4 That sale occurred after March 2007, and therefore you
5 will not see the capacity decrease for our company
6 until the final investigation.

7 In a market where demand increased by
8 roughly 20 percent in the past three years, the idea
9 that one of the leading U.S. producers of these
10 products had to sell off capacity is a real indicator
11 of the injury we are suffering.

12 Second, in our Jackson, Mississippi, plant
13 we have just been devastated by imports from all four
14 of these countries entering the Gulf coast and Texas
15 markets. We have decided to add a nonpipe and tube
16 product line in the same facility that the tube mills
17 are located in.

18 Getting into the metal grading business both
19 allows us to spread some of the fixed overhead of a
20 large building away from severely underutilized tube
21 mills and onto another product area. It also allows
22 us an alternative to layoffs of a very dedicated and
23 efficient workforce which would have occurred because
24 our ornamental tubing business is being devastated.

25 For years the biggest domestic competitor

1 for our Jackson, Mississippi, plant was a Houston
2 based ornamental producer called Southwestern Pipe.
3 In the late 1990s, through an unusual geographic
4 merger, Southwestern Pipe was purchased by Northwest
5 Pipe. In mid 2006, Northwest Pipe stopped producing
6 ornamental tubing in Houston.

7 You would think that when our largest
8 regional competitor stopped production that we would
9 see an immediate gain in our business, yet not only
10 did we not see an improvement in our business. We
11 have seen our business in Jackson continue to
12 deteriorate due to the surge in imports into the Gulf.

13 Since the middle of 2006 there has been a
14 much greater increase in import volume than the amount
15 of volume removed from the market when Northwest Pipe
16 ceased production at the Houston plant.

17 Thus far in 2007, our ornamental tubing
18 business has been devastated by imports. As
19 production, shipments and capacity utilization are all
20 falling, we are really struggling to get prices in the
21 market that will allow us to break even.

22 Our business did not perform as it should
23 have while the market was expanding significantly in
24 size. With demand flattening, if the Department of
25 Commerce and the International Trade Commission allow

1 unfairly traded imports to take 40 percent to 50
2 percent or more of the market with extremely low
3 prices then they will almost certainly force Leavitt
4 Tube out of this business.

5 Thank you for the opportunity to testify
6 here today. On behalf of all of our employees, we ask
7 you to make an affirmative injury determination.

8 MR. SCHAGRIN: Thank you, Dave.

9 Mr. Carpenter, at this point I would just
10 like to go through a few of the statutory factors and
11 also a few housekeeping items in the case.

12 First, I would like to point out on the
13 record that there are now 13 Petitioners in this case.
14 I know that the Commission analysis and the statute
15 itself just directs you to analyze the entire domestic
16 industry producing the same like product.

17 However, having been involved in cases in
18 which I represented say one out of half a dozen U.S.
19 producers and heard endlessly from Respondents, lots
20 of questions from the Commission of where is the rest
21 of the industry, why aren't they participating in the
22 case, what does that mean for the case. Even the
23 Court got involved in those issues.

24 I think it does say a lot when virtually an
25 entire, very broad U.S. industry comes forward

1 together and says we are all being injured. We are
2 being devastated. This is not everybody saying the
3 sky is falling. This is real injury, as your data
4 collected by the record will show.

5 Secondly, as I'm sure you'll hear from Ms.
6 Baughman today and also again from Mr. Baisburd,
7 they're going to want to focus only on absolute
8 numbers and my guess is not address what is happening
9 to this industry in the context of the business cycle.

10 Let's face it. For the entire U.S. economy
11 '04 to '06 were years of great expansion for this
12 economy. During that same time, in order to slow down
13 that expansion the Federal Reserve raised interest
14 rates 17 times. They did that not because they
15 thought oh, this would be a fun thing to do, but with
16 the intent of slowing down the economy and reducing
17 inflation.

18 That is resulting in an expected slowdown in
19 the economy. It may very well be that the second
20 quarter, third quarter, fourth quarter are better than
21 the first quarter in terms of GDP growth, but none of
22 the general economists expect 2007 total growth to be
23 anywhere near the averages we were having in '04 to
24 '06.

25 So I think we're going to see, and obviously

1 for these gentlemen, some of whom are public
2 companies, they can't talk publicly about what's going
3 on in the second quarter. Their companies haven't
4 issued financial statements, but there's no wonderful
5 improvement in this industry in the second quarter.
6 If there were we wouldn't have been filing this case.

7 We learned from the 2004 case. You don't
8 want to file a case and then all of a sudden see
9 things improve in the next several quarters. You're
10 guaranteed to lose it.

11 The other thing that will be interesting as
12 the Mexicans appear today is that I had a chance to
13 read over the transcript of the August 31, 2004, final
14 injury hearing held by the Commission in the last
15 case, and of course Mexican counsel, then Mr. Bond
16 from White & Case and Mr. Witten from a different firm
17 at that time than he's at this time, kept emphasizing
18 to the Commission that the Commission should put the
19 greatest weight -- they cited the Beeyellind (ph)
20 Norwegian Salmon case and others. The Commission
21 should give the greatest weight to the most recent
22 time period.

23 I don't think you're going to hear them
24 saying that today. Now, we all know the Commission
25 won't give as great a weight to one quarter as they

1 will to a half, but this is a prelim. The standard is
2 reasonable indication.

3 You're gong to have a quarter data which is
4 going to show a miserable quarter, and you've already
5 heard from these gentlemen nothing is improving. In
6 fact, you know, past the record you have information
7 that people are selling off mills after this record
8 ended, but it's still in the record of this case, so I
9 ask you to keep that in mind.

10 Second item, only because of what is a clear
11 lack of participation by a lot of importers in this
12 case, is to make sure since you won't be able to
13 depend on importer responses for import data is to
14 make sure we don't have any problems caused by the
15 2007 change in the HTS USA which occurred because, as
16 we stated in the petition, clearly when the HTS was
17 broken out from just welded products of noncircular
18 cross section to now two new HTS items -- we have one
19 specifically for square and rectangular product. That
20 is the products subject to this investigation.

21 But now we have a new HTS breakout for other
22 noncircular, and it's clear from the import data the
23 market for other noncircular products other than
24 square and rectangular is minuscule. That would be
25 ovals, hexagons, pentagons. You know, these products

1 are made. They're very specialized, as I say, a
2 minuscule market.

3 When these new HTS items were first
4 introduced we had 20,000 tons from the four countries
5 subject to this investigation show up in other
6 noncircular instead of square and rectangular. We
7 just believe importers made mistakes. Maybe you can
8 ask the importer here if they classified properly in
9 the first month of the new HTS.

10 A comment on cumulation. We think
11 cumulation is required in this investigation for the
12 four subject countries. They are all making products
13 to the same specifications. They're making
14 interchangeable products. They are selling in common
15 regions in the U.S. There are imports from China,
16 Korea, Turkey and Mexico into the Gulf.

17 With 150,000 tons coming in from Mexico,
18 believe me, the Mexican product is distributed
19 throughout the United States of America, so they are
20 competing in western states where a lot of the imports
21 from China and Korea come in.

22 We have a simultaneous presence in the
23 market. You have monthly imports from virtually all
24 four countries in all of the months of the
25 investigation, and they're being sold through the same

1 channels of distribution, mostly through distributors
2 and also competing with the domestic industry on sales
3 to OEM.

4 We think clearly the record in this
5 investigation, even without the participation by many
6 of the foreign countries other than the Mexicans, is
7 going to demonstrate that cumulation criteria have
8 been met.

9 Lastly, just a quick word on threat. Of
10 course, I disagree completely with Mr. Baisburd about
11 this being a threat case because of the first quarter.
12 This is really an injury case.

13 In '04 to '06, during a time of tremendously
14 increasing demand, this industry did not see an
15 improving performance and that under the statute is
16 injury, but just in case the Commission does not make
17 an affirmative injury determination let me very
18 quickly address the threat factors here.

19 We've had rapid increase in imports from
20 these countries. We have had increased imports from
21 Mexico. The Chinese have export subsidies which
22 should be considered. We believe that if everyone
23 participated that there's excess capacity at all of
24 the foreign mills to increase exports to the United
25 States.

1 We have orders in effect by Canada against
2 imports of this product from Turkey and Korea, and we
3 have orders on circular pipe from Mexico, which makes
4 the Mexican producers shift to light-walled
5 rectangular instead of exporting circular pipe where
6 they'd have to pay the dumping duties, as well as
7 orders against Turkey and Korea.

8 And now there's an investigation pending
9 with a vote on Friday as to Circular Pipe From China
10 which if it's an affirmative vote that would cause the
11 Chinese in the future to shift from circular pipe and
12 light-walled rectangular in the absence of dumping and
13 countervailing duty relief on light-walled
14 rectangular.

15 That concludes our presentation. I think we
16 used less than half of our allotted time. I promise
17 you I will not use it all in rebuttal later. I think
18 we have closing statements anyway.

19 We'd be happy to answer the staff's
20 questions. Thank you.

21 MR. CARPENTER: Thank you, gentlemen, for
22 your presentation. We'll begin the staff questions
23 with Mr. Duncan, the investigator.

24 MR. DUNCAN: Good morning, panel. Bear with
25 me. Some of the questions that I've noted down for

1 this morning's sessions might have already been
2 answered in part in your testimony this morning.
3 Others might have been answered in part in the
4 petition, but a lot of it will just seek
5 clarification, so if there's redundancy please forgive
6 that.

7 I want clarification on the terms ornamental
8 and mechanical tubing. Are they interchangeable
9 terms? What is the industry standard for when you
10 refer to one or the other?

11 Anyone on the panel?

12 MR. KURASZ: Mr. Duncan, they are
13 interchangeable. It's an industry widely used
14 terminology, mechanical tube or ornamental tube.

15 MR. DUNCAN: Okay. So they can both be
16 either circular or the rectangular that are subject to
17 the investigations?

18 MR. KURASZ: No. Rectangular or square is
19 the subject products. The mechanical tube is a wide
20 definition of circular as well.

21 MR. SCHAGRIN: Maybe to clarify from a legal
22 perspective, and I hate to use this. I tell it to my
23 kids all the time, but that's just my background in
24 the wine and spirits industry. It's like all cognacs
25 are brandies, but not all brandies are cognac.

1 All ornamental tubing is mechanical tubing,
2 but not all mechanical tubing is ornamental tubing
3 because most mechanical tubing is circular, and
4 circular mechanical tubing is not referred to in the
5 industry as ornamental tubing, but rectangular
6 mechanical tubing is referred to in the industry as
7 ornamental tubing.

8 Glenn, do you need to amplify?

9 MR. BAKER: No. I agree.

10 MR. SCHAGRIN: Okay. Mr. Baker, who is an
11 expert -- who is a real expert -- agrees.

12 MR. DUNCAN: That clarifies it for me.

13 Thank you.

14 You talked briefly about some of the thicker
15 walled material. It's my understanding that that's
16 often in the industry called HSS or hollowed
17 structural sections.

18 Do producers who produce light-walled
19 rectangular subject to these investigations also
20 produce this product?

21 MR. BAKER: Most of them do, I believe. Not
22 all of them, but the vast majority does.

23 MR. DUNCAN: And are the mills that produce
24 the HSS also capable of producing the light-walled
25 rectangular?

1 MR. BAKER: Yes.

2 MR. KLIMA: I'd like to comment. At least
3 in our company some of the mills are capable of
4 producing both, but there are certain mills that are
5 of such a size that they only produce the HSS tubing
6 and are incapable of producing LWR. It's really a
7 mill size incapability situation.

8 MR. DUNCAN: That has to do with the wall
9 thickness, yes?

10 MR. KLIMA: Yes, sir.

11 MR. BAKER: On our structural mill it will
12 only produce two square 120 wall is as small as it
13 will produce. Everything else is exclusively bigger
14 structurals.

15 MR. DUNCAN: All right.

16 MR. SCHAGRIN: And let me just clarify what
17 Mr. Klima said. He said in some of their structural
18 tubing mills they can only make heavy-walled
19 rectangular.

20 He didn't add also, which is the case in
21 their Jackson, Mississippi, facility, some of their
22 mills that produced light-walled rectangular they
23 cannot produce heavy-walled rectangular because the
24 mills won't take the very heavy wall in the mill.

25 So while there's an overlap among many of

1 the domestic producers, the mills being utilized are
2 largely different mills because they tend to use small
3 mills to produce light-walled rectangular tubing, and
4 they tend to utilize larger mills to produce the
5 heavy-walled rectangular.

6 Then, of course, I don't know if you'll go
7 on. We can talk about difference in uses and such
8 things because the heavy-walled rectangular is really
9 an almost entirely structural member in construction
10 type of activity whereas these products, because
11 they're light-walled, they don't bear a lot of weight.

12 You're not going to want to build a building
13 like this and use two square 120 wall versus eight
14 square half-inch wall.

15 MR. DUNCAN: Thank you. Correct me if I'm
16 wrong. It's my understanding that some of the product
17 that's labeled as HSS would otherwise qualify within
18 your scope language of this product?

19 MR. SCHAGRIN: Correct. In terms of the
20 industry, the higher end of the light-walled
21 rectangular can be referred to by industry
22 participants as an HSS product, but it's a relatively
23 small overlap.

24 MR. DUNCAN: Do you think there's any
25 confusion with that with the import data or with

1 domestic production and shipment data?

2 MR. SCHAGRIN: I don't think there's any
3 confusion with domestic production and shipment data.
4 I think on the import data there is a question as to
5 whether importers are careful with classifying product
6 as less than four millimeter in thickness or greater
7 than four millimeter thickness.

8 Obviously there is no tariffs on the
9 products, either dumping and/or regular tariffs, so
10 there's no reason that they need to be careful. We're
11 not aware though of any widespread misreporting
12 problems.

13 MR. DUNCAN: Or any specific instances where
14 people are reporting on the greater than four
15 millimeter wall thickness incorrectly as the light-
16 walled?

17 MR. SCHAGRIN: Not now. As was on the
18 record in the final of the previous case, we were
19 aware -- to be fair to the Mexicans, it wasn't with
20 Mexico.

21 We were aware of imports from Turkey being
22 misclassified after the prelim against Turkey that
23 less than four millimeter product was being classified
24 as greater than four millimeters so that the importers
25 wouldn't have to pay the dumping duties.

1 We did not hear of that happening with
2 imports from Mexico.

3 MR. DUNCAN: All right. Thank you. Can you
4 describe briefly these two standards, ASTM 500 and
5 ASTM 513, as they relate to the product that's subject
6 to these investigations?

7 MR. BAKER: Well, the A-500, I mean, the
8 physical specs are different.

9 The tensile and yields is much higher for
10 the A-500, and it's typically graded for structural
11 qualifications or some type of heavy fabrication where
12 the ornamental or the LWR A-513 is a pretty loose
13 spec, lower tensile and yields and not a lot of really
14 strict requirements on its performance.

15 MR. DUNCAN: So typically most subject
16 merchandise would qualify as A-513?

17 MR. BAKER: Yes.

18 MR. SCHAGRIN: But let me just point out
19 there's a lot of overlap between the two specs, and
20 for users who don't need A-500 Grade B or A-500 Grade
21 C there's a lot of overlap between the A-500 Grade A
22 and the A-513.

23 Is that correct, Glenn?

24 MR. BAKER: Right. On the smaller sizes,
25 you know, two square A-500 versus A-513, people would

1 use them. They would interchange them. Definitely.

2 MR. DUNCAN: Thank you. That clarifies it.

3 You've answered this in part, but what are
4 the circular mechanical end markets? Are they similar
5 to the end markets for the light-walled rectangular
6 pipe and tube?

7 MR. KURASZ: Mechanical tube typically is
8 specifically designated by a particular OEM for round.
9 You would not interchange round for square if that's
10 what you're asking.

11 MR. DUNCAN: You would not use round
12 mechanical tubing for fencing applications?

13 MR. KURASZ: In ornamental fence
14 predominantly that is a rectangle or square product,
15 but you could use round in that case.

16 Typically the design, the application,
17 determines whether it's a round, square or rectangle.
18 Furthermore, whether it's A-513 or A-500.

19 MR. SCHAGRIN: Yes. Just to amplify, Mr.
20 Duncan, in other words generally ornamental fencing is
21 made out of square or rectangular, whereas the round
22 product is used with fence mesh.

23 In ornamental fencing people are welding
24 together into panels the square or rectangular
25 products. Not to say anything because some of these

1 companies make both, but it's looked at as a much
2 nicer product.

3 It's also more expensive because you're
4 using lots of tubing, whereas with a round fencing
5 product you're stringing a lot of wire mesh and it's
6 not as appealing to the eye, but you'll see that it's
7 also much more temporary so you'll see it thrown up
8 around every construction site. There will be fence
9 posts with wire mesh. You'd never see somebody put up
10 ornamental fencing around a construction site.

11 MR. DUNCAN: And then you addressed this
12 briefly also earlier, but in terms of the specialty
13 shapes those you were saying are specific to an end
14 use or a customer specification for some application.

15 Can you give an example of what maybe an
16 oval or a hexagon would be used for?

17 MR. KURASZ: We've experienced where we've
18 seen oval product used in a greenhouse structure, for
19 example, for a structural member.

20 MR. BAKER: We sell quite a bit of product
21 to the fitness industry, and they've all made a big
22 move to oval tubing just strictly for aesthetics.
23 We've seen that happening.

24 MR. DUNCAN: All right. In terms of the
25 production technology used to produce light-walled

1 rectangular pipe and tube, are there certain types of
2 technologies that are significantly more efficient
3 than others at producing this product or is it just
4 generally a mill is a mill is a mill?

5 MR. KURASZ: We believe at Allied that we
6 have one of the most cost effective and efficient
7 methods for producing galvanized ornamental product.
8 We apply the zinc ourselves versus purchasing a
9 pregalvanized strip and running it on a tube mill.

10 So to answer your question, Mr. Duncan, our
11 mills are approximately 300 feet long versus a non
12 in-line process might be a third of that.

13 MR. DUNCAN: Any of the other panelists?

14 MR. BAKER: It's all pretty much the same.
15 You know, it's all electric resistance welding.

16 When you start doing things like they're
17 doing, galvanizing in-line, that is a different
18 technology than what we're doing.

19 MR. KURASZ: Mr. Duncan, the welding and
20 forming sections are identical to the pregalvanized
21 mills. It's just that we apply the zinc coating
22 versus buying the strip that's been coated someplace
23 else, but the mills are identical.

24 MR. DUNCAN: All right. Thank you. Now, as
25 a group your panel has argued that on a whole subject

1 imports are present throughout the United States.
2 However, there might be some contention as to certain
3 of the subject sources being regional in nature. Can
4 you address that again?

5 MR. SCHAGRIN: If you look at the ports of
6 entry you will see the majority of entries from China
7 and Korea coming into west coast ports, but you'll
8 also see significant entries into Gulf coast ports.
9 They come through the Panama Canal and then would
10 enter in ports like Houston, New Orleans, Mobile.

11 For the Mexican product, virtually
12 everything comes across the Mexican/Texas border --
13 Eagle Pass, Laredo, entry points such as those -- but
14 then clearly the Mexicans have overwhelmed the Texas
15 market. That's why Northwestern Pipe had to shut down
16 their Houston facility. They were just completely
17 overrun.

18 One hundred and fifty thousand tons coming
19 from Mexico literally gets spread throughout the
20 United States. It may be concentrated more in Texas,
21 but the Texas market couldn't possibly sop up 150,000
22 tons so it moves throughout the United States.

23 The low-priced material from Turkey that
24 generally enters mostly in Gulf coast ports also gets
25 distributed more widely than just on the Gulf coast.

1 MR. DUNCAN: Can members of the industry
2 describe a little bit of your relationship with the
3 distributors?

4 From what I heard from testimony earlier,
5 you indicated that most of this material is sold by
6 your respective firms to distributors, as opposed to
7 end users. Has that always been the case, and is that
8 changing? How does that affect the dynamics of the
9 market?

10 MR. KLIMA: As far as our company is
11 concerned, in the 12 years that I have been with it we
12 have always sold a larger percentage of our product
13 through distribution, and recently within the last
14 five years probably the percentage has increased
15 somewhat.

16 MR. DUNCAN: To end users?

17 MR. KLIMA: No, no. Increased some more
18 through distribution.

19 MR. DUNCAN: Okay.

20 MR. KLIMA: It was always the predominant
21 share of our sales, but it's become even more so
22 recently.

23 MR. BAKER: At one point a few years ago our
24 sales were probably 50/50 OEMs compared to
25 distributors. At this point we're probably a good 70

1 percent through distribution as our OEMs have
2 continued to disappear due to Chinese imports of
3 finished goods.

4 MR. DUNCAN: So that was kind of counter
5 what I thought or was expecting to hear as a response,
6 but I gather from your testimony you're saying that
7 import competition in further processed downstream
8 items has taken away some of your end user markets?

9 MR. BAKER: Yes.

10 MR. DUNCAN: And so that has forced you guys
11 to sell primarily in distributors, which was not the
12 case historically or was less so?

13 MR. BAKER: If you look at it strictly as a
14 percentage, yes, just because the other has gone away.

15 MR. KURASZ: Mr. Duncan, at Allied we're the
16 opposite. We're probably 70 percent of our business
17 is OEM. Thirty percent is distribution.

18 MR. DUNCAN: And that was a gain over past
19 evolution to the 70 percent?

20 MR. KURASZ: No. The majority -- maybe 80,
21 85 percent -- was OEM direct.

22 MR. DUNCAN: Constantly?

23 MR. KURASZ: Right.

24 MR. DUNCAN: Okay. Thank you. In terms of
25 where the layperson wants to read about industry news

1 in your industry, what does he turn to? What sources
2 does he look for information?

3 Say every week you want to find out what's
4 new in your industry. What are the publications you
5 open up and start looking at?

6 MR. BAKER: The *American Metal Market*
7 publication.

8 MR. KLIMA: Another one is *Metal Center*
9 *News*.

10 MR. KURASZ: There's *TPJ*, *Tube Pipe Journal*,
11 the *Preston Pipe Report*, which talks about mechanical
12 ornamental tubing.

13 MR. DUNCAN: Thank you. In terms of
14 obviously there's Mexican and Canadian produced light-
15 walled rectangular pipe and tube in the domestic U.S.
16 market, but do U.S. mills export to NAFTA countries
17 Is that a large market for yourselves outside of the
18 U.S.?

19 MR. KLIMA: In our case, less than three-
20 tenths of one percent to Canada. We have nothing to
21 Mexico and less than three-tenths of one percent.
22 It's immaterial.

23 MR. DUNCAN: Okay. Other producers?

24 MR. BAKER: It's less than two percent at
25 our company.

1 MR. KURASZ: Less than one percent to
2 Mexico. Maybe one and a half percent to Canada.

3 MR. DUNCAN: Can you give reasons why these
4 markets aren't attractive or are not available or are
5 not currently being used by your production
6 facilities?

7 MR. BAKER: Pricing basically.

8 MR. SCHAGRIN: Yes. Looking historically,
9 the Canadian currency was fairly undervalued for a
10 long time, but there has been a lot of NAFTA trade in
11 these pipe and tube products. Now the Canadian
12 currency is really increasing rapidly against the U.S.
13 currency.

14 We have heard even though we have had
15 producers not far from the Mexican border in places
16 like Houston or Phoenix, Arizona, and notwithstanding
17 the fact that everybody knows that prices are higher
18 in Mexico than the U.S., notwithstanding NAFTA, and no
19 offense to the gentleman from the Mexican Embassy; the
20 way business is done in Mexico isn't as conducive for
21 U.S. sellers as maybe in the U.S.

22 There's some unique ways of doing business
23 that I think makes things more difficult for U.S.
24 sellers. I'll leave it at that.

25 MR. DUNCAN: Are you implying some sort of

1 nontariff barrier to trade or some --

2 MR. SCHAGRIN: With state-owned companies
3 there still are nontariff barriers. That wouldn't
4 apply to this product with companies like Pemex.

5 I think just in general the way purchasing
6 is done in Mexico and maybe what purchasing managers
7 might expect instead of discounts on price to the
8 company that there's some other expectations.

9 MR. DUNCAN: Okay. Thank you. In addition
10 to testimony you have given in terms of Northwestern
11 Tube, what sort of consolidations, bankruptcies or
12 changes in ownership has the industry seen in the most
13 recent three or so years?

14 MR. SCHAGRIN: I can't really think of any.
15 I mean, other than Northwest Pipe having shut down in
16 Houston, there haven't been a lot of mergers and
17 acquisitions among ornamental tubing producers.

18 Glenn or Dave, can you think of any in the
19 last three and a quarter years? No.

20 MR. DUNCAN: All right. Thank you. What
21 are some of the major barometers of demand for light-
22 walled rectangular pipe and tube, i.e., like where do
23 you guys look to predict what the next six months or
24 next year is going to hold for your facilities?

25 MR. KLIMA: It's a combination of factors,

1 some of which are GDP, nonresidential construction,
2 residential construction. Those are the --

3 MR. BAKER: Economic indicators.

4 MR. DUNCAN: Those are the economic
5 indicators. For you as well at Allied?

6 MR. KURASZ: Yes.

7 MR. DUNCAN: All right. The petition
8 indicates that most of the light-walled rectangular
9 pipe and tube producers in the United States purchase
10 their raw material inputs of steel strips or rolls and
11 uses those to produce the pipe.

12 What are the producers that have integrated
13 with larger steel production steel mills, to your
14 knowledge?

15 MR. SCHAGRIN: I'm not aware of the U.S.
16 pipe and tube producers who are owned by big steel
17 producers making ornamental tubing.

18 MR. DUNCAN: Okay.

19 MR. SCHAGRIN: They tend to be more in
20 products like oil country tubular goods or line pipe
21 and some cases standard pipe, but not in ornamental
22 tubing.

23 MR. DUNCAN: That was my sense as well.
24 Thank you. Just one more page. I'm sorry. Bear with
25 me a couple more questions.

1 In the petition the U.S. industry supplied
2 us with some preliminary data on employment and
3 production and shipments. When I'm looking at those
4 data and I'm looking at declines in what we call
5 production related workers, are those terminations or
6 reallocations of employees to other product lines?

7 MR. KLIMA: In some cases there are. We
8 have seen a net reduction in overall PRWs, and then
9 there have been some that have been reallocated to
10 other product lines.

11 MR. BAKER: I agree with Dave. We've
12 experienced the same thing. That's what we've had to
13 do. We've obviously had some that resulted in
14 termination, but we've tried to reallocate wherever we
15 can.

16 MR. DUNCAN: Thank you. And Allied?

17 MR. KURASZ: I agree with David.

18 MR. DUNCAN: The same testimony? The
19 petition cites to increasing imports from subject
20 sources, and obviously you are arguing for cumulation
21 in this case.

22 To what degree have you seen import
23 competition among various sources, i.e. imports taking
24 other import business?

25 MR. SCHAGRIN: As far as addressing it as a

1 legal matter, because I guess the Mexicans will
2 probably bring it up this afternoon, it's quite
3 obvious when you gather all the data on this industry
4 that the U.S. industry has lost a tremendous amount of
5 market share to subject imports and that Mexican
6 industry, which hasn't seen imports increase by as
7 large a percentage as the other subject countries, may
8 have seen its market share slip somewhat.

9 But obviously their loss of market share has
10 been much less than that of the U.S. industry.
11 Obviously they started at a very high import base as
12 compared to some of the other subject imports.

13 There's certainly competition between the
14 imports. This is a fungible product, so distributors
15 can decide whether they're going to buy Mexican,
16 Chinese, Turkish or Korean product or buy domestic. I
17 don't think that customers really care which it is.

18 From a Bratsk perspective, one easy thing
19 about this case is that the imports from the four
20 subject countries are about 80 percent more or less of
21 total imports, so there's not a lot of nonsubject
22 imports, and the vast majority of the nonsubject
23 imports are from Canada.

24 Those are largely from mills that are
25 affiliated with companies that operate mills in the

1 U.S. They're either Canadian companies that have U.S.
2 operations or U.S. companies that have Canadian
3 operations.

4 I hope that answers your question, Mr.
5 Duncan.

6 MR. DUNCAN: Yes, I think that addressed it.
7 Thank you.

8 At one point the petition also discusses how
9 producers in subject sources can divert circular
10 welded nonalloy pipe into light-walled rectangular
11 pipe and tube, but I want clarification on that.

12 When you talk about circular welded nonalloy
13 pipe what comes to mind is standard pipe, but it's my
14 understanding that standard pipe would not be able to
15 allocate that or divert that into the light-walled.
16 You'd have to have a mill more specifically geared
17 towards the thinner wall thickness. Is that correct?

18 MR. SCHAGRIN: It's not completely correct,
19 and that is because of the fact that within the broad
20 circular welded nonalloy pipe there are lighter walled
21 circular products such as fence tubing and sprinkler
22 pipe, both of which are lighter walled than say the
23 Schedule 40 ASTM A-53 plumbing pipe.

24 And so for the mills that produce lighter
25 walled circular welded nonalloy pipe, which are

1 predominantly fence and sprinkler products, those
2 mills with just another set of rollers to take the
3 round product and make it into the rectangular square,
4 the same mills can make either.

5 MR. DUNCAN: By that you're talking about
6 circular mechanical?

7 MR. SCHAGRIN: No, that's not circular
8 mechanical. That is product that's subject to all of
9 the circular welded nonalloy pipe cases --

10 MR. DUNCAN: Okay.

11 MR. SCHAGRIN: -- which are fence and
12 sprinkler products, not circular mechanical.

13 Back in 1991-1992 cases the Commission
14 correctly determined that even though circular
15 mechanical and other circular welded and nonalloy pipe
16 can be made in the same mills that circular mechanical
17 was a different like product from circular welded
18 nonalloy.

19 So I'm just talking about the
20 interchangeability on the mill between products that
21 are subject to say the Mexican dumping order, Turkish
22 dumping order, the Korean dumping order, that those
23 mills can and in many cases do also produce the
24 ornamental tubing subject to this investigation.

25 MR. DUNCAN: Thank you. That clarifies it.

1 Two points of clarification. As counsel for
2 U.S. industry, Mr. Schagrín, have you filed any change
3 of scope at the Department of Commerce?

4 MR. SCHAGRIN: We're hoping to get the final
5 scope from Commerce today. We did file in response to
6 a deficiency request a modification that really goes
7 to the treatment of carbon quality and the alloy HTS.

8 Because it was part of several hundred pages
9 of filings, much of which were in the Chinese CVD
10 case, and my understanding now is the Department's
11 deficiency questionnaires are just that, deficiency
12 questionnaires. They're not really amendments to the
13 petition.

14 MR. DUNCAN: Okay.

15 MR. SCHAGRIN: We don't simultaneously serve
16 all of that on both, but I think you'll see reflected
17 in the final scope from Commerce just a very slight
18 tweaking with adding the HTS for the alloy rectangular
19 product and saying that while scope language is
20 dispositive, not HTS classification, that if product
21 within the scope were to arrive in that HTS for alloy
22 that it is included.

23 That's the only change. Otherwise my
24 perspective was gee, we've basically had the same
25 scope on all these light-walled rectangular cases

1 since 1982. Why do we have to look at any potential
2 changes? This works pretty well.

3 We haven't had any requests for changes in
4 any of the sunset reviews, but the Department did want
5 us to look at some minor tweaks. I think you'll see
6 that reflected.

7 Basically it's the exact same scope language
8 as to what's covered. There's just a little tweaking
9 on the carbon quality and alloy HTS.

10 MR. DUNCAN: And my last question/issue.
11 Can you in your postconference brief provide a brief
12 summary in one of your appendices, more details as to
13 the subsidy allegations? That has to be included in
14 our report at the ITC.

15 MR. SCHAGRIN: We'll be happy to do so.

16 MR. CARPENTER: Mr. Fishberg?

17 MR. FISHBERG: Thank you, Mr. Carpenter.
18 For the record, my name is David Fishberg. I'm from
19 the General Counsel's office.

20 First, I'd like to thank the members of the
21 panel for coming today. I think your presentations
22 were very helpful, and perhaps Mr. Baker has provided
23 a model for a fitness program that the Commission may
24 want to employ some day. I certainly could use one.

25 Most of my questions today will be directed

1 to Mr. Schagrín, but all members of the panel are free
2 to respond if they would like. My initial question I
3 think, Mr. Schagrín, you basically answered involving
4 domestic like product in the history of these cases.

5 I just want to confirm that you're asking
6 the Commission to define the domestic like product as
7 one domestic like product as we did in the 2004
8 investigation involving Mexico and Turkey co-extensive
9 with the scope?

10 MR. SCHAGRIN: That is absolutely correct,
11 and I would add that I hope we don't have to spend the
12 next 12 months going through another Mexican request.

13 I didn't hear Mr. Baisburd argue for it --
14 obviously he is free to -- for spending yet another
15 year looking at whether galvanized is different from
16 black. We put black product or nongalvanized product
17 along with galvanized in all the circular welded cases
18 for 25 years. We've done the same thing on
19 ornamental. The Commission has spoken to this a
20 number of times.

21 So the short answer to your question is yes,
22 we believe the domestic like product should be exactly
23 the same as it was in the previous Mexico/Turkey
24 investigation, one like product co-extensive with the
25 scope.

1 MR. FISHBERG: Just for the record of this
2 investigation, and I guess we'll find out in a few
3 minutes whether Respondents will be raising any like
4 product arguments, but should they raise any could you
5 address them in your postconference brief based on the
6 factors the Commission traditionally examines?

7 MR. SCHAGRIN: We hope not to, but I think
8 we still have the public version of our brief on the
9 thing so we can print those out again from the last
10 time around. We'll wait and see what they raise, Mr.
11 Fishberg.

12 MR. FISHBERG: Okay. A second question.
13 Are you asking the Commission to define the domestic
14 industry as including all domestic producers or LWR
15 pipe and tube?

16 In your posthearing brief perhaps could you
17 address whether any of the domestic producers should
18 be excluded as a domestic party either due to its
19 affiliation with a subject foreign producer or by
20 reason of its imports?

21 MR. SCHAGRIN: I can tell you in advance
22 that so we don't need to address it in the
23 posthearing.

24 We will not be asking for the exclusion of
25 any domestic industry members, even if any of them do

1 import subject product.

2 MR. FISHBERG: You mentioned this in your
3 testimony about I guess the creation of two subject
4 headings of the HTS US where previously there had been
5 one.

6 Are you aware of the reason for the division
7 of these two headings in 2007?

8 MR. SCHAGRIN: Yes, I am. I understood this
9 took place in Brussels as part of the International
10 Harmonized Tariff Schedule Committee, which I guess
11 meets permanently in Brussels and requests or
12 recommends changes or agrees to changes about once
13 every decade to all the HTS members of the world,
14 which I think is basically all -- virtually almost all
15 -- the countries in the world use the HTS system.

16 So I believe it came out of Brussels. I'm
17 almost certain that it did not come from any request
18 to the Commission Statistical Department here.

19 MR. FISHBERG: You acknowledged that there
20 are some shapes of pipe and tube that are not
21 circular, not rectangular or square, that would I
22 guess properly be classified in this other category.

23 If you could provide any evidence regarding
24 volumes of these other types of products or shapes of
25 products perhaps based on your own production if you

1 do produce these other shaped products that could help
2 us in terms of getting our hands around whether a lot
3 of these products are actually misclassified or truly
4 represent other shaped products?

5 MR. SCHAGRIN: We will do that, and I think
6 we also, which I hope was beneficial to the
7 Commission. We actually gave some charts with the
8 monthly import stats for 2007 in one of the exhibits
9 to the petition so that it demonstrated I think pretty
10 clearly since we also had data from the last months of
11 '06, you know, how the products were being
12 misclassified.

13 We'll also give you in our postconference
14 brief any information we're able to gather from the
15 domestic industry on the size of the shaped
16 nonrectangular market in the U.S. and any knowledge
17 that we can gather about whether there are imports
18 from the subject countries of those shapes.

19 I guess maybe the Mexican panelists can add
20 to that at least as to Mexico today.

21 MR. FISHBERG: Thank you. I don't think
22 this is an issue, but are you aware of any CAFTA
23 production of LWR pipe and tube by domestic producers
24 into other products that they manufacture?

25 MR. SCHAGRIN: No, I'm not aware of that.

1 MR. FISHBERG: Now a famous Bratsk question.
2 Could you please discuss the impact of nonsubject
3 imports on the U.S. pipe and tube market?

4 I think you mentioned that I guess Canada is
5 the major nonsubject country producer of LWR. Do you
6 have anything more you'd like to add?

7 MR. SCHAGRIN: No. I think I addressed it
8 as to Mr. Duncan's question.

9 We think this is a relatively easy Bratsk
10 case because of the fact that the only major
11 nonsubject exporter has these affiliations with mills
12 in the United States, which that in combination with
13 the new 95 or 96 cent Canadian dollar, the exchange
14 rate changes, would not lead to any significant
15 increase in nonsubject imports that would undermine
16 the relief to the U.S. industry.

17 MR. FISHBERG: And these imports from
18 nonsubject countries? I mean, you've defined this
19 product as a commodity product. It's a commodity
20 throughout the world? There isn't any quality
21 differences from nonsubject countries?

22 MR. KLIMA: They're pretty much commodity
23 products, interchangeable. In the industry, just
24 about everything is price related.

25 MR. FISHBERG: Mr. Schagrin, in your

1 postconference brief if you can just go through sort
2 of the Bratsk analysis regarding the two triggering
3 factors and the replacement benefit test that would be
4 helpful.

5 MR. SCHAGRIN: We will do so.

6 MR. FISHBERG: Great. Also, if you have any
7 information about the LWR pipe industry in nonsubject
8 countries regarding excess capacity, fungibility of
9 product, capacity utilization, export orientation,
10 pricing, whatever you could provide would be helpful.

11 MR. SCHAGRIN: We'll take a look at them.
12 The other thing I can point out is that, you know, the
13 Canadian industry hasn't been shy about utilizing
14 their unfair trade laws so that one of the things that
15 would also to some extent disincentivize the Canadians
16 from exporting to the U.S. is they already have
17 obtained relief on these imports, unfairly traded
18 imports from both Turkey and Korea of this product.

19 We'll address those issues in our now newly
20 required in every case Bratsk appendix until we can
21 get Congress to change that really horrible decision
22 by the CFC.

23 MR. FISHBERG: We'll see. I also realize
24 that again you've described LWR pipe and tube as a
25 commodity product, so I would assume your position is

1 that there are no product mix issues that would call
2 into question the use of AUV data in this case?

3 MR. SCHAGRIN: Even though it's a commodity
4 product, there are some product mix issues that would
5 affect using AUV, and that is even though galvanized
6 product and nongalvanized product are part of the same
7 like product obviously galvanized products with zinc
8 now I think in the range of \$3,000 a ton are much more
9 expensive than black products.

10 So while we believe the majority of imports
11 from all countries are of black product,
12 hypothetically if a third of imports from one country
13 were galvanized and only a tenth from another country
14 that would affect an AUV comparison because galvanized
15 is so much higher value. Galvanized ornamental tubing
16 is so much higher value than black ornamental tubing
17 that it would affect the AUV comparisons.

18 MR. FISHBERG: Are you aware of that
19 situation for any of the subject countries?

20 MR. SCHAGRIN: I think it would be better to
21 address that in our postconference brief, but just in
22 general, speaking from the 2004 case in which the
23 Mexicans said gee, a significant portion of our sales
24 are galvanized and that's not the case for the Turks,
25 you know, looking backwards we would think that that

1 differential is between the four countries as to what
2 share of their sales are galvanized versus black would
3 be likely to continue as an issue affecting AUVs.

4 I think I would like to address it with more
5 specificity in our postconference brief.

6 MR. FISHBERG: That would be fine. Thanks.
7 A couple more.

8 What does the domestic industry view as its
9 full practical -- and maybe you'll want to answer this
10 in a postconference brief. What does the domestic
11 industry view as its full practical capacity
12 utilization rate?

13 MR. KURASZ: Our goal is we'd like to run
14 six days a week, three shifts a day and leave a day
15 for rest and maintenance.

16 MR. KLIMA: I could comment on our company.
17 I can't really comment on the entire domestic
18 industry.

19 Our company would like to operate our mills
20 three shifts a day, five days a week, 50 weeks a year.
21 Currently we're less than one shift per day per mill.

22 MR. BAKER: We aim for 20 hours a day, six
23 days a week.

24 MR. FISHBERG: And is there anything in
25 particular about the nature of this industry that

1 would require higher capacity utilization rates? I
2 take it it's a capital intensive industry.

3 MR. SCHAGRIN: Yes, although the majority of
4 the costs would be variable costs because of the cost
5 of steel.

6 I think it's important on this issue, and we
7 have this going on in a lot of pipe and tube cases so
8 I'm glad you asked the question. You know, every pipe
9 and tube mill in all of these gentlemen's companies
10 have lots of pipe and tube mills even in the same
11 plant. There's multiple welding mills.

12 Each of those mills has a nameplate
13 capacity. I mean, you buy a mill that's capable of
14 making 20,000 tons a year, 40,000 tons, 60,000 tons.
15 These tend to be smaller. In the big products you can
16 get a mill that's capable of making 200,000 or 300,000
17 tons a year on a mill.

18 Then the companies have to decide how much
19 in an ideal world would we like to operate that mill.
20 I think you heard from these three companies what
21 their answers were, and I know that that information
22 is now requested in questionnaires.

23 Now, to the extent they make different
24 products on the same mills, because they can make both
25 subject and nonsubject, it obviously makes sense to

1 adjust capacity based on normal product mix.

2 The problem is, and we seem to be now having
3 consistent misunderstandings, and of course I do a lot
4 of different pipe and tube cases. I would say we're
5 now experiencing consistent misunderstandings between
6 the domestic industry and the foreign industries about
7 how the Commission wants capacity of pipe and tube
8 mills looked at.

9 You know, we believe you take that capacity
10 that you desire to operate at, because that's the
11 mill's capacity, and then adjust for normal product
12 mix. We're seeing a lot of respondents saying we're
13 going to take our production and then say gee, if we
14 have five mills, 20,000 tons nameplate capacity, but
15 we make 50,000 tons every year instead of 100,000 tons
16 every year, we're going to say our capacity is 50,000
17 tons because that's what we produce.

18 And so at some point, and in a case coming
19 up with a hearing next week, Large Diameter Line Pipe,
20 it's going to be a huge issue, but just in general at
21 some point the Commission is going to have to come up
22 with some type of a standard notification to all
23 parties that this is what we expect from you if you
24 operate a pipe and tube mill.

25 I think the Commission has been fairly

1 consistent over the years from the perspective of
2 someone who counsels domestic producers. If Leavitt
3 says it's five days times 24 hours a day times 50
4 weeks a year, that's what we want to run, then that's
5 how they establish their capacity. Then we take a
6 look at product mix.

7 You know, a fairly clear understanding on
8 the domestic side. Some respondents can complain
9 about it and say well, for the last three years you
10 didn't run five days, 24 hours a day. Our answer to
11 that is if imports weren't taking 45 percent of the
12 market we would have. It's not that difficult to hire
13 people. These are really high paying jobs in these
14 pipe mills.

15 Anyway, a long answer to your question, but
16 I'm really seeing a lot of differences, and this is
17 not an area where there should be differences.
18 Reporting capacity and capacity utilization shouldn't
19 be something that ought to be lawyered before the
20 Commission. It ought to be pretty straightforward.

21 We're seeing it as an issue that now gets
22 lawyered, and that's a bad thing because we just want
23 the Commission to have all the facts before you and
24 then you make your decision.

25 I shouldn't be able to influence as a lawyer

1 the facts, and yet I'm seeing that lawyers are working
2 with their clients to influence the facts. That's not
3 a good thing.

4 MR. FISHBERG: Thank you. Although the
5 subject merchandise is not currently subject to relief
6 under Section 201, has there been any sort of residual
7 impact from the Section 201 duties on welded pipe and
8 tube during this period of investigation?

9 MR. SCHAGRIN: I would say not within the
10 POI. Relief ended I believe at the end of 2003 is
11 when the President dismissed the tariff, so it was
12 before the beginning of this POI.

13 MR. FISHBERG: There haven't been any sort
14 of residual effects from that?

15 MR. SCHAGRIN: Yes. Not that I'm aware of.
16 None that come to mind.

17 MR. FISHBERG: Are transportation costs a
18 big factor in this industry? I'll just follow that.

19 I think in some past cases respondents have
20 argued that freight costs and geographic factors
21 create natural regional segments in the domestic LWR
22 pipe and tube market that attenuate competition
23 between subject imports and the domestic like product.
24 Would any of you like to comment on that?

25 MR. KLIMA: Well, any buyer of the product

1 is going to look at his total lading cost, so the
2 biggest component is the FOB cost of the tubing from
3 the mill and then his freight cost. He's just going
4 to take A plus B to get his total cost and buy the
5 cheapest total landed in cost.

6 MR. KURASZ: Freight is definitely a cost
7 that we keep an eye on. There's been some
8 inflationary impact with freight recently, but being
9 located in the geographical areas of the United States
10 we feel that we can overcome that by supporting local
11 regional business from a national perspective.

12 MR. FISHBERG: Thanks. And one last one.
13 On page 16 of the petition you discuss the average
14 number of production related workers, and I noticed
15 there was a pretty sharp decline from interim 2006 to
16 interim 2007.

17 Was that related to I guess the Northwest
18 Pipe closure, or was there anything else? It looks
19 like PRWs went down from 394 to 322. Is that just due
20 to I guess you mentioned the Northwest Pipe closure?
21 Is there anything else?

22 MR. SCHAGRIN: No. That data only reflected
23 the information from 12 companies that were the
24 Petitioners at the time the petition was filed.

25 MR. FISHBERG: Okay.

1 MR. SCHAGRIN: Since then there's a
2 thirteenth company. It did not include any data from
3 Northwest Pipe, so what would probably be a fairly
4 steep dropoff in Northwest Pipe employees is not
5 reflected in the petition data.

6 MR. FISHBERG: Was there any specific event?
7 Was there anything you can point to that caused that
8 decline for the companies that did report?

9 MR. KLIMA: I think I referred indirectly to
10 it before, but with the decreased volume level that
11 we're at we were forced to either reduce the head
12 count overall or shift the production related workers
13 of ornamental tubing to other product lines.

14 MR. FISHBERG: And has that been the trend
15 for the entire industry?

16 MR. SCHAGRIN: I would say that's been
17 reflective of the overall trend in the industry that
18 as this industry amazingly was not gaining workers,
19 nor was it gaining production in spite of a huge
20 increase in apparent consumption over the three years
21 of the POI.

22 And then as imports have just continued to
23 flood into the market particularly in the latter part
24 of '06 and into '07, and now that demand is really not
25 dropping. It's just flattening. It's just not

1 growing anymore.

2 Significant decreases in domestic production
3 is now resulting in a number of layoffs or reduced
4 production workers in the industry.

5 MR. FISHBERG: Thank you. I have no further
6 questions.

7 MR. CARPENTER: Ioana Mic, the economist.

8 MS. MIC: Good morning. My name is Ioana
9 Mic. I'm from the Office of Economics. Thank you so
10 much for coming today.

11 I just have a couple economics and price
12 related questions. If I repeat anything that you
13 already presented so far, maybe I just want a little
14 bit of clarification.

15 In our questionnaires in the current
16 investigation we asked for data on two pricing
17 products that you identified in the petition.
18 However, in the final antidumping investigation on
19 Light-Walled Rectangular Pipe and Tube From Mexico and
20 Turkey three years ago we asked for six pricing
21 products.

22 How representative are the two pricing
23 products for which we are currently asking data for?

24 MR. SCHAGRIN: I think it's probably faster
25 if I just answer it. Those are probably the two most

1 popular among the six that you gathered data on in the
2 previous final. Of course, we wouldn't object if you
3 expanded back to those six for a final.

4 We all know how fast preliminary
5 investigations are, so we thought it's better to slim
6 down those data requirements for the prelim, but we
7 believe that those two products are very
8 representative of overall product pricing in the
9 industry.

10 MS. MIC: I appreciate your concern. You
11 also addressed in your opening statement this morning,
12 so let me just get a little bit of clarification on
13 that.

14 In the final antidumping investigations on
15 Light-Walled Rectangular Pipe and Tube From Mexico and
16 Turkey three years ago the Commission found that the
17 subject imports significantly undersold the domestic
18 like product, but did not depress or suppress domestic
19 prices to a significant degree and did not have a
20 significant adverse impact on domestic prices which
21 increased over the period.

22 What has changed since the investigation
23 three years ago that you believe now warrants an
24 affirmative determination?

25 MR. SCHAGRIN: I'll try to handle this very

1 diplomatically. You know, the Commission determined
2 the industry wasn't injured, and then of course when
3 they determine an industry is not injured they're not
4 going to find any price suppressing and depressing
5 effects.

6 What has changed since the earlier
7 investigation is first you have 72 percent higher
8 imports since the earlier investigation. Actually, I
9 think compared to the last full year, 2003, we
10 probably have maybe about 85 to 90 percent higher
11 imports, so obviously the much larger volume going
12 from probably in 2003 about 150,000 tons of subject
13 imports to over 300,000 tons in 2006.

14 In a commodity product, the addition of all
15 of that much higher volume of products which are
16 underselling the U.S. industry would have more of a
17 price suppressing and price depressing effect.

18 In addition, unlike the first half 2004
19 period in which there was information on the record of
20 the industry being successful in passing along
21 increased steel costs and having successful price
22 increases in 2004, which the Commission mentioned in
23 its final determination, the record in this
24 investigation has information which Mr. Kurasz
25 mentioned in his testimony that the industry in 2007

1 has been unable to pass along cost increases.

2 They have announced prices increases, and
3 while they announced those price increases in writing
4 the price increases have been unsuccessful. They
5 don't go back in writing ever in this industry. It's
6 the norm.

7 No one ever says in writing Dear All Of Our
8 Customers: We're decreasing our prices next week. In
9 fact, they don't even in writing withdraw the price
10 increases. They announce price increases in writing,
11 but when they're unsuccessful or when prices fall that
12 just happens based on negotiations in the marketplace.

13 I think those two factors, Ms. Mic, really
14 demonstrate very significant differences between the
15 record in the 2004 final and the record in this
16 preliminary determination as to price suppression and
17 price depression.

18 MS. MIC: Thank you. And a final question.
19 Could you discuss the availability of substitutes for
20 LWR pipe and tube, and if there are any could you
21 indicate whether and how changes in the prices of
22 substitutes affects the price of LWR pipe and tube?

23 MR. SCHAGRIN: In the ornamental fencing, I
24 think we got in this the last case, people can choose
25 to use wood if they want or it's really more

1 aesthetics that if you want a wire mesh fence in your
2 front yard or backyard instead of a really nice
3 ornamental fence you can choose that. It's obviously
4 because the wire mesh is a lot less expensive than
5 tubing it's a less expensive alternative.

6 There really aren't a lot of alternatives.
7 The end use products, and there are literally dozens
8 if not hundreds that use this tubing, are, you know,
9 pretty much designed and engineered to use this
10 tubing, and there's not substitutes for them. The
11 same in construction.

12 I guess you could have a window sash or a store
13 shelf that might be made out of something else, but if
14 the producer wants a metal window sash frame, or store
15 shelves, or even clothing racks where you have a
16 little piece of rectangular tubing and then you can
17 hang the hangars on them there really aren't any
18 substitutes, any competition with substitutes from a
19 price perspective.

20 MS. MIC: Thank you, and also, in your
21 petition you mentioned you have 12 industry
22 representatives. Today you mentioned 13. Maybe in
23 your postconference brief you can name the 13th one?

24 MR. SCHAGRIN: No. There we did amend the
25 petition since the filing to add the Bull Moose Tube

1 Company, which is certainly one of the largest U.S.
2 producers of ornamental tubing, has joined the other
3 12 producers as a co-Petitioner since the filing of
4 the petition, and we did file that with both the
5 Commission and the Department of Commerce as a
6 petition amendment.

7 MS. MIC: Well, thank you very much for your
8 responses. They are very helpful.

9 MR. CARPENTER: Justin Jee, our auditor.

10 MR. JEE: Thank you, Mr. Carpenter. I have
11 a request rather than questions. There's too many
12 issues to be resolved with the producers'
13 questionnaire response including Petitioners. I would
14 appreciate that the domestic producers kindly respond
15 to our request. That's all.

16 MR. SCHAGRIN: We will of course do so, Mr.
17 Jee. I know a lot of companies are working very hard
18 to respond to all the Commission's requests, and we'll
19 continue to do so very avidly and as quickly as
20 possible.

21 MR. JEE: Thank you.

22 MR. CARPENTER: Karl Tsuji, our
23 administrative analyst.

24 MR. TSUJI: Hello, I'm Karl Tsuji, the
25 industry analyst. A couple of quick questions. These

1 topics were touched upon briefly before in responses,
2 but I just wanted to get a sense as to is the light-
3 walled rectangular pipe industry a national one or
4 does it tend to be regionalized? In other words, do
5 the domestic producers tend to sell to regional
6 markets or do they sell nationwide?

7 Secondly, same for the import sources, the
8 subject imports as well as the nonsubject imports. Do
9 they tend to sell nationwide or do they tend to be
10 regionalized? Thank you.

11 MR. KURASZ: We're a nationwide supplier of
12 LWR materials anywhere in the United States and to
13 Canada, but there are smaller private companies that
14 are more regionalized, but there are a lot of large
15 national suppliers in the industry and we are one of
16 them.

17 MR. BAKER: We only have the one facility on
18 the west coast, and due to freight factors and things
19 like that we're a regional supplier. We sell into 11
20 western states, and like I said a little bit into
21 Mexico.

22 MR. KLIMA: Our company sells in any state
23 other than Hawaii, but for light-walled rectangular
24 pretty much we're limited to east of the Rockies.

25 MR. SCHAGRIN: Mr. Tsuji, if I could just

1 from an industry's perspective besides the answers
2 from these three producers I think it is a mix of very
3 large nationally distributed companies, and they would
4 either have multiple locations like Allied does or be
5 major producers in probably the middle of the country
6 and be able to go then from the middle to both coasts
7 as well as a mix of some smaller producers who tend to
8 sell regionally.

9 That's to the domestic industry. On the import
10 side I'm not aware of being able to categorize
11 specific foreign producers, but as to imports from the
12 countries we certainly see imports from Mexico
13 distributed across most of the United States, and we
14 are seeing imports from China in large volumes sold
15 throughout the United States and imports from Korea
16 and Turkey where the volumes slightly less still being
17 sold throughout the United States possibly with a
18 little bit more regional concentration.

19 On the nonsubject imports it's our sense because
20 of a lot of common ownership between Canadian
21 production facilities and U.S. production facilities
22 that a lot of the Canadian product is concentrated
23 into what I would call New England and some of the
24 Canadian border areas.

25 MR. TSUJI: Okay. Thank you. That was

1 helpful. Just one quick follow-up was raised, and
2 that is what is the proportion in terms of sales
3 volume for these large domestic nationwide sellers of
4 the product versus the smaller regionalized producers?

5 MR. SCHAGRIN: I think because all the data
6 on individual producers is confidential I'd like to
7 address that in a postconference brief. You might get
8 some because you're the only one in this room besides
9 Mr. Baisburd and I who have access to the proprietary
10 version of the petition, but there was an exhibit,
11 1-3, which gave 2006 production.

12 For the 12 Petitioners that same exhibit has
13 now been amended confidentially to include Bull Moose
14 which required us to then since there's only one
15 additional producer confidentialize all the totals,
16 but that might give you some idea in the meantime, and
17 then why don't we address that confidentially in our
18 postconference brief?

19 MR. TSUJI: Okay. Thank you very much.

20 MR. CARPENTER: George Deyman, Supervisory
21 Investigator.

22 MR. DEYMAN: Good morning. Mr. Schagrín,
23 you said in your opening statement that consumption of
24 the product has increased substantially during the
25 period for which the data have been collected in the

1 investigations. Normally, when consumption increases
2 one expects prices to increase also, and in this case
3 in that values of the domestic producers' shipments
4 have increased have prices also increased, and if they
5 have, what does that mean in the context of the injury
6 analysis that the Commission does?

7 MR. SCHAGRIN: Mr. Deyman, I think you will
8 see over the period until you see falling prices into
9 2007 general increases in average unit values and in
10 prices, but of course those price changes were
11 reflective of very significant cost increases, and so
12 I think that prices cannot be looked at in a vacuum.

13 I don't think you can just look at the price
14 of products being sold and say here's our evidence on
15 price suppression or price depression, we're just
16 going to look at prices. For all these gentlemen who
17 are in business it's a question of prices times all
18 the volume sold equaling sales revenues and comparing
19 them to cost.

20 I think you'll also find that number one,
21 average unit cost of goods sold increased dramatically
22 over this period, and the increase in prices did not
23 keep up with the average cost the result of which is
24 that profits and profit margins fell dramatically over
25 this period.

1 So I think whenever you look at price you
2 have to also look at cost, and when the Commission
3 looks at both price and cost in this investigation the
4 Commission is going to see the evidence of price
5 suppression and depression in the declining profits
6 and profit margins of this industry.

7 MR. DEYMAN: Thank you. That was very
8 helpful. The year 2004 is the base year for the data
9 which we're collecting in these investigations.
10 However, based on the Commission's public report and
11 last year's review investigations on certain pipe and
12 tube including the rectangular product the year 2004
13 was probably the best year for the domestic light-
14 walled rectangular pipe and tube industry during the
15 period for which we examined.

16 For example, in 2004 the industry's value of
17 U.S. sales, operating income and the ratio of
18 operating income to sales were the highest during the
19 period. If 2004 was an especially good year how
20 representative is it as a base year for the data which
21 we're collecting in the current investigations?

22 MR. SCHAGRIN: I think it's representative
23 as a starting point in this investigation because if
24 you look at the data gathered in the Commission's
25 sunset review, and that's in Table C-2 -- I swear for

1 one purpose only I'm going to have to start changing
2 the strength of my reading glasses because we have
3 noticed recently, it's probably me not the Commission,
4 it's probably the same font, that all these summary
5 tables, the numbers keep getting smaller and smaller
6 in just the summary tables. I'm sure it's me.

7 MR. CARPENTER: It's not just you.

8 MR. SCHAGRIN: It's not?

9 MR. CARPENTER: No.

10 MR. SCHAGRIN: The numbers are getting
11 smaller the way they're printed or are your eyes
12 going --

13 MR. CARPENTER: No. Yes, I think some of
14 our eyes are getting worse.

15 MR. SCHAGRIN: Okay. But anyway, I'm
16 referring to Table C-2, which is the data on LWR, and
17 I think, you know, before the 2000, 2001 recession in
18 which you do see really an 2001 consumption falling
19 that in 1999 the industry had fairly high operating
20 profits.

21 Then by 2004 consumption had grown to levels
22 that exceeded 1999 and 2000, and once again profits
23 grew as did domestic industry volumes, and shipments
24 and prices, but from 2004 to 2006 when the Commission
25 aggregates all of the data you can see this tremendous

1 increase in consumption. So I don't think 2004 should
2 be looked at as an aberrational base year. I think it
3 should be looked at as really the middle of a longer
4 up cycle in this business cycle.

5 This industry, but for the huge surge in
6 imports should have just experienced tremendous
7 production, volume, shipment, employment and profit
8 gains between 2004 and 2006. I mean, that is the
9 business cycle here. They missed out on what is I'm
10 going to guess in the first decade of the 2000s the
11 best part of that decade because of these imports.

12 So I think it's perfectly appropriate here
13 for the Commission to utilize 2004 as the base year.

14 MR. DEYMAN: All right. My next question
15 concerns the scope of the investigation. I haven't
16 yet seen the actual scope language from Commerce, but
17 is it correct to say that stainless and other high
18 alloy light-walled rectangular pipe and tube are not
19 intended to be subject to these investigations?

20 MR. SCHAGRIN: That is correct, and not just
21 high alloy, really all stainless and all true alloy
22 products are not intended to be in the scope of this
23 investigation nor are they, only carbon quality
24 rectangular products. So that should not change in
25 any way the Commission's domestic like product nor

1 should it affect the import data.

2 MR. DEYMAN: All right, and my last question
3 is the unit values of the imports from Mexico are
4 higher than the unit values of the other subject
5 imports and increased in both 2005 and 2006. Is there
6 anything different about the product entering from
7 Mexico such as higher quality or different product
8 mix, you mentioned the galvanized earlier, that would
9 result in the Mexicans' products unit values being
10 higher and increasing?

11 MR. SCHAGRIN: I think as I may have
12 answered a question from Ms. Mic before that it is the
13 difference in the Mexican product mix being somewhat
14 more oriented toward galvanized product. We have
15 probably seen -- and ask Mr. Kurasz if he wants to add
16 anything. He did talk about the direct competition in
17 galvanized sales with PROLAMSA who is going to appear
18 here later.

19 But the increase in the price of zinc over
20 the last three years has been just astronomical, I
21 think probably from the range of \$800 to \$900 a ton to
22 \$3,000 a ton, so a product mix that was richer in
23 galvanized product compared to other countries and
24 with the increase in zinc costs over this time period
25 would support the difference in AVs for Mexico versus

1 other countries.

2 Otherwise, we think when you get the pricing
3 data from importers, when you match the same products
4 to the same products, you're going to see relatively
5 similar pricing and pricing patterns is our
6 expectation.

7 MR. DEYMAN: Very good. I have no further
8 questions. Thank you.

9 MR. CARPENTER: I have a few questions.
10 Start with you, Mr. Schagrin. You mentioned in your
11 testimony that there was a rapid increase in
12 consumption during the period of investigation, and
13 that does appear to be consistent with the data you
14 provided in the public version of the petition. My
15 question, really I'd like to address the three
16 witnesses here to get your opinions as to what was
17 driving the increase in consumption from 2004 to 2006.

18 MR. BAKER: For us it was the residential
19 and nonresidential construction.

20 MR. CARPENTER: Okay. Both residential and
21 nonresidential? Okay.

22 MR. BAKER: Okay.

23 MR. KLIMA: Those would be the same items
24 for our company, too.

25 MR. KURASZ: Likewise for us.

1 MR. CARPENTER: Okay. So the product is
2 primarily used in construction applications then, and
3 that was a growth sector during the last three years.

4 MR. KURASZ: It's one of the major sectors
5 that we supply.

6 MR. CARPENTER: Okay. And also the figures
7 presented in the petition show a pretty sharp decrease
8 in the first quarter of 2007 compared to the first
9 quarter of 2006, so did the reverse occur in the first
10 quarter of 2007 where there's a decrease in
11 construction activity or was it some other factor that
12 caused demand to decrease?

13 MR. KURASZ: Well, the residential side of
14 our business that we supply is drastically down. As
15 everybody knows the residential business is down.
16 Gross domestic product, GDP, is the other part of the
17 three that we look at, and that is not booming, so
18 part of that is due to the general economy as well.

19 MR. KLIMA: Nonresidential construction is
20 still strong, but our share has declined because of
21 the affect of the imports.

22 MR. CARPENTER: Yes.

23 MR. BAKER: That's our case, also. I mean,
24 the amount of imports that came in the last quarter of
25 2006 just made it so difficult and then first quarter

1 of 2007.

2 MR. CARPENTER: Okay, but the consumption
3 figures, the work presented, include both imports and
4 domestic production and the total figure for
5 consumption showed a pretty significant drop in
6 2007 --

7 MR. BAKER: So that would be housing related
8 and on the west coast.

9 MR. CARPENTER: Housing. Okay. All right.
10 Thank you. I believe it was the Respondents that
11 mentioned in their opening remarks that U.S. producers
12 have increased capacity during the period of
13 investigation. I haven't seen the compilation of the
14 figures from the questionnaires at this point, but I
15 guess first of all with respect to your companies'
16 experience is that true? Was there an increase in
17 capacity during the period, or was your capacity
18 relatively level or decreasing?

19 MR. BAKER: Ours has been level. We haven't
20 added any capacity.

21 MR. KLIMA: Our total capacity has also been
22 level, but the percentage of LWR capacity has declined
23 to the extent that product mix has moved into other
24 areas.

25 MR. CARPENTER: Okay.

1 MR. KURASZ: We have not added any capacity
2 for the LWR product.

3 MR. CARPENTER: All right.

4 MR. SCHAGRIN: I would just point out, Mr.
5 Carpenter, we'll have to see when all the data is
6 aggregated but being quite familiar with this industry
7 I'm not aware of anyone in this industry having added
8 capacity over the past three and a quarter years of
9 this period of investigation, I'm not aware of U.S.
10 producers putting in new mills.

11 I think that when we get to the final
12 investigation because of the disinvestment and the
13 current sales of mills, which Mr. Klima referred to in
14 his testimony which has actually occurred since the
15 end of the data you've gathered, I'm certain that
16 you're going to see some fairly significant capacity
17 declines in the final investigation.

18 MR. CARPENTER: Okay. Thank you. Again,
19 the Respondents in their opening remarks if I heard
20 them correctly said that they thought this was a
21 threat case, and they were making the point that
22 Mexico should be decumulated for purposes of threat.

23 Mr. Schagrin, I think you've already
24 disagreed with that characterization, that it's a
25 threat case, in your brief unless you want to also

1 make some remarks now. Could you comment on whether
2 to the extent that threat is considered in this case
3 whether Mexico should be decumulated?

4 MR. SCHAGRIN: We believe that if the
5 Commission, and only if I'm not understanding how the
6 Commission analyzes cases which is possible, gets to
7 threat instead of injury that Mexico should be
8 cumulated with the other countries because their
9 imports have increased. We believe they have
10 additional capacity and additional inventories that
11 can be shipped to the U.S.

12 I know that in the 2004 case between the
13 filing and the Department's preliminary determination
14 we did get a pretty healthy increase in imports from
15 Mexico in order to avoid the imposition of the duties.
16 Obviously, they couldn't do that in 2003, 2004 if they
17 didn't have the ability to ramp up production and
18 increase exports to the United States quickly prior to
19 the imposition of the duties.

20 I think they and, you know, we both know
21 that the Department is going to find dumping duties
22 against the Mexicans, and so to the extent that they
23 are trying to rush product into the U.S. to avoid
24 paying those dumping duties that was demonstrated in
25 the earlier case, it will be demonstrated again, their

1 capability of quick increases.

2 So we'll further amplify on that in the
3 postconference brief, but we think if the Commission
4 were to get to a threat that cumulation of all four
5 countries for threat would be appropriate.

6 MR. CARPENTER: Thank you, and just one
7 final question which I'll also address to you, Mr.
8 Schagrin. Relates to like product. I'm not raising
9 this as a like product issue, but just trying to get
10 some information on a particular type of product and
11 that's the circular ornamental tubing, which as I
12 understand is not included in the scope of this
13 investigation and not included in the proposed like
14 product.

15 Is it true that product is also not included
16 in the standard and structural pipe case?

17 MR. SCHAGRIN: That is correct. We believe,
18 as does the Commission based on the final
19 determination in Circular Welded Nonalloy Pipe from
20 Brazil, et. al, which I believe was a late 2002 final
21 determination, that was Brazil, Korea, Mexico and
22 Taiwan in that case, that circular mechanical tubing
23 is both a separate like product from ornamental tubing
24 or light-walled rectangular and is a separate like
25 product from circular welded nonalloy pipe because it

1 tends to be a more specialized product made for OEMs
2 in terms of the vast majority of the production of
3 circular mechanical tubing.

4 In fact, you know, maybe in terms of demand
5 in the overall U.S. market the single biggest consumer
6 of circular mechanical tubing is the auto industry for
7 various auto parts, and that just doesn't have any
8 overlap with these other two industries at all.

9 MR. CARPENTER: So for one thing the
10 channels of distribution would be different. I
11 thought I had heard some testimony earlier that there
12 may be some interchangeability and it may be produced
13 on the same production equipment using the same
14 workers as the square and rectangular light-walled
15 product.

16 MR. SCHAGRIN: That's correct. It can be
17 made on the same production equipment and using the
18 same workers, but the channels of distribution tend to
19 be very different.

20 Unlike the ornamental tubing, which is still
21 predominantly a product that goes through
22 distributors, the circular mechanical tubing
23 predominantly, more than predominantly, I mean
24 overwhelmingly is sold directly to OEMs who tend not
25 to just buy it to an industry specification but tend

1 to have products almost designed for their uses in
2 circular mechanical tubing which is one of the reasons
3 it goes from mill to OEM is because it tends to be
4 tailored product.

5 There is some circular mechanical tubing
6 made to industry specs that goes through distribution,
7 but that tends to be a small portion of the total
8 circular mechanical tubing market.

9 MR. CARPENTER: What does that go into? For
10 example, furniture perhaps, like table legs or chair
11 legs?

12 MR. SCHAGRIN: It can go into furniture. As
13 I said I think the biggest consumer of circular
14 mechanical tubing is auto parts and the auto industry,
15 but after that it is a whole wide variety.

16 I think Mr. Kurasz' company used to be the
17 leading U.S. supplier of circular mechanical tubing
18 for trampolines which like many products there's still
19 lots of kids playing in my neighborhood on
20 trampolines, but I don't think there's a single
21 domestic trampoline producer.

22 They're all made in China and use mechanical
23 tubing made in China to make trampolines. So there's
24 a whole variety of engineered kind of end use products
25 that use the circular mechanical.

1 MR. CARPENTER: I see. Thank you very much.
2 Are there any other staff questions?

3 (No response.)

4 MR. CARPENTER: Okay. Thank you very much,
5 gentlemen, for your presentation and your responses to
6 our questions. At this point we'll take about a 10
7 minute break and resume the conference with the
8 Respondents' presentation.

9 (Whereupon, a short recess was taken.)

10 MR. CARPENTER: Mr. Baisburd, please proceed
11 whenever you're ready. They should be here very
12 shortly.

13 MR. BAISBURD: Thank you, Mr. Carpenter, and
14 thank you again to the Commission staff for providing
15 us the opportunity to present the views of the Mexican
16 industry. Before we start with the views of the
17 Mexican private sector Mr. Salvador Behar from the
18 Mexican Embassy has some words he wants to say.

19 MR. BEHAR: Thank you. First of all, I
20 would like to thank the staff members of the
21 Commission for accepting the government of Mexico's
22 point of views on this case. Preliminarily I would
23 like just to highlight Mr. Schagrin's comments on how
24 Mexico conduct business.

25 With all due respect to Mr. Schagrin, well,

1 I don't know if he has a bad experience in Mexico, but
2 if the U.S. producers cannot get into the Mexican
3 market it's precisely because of Mexico getting more
4 competitive in the market. I didn't understand quite
5 well his comment, but I should leave it as well. For
6 the record, my name is Salvador Behar.

7 I'm the legal counsel for international
8 trade at the Embassy of Mexico. I have been working
9 for the government of Mexico for about 12 years now,
10 and basically I have been focusing cases involving
11 antidumping investigations conducted in the U.S. and
12 Canada against Mexico's exports.

13 The government of Mexico is fully aware of
14 the rights and legal resources that's available for
15 the U.S. domestic industry such as the request of the
16 U.S. government to impose remedies against dumped
17 imports and to take action against other unfair trade
18 practices.

19 Mexico is also aware of the rights of the
20 International Trade Commission and the Department of
21 Commerce to initiate or to conduct investigations
22 based on petitions of the U.S. legal standards as far
23 as these standards are consistent with U.S.
24 obligations under the GATT agreement, in particular
25 with the antidumping agreement.

1 That said, the government of Mexico believes
2 that repeated antidumping investigations against the
3 same product from the same countries are an abuse of
4 the trade laws and should not be tolerated. The
5 Commission should be vigilant to prevent such abuses
6 and should more thoroughly scrutinize opposition
7 brought by an industry that it has recently and
8 repeatedly determined that it was not materially
9 injured or threatened with such injury.

10 Many members of the WTO have recognized that
11 it is important to discourage the misuse and abuse of
12 the antidumping measures and proceedings against
13 legitimate trade and fair competition between industry
14 and imports in order to protect the domestic market.
15 We believe that this kind of conduct has a chilling
16 affect on trade between our countries and causes a
17 direct economic loss to Mexican producers and
18 exporters.

19 This is certainly not the first time we have
20 heard about this alleged injury to the U.S. producers
21 of this product as a result of imports from Mexico.
22 In 1995 the Commission issued a negative preliminary
23 determination regarding this product. Again, in
24 October 2004 only two years and a half ago the
25 Commission unanimously found that imports of

1 rectangular tube from Mexico did not cause or even
2 threaten to cause injury to U.S. producers.

3 Some of the same staff members that were
4 here today have been involved in that investigation.
5 Now U.S. producers are essentially asking the
6 Commission to repeat its analysis of imports from
7 Mexico and reverse its findings in the October 2004
8 determination.

9 As provided in Article 5.2 of the
10 antidumping agreement, simple assertions that are not
11 substantiated by relevant evidence cannot be
12 considered sufficient to meet the requirement
13 regarding injury and a causal link between the alleged
14 dumped imports and the injury to the domestic
15 industry. The Commission should be particularly
16 careful when it is examining the question of threat
17 and injury.

18 Unless there is a clear evidence of a
19 significant and sustained derogation of the financial
20 condition of the domestic industry, the Commission
21 should not issue an affirmative determination. The
22 Commission should not reverse itself based on short-
23 term filtrations and market conditions.

24 Based on the public data available to us the
25 domestic industry's condition since the recent

1 investigation of rectangular tube from Mexico has
2 improved based on certain indicators and remained
3 stable based on others. U.S. manufacturers'
4 production and shipments, prices and capacity
5 utilization have all increased during the period of
6 investigation. Operating margins remain at high
7 levels for the steel industry.

8 Petitioners' case appears to be based on
9 fluctuations that occurred during the first quarter of
10 2007. In our view, those fluctuations were too short-
11 lived to be proof of injury. Just as importantly
12 short-term fluctuations do not provide proper grounds
13 for U.S. manufacturers to burden the Commission and
14 the Respondents with the cost of participating in an
15 entirely new investigation when the Commission so
16 recently decided the imports were not the cause of
17 injury.

18 Furthermore, the Petitioners in this case
19 have not analyzed the effect factors other than the
20 subject imports may have had in their performance.
21 Article 3.5 of the antidumping agreement clearly
22 requires an examination of other possible causes of
23 injury besides alleged dumped imports in order to
24 avoid attributing the injuries caused by these other
25 factors to allege dumped imports.

1 The Petitioners fail to consider those other
2 causes of injury places a burden to do so on the
3 Commission. With all due respect, Mexico believes
4 this case should be dismissed on the preliminary
5 phase, and we appreciate the Commission for giving the
6 opportunity for Mexico to give his point of view.
7 Thank you.

8 MR. BAISBURD: Thank you, Mr. Behar. ITC
9 injury investigations remind me a lot of the Clint
10 Eastwood movies *Flags of Our Fathers* and *Letters from*
11 *Iwo Jima* where he shows the same historical event, the
12 invasion of Iwo Jima, from two very different
13 perspectives. This investigation is no different.
14 The U.S. industry spent the morning telling a sad
15 story about their condition, declining sales volumes,
16 lower market share, lower shipments and lower
17 operating margins.

18 Petitioners claim the sky is falling based
19 on perceived weakness during the interim period, in
20 this case the first quarter of 2007. We will now tell
21 you a different story based on the same period and the
22 same data. We will show you that the U.S. industry
23 has enjoyed several good years of strong operating
24 margins, new capital investment, increased sales
25 values and volume and increased capacity.

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1 At the end of both of these screenings it's
2 up to the Commission to decide which movie wins an
3 Oscar and which gets relegated to the discount bin at
4 the movie store. The only difference with most other
5 investigations is that these Petitioners are making a
6 remake of the 1995 and 2004 films that bombed at the
7 box office.

8 The Commission issued a negative prelim
9 determination with respect to Mexican imports in 1995
10 and a negative final determination in 2004. Not to
11 put too fine a point on it, but we've heard
12 Petitioners' sky is falling claims before. They
13 simply haven't come true. Here's what Petitioners
14 said at the 2004 hearing in the last case against this
15 product.

16 The representative from Bull Moose Tube,
17 "There is no question in my mind that we will be
18 unable to compete in the future with unfairly traded
19 imports if the Commission makes a negative decision."
20 Another Petitioner, "For Leavitt Tube to survive in
21 the future we must have fair trade in our products.
22 We cannot have dumped imports from Mexico and Turkey
23 taking one-quarter of the market for light-walled
24 rectangular tubing and be able to operate our mills at
25 a rate that gives us sufficient conversion costs."

1 Finally, Petitioners' counsel, "If you make
2 a negative determination I am absolutely positive that
3 these imports are going to surge again, they're going
4 to undersell and this industry is going to have price
5 problems and margin problems again." These
6 predictions simply did not come true. The U.S.
7 industry enjoyed three very strong years in 2004, 2005
8 and 2006.

9 Operating margins were in double digits for
10 most of the period. U.S. production and shipments are
11 higher now than they were in 2004, and U.S. producers
12 have also increased capacity. The Commission does not
13 need to take our word for the strong performance
14 during 2004 and 2005. As Mr. Deyman recognized just
15 last July in the sunset review for certain pipe and
16 tube that included this product the Commission found
17 that the U.S. industry enjoyed, "consistent
18 profitability," from 1999 to 2005.

19 The Commission also found that the U.S.
20 industry which sits before you today was not,
21 "vulnerable to material injury," in 2004 and 2005. At
22 the risk of stating the obvious those are the first
23 two years of the POI in this investigation.

24 The Commission should ask Petitioners to
25 explain in detail how they could have suffered actual

1 material injury during the POI when the Commission has
2 already determined that the U.S. industry was not even
3 vulnerable to material injury for two-thirds of that
4 period and to anticipate what Petitioners' counsel
5 might say.

6 When making its vulnerability determination
7 the Commission looks exclusively at the information
8 from the U.S. producers, so it doesn't matter that
9 sunset review, the subject imports in that case were
10 from Argentina and Taiwan. The data set that was used
11 to make that determination is the Petitioners'
12 production, the Petitioners' capacity, the
13 Petitioners' profitability, their sales volume, et
14 cetera.

15 It's completely independent of what the
16 subject imports are. I know that in reading the
17 transcript from the final hearing in the previous case
18 that Mr. Schagrin encouraged the Commission to give
19 substantial weight to early years in the POI and
20 should do so here as well. The obvious next question
21 is what about 2006 and the first quarter of 2007?

22 2006 was an even better year than 2005 for
23 U.S. producers. U.S. producers enjoyed higher sales
24 volumes, higher prices, increased capacity coupled
25 with higher capacity utilization, higher operating

1 income and higher capital investment. We cannot
2 compare the absolute values from last year's sunset
3 reviews to the petition because the number of U.S.
4 Respondents is not the same.

5 However, we can compare the public
6 information in the petition for 2005 and 2006. When
7 we do this comparison we see that U.S. domestic
8 shipments were higher in 2006 than 2005, the U.S.
9 industry's domestic sales values increased, operating
10 income jumped from \$30 million in 2005 to \$45 million
11 in 2006 and operating margins jumped from eight
12 percent to 13 percent.

13 The average number of workers increased and
14 the domestic AUVs increased in that period as well.
15 The U.S. producers' questionnaire responses should
16 tell a similar tale. I simply don't understand how
17 Petitioners can claim material injury in 2004 to 2006
18 when the Commission has already determined that it
19 wasn't even vulnerable to material injury during the
20 first two years of the POI and the third year was
21 better than the second.

22 There are also many anecdotal signs of
23 strength and positive expectations for the industry.
24 Really, contrary to what Petitioners' counsel
25 mentioned this morning rather than disinvestment

1 there's been significant investment in the industry.
2 First, U.S. producers have expanded capacity and
3 acquired new mills in recent years.

4 For example, Welded Tube acquired new mills
5 in South Carolina during the POI. In January 2005
6 Welded Tube announced that it intended to ramp up its
7 monthly production from 1,600 tons to 8,000 tons. The
8 Carlisle Group, which has not made a name for itself
9 or a fortune for its investors by investing in
10 companies that do not have a positive future, went on
11 a tube shopping spree last year.

12 First, they purchased John Maneely Company,
13 which includes Wheatland, for a reported \$500 million.
14 Then in October 2006 it announced a merger with Atlas
15 Tube. According to published reports that deal was
16 worth \$1.5 billion, that's billion with a B. I can't
17 imagine that billion dollar deal is contingent on the
18 Commission finding injury and Congress imposing
19 antidumping duties.

20 To the contrary, it shows positive
21 expectations for the future and faith in the health of
22 the U.S. industry. So if 2004 to 2006 were good years
23 what's left? An interim period, the first quarter of
24 2007, that is weaker than the first quarter of 2006.
25 For the reasons I've discussed we see no reasonable

1 indication of material injury, let alone actual
2 injury.

3 We view this as really a threat case. To
4 underscore this point I would ask you to carefully
5 review all of the U.S. producers' responses to
6 questions 3-9 on the impact of imports. Let us take a
7 look at the first quarter and the coming attractions
8 for the rest of this year and next. For that, I will
9 turn the presentation over to Laura Baughman, an
10 economist and President of The Trade Partnership.

11 MS. BAUGHMAN: Thank you, and good morning
12 or good afternoon. I guess I have to do this, too.
13 Actually, the lighting in here is soft. That's the
14 reason. My name is Laura Baughman, and I am President
15 of The Trade Partnership, which is an economics and
16 trade research firm based here in Washington. I have
17 been following economic trends in the steel industry
18 from the perspective of steel consuming industries in
19 particular for many years.

20 I would like to review for you this morning
21 some recent trends in these end user markets and
22 provide the Commission with some information that will
23 be helpful in understanding where end users see the
24 market going for the balance of this year and into
25 next.

1 I will focus on 2006 and early 2007 to build
2 on the Commission's already strong and recent body of
3 research from earlier investigations of what has been
4 happening in end user demand for light-walled
5 rectangular pipe and tube. I intend to make three key
6 points. First, factors affecting demand for leading
7 end products that contained LWR are sent mixed, even
8 conflicting signals to suppliers in late 2006.

9 As a result the first quarter of 2007 was
10 unusually poor for manufacturers and builders caught
11 with significant excess inventory. The quarter was an
12 anomaly that no one expects will be repeated any time
13 soon, and the Commission should not view that quarter
14 as indicative of likely trends for the balance of
15 2007.

16 Third, the balance of 2007 should see a
17 return to faster, if more modest rates of growth. In
18 fact, key determinants of demand are already strongly
19 up for the year. So first, mixed signals. Three key
20 variables signal likely demand for most of the
21 products made with LWR, consumer confidence,
22 disposable personal income and employment levels.

23 Each affects consumer enthusiasm for
24 increased spending on durable goods made by key end
25 users of LWR, housing, both new and renovation

1 projects, furniture, automobiles and light trucks for
2 galvanized.

3 U.S. producers and other suppliers of LWR
4 must project the impact that changes in these
5 variables will have on their customers, the U.S. home
6 builders, furniture producers, auto and light truck
7 manufacturers and others in order to predict whether
8 they have sufficient inventory to supply demand to the
9 major end users or whether they need to replenish or
10 otherwise beef up inventories to meet that demand.

11 In late 2006 many of these variables were
12 sending mixed, even conflicting signals to U.S. LWR
13 suppliers. So if you look first at the chart for
14 consumer confidence consumer confidence appeared to be
15 solid, even strengthening at the end of 2006 and into
16 the first two months of 2007.

17 It shot up in December 2006 from stable
18 levels in September to November of 2006 and remained
19 high in January and February of 2007 signalling that
20 consumers were ready to spend despite rising gasoline
21 prices in what was shaking out to be a significant
22 downward correction in the housing market.

23 This key indicator of future demand
24 suggested to LWR suppliers the demand from end users
25 would be strong going into 2007. Personal disposable

1 income chart shows that contributing to the rising
2 consumer confidence were solid increases in after tax
3 personal income -- also suggested of more spending to
4 come on products like furniture, motor vehicles,
5 trailers, sports equipment.

6 This income grew solidly in the latter half
7 of 2006 and into the first months of 2007. On the
8 next page, unemployment. A strong job market also
9 buoyed consumer confidence. Although it rose slightly
10 during the last quarter of 2006 the unemployment rate
11 still registered at lower rates than earlier in the
12 year.

13 The positive signal from each of these key
14 determinants of future demand for products made with
15 LWR were confused by decidedly negative signals coming
16 from the U.S. housing market. While demand for
17 housing had boomed before mid-2005, by mid-2005 it had
18 begun to weaken. By the middle of 2006 sales of both
19 new and existing houses were falling sharply.

20 Home builders responded by curtailing
21 construction. Building permits sent erratic messages
22 to the market starting in May 2006. The data, I
23 should note, in the nonresidential construction market
24 is not seasonally adjusted. You can see these trends
25 nevertheless. Soon thereafter the typical

1 nonresidential construction down turn of the fall was
2 not so typical at all.

3 You can see from the chart that the number
4 of new building permits jerked up and down and
5 construction spending declined more sharply than
6 normal. The rapid deterioration in the market caught
7 many homeowners and builders by surprise with large
8 inventories of unsold home that depressed prices
9 around the country.

10 If you are a supplier of LWR and you're
11 looking at all these data you've got to wonder which
12 way the market is headed, up or down. The U.S.
13 furniture market is also important to this industry
14 and U.S. furniture production had been growing
15 steadily for several years. However, beginning in
16 July to September 2006 producers were hit with
17 declining demand that carried through to January 2007.

18 Manufacturers' inventory and shipments
19 tracked each other in 2004, but shipments grew faster
20 than inventories in 2005. That relationship abruptly
21 reversed in 2006, but it was the last quarter of 2006
22 before it was clear that demand had taken a longer
23 term turn for the worse. Consequently, U.S. furniture
24 producers were sending no scale back signals to LWR
25 suppliers.

1 The auto industry demand adhered to a flat
2 trend line over the whole period here as did industry
3 shipments. Light truck shipments steadily declined on
4 a long-standing negative trend line. Nothing seemed
5 out of the ordinary, so no unusually negative signals
6 were sent from these end users to suppliers of LWR.
7 Now, the first quarter of 2007.

8 The Commerce Department reported in June
9 what many in the U.S. manufacturing sector had long
10 suspected, slow economic growth for the first quarter
11 of 2007. What surprised most observers however was
12 just how slow. Real growth domestic product increased
13 at an annual rate of only 0.7 percent in that quarter
14 compared to two and a half percent in the fourth
15 quarter of 2006.

16 Contributing to this slow pace of growth
17 were continued declines in private inventory
18 investment and in residential fixed investment. The
19 correction in the housing market was a primary cause
20 of the slow down which began earlier in 2006 but
21 carried with continuing force into the first quarter
22 of 2007.

23 The drain on growth from reduced residential
24 construction spending was compounded by slower
25 business spending on capital equipment in the fourth

1 quarter of 2006 and into the first quarter of 2007.
2 Much of this weaker spending was on the types of
3 capital goods that use LWR, notably construction
4 materials and motor vehicles.

5 In addition, inventories of these and other
6 sectors rose over the course of 2006 leaving some
7 firms to cut production to better align inventories
8 with sales. Like the first quarter of 2006 then the
9 first quarter of 2007 was an anomaly. Economic growth
10 in the first quarter of 2006 was unusually high due to
11 a temporary surge in activity in the wake of the 2005
12 hurricane season.

13 The reconstruction following Katrina had a
14 positive impact not only on residential construction
15 but also frames and axles of trailers and mobile homes
16 required to house displaced residents and
17 reconstruction workers, all of which use LWR.
18 Economic growth in the first quarter of 2007 was
19 unusually low largely due to the sharp correction in
20 the housing market in that quarter.

21 So most economists expect the economy to
22 continue to improve over the rest of 2007. They
23 believe that we've turned the corner. A wide range of
24 economists from Federal Reserve Chairman Ben Bernanke
25 to industry analysts and private economists believe

1 that the economy will grow much more strongly in the
2 remaining three quarters of 2007 than it did in the
3 first quarter.

4 The Commission should not therefore conclude
5 that trends in the first quarter 2007 are indicative
6 of what lies ahead for the LWR industry in the balance
7 of this year. I'd like to briefly review some of
8 these economic projections starting with Chairman
9 Bernanke testifying before the Joint Economic
10 Committee of Congress this March.

11 Bernanke reported that, "Recent indicators
12 suggest that the inventory adjustment process may have
13 largely run its course in the motor vehicle sector but
14 remaining imbalances in some other industries may
15 continue to impose some restraint on industrial
16 production for a time."

17 That said, he concluded, "Despite the recent
18 weak readings we expect business investment in
19 equipment and software to grow at a moderate pace this
20 year supported by high rates of profitability, strong
21 business balance sheets, relatively low interest rates
22 and credit spreads and continued expansion of output
23 and sales."

24 "Investment in nonresidential structures
25 such as office buildings, factories and retail space

1 should also continue to expand, although not at the
2 unusually rapid pace of 2006." Other signs of future
3 strength as cited by the Fed Chairman include
4 expanding employment, low unemployment, a pick up in
5 real wages that is sustaining consumer spending and
6 fiscal policy that should stimulate economic activity
7 over the balance of the year.

8 Here's the Fed Chairman's punchline.
9 "Overall, the economy appears likely to continue to
10 expand at a moderate pace over coming quarters. As
11 the inventory of unsold new homes is worked off the
12 drag from residential investment should wane.
13 Consumer spending appears solid and business
14 investment seems likely to post moderate gains."

15 Private economists in the manufacturing and
16 real estate sectors agree. They're also optimistic
17 that the first quarter of 2007 does not presage more
18 of the same for the balance of the year. The National
19 Association of Manufacturers forecasts a return to
20 more moderate growth levels for the remaining three
21 quarters of 2007.

22 The National Association of Realtors also
23 reports a return to economic growth for the economy
24 despite continuing sluggish housing sales, more
25 declines in new residential construction and higher

1 mortgage rates. The Association Representing Business
2 and Institutional Furniture Manufacturers this May
3 issued its own optimistic forecast for 2007 and 2008
4 for office furniture.

5 It projects U.S. production to increase by
6 6.0 percent in 2007 and another 4.3 percent in 2008.
7 The oft cited Institute of Supply Management survey of
8 manufacturing supply managers in 12 industries found
9 that both overall and manufacturing growth accelerated
10 in June 2007 and that the manufacturing economy is
11 generally expanding. It estimates that January
12 through June 2007 growth in real GDP is likely to
13 measure out at 3.4 percent at annual rates.

14 Production and new orders have been
15 increasing for five consecutive months the survey
16 found according to the respondents in the monthly
17 survey. Thus, the range of economists watching trends
18 in the U.S. economy including the manufacturing
19 economy universally conclude that stronger growth will
20 resume, indeed has already resumed for the balance of
21 the year and that the dismal showing of the first
22 quarter should not be repeated in the foreseeable
23 future.

24 So I think it goes without saying that
25 markets don't react immediately or seamlessly to the

1 types of conflicting signals I've mentioned today,
2 that instead they transition and sometimes that
3 transition is less smooth than manufacturers would
4 prefer. You know this, business people know this, but
5 apparently Petitioners would have you conclude
6 otherwise.

7 They want you to find injury on the basis of
8 one quarter that is clearly an anomaly. Thank you
9 very much.

10 MR. BAISBURD: Thank you, Laura. From the
11 data just presented it seems clear that the pause in
12 overall economic growth is what caused the U.S.
13 producers' performance to dip in the first quarter of
14 2007. In the previous case and this morning Mr.
15 Schagrin argued forcibly that the Commission is
16 required to consider the industry performance within
17 the context of the business cycle.

18 Well, that's what happened in the business
19 cycle. You're comparing a strong first quarter of
20 2006 to a quarter that was uniformly weak in 2007, but
21 it looks from the data that was just presented that
22 the remainder of the year will stabilize and will
23 increase to be stronger going forward.

24 Before discussing our views on why there's
25 no reasonable indication of threat or injury I would

1 like to take a moment to raise two issues that deal
2 with the size of the U.S. market and the number of
3 U.S. producers. First, we believe Petitioners
4 understate the size of the U.S. market and overstate
5 the true share of U.S. producers because they do not
6 consider U.S. producers that internally consume the
7 like product.

8 In order to focus exclusively on the so-
9 called merchant market, which is what Petitioners are
10 implicitly asking the Commission to do, there are
11 several elements that must be satisfied including: 1)
12 the product internally consumed must be the
13 predominant material input in the downstream article;
14 and 2) the domestic like product sold in the merchant
15 market should not be purchased for manufacture of the
16 same downstream product that the captive producers are
17 making.

18 Based on publicly available information and
19 our understanding of the U.S. market these elements
20 are not met. First, the like product is not the
21 predominant material input for downstream articles.
22 As Laura noted the like product is used to produce
23 products such as automobiles, buildings, carports,
24 furniture and exercise equipment. In none of these
25 applications does the like product constitute the

1 predominant material input.

2 The like product is also sold in the
3 merchant market to distributors who in turn sell them
4 to downstream producers that do not have their own
5 production. The trend in fact appears to be
6 increasing numbers of downstream producers operating
7 their own LWR lines. Large producers that have both
8 captive production and sell to the merchant market
9 include Leggett & Platt and Valmont Industries.

10 Other producers with captive production
11 include Delphi, ITT Automotive, Eagle Carport,
12 Carolina Carport and T-N-T Carport. For purposes of
13 the preliminary determination the Commission should
14 attempt to quantify the size of U.S. captive
15 production.

16 If it is significant, and we believe it is,
17 the Commission must account for this production by
18 either using facts available or requiring Petitioners
19 to withdraw the petition and resubmit it once they
20 have accounted for these additional producers.
21 Petitioners are well aware of these companies and
22 should have disclosed them to the Commission as
23 required by law so that the Commission could gather
24 adequate data within the short time available for a
25 preliminary determination.

1 Petitioners' failure to provide the data
2 should not be rewarded by continuing the investigation
3 and examining this later at the final stage. That
4 said, if the investigation proceeds to a final
5 investigation the Commission should gather information
6 from U.S. captive producers. The second issue I'd
7 like to discuss before turning to threat is U.S.
8 producers that sell to the merchant market but are not
9 accounted for by Petitioners.

10 Numerous additional producers were
11 identified in the past case by us and by the
12 Commission yet the Petitioners have not identified
13 these companies and the Commission has not gathered
14 data from them as of yet. Again, for purposes of the
15 preliminary determination the Commission should use
16 facts available and draw an adverse inference against
17 the Petitioners.

18 Given that there are no deadlines for filing
19 the petition they have ample time to gather the data
20 from other U.S. producers. They should not be
21 rewarded for failing to do so. The Commission saw
22 last time that Petitioners do not account for all U.S.
23 producers.

24 We are in the process of compiling a list
25 based on publicly available sources that are available

1 to them just as to us, for example, Preston Pipe and
2 Tube reports and just general internet research that
3 shows many U.S. producers out there who sell light-
4 walled rectangular pipe and tube with a wall thickness
5 of less than four millimeters.

6 We don't know what their production volumes
7 are, but we know that they're out there. The
8 Commission should contact them, and their information
9 should be taken into account for the preliminary
10 determination. The Commission should not accept
11 Petitioners' tautological claims that they represent
12 the majority of U.S. producers because they simply say
13 that they are the majority of U.S. producers.

14 We now turn to threat. As you know, the
15 Commission has much greater discretion in the threat
16 context to decumulate subject imports. In the past
17 the Commission has declined to cumulate in its threat
18 analysis when it has found significant differences in
19 volume and pricing levels and volume and pricing
20 trends between the subject imports.

21 We urge the Commission to exercise its
22 discretion here and decline to cumulate imports from
23 Mexico with imports from other subject countries
24 because there are such significant differences in this
25 case.

1 In exercising its discretion to decumulate
2 the Commission has traditionally considered factors
3 such as whether the imports are increasing at similar
4 rates in the same markets, whether the imports have
5 similar margins of under selling and the probability
6 that imports will enter the United States at prices
7 that have a depressing or suppressing affect on
8 domestic prices of that merchandise.

9 Jean-Marie Diederichs, the General Manager
10 of PROLAMSA, Inc., will discuss why we believe
11 decumulation is appropriate as well as provide you his
12 views about the market.

13 MR. DIEDERICHS: Good afternoon. My name is
14 Jean-Marie Diederichs. For the last 10 years, I have
15 been the president of PROLAMSA, Inc. PROLAMSA, Inc.,
16 is a distributor of pipe and tube located in Houston,
17 Texas. We distribute pipe and tube produced by
18 PROLAMSA-Monterrey, Mexico.

19 PROLAMSA produces a wide range of black
20 galvanizing painted mechanical and structural tubing.
21 PROLAMSA is the largest exporter of rectangular tube
22 from Mexico, accounting for more than 50 percent of
23 total exports during the period you are investigating.
24 We distribute rectangular tube to a variety of
25 customers, including distributors and end users, in

1 many industries, including trailer manufacturers,
2 carport, furniture, shelving racks, exercise
3 equipment, and ornamental tubing.

4 I appeared before the Commission in the
5 previous investigation of rectangular tube from
6 Mexico. We were pleased with your determination that
7 imports from Mexico did not injure, or threaten to
8 injure, U.S. producers.

9 The performance of U.S. producers in the
10 U.S. market in the two and a half years since your
11 determination has proven that your decision was
12 correct. We have all enjoyed a strong market since
13 then, and we expect a strong market for the future.

14 It is difficult to understand why the U.S.
15 industry would bring this case now. 2006 in
16 particular was one of the best years the industry has
17 enjoyed. The U.S. market has grown a lot. The
18 Commission itself has noted that apparent consumption
19 of rectangular tube has tripled since the early 1990s.

20 In light of these positive trends, our U.S.
21 competitors have expanded their capacity and
22 production. For example, in addition to the welded
23 tube made in South Carolina that I mentioned, it is my
24 understanding that Southland Tube has added two mills
25 with the last five years, doubling their capacity to

1 57 tons per month. Independence Tube has expanded its
2 Marseilles, Illinois, facilities, and American Tube
3 added a new mill in 2004.

4 This is not an exhaustive list, just a few
5 examples of new investment. These mills increased
6 U.S. capacity and production. These are not the
7 actions of an unhealthy industry that is injured by
8 imports and unable to invest. They are not the
9 actions of an industry that is pessimistic about the
10 future.

11 Like the U.S. producers, we have increased
12 our sales to respond to increased demand. Increases
13 in our sales volume have been moderate, so they have
14 not caused the U.S. producers to lose market share.
15 In fact, during the period, our share of the U.S.
16 market fell slightly. We weren't injuring U.S.
17 producers in 2004, when the ITC last considered our
18 exports, and we are not injuring them now, when our
19 market share is even lower.

20 As the statistics show, we did not maintain
21 our position in the U.S. market by selling at low
22 prices. For example, from 2005 to 2006, our prices
23 increased, as did those of the U.S. industry. In
24 contrast, the AUVs of all other imports, both subject
25 and not subject, fell during this period.

1 Because we do not reduce our prices to
2 maintain market share, we have lost sales to U.S.
3 producers. For example, we recently lost a major
4 contract for the balance of this year which was for
5 1,000 half tons of galvanized mechanical tube to a
6 U.S. mill because its price was significantly lower
7 than ours.

8 While our market share has dropped slightly,
9 the market share of China and Turkey has grown. The
10 difference in our prices and theirs is significant and
11 has grown. For example, in 2006, our average unit
12 value was almost \$200-a-ton higher than China. The
13 idea that our sales practices are similar to those of
14 the other countries subject to this investigation is
15 simply incorrect. There is no economic basis for that
16 conclusion.

17 Just because our product physically entered
18 the United States through ports in similar regions or
19 even have similar basic physical characteristics does
20 not mean that we are behaving similarly in the market.

21 The significant difference in our price
22 points mean that we are competing for different
23 businesses. We are a natural choice for many U.S.
24 customers because we have a full sales team at our
25 Houston office, so customers do not need to deal

1 directly with a foreign mill, and because of the
2 mill's close proximity to Laredo, we can ship tube
3 very quickly. It only takes two days for a truck to
4 travel from our plant in Monterrey to Houston and
5 Dallas and only three to five days to anywhere else in
6 the U.S.

7 PROLAMSA continued to expand its product
8 line and to focus on items that U.S. producers prefer
9 not to manufacture. For example, PROLAMSA supplies a
10 small-diameter, light-gauge, rectangular tube product
11 to numerous U.S. producers so that they can fill out
12 their product line.

13 U.S. producers generally prefer to maximize
14 return, which means that they prefer making heavier
15 sizes with greater thickness.

16 In addition, PROLAMSA created a market in
17 the U.S. for preprimed tube. PROLAMSA sells this
18 tube under the Karashi trademark. The paint is a
19 water-based primer that allows users to paint the tube
20 without first removing rust and primer it. To my
21 knowledge, there is only one U.S. producer, Atlas,
22 that offers a similar quality product.

23 Before I conclude, I would like to discuss
24 current market conditions. In early 2006, the market
25 expected that the rest of 2006 and 2007 would be

1 strong. When there was a slowdown at the end of 2006,
2 there was an unexpected increase in inventories at
3 U.S. service centers. These excess inventories caused
4 purchases to slow in the first quarter of this year as
5 inventories were drawn down.

6 We have seen the market stabilize,
7 consistent with the reports that I mentioned by Ms.
8 Baughman, and we expect moderate growth for the
9 remainder of the year. This will help all of us.

10 Even with this relatively weak quarter, I
11 see, from the public version of the petition that the
12 Petitioners have enjoyed a very healthy margin over
13 the past three years. I believe that that is further
14 evidence that the Commission was right in the last
15 case.

16 The Commission said we did not pose a
17 threat, and the Commission was right. We competed
18 freely and fairly with the U.S. producers, and we all
19 enjoyed three good years. We think the Commission
20 should make the same decision this time and issue a
21 negative determination.

22 MR. BAISBURD: Thank you, Jean-Marie. I
23 take three main points from what Jean-Marie tell us.

24 First, Mexico's market share, as compared to
25 other subject imports, fell during the POI.

1 Second, Mexican AUVs are significantly
2 higher than AUVs for other subject imports.

3 Third, Mexico's participation in the U.S.
4 market has been remarkably stable since 2004 in terms
5 of volume and responsible in terms of pricing.

6 All of these factors point to decumulation
7 for the threat analysis, which brings us -- I'm sure
8 you're glad -- to my final point. We now live in a
9 post-Bratsk world in which the Federal Circuit has
10 established that the Commission must consider the
11 impact of nonsubject imports.

12 I bring this up because it seems to me that
13 Petitioners may have included Mexico in this petition
14 in order to avoid a Bratsk problem. In order to see
15 the real issue here, I would ask you to carefully
16 review the responses to the lost sales questions in
17 the questionnaire. Mexican imports do not become a
18 cause of material injury just because excluding them
19 could create a Bratsk problem.

20 To the contrary, given the facts of this
21 case, excluding Mexico would not create such a problem
22 with respect to other subject countries because of the
23 relatively high AUVs and because of the reasonable
24 volumes that have been shipped since the Commission
25 made a negative determination in 2004.

1 Therefore, Petitioners would not be denied
2 any remedy to which they might be legally entitled
3 with respect to other imports if the Commission issued
4 a negative determination with respect to Mexico, as is
5 warranted by the data.

6 As I mentioned at the beginning, we have
7 seen this movie before. With respect to Mexican
8 imports, there was no reasonable indication of
9 material injury in 1995, no material injury in 2004.
10 The Commission found that this U.S. industry was not
11 vulnerable to material injury in 2004 and 2005, and
12 there is no reasonable indication of material injury
13 or threat now. Thank you.

14 MR. CARPENTER: Thank you very much, panel,
15 for your presentation. At this point, we'll turn to
16 the staff questions and begin with Mr. Duncan.

17 MR. DUNCAN: Thank you, Mr. Carpenter.

18 My first question, maybe Mr. Diederichs can
19 respond to this. Does the Mexican industry follow the
20 same production standards, namely, ASTM, in the
21 production of its light-walled, rectangular pipe and
22 tube?

23 MR. DIEDERICHS: In the case of PROLAMSA,
24 everything that we manufacture is under ASTM A-513 and
25 ASTM A-500, and from there it goes to different

1 categories like ornamental. Ornamental represents
2 absolutely nothing. Everything is done by specs, and
3 Mexico does the same.

4 MR. DUNCAN: And to your knowledge, other
5 producers in Mexico?

6 MR. DIEDERICHS: I'm sorry?

7 MR. DUNCAN: And to your knowledge, other
8 producers in Mexico?

9 MR. DIEDERICHS: Yes. In fact, and I heard
10 that the gentleman from Allied was saying that we are
11 the lowest producer, cost efficient in the U.S., you
12 need to understand that, in Mexico, most of the mills
13 are very, very competitive, a lot of investment has
14 been done, and where I would do exactly the same
15 quality tubing at the same low cost as those
16 gentlemen's.

17 MR. DUNCAN: Thank you. Can you briefly
18 describe the domestic Mexican market for light-walled,
19 rectangular pipe and tube? Is it significantly
20 different from the U.S. market, and, roughly, what is
21 its size?

22 MR. DIEDERICHS: You're talking about the
23 Mexican market. I don't have all of the information
24 on the Mexican market, but we work in similar ways.
25 We produce, and we sell to service centers, or we sell

1 to OEM the same way that we would do it here in the
2 U.S. I could give you, later on, the size of the
3 Mexican market, but I don't recall the number, so I
4 will give you that later on.

5 MR. DUNCAN: Thank you. So, continuing on
6 from that, are then the end uses for the Mexican-
7 produced light-walled rectangular and tube
8 substantially different from the end uses of the U.S.
9 producers?

10 MR. DIEDERICHS: No. In fact, in the case
11 of PROLAMSA and some of the Defendants, we sell the
12 tubing to the same U.S. manufacturers that have
13 facilities in Mexico, so there is no difference, same
14 companies.

15 MR. DUNCAN: Like the U.S. mills, do Mexican
16 mills also produce circular mechanical pipe and tube?

17 MR. DIEDERICHS: You need to understand,
18 first, that a mill can do round, square, and
19 rectangular. There is no such mill that you buy just
20 doing round or square or rectangular. You have the
21 capacity, and you use it as a function of the needs
22 that you have.

23 First, to do square tubing, most of the
24 modern mills go through a round tubing first and shape
25 it to a square or rectangular at the end. So most of

1 the tube mills in the world are able to do the three.

2 MR. DUNCAN: Do you compete with U.S.
3 producers in your domestic Mexican market?

4 MR. DIEDERICHS: There are some U.S.
5 producers in Mexico. In fact, when I heard Mr.
6 Schagrin saying that there was no one over there, Bull
7 Moose is exporting in Mexico. Independence Tube is
8 exporting in Mexico. Atlas Tube is exporting to
9 Mexico, and there are one or two more, but I'm not
10 sure about it, so I'm not going to mention it. He
11 also mentioned that the price of the Mexican market
12 was much higher than the price in the U.S. If the
13 price of Mexico is much higher, why are they not
14 exporting in Mexico?

15 MR. DUNCAN: Thank you. This question might
16 best be answered by counsel, so, Mr. Baisburd, do you
17 agree with the Petitioners' analysis of the U.S.
18 harmonized tariff schedule changes in 2007 and issues
19 related to the classification of subject merchandise?

20 MR. BAISBURD: I would say that we have no
21 information of misclassification, so I will, absent
22 such information, assume that people are exercising
23 reasonable care and properly classifying product under
24 the harmonized tariff schedule.

25 I would just point out that Mr. Schagrin, I

1 think, conceded or stated that it would be a better
2 way to characterize it that he has no evidence of any
3 problem of misclassification from Mexico. I hope that
4 was an accurate characterization. If not, I'm sure he
5 can correct it in the closing statements.

6 MR. DUNCAN: Okay. Thank you.

7 To anyone on your panel, do you agree that
8 subject imports, on a whole, in the domestic U.S.
9 market are present throughout the United States, and
10 is there a differentiation from subject markets on a
11 whole to just subject markets from Mexico? Are they
12 also present in the entire United States, or is that
13 more regional?

14 MR. BAISBURD: Well, I'll answer, and then
15 maybe Jean-Marie can expand. Texas, Oklahoma; that
16 central region is the natural market for Mexican
17 exports and Mexican exports, as far as we're aware,
18 tend to be concentrated there. That is not to say
19 that Mexican exports don't make their way through to
20 other parts of the United States. They clearly sell
21 in the Southeast. There have been, at times, sales
22 west into California and other regions as well, but
23 the natural market and the majority of product gets
24 sold to Texas and that region.

25 MR. DIEDERICHS: Yes. In fact, Texas,

1 Oklahoma, Kansas; there is a natural market,
2 southeast, going to Louisiana, Alabama. That's where
3 the main exports are going.

4 Logistics have been a factor for everybody,
5 U.S. and Mexican mills, and even if you want to be a
6 national seller, logistics have sometimes decided if
7 you can be one or not because of the cost of
8 logistics, making the mills more regionalized now than
9 before.

10 MR. DUNCAN: All right. Thank you. To what
11 degree, and you alluded to this and, at some points,
12 mentioned it directly, are Mexican producers who are
13 exporting and selling product in the United States
14 competing with Chinese, Korean, and Turkish LWR pipe
15 and tube?

16 MR. DIEDERICHS: No. We have been affected
17 by the Chinese tubing the same way that U.S. mills
18 have been affected. The growth of the Chinese imports
19 in the U.S., and starting in Mexico, has a huge
20 effect, and it has taken a share of our market in the
21 U.S. tubing.

22 MR. DUNCAN: So you're saying that Chinese
23 tubing is also an issue in the domestic Mexican
24 market.

25 MR. DIEDERICHS: Yes. It's going to be even

1 more an issue now because probably what is going to
2 happen is what cannot come into the U.S. is going to
3 go to Mexico.

4 MR. DUNCAN: To your knowledge, and you can
5 answer directly for PROLAMSA, but, to what the panel
6 knows of other producers within Mexico, have there
7 been consolidations, bankruptcies, changes in
8 ownership in that industry?

9 MR. DIEDERICHS: Not really. It's basically
10 the same mills that have just modernized, but there is
11 not really a consolidation wave going around Mexico at
12 this time. They are all very strong financial
13 companies, and I don't see very much consolidation in
14 the tube industry so far.

15 MR. DUNCAN: By "modernization," what do you
16 mean by that?

17 MR. DIEDERICHS: Well, people rebuilding
18 plants and modernizing their equipment so they can be
19 efficient. They can serve the Mexican market and the
20 automotive market and other markets that we have in
21 Mexico.

22 MR. DUNCAN: Just general capital
23 investments?

24 MR. DIEDERICHS: General capital investment.

25 MR. DUNCAN: For you, in your position as

1 both a U.S. importer and a Mexican producer, what are
2 the major barometers of demand for light-walled,
3 rectangular pipe and tube? Are they the same as what
4 was testified by the Petitioners this morning, when
5 you look at the U.S. market?

6 MR. DIEDERICHS: I'm sorry. I did not
7 understand. I mean, definitely, we've seen that the
8 declining sales at the beginning of the year have to
9 due with an economic factor more than anything else.
10 Am I answering your question?

11 MR. DUNCAN: That's fine.

12 MR. DIEDERICHS: I'm sorry. No. I mean,
13 all the economic figures represented I believe are
14 what makes the first quarter of 2007 --

15 MR. DUNCAN: So, in addition to residential
16 and non-residential construction and general GDP
17 growth, you look at these other indicators like
18 consumer confidence and personal disposable income
19 when looking at the U.S. market?

20 MR. DIEDERICHS: Yes, of course.

21 MR. DUNCAN: The role of currency, there was
22 discussion this morning in relation to the U.S. dollar
23 versus the Canadian dollar. But what about the U.S.
24 dollar to the Mexican peso and how is that affected
25 your business in the United States?

1 MR. DIEDERICHS: Well, the Mexican business
2 has been very stable since the last two or three
3 years. And with the new president and the new
4 strategy in Mexico, we foresee having the same -- no
5 change really between the peso and dollar currency, so
6 that shouldn't affect at all.

7 MR. DUNCAN: I believe you answered this
8 earlier on testimony, too, but I would like you to
9 repeat it or at least clarify it. The channels of
10 distribution for the Mexican subject merchandise are
11 the same as those as for the U.S. industry?

12 MR. DIEDERICHS: Yes. In general, they're
13 basically the same, service center, OEM, and, of
14 course, it's not as fragmented maybe as in the U.S.,
15 because there's many more uses in the U.S. where you
16 can use a product. But, basically, service center is
17 the first part of the chain, OEM the last one.

18 MR. DUNCAN: Now, this goes to counsel's
19 arguments about captive production and lack of certain
20 U.S. producers of light-walled rectangular piping tube
21 from the data that's been collected. I trust that in
22 any post-conference submission, you will be adding
23 detailed analysis of what you expect the Commission to
24 look at, in terms of those arguments, as well as full
25 lists, names, contact numbers, and other identifiers

1 associated with such said U.S. producers that you have
2 been able to discovery?

3 MR. BAISBURD: Yes, absolutely.

4 MR. DUNCAN: Mr. Carpenter, that's all my
5 questions.

6 MR. CARPENTER: Mr. Fishberg?

7 MR. FISHBERG: I would like to thank the
8 panel for appearing today. Your testimony was very
9 helpful. Just following up on Mr. Duncan's point, in
10 terms of the captive producers that you've identified
11 and other producers, who don't show up in Petitioner's
12 data, would you be making arguments that Petitioners
13 don't meet the industry support requirements or is
14 that just something we should consider, that there's
15 data out there that we should have?

16 MR. BAISBURD: We don't know the size of the
17 rest of the market. There's a gaping hole in the
18 data. So, as I sit here now, I would say that we
19 don't anticipate making a standing argument and we
20 recognize that there are deadlines for doing so. What
21 we want is for the Commission to have a full and
22 complete data set of every person in the United States
23 that produces the subject merchandise, which is, I'm
24 sure, what the Commission wants, as well. And if
25 these people that I have identified have very small

1 volumes, then so be it. But, we don't know what those
2 volumes are and we don't know what their economic
3 experience has been, because we haven't corrected the
4 information from them. So, we view it more as an
5 issue in terms of getting a complete picture of what's
6 occurred in the U.S. market and not really a standing
7 -- a representative of the issue.

8 MR. FISHBERG: Okay, thanks. I know that
9 you -- again, most of my questions will be for
10 counsel. Mr. Baisburd, I know that you made a comment
11 about not cumulating Mexico with the other countries
12 for purposes of threat. I take it you are also asking
13 us not to cumulate for purposes of the present
14 material injury analysis.

15 MR. BAISBURD: No, I think -- well, we're
16 not asking not for decumulation and material injury.

17 MR. FISHBERG: And as I discussed with Mr.
18 Schagrin and as you've discussed in your movie
19 analogies, we have a long history with this product.
20 And I was wondering if you will be making for purposes
21 of the preliminary determination any like product
22 arguments.

23 MR. BAISBURD: For purposes of the
24 preliminary determination, I don't anticipate doing
25 so. We may identify issues that we would like the

1 Commission to consider if it proceeds to a final
2 stage. But, we recognize the time constraints that
3 the Commission operates under for preliminary
4 determination and given that -- those factors, I don't
5 anticipate making a like product argument for the
6 prelim.

7 MR. FISHBERG: Okay, thank you. Also, for
8 purposes of the prelim, will you be making any -- or
9 are you aware of any related party arguments that you
10 will be making?

11 MR. BAISBURD: No, not right now, I'm not
12 aware of any.

13 MR. FISHBERG: Well, if anything comes up, I
14 am sure I will see it in your post-conference brief.

15 MR. BAISBURD: You know, we still have a few
16 more days until they get submitted, that's why I'm not
17 -- I don't anticipate making any related party
18 arguments.

19 MR. FISHBERG: Okay. In terms of the HTS US
20 again spread of categories, you said Mr. Schagrin
21 hadn't pointed out, or at least that's how you
22 characterized his testimony, that Mexico had import
23 under the other. Is that -- I think you say
24 definitely for Amsa, that you haven't imported
25 anything under the other category, which is HTS 73069?

1 MR. BAISBURD: I think we would want to go
2 back and check their data and then we can respond to
3 that, if it's okay, in the post-conference submission.

4 MR. FISHBERG: Okay. But, do you produce
5 any I guess non-circular, non-horizontal, in terms of
6 the octagon, oval shaped -- does Amsa produce any of
7 that and, if so, what percentage of your production
8 consists of that type of product?

9 MR. DIEDERICHS: I mean, we produce a lot of
10 range of products, metal link components, angle
11 channels. So the percentage between one and the
12 other, I don't have it right now and we have to
13 consider the number for both Mexico and the U.S. to
14 have this. But, yes, we produce other products that
15 are not the one in the petition.

16 MR. FISHBERG: Do you export that to the
17 United States?

18 MR. DIEDERICHS: Yes, yes.

19 MR. FISHBERG: Okay.

20 MR. DIEDERICHS: Definitely.

21 MR. FISHBERG: Do you have any idea of how
22 those products were classified, that would be helpful;
23 okay?

24 MR. DIEDERICHS: Right.

25 MR. FISHBERG: Great. Would you agree with

1 Petitioners characterization of LWR pipe and tube as
2 basically a commodity product and, if not, why not?

3 MR. DIEDERICHS: What does mean commodity
4 product?

5 MR. FISHBERG: Well, that Mexican and --

6 MR. DIEDERICHS: Do you mean a product that
7 you said more than another? Or what's --

8 MR. FISHBERG: That Mexican produced and
9 U.S. produced, that would be all pipe and tube, are
10 highly substitutable. They aren't really quality
11 differences between the two.

12 MR. DIEDERICHS: Yes. I mean, Mexico
13 produce commodity products the same as the U.S.
14 produced commodity product based on the definition,
15 yes.

16 MR. FISHBERG: Okay. If you could comment,
17 Mr. Baisburd, perhaps in your post-conference brief,
18 about what you believe to be the industry's sole
19 practical capacity utilization rates and any issues
20 that you may want to raise concerning what you believe
21 to be the industry's full practical capacity
22 utilization rates, it would be helpful. And if you
23 want to discuss anything now, that would also --

24 MR. BAISBURD: No. The only -- we'll raise
25 -- we'll take the opportunity to do so in the post-

1 conference brief. The only thing I would note now is
2 the Commission, as you pointed out at the beginning of
3 your comments, has a lot of experience with this
4 product and has previously found that, if I'm not
5 mistaken, that capacity utilization rates in the mid
6 to high 40 percent is not surprising for this
7 industry. So, this isn't an industry that operates at
8 99 percent utilization.

9 MR. FISHBERG: Would you agree with
10 Petitioners that transportation costs are a big factor
11 in this industry?

12 MR. DIEDERICHS: Yes, definitely.

13 MR. FISHBERG: Does that limit your ability
14 at all to ship product to places in the United States?
15 Are you able to still --

16 MR. DIEDERICHS: Yes. No, definitely,
17 logistic has become a factor in sitting and pushing
18 most of the mill to be more regionalized now than they
19 were before.

20 MR. FISHBERG: And do these costs, the
21 freight and transportation costs, do you believe that
22 they attenuate competition between Mexican product and
23 U.S. domestically produced product?

24 MR. DIEDERICHS: Yes, of course.

25 MR. FISHBERG: And how so?

1 MR. DIEDERICHS: Well, because if you go to
2 Texas, Oklahoma, Kansas, that's where probably we can
3 be competitive. If you go anywhere else, the price of
4 the freight to go to those places a disadvantage
5 against the U.S. mills that are much better located
6 than we are.

7 MR. FISHBERG: You, also, mentioned, I think
8 Mr. Diederichs, in your testimony, that, yes, Mexico
9 has been focused on producing some volumes of pipe
10 that the U.S. industry does not supply. Could you
11 just elaborate some more on that?

12 MR. DIEDERICHS: Well, we try to find all
13 type of niche in the Mexican and U.S. market where we
14 can do products that overall can be different shapes.
15 And we try to invest in finished product that are
16 primered where we give a service that a few U.S. mills
17 can't give. So that's why we have a production
18 machine that are preprimered products that we will
19 sell to the Mexican and the U.S. market that very few
20 U.S. mills are doing. In fact, we think there is just
21 one that does the same type of product that we do.

22 MS. BAUGHMAN: May I just add very briefly
23 to that, your question about substitutability, that
24 Mr. Diederichs point just now, as well as the freight
25 point may, to some extent, limit the substitutability

1 between Mexican product and other LWR in the market,
2 whether it's U.S. produced or produced by other
3 foreign suppliers. You may want to factor in those
4 into your assessment that it is a commodity product
5 across the board and highly substitutable no matter
6 what.

7 MR. FISHBERG: Thank you. And Mr. Baisburd,
8 if you could just following up, I guess, of what Mr.
9 Diederichs said about products that Mexico is
10 producing that are not supplied by the domestic
11 producers, if you could sort of quantify that and give
12 us, again, maybe in your post -- again, in your post-
13 conference brief a listing of those products and the
14 volumes that we are dealing with, that would be
15 helpful.

16 MR. BAISBURD: I think just to clarify, and
17 somebody please tell me if I'm saying something wrong,
18 it's not necessarily that these products aren't
19 produced in the U.S. at all, but that certain U.S.
20 producers prefer not to produce these, because they're
21 less efficient for them to produce these smaller
22 sizes. And so to complement the product lines that
23 the U.S. producers offer to their customers, there are
24 U.S. producers, who purchase these smaller sized
25 products from PROLAMSA.

1 MR. FISHBERG: Okay. If you could identify
2 that, those types of products, and sort of give us an
3 analysis of, again, why the U.S. either doesn't --
4 chooses not to produce them, because it's not as
5 economic efficient. If you could just give us some
6 more detail in the post-conference brief, that would
7 be helpful.

8 MR. BAISBURD: Absolutely.

9 MR. FISHBERG: Okay. Mr. Diederichs or Ms.
10 -- actually, anyone, how would you characterize the
11 home market demand in Mexico over the last few years?
12 Is it increasing? Decreasing? Static?

13 MR. DIEDERICHS: The last three years has
14 been good just in Mexico. The economy has been
15 stronger. The bids are better. So, we have a good
16 market right now for our products in Mexico.

17 MR. FISHBERG: Any information, again, you
18 can provide in a post-conference brief about demand in
19 Mexico would be helpful. You, also, touched upon
20 Bratsk, Mr. Baisburd. And if you could, again, in
21 your post-hearing brief, address the Bratsk factors,
22 the triggering factors and the replacement benefit
23 test and any information that you can provide on non-
24 subject countries, their production, pricing, capacity
25 utilization, any information that you may have would

1 be helpful.

2 MR. BAISBURD: We will try our best. I
3 would point out, as Mr. Schagrín candidly admitted
4 this morning, there are very strong relationships and
5 affiliations between the U.S. producers and the
6 Canadian producers. Some are subsidiaries of -- some
7 U.S. producers are subsidiaries of Canadian producers
8 and some Canadian producers, I understand from his
9 testimony, is maybe subsidiaries of U.S. producers.
10 So, I would respectfully submit that clearly
11 Petitioners are going to be in the best position to
12 provide hard numbers of what the Canadian market is.
13 And as we all know, Canada is the largest source of
14 non-subject imports.

15 MR. FISHBERG: Okay. Thank you. Well, try
16 your best and I understand your point.

17 MR. BAISBURD: And maybe if the question
18 could also be directed to Petitioners.

19 MR. FISHBERG: It was.

20 MR. BAISBURD: Okay. Maybe I didn't catch
21 with that level of specificity. So, I apologize.

22 MR. FISHBERG: All right. It was. I asked
23 them pretty much the same -- the same exact question.
24 So, hopefully, we will hear from both sides of this
25 case.

1 MR. BAISBURD: Okay.

2 MR. FISHBERG: I take it you do not agree or
3 do you agree with Petitioners statement that, in this
4 case, Mexico is export oriented?

5 MR. BAISBURD: I would say yes and no. I
6 mean, clearly, Mexican producers export to the U.S.
7 and to other markets, as well. They, also, have a
8 very strong and sizable domestic market and we can go
9 into greater detail in our brief. But some Mexican
10 producers are actually shifting some focus towards the
11 home market and away from exports. So it's not one of
12 those industries that exports 95 percent of what is
13 produced. I think it has a strong domestic market and
14 exports, as well.

15 MR. FISHBERG: Again, any information you
16 can provide on that, as well as other export markets
17 that Mexico is supplying and demand for product in
18 those markets would be helpful. Finally, in your
19 post-conference brief, could you just address the
20 factors the Commission traditionally considers in
21 determining threat of material injury, which I assume
22 you will do?

23 MR. BAISBURD: Yes, absolutely.

24 MR. FISHBERG: Great. Thank you, very much.
25 I have no further questions.

1 MR. CARPENTER: Thank you. Ms. Mic?

2 MS. MIC: Good afternoon. Thank you for
3 coming and I thank you for your testimony so far. My
4 name is Ioana Mic. I'm from the Office of Economics.
5 So, thank you for your testimony and your economic
6 analysis. It was very helpful. I have a couple of
7 questions. Do you have customers that produce both
8 U.S.-produced and subject import products? And if you
9 do, are you aware of reasons why they would purchase
10 both or just one and not the other?

11 (Pause.)

12 MR. DIEDERICHS: Yes. I'm sorry. I just
13 want to make sure that I was going to answer the right
14 question.

15 MS. MIC: Sure.

16 MR. DIEDERICHS: Yes, we have customers that
17 buy from Mexico and from U.S. mill, and they do that
18 for different reasons, location, time to deliver, the
19 range of product that we produce. We have the largest
20 range of products in the NAFTA market. We are the
21 only company that can put so many products on one
22 truckload going to one customer. So those are some of
23 the advantages that we have.

24 MS. MIC: Thank you. Do your customers base
25 their purchases on price or quality or both, or do one

1 or the other take priority?

2 MR. DIEDERICHS: Well, I think it depends
3 the market you are attending. If you go to the OEM,
4 the first thing that is important for them, the
5 quality of the product and if it's going to respond to
6 spec that they are having on the final product that
7 they have. So quality is probably the first thing.
8 After that, obviously, cost is extremely important
9 part of the equation. But quality is first, quality
10 and specs.

11 MS. MIC: Thank you. Could you discuss the
12 ability of substitutes of LWR pipe and tube? If there
13 are any, could you indicate whether and how changes in
14 the price of substitutes effect the price of LWR
15 products?

16 MR. DIEDERICHS: Well, it depends for which
17 market you are going to use it. If you go to what the
18 Petitioner called ornamental or those subsidies, these
19 are other products that can do basically the same.
20 Wood, Mr. Schagrin mentioned it, is one. Plastic is
21 another one. And one of the biggest one is aluminum.
22 There is a lot of aluminum used in the ornamental
23 industries.

24 MS. MIC: Thank you. And the question that
25 I asked before this morning, in our questionnaires in

1 the current investigation, we asked for data on tube
2 pricing products in the final antidumping
3 investigation on light walled pipe and tube from
4 Mexico. And three years ago, we asked for six pricing
5 products. Our representative, are there two pricing
6 products of the imports from Mexico? Do they account
7 for significant share; perhaps, even a majority of
8 sales of imports from Mexico?

9 MR. DIEDERICHS: You are saying if the two
10 products --

11 MS. MIC: Significant.

12 MR. DIEDERICHS: -- significant? There are
13 two products that -- two commodity products that the
14 U.S. have been already found to produce for many, many
15 years. They are representative. I mean, many of the
16 products that we sell are probably the same quantities
17 than those ones. Yeah.

18 MS. MIC: Thank you. And, Mr. Diederichs,
19 you mentioned before that prices for LWR are higher in
20 Mexico than in the United States and the U.S. should
21 focus on --

22 MR. DIEDERICHS: No, no. Mr. Schagrin
23 mentioned that the current export to Mexico and after
24 that, he mentioned that the price in Mexico was much
25 higher than the price in the U.S. So, if the price is

1 much higher in Mexico of the tubing, why are we not
2 exporting in the U.S.? There is obviously a lot of
3 opportunities and I think that if they're not
4 exporting over there, it's because they've been shy to
5 do it, they don't have the knowledge to do it, and
6 they want to take just the easy path. Every company
7 that wants to be successful in the future has to be an
8 international company. He has to be a better
9 competitor in the foreign markets. We took this path
10 a long time ago. Obviously, the U.S. mills have not
11 done so.

12 MS. MIC: But from your experience, do you
13 concur with the fact that Mexican prices are higher?

14 MR. DIEDERICHS: At what time? When?

15 MS. MIC: For the previous review.

16 MR. DIEDERICHS: Basically the same.

17 MS. MIC: Basically the same?

18 MR. DIEDERICHS: I was just inserting to
19 what Mr. Schagrín said. It's Mr. Schagrín's
20 statement. It's not my statement.

21 MS. MIC: So, your experiences are pretty
22 much the same?

23 MR. DIEDERICHS: It's probably basically the
24 same.

25 MS. MIC: Thank you, very much. I

1 appreciate it.

2 MR. CARPENTER: Mr. Tsuji?

3 MR. TSUJI: Also, good afternoon. My name
4 is Karl Tsuji. I'm the commodity industry analyst. I
5 just have a couple of quick questions. That is,
6 first, would you please provide information, if need
7 be in your post-hearing brief, on the concentration of
8 the Mexican light-walled rectangular tube producing
9 industry; i.e., number of firms, the relevant sizes,
10 market -- or production shares, et cetera. And then
11 if you could provide maybe just a brief overview here
12 for the panel, as well, on that. And then, secondly,
13 do the Mexican producers tend to sell nationwide
14 within Mexico, the all -- the 39 states? Am I
15 correct? Forty-three now, okay.

16 MR. BEHAR: Thirty-three.

17 MR. TSUJI: Thirty-three, okay. Or do they
18 tend to also be regionalized? And is there sort of a
19 differentiation between the larger producers versus
20 the smaller producers?

21 MR. DIEDERICHS: On the last question, we
22 have the same problem of logistics in Mexico that you
23 have in the U.S. Most of the two mills are in the
24 north of the country in Monterrey and from Monterrey
25 to go to Mexico, it's -- Mexico City is already a long

1 way to go. And from Mexico to go to Cancun, it's very
2 long. So, it's difficult for in the north of the
3 country to be everywhere in Mexico.

4 MR. TSUJI: No further questions.

5 MR. CARPENTER: Mr. Deyman?

6 MR. DEYMAN: My first question is one that I
7 asked the Petitioners this morning. The unit value of
8 the imports from Mexico is higher than the unit values
9 of the other subject imports. Is there anything
10 different about the product from Mexico, such as
11 higher quality or different product mix, the fact that
12 it's more galvanized, that would result in its unit
13 values being higher?

14 MR. DIEDERICHS: No. The price is high,
15 because we follow the market and we raised our price
16 in December and the U.S. mill raised their price, as
17 well, basically from the same suppliers. On the
18 contrary, what said the Petitioner in the morning, is
19 it's not such much galvanized tubing exports from
20 Mexico to the U.S. In our case, in PROLAMSA, we maybe
21 export two or three percent of galvanized tubing and I
22 think it's even falling down now. So, the average
23 price that you are having now, it's really for back
24 product. It's for the same product they're talking
25 about. And the perception that they were trained to

1 give this morning, that Mexico is exporting 80-90
2 percent of galvanized, and the rate just back tubing
3 is incorrect.

4 MR. BAISBURD: And if I could add something.
5 Knowing the industry and several of the producers,
6 they've been through this before, not that long ago in
7 2004, and so they understand what the consequences can
8 be for dumping into the U.S. market, which is an
9 investigation and all of the costs and expenses and
10 waste of resources that have to be spent on defending
11 these type of cases. And the proof is in the pudding.
12 Look at their import volumes. Look at their rate of
13 growth. Compare what they've done to what other
14 subject imports have done in the period and you will
15 see a marked difference. And so, that's why I hate to
16 keep on harping on it, but the Commission made a
17 decision in 2004 and they've acted responsibly from
18 them -- since then. And we're back in the same boat
19 and the driver of the boat isn't Mexico.

20 MR. DEYMAN: Well, why is Mexico the largest
21 source of the subject imports when its unit values are
22 higher than those of the other subject countries?

23 MR. BAISBURD: I would say Jean-Marie
24 alluded to several factors that could, at least in
25 part, explain that. First, it's proximity to the

1 market. Second is the reputation for quality. Third
2 is, you know, you have sophisticated Mexican entities
3 like PROLAMSA, who are opening up operations in the
4 U.S. and providing customers -- direct customer
5 service to their customers. They're not -- they don't
6 have -- they're not treating it as a commodity
7 product, even if it is. They're establishing the
8 relationships with their clients. I think this is
9 true for other Mexican mills, as well. And they're
10 close to the U.S. market.

11 MR. DEYMAN: Subject imports from all four
12 countries combined increased by over 70 percent
13 between 2004 and 2006 in quantity. Why did the
14 subject imports increase when the non-subject country
15 imports decreased during the same period?

16 MR. BAISBURD: Well, I think we've heard
17 this morning that there was very strong demand in 2004
18 and 2005 for various factors, including construction,
19 post-Katrina, and the strong housing market, at least
20 for the first half of the POI, all of 2004, 2005, and
21 actually through the first-half of 2006. And I don't
22 know the specifics, but Mr. Schagrin pointed out that
23 there are strong relationships between the Canadian
24 and the U.S. producers. And so, they can allocate and
25 decide how they -- which markets they'll sell to; not

1 all of them, but at least some of the major ones on
2 both sides of the U.S.-Canadian border.

3 MR. DEYMAN: That's helpful. There are
4 currently, as I understand it, antidumping duties on
5 imports of circular welded pipe and tube from Mexico.
6 To what extent is light-walled rectangular pipe and
7 tube produced on the same equipment in Mexico, as that
8 used to produce the circular welded product?

9 MR. DIEDERICHS: It's hard to give a number.
10 But, again, the same mill can do the same product.
11 So, it depends on the demand of the market, on the
12 Mexican market, the U.S. market. So, you can switch
13 from one to the other in a few hours. It's one more
14 product.

15 MR. DEYMAN: Well, in your company's case,
16 to what extent have you focused your production and
17 exports on the light-walled product, because of the
18 antidumping duties on the circular product?

19 MR. DIEDERICHS: No, we have not changed
20 anything, because of the antidumping. We just serve
21 our markets in Mexico and the U.S. depending of the
22 different channels that we are following and the
23 request and specs of the customer. So, we don't
24 intend to change anything, try to go around -- or
25 we've always done the same for -- I mean, well, our

1 company is 50-year old, doing the same thing and we
2 are very successful. So, we don't have to do that.

3 MR. DEYMAN: Thank you. I appreciate and
4 thank you for coming up here from Mexico. It's very
5 helpful to hear what you have to say. So, thank you,
6 very much.

7 MR. CARPENTER: Mr. Fishberg?

8 MR. FISHBERG: Again, for the record, David
9 Fishberg for the General Counsel's Office. I'm sorry,
10 I just had one more question. I was ticking them off
11 and I left this one out. Mr. Diederichs, you, during
12 your testimony, mentioned some U.S. capacity increases
13 and it seems that we have two different stories here.
14 The domestic industry said they were unaware of
15 capacity increases. So, again, maybe in your post-
16 hearing brief, if you could provide some evidence of
17 these increases, that would be helpful.

18 MR. BAISBURD: Yes. We would be happy to do
19 that.

20 MR. FISHBERG: Great. Thank you. I have no
21 further questions.

22 MR. CARPENTER: Again, I want to thank this
23 panel for your presentation and for your responses to
24 our questions. For the record, we will incorporate
25 Ms. Baughman's exhibits as an attachment to the

1 transcript. And with that, we will take a brief
2 recess until about 1:25 and we will have the closing
3 statements, at that point, beginning with the
4 Petitioners.

5 (Whereupon, a short recess was taken.)

6 MR. CARPENTER: Could we resume the
7 conference then, please? You have 10 minutes.
8 Welcome back.

9 MR. SCHAGRIN: Thank you, Mr. Carpenter,
10 members of the Commission staff. For the Petitioners,
11 Roger Schagrin giving our closing statement.

12 First, I would like to connect two different
13 issues through the 1995 case that was mentioned from
14 the official from the Mexican embassy. One, it points
15 to the fact that this really isn't a regional market,
16 because the 1995 case, which was brought by one
17 company, Southwest Pipe, on the basis of Texas, which
18 is an awfully big state, being its own regional
19 industry, was unsuccessful, because a lot of people
20 ship into Texas. So, people can ship into other
21 places. But, also, it connects to the current injury,
22 the injury was caused even since 2004 by imports from
23 Mexico, in that a producer that was big enough to
24 bring their own case on the basis of an alleged
25 regional industry is today not producing any

1 ornamental tubing. They have ceased as of mid-2006,
2 one of the largest production facilities in the United
3 States for making the subject product has ceased to
4 exist.

5 Now, PROLAMSA can say, gee, we have a
6 freight advantage in Texas over a lot of U.S.
7 producers. Next, if Leavitt closes their Jackson,
8 Mississippi plant and then the Mexicans may be closer
9 to them. The more plants that are forced to shut down
10 in the United States because of unfair trade, the more
11 you'll hear the arguments, as Mexico continues to get
12 larger and larger, oh, we're here because we're closer
13 to some of those U.S. customers.

14 Now, as to us bringing repeated cases, I
15 would point out that in the 2004 investigation, all
16 four Mexican producers, who participated, I mean, they
17 really litigated at the DOC: PROLAMSA, Perfiles,
18 Galvac, and Regiomontana. All four were found to be
19 dumping at margins ranging from six percent to 17.48
20 percent. Now, that means Mexican prices were higher
21 than U.S. prices. That's what dumping is.

22 But, if two or three of those Mexican
23 producers had gotten the Department of Commerce to say
24 they had zero margins, we wouldn't be bringing a case
25 against Mexico. The fact is the Mexicans dump into

1 the U.S. market. Now, we have to demonstrate to you
2 all, which we will on this record, that that dumping
3 is a cause of material injury to the U.S.

4 It's amazing to me that Respondent's counsel
5 now wants -- it's funny that I brought the issue, you
6 know, at least we're representing 13 producers here,
7 not one or two and he said, I would have to read the
8 transcript again. He can't believe that Petitioners
9 didn't provide the data for each and every member of
10 the domestic industry. The filing requirements are
11 tough enough without trying to get us to provide
12 everything. I would point out that we did list
13 Leggett & Platt as a U.S. producer. We are aware that
14 they have internal consumption, as well as sales on
15 the open market. We didn't list Valmont. To my
16 knowledge, and it may not be perfect, the best
17 information available to me, Valmont does produce a
18 lot of circular product that they consume in
19 irrigation pipe and in transmission towers they build.
20 I don't think irrigation systems or transmission
21 towers use ornamental tubing. But, I'm sure the
22 Commission can find out.

23 What I hope is that when they're talking --
24 because there seems to be a lot of confusion from the
25 Mexican panel today between ornamental tubing and

1 structural tubing. You know, just by talking about,
2 wow, this industry has had a lot of capacity.
3 Independence has added a new mill. Southland Tube has
4 added new mills. I can tell you, I was just at
5 Southland Tube a few months ago, the new mill that
6 Southland Tube put in produces only heavy-walled
7 rectangular tubing, only structural tubing, not the
8 products subject to this investigation. The new mill
9 that Independence put in produces only structural
10 tubing. To my knowledge, Independence makes no
11 ornamental tubing at all. Even if their mills are
12 capable of it, we're not aware of them producing any
13 ornamental tubing.

14 And thus, also when they talk about, gee,
15 U.S. producers are exporting to Mexico, Bull Moose,
16 Independence, Atlas, to our knowledge, what they're
17 exporting to Mexico is very large diameter structural
18 tubing that is beyond the mill capabilities of the
19 Mexican mills. We just -- unfortunately, Mexico
20 doesn't have a lot of competition between us and them
21 on products produced in both market. We've been doing
22 these products for 25 years. We've never had captive
23 consumption raised before. I don't really think
24 there's going to be a big captive consumption issue
25 case, unless I'm wrong.

1 Just to clarify, we do believe there's
2 misclassification in 2007, as to imports from Mexico
3 and other subject countries. I did say that we don't
4 believe in 2004 there was misclassification in Mexico
5 product above or below four millimeter.

6 As to the prognostications in 2004 and
7 whether they came true or not, Leavitt said they
8 wouldn't be able to continue with their business as
9 they knew it in the future if we lost the case. Mr.
10 Klima told you they just sold two out of their six
11 mills that produces product. So, Leavitt's
12 prognostications were true. I'm not even sure Leavitt
13 knew or any of us knew how unbelievably strong the
14 markets were going to be for this product between 2004
15 and 2006, which is very important. One thing Ms.
16 Baughman was definitely right about is that this
17 industry enjoyed extraordinary increase in consumption
18 between 2004 and 2006. The domestic industry just
19 didn't benefit from that. Only subject producers seem
20 to have benefitted, because they were underselling us.

21 Welded Tube also didn't add new capacity.
22 Welded Tube acquired assets from a company that
23 already existed in South Carolina. We'll take care of
24 that in the post-conference.

25 Now, as to the projections about, oh, the

1 first quarter was weak, even though consumer
2 confidence was here, personal disposable income was
3 there, I found it all to be very interesting and very
4 educational. I don't think it explains anything about
5 this case, which isn't very oriented towards auto or
6 truck production. But the main thing is that the
7 producers in this industry don't consult Ph.D.
8 economists to forecast what's going to go on demand.
9 They're just not big enough. This isn't Ford, General
10 Motors, Exxon-Mobile, Dupont. Of course, they don't
11 even hire White & Case on our side of the fence
12 either. But, who do they talk to, to find out what's
13 going on in the market? They talk to their customers.
14 They talk to distributors. They talk to OEMs. And
15 what those customers were telling them over the past
16 18 months or so is that they were buying more on low-
17 priced, we know it's unfairly traded, imports from the
18 subject countries. That's how the domestic -- there's
19 not a problem with demand in this market. The problem
20 is that demand is being satisfied by dumped imports.
21 That's where the domestic producers find out about,
22 from their customers, which is the most important
23 thing.

24 How does that translate for the Commission?
25 What it translates from is you are not going to

1 decided either injury or threat of injury based upon
2 an economist talking about what is happening in the
3 U.S. economy. This is superfluous. It is nice. I
4 love economists. It's just not that relevant to what
5 you're doing. What is relevant is what is happening
6 in this industry. What is the record going to show?
7 It's going to show between 2004 and 2006, a period of
8 booming consumption for this product, the domestic
9 industry actually did worse between 2004 and 2006.
10 It's going to show imports took 10 to 12 points of
11 market share away from the domestic industry. The
12 domestic industry capacity utilization has fallen so
13 much, that mills are being shut down or ceasing
14 production, that mills are being sold to other
15 countries.

16 It's just amazing what is going on in this
17 industry and you're going to find that in the first
18 quarter, everything has worsened and nothing about
19 this economy is going to help this industry other than
20 for it to gain relief from unfairly traded imports.
21 For the margins that the Department of Commerce found
22 2004 to be applied to Mexican imports, so they're
23 forced to trade fairly. We love the Mexicans in the
24 U.S. market, just make them trade fairly. They're not
25 supposed to be able to dump in this market. They

1 don't have a right because of NAFTA to be able to sell
2 150,000 tons of ornamental tubing in the United States
3 market at dumped prices. Now, those 150,000 tons and
4 over 150,000 tons from three other countries are
5 causing injury. They are causing lost market share.
6 They are causing shipments, production, and employment
7 decline. They're causing disinvestment. They're
8 causing price suppression and depression. They're
9 causing profits to fall and profit margins to fall.
10 That all adds up to injury.

11 We think that once you look at the entire
12 record, you will agree with us that this is a very
13 easy preliminary determination to make, that there is
14 a reasonable indication of injury. Thank you.

15 MR. CARPENTER: Thank you, Mr. Schagrin.
16 Mr. Baisburd.

17 MR. BAISBURD: Yohai Baisburd, once again
18 for the Mexican Respondents. Jean-Marie is just
19 telling me that in December of last year, he was out
20 at the old Southwest Tube plant, which is now owned by
21 Northwest Tube, and he saw light-walled galvanized
22 round and rectangular pipe there, both produced and in
23 inventory. So, I think we're going to have to clarify
24 what exactly happened to that facility and what's
25 going on with it.

1 You know, I'm a little concerned that we use
2 terms here that we treat as terms of art, but which
3 really aren't, and that is ornamental versus
4 structural. The petition is clear on what is -- what
5 the scope of the petition is. It is rectangular,
6 including square, light-walled pipe and tube that is
7 less than four millimeters. If a U.S. producer says,
8 I produce structural pipe and tube, but that pipe and
9 tube is less than four millimeters in wall thickness
10 and is in a square shape or rectangle and is carbon
11 quality, as defined by the petition, that is the like
12 product, whether they call it structural, HSS, or
13 something else. So, we, in providing our data, and in
14 responding to the questionnaires, based on the
15 physical description, I have no reason to believe that
16 Petitioners don't. But, we have to be careful and
17 ensure that they do and that a U.S. producer is not
18 responding to the questionnaire simply because they
19 believe and they say they produce structural pipe and
20 tube. Structural pipe and tube is not the scope of
21 the petition. The scope of the petition is based on
22 the physical characteristics.

23 You know, Mr. Schagrín said this morning, I
24 believe, he's been working on these cases since 1982.
25 I don't want to date him. Maybe, it was a little

1 later than that. But, you have the data from your
2 sunset review last year. Put it in the chart and look
3 at what's happened to the U.S. industry since they
4 brought those petitions in the early 1980s. The line
5 goes like this, okay, with a couple of dips, a dip in
6 2001 because of the economic recession that led to the
7 case that we talked about earlier against Mexico and
8 Turkey at the beginning of 2004, and now in the first
9 quarter of 2007, a drop, as well. But that drop is
10 still at high levels. They're high levels
11 historically for this industry and they're high levels
12 compared to what was happening the last time you
13 investigated this product. And I still haven't heard
14 an explanation from Petitioner's counsel as to how the
15 Commission can now find material injury when it just a
16 year ago found no vulnerability to material injury for
17 2004 and 2005, and 2006 is better than 2005. I just -
18 - I would like to hear an answer to that question,
19 hopefully in the post-conference brief.

20 Another issue, and this goes to the question
21 of captive production, and I apologize, but the U.S.
22 producer, who was sitting here to the left of where
23 I'm sitting now, I believe said about losing volume
24 that used to be sold to carports, the question is
25 where are they getting their product now. If they've

1 put in a line that produces light-walled rectangular
2 pipe and tube, then that is still U.S. production and
3 they haven't lost those sales to subject imports. As
4 far as I'm aware -- well, none of the Petitioners that
5 I'm aware of produce carports, for example, and we
6 haven't seen data about that. But, there's clearly,
7 you can Google it, find U.S. carport manufacturers,
8 who product their own light-walled pipe and tube.
9 They're part of the U.S. industry and they need to be
10 considered by the Commission. And I will, in the
11 post-conference brief, provide a list of the companies
12 that we found and the contact information that we have
13 available for them.

14 I think it's critical, in order to have a
15 complete data set, that the Commission try, and I know
16 it will use it's best efforts, to get as much data
17 from U.S. producers of the product as possible. Thank
18 you.

19 MR. CARPENTER: Thank you, Mr. Baisburd. On
20 behalf of the Commission and the staff, I want to
21 thank the witnesses, who came here today, as well as
22 counsel for sharing your insights with us and helping
23 us develop the record in these investigations. Before
24 concluding, let me mention a few dates to keep in
25 mind. The deadline for the submission of corrections

1 to the transcript and for briefs in the investigations
2 is Monday, July 23rd. If briefs contain business
3 proprietary information, a public version is due on
4 July 24th. The Commission has not yet scheduled its
5 vote on the investigations. We will report its
6 determinations to the Secretary of Commerce on August
7 13th and Commissioners' opinions will be transmitted to
8 Commerce on August 20th. Thank you for coming. This
9 conference is adjourned.

10 (Whereupon, at 1:42 p.m., the preliminary
11 conference in the above-entitled matter was
12 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Light-Walled Rectangular Pipe
INVESTIGATION NOS.: 701-TA-449, 731-TA-1118-1121
(Preliminary)
HEARING DATE: July 18, 2007
LOCATION: Washington, D.C.
NATURE OF HEARING: Preliminary conference

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: July 18, 2007

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter