

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)	
)	Investigation Nos.:
STAINLESS STEEL BAR FROM)	701-TA-413 and
FRANCE, GERMANY, ITALY,)	731-TA-913-916 and 918
ITALY, KOREA AND THE)	(Review)
UNITED KINGDOM)	

Pages: 1 through 320

Place: Washington, D.C.

Date: November 6, 2007

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888

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Tuesday,
 November 6, 2007

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

The hearing commenced, pursuant to notice, at
 9:30 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DANIEL R.
 PEARSON, Chairman, presiding.

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MISSY BILZ, Marketing and Distribution Manager,
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Schmiedewerke Groditz GmgH, Walzwerke Einsal GmbH:

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TODD L. SEWELL, President, Specialty Steel Supply
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On behalf of Corus Engineering Steels:

BRUCE MALASHEVICH, President & CEO, Economic
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1 time allocations. Any questions regarding time
2 allocations should be directed to the Secretary.
3 Finally, if you will be submitting documents that
4 contain information you wish classified as business
5 confidential, that request should comply with
6 Commission Rule 201.6.

7 Madam Secretary, are there any preliminary
8 matters?

9 MS. ABBOTT: No, Mr. Chairman.

10 CHAIRMAN PEARSON: Very well. Let us
11 proceed with opening statements.

12 MS. ABBOTT: Our first speaker is Ms.
13 Sibylle Zitko, Legal Advisor, Delegation of the
14 European Commission to the United States.

15 CHAIRMAN PEARSON: Welcome to the
16 Commission, Ms. Zitko. Please proceed.

17 MS. ZITKO: Good morning, my name is Sibylle
18 Zitko, I am a Legal Advisor at the Delegation of the
19 European Commission to the United States. The
20 European Commission would like to thank the
21 International Trade Commission for the opportunity to
22 appear at this hearing.

23 We would like to briefly outline today the
24 main reasons why we believe that the antidumping order
25 on stainless steel bar from France, Germany, Italy and

1 the U.K. should be revoked. The EC will limit its
2 remarks today to data which is in the public domain
3 and to more general arguments.

4 We are prepared to support these arguments
5 with additional confidential data and figures in the
6 posthearing brief if need be. The EC's intervention
7 is also without prejudice to other arguments which may
8 be advanced by interested parties in favor of the
9 removal of the order.

10 The EC is limiting its intervention to the
11 four EU subject countries and is without prejudice to
12 the additional analysis and decision with regard to
13 subject merchandise from Korea. As elaborated in more
14 detail in its prehearing brief, the EC believes that
15 there are a number of objective factors clearly
16 showing that there's no likelihood of continuation or
17 recurrence of any injury caused to the U.S. domestic
18 industry by imports of subject merchandise from
19 Germany, France, Italy and the U.K.

20 The main such factor is the fact that the
21 overwhelming majority of EC exporters of stainless
22 steel bar representing a share of close to 75 percent
23 of imports from the countries concerned are no longer
24 subject to the antidumping order mainly as the result
25 of the revocation of the order by the U.S. Department

1 of Commerce in its Section 129 implementation of the
2 WTO ruling on zeroing.

3 In terms of global imports, this figure
4 translates into imports representing only a little
5 over 10 percent of global imports of subject
6 merchandise into the U.S. which is still subject to
7 measures. This is according to 2007 year to date
8 figures.

9 Furthermore, the EC would like to stress
10 that the largest remaining exporter subject to the
11 order has very recently seen its antidumping margin
12 dramatically reduced to a very low level of less than
13 one percent and will thereby export stainless steel
14 bars to the U.S. at effectively nondumped prices.

15 If this is fully taken into account the
16 above already striking figure of 75 percent of EC
17 exports of subject merchandise no longer subject to
18 the order increases substantially further proving the
19 absence of likelihood of injury for the U.S. domestic
20 industry.

21 To summarize, the EC finds it hard to see
22 how such a small share of exports of subject
23 merchandise from the EC member states concerned can
24 possibly cause injury to the U.S. domestic industry in
25 the future. The EC also notes that there are a number

1 of other more general factors concerning the EU
2 stainless steel bar industry which point to the
3 absence of likelihood of continuation or recurrence of
4 injury for U.S. producers.

5 First, as the relevant market has been and
6 still is very strong the EC producers of subject
7 merchandise including those still subject to the order
8 have already approached or are close to reaching full
9 production capacity and their order books are already
10 full for the next few years.

11 Second, as prices of stainless steel bars in
12 the EC are very attractive, EC producers are
13 concentrating on the EC markets or on other more
14 profitable markets than the U.S. one and will continue
15 to do so for the foreseeable future.

16 Third, given the weakness of the U.S. dollar
17 versus the euro as well as other currencies, which is
18 also likely to continue for some time to come, EU
19 producers find it less profitable to export stainless
20 steel bars to the U.S. than sell them domestically or
21 export them to other markets.

22 For all the above reasons, the EC
23 respectfully requests that the International Trade
24 Commission find that there is no likelihood of
25 continuation or recurrence of injury for the domestic

1 U.S. industry caused by the very few remaining exports
2 of subject merchandise from France, Germany, Italy and
3 the U.K., and therefore, that it revoke the
4 antidumping order.

5 Thank you very much. I'm happy to answer
6 any questions.

7 CHAIRMAN PEARSON: Thank you. Does any
8 Commissioner have a question for Ms. Zitko?

9 (No response.)

10 CHAIRMAN PEARSON: Okay. We appreciate your
11 appearance. Thank you for coming.

12 MS. ZITKO: Thank you.

13 MS. ABBOTT: Opening remarks in support of
14 continuation of orders will be by David A. Hartquist,
15 Kelley Drye Collier Shannon.

16 CHAIRMAN PEARSON: Good morning, Mr.
17 Hartquist.

18 MR. HARTQUIST: Good morning, Mr. Chairman,
19 members of the Commission and staff. I'm David A.
20 Hartquist of the law firm Kelley Drye Collier Shannon,
21 representing the stainless steel bar industry today to
22 request that the Commission continue the antidumping
23 and countervailing duty orders on stainless bar from
24 France, Germany, Italy, Korea and the United Kingdom.

25 As the Commission is aware, several of our

1 European friends have submitted briefs in this case,
2 and for the most part these briefs repeat two themes.
3 First, the Respondents argue that the orders no longer
4 have relevance because they claim, as we just heard,
5 with the Section 129 decision on zeroing the volume of
6 imports that are still subject to the orders could not
7 cause injury.

8 Second, they claim that injury could not
9 recur because the U.S. industry is experiencing it's
10 Halcyon days, a revitalization like no other. As the
11 testimony you will hear today will make clear,
12 however, neither of these claims is valid. Many
13 European producers remain subject to the orders.

14 We've identified over 20 European producers
15 which produce stainless steel bar. As you will also
16 hear today, many of the newer entrants into the U.S.
17 market are selling their products at very aggressive
18 prices. Our companies see significance price
19 competition from companies like Idallfand (ph) in
20 Italy, Schmolz + Bickenbach in Germany, Langley Alloys
21 in the U.K., just to name a few.

22 Additionally, many of the European producers
23 as well as the Korean producers have simply chosen to
24 stay out of the market apparently because they cannot
25 sell in the U.S. market without dumping. Indeed, both

1 Aubert et Duval in France and Cogne in Italy were
2 found to be dumping at very high margins in the
3 original investigation.

4 Furthermore, other European producers have
5 actively participated in recent Commerce Department
6 administrative review proceedings again showing their
7 very strong interest in selling into this market.
8 AscoMetal, the French producer, is currently subject
9 to an administrative review at Commerce. Similarly,
10 Enpar, a U.K. producer, was recently found to be
11 dumping at a rate of 34.35 percent.

12 I think this short list makes clear that
13 these orders are still very relevant and important to
14 the U.S. industry. If companies had been found to
15 sell their goods at fair prices then they should be
16 excluded from the order, but given that well over 20
17 European producers have not demonstrated that they can
18 sell their goods at fair prices the orders should not
19 be revoked.

20 On the next point on the condition of the
21 U.S. industry, if one were to accept the European
22 briefs at face value the Commission might come away
23 with the impression that this is a completely
24 different industry than the industry that was before
25 you just a year ago.

1 Indeed, reading these briefs one could get
2 the impression that NAS had only started production
3 this year or that purchases of Slater and Empire
4 facilities had taken place within the last few months.
5 Actually, the record before the Commission shows that
6 the industry's condition today is not materially
7 different from that which existed a year ago.

8 As we discussed then, over the past few
9 years many U.S. producers have made important capital
10 investments in their facilities and many U.S.
11 producers have finally been able to switch from the
12 red to the black. These investments were not luxury
13 purchases, they were well-planned, vital investments
14 designed to ensure that the companies could remain
15 efficient in this highly competitive environment.

16 As you will hear today, this very recent
17 turnaround will be short lived if the orders are
18 lifted. High volumes of low priced imports from the
19 European and Korean producers could quickly change the
20 picture of this industry because the basic conditions
21 of competition have not changed.

22 These foreign mills have substantial
23 capacity, and the U.S. market remains very attractive
24 to them. The difference between the picture of the
25 industry today and that which you saw five years ago

1 is the antidumping and countervailing duty orders. We
2 therefore respectfully request that the Commission
3 continue these orders to assure that material injury
4 does not continue or recur.

5 One final comment. I noted that in the EC
6 opening statement the speaker indicated that the order
7 books of the European producers are filled for years
8 to come -- filled for years to come. I hope we'll
9 have an opportunity to examine that today because I'm
10 very skeptical that could be the case. Thank you.

11 CHAIRMAN PEARSON: Thank you, Mr. Hartquist.

12 MS. ABBOTT: Opening remarks in opposition
13 to continuation of orders will be by Marc E.
14 Montalbine, deKieffer & Horgan.

15 CHAIRMAN PEARSON: Welcome, Mr. Montalbine.

16 MR. MONTALBINE: Thank you very much. Good
17 morning, my name is Marc Montalbine of deKieffer &
18 Horgan, we are counsel to the German producers, and
19 this opening statement is on behalf of the European
20 producers participating in this review. This case is
21 unique.

22 I'm not aware of any other review that the
23 Commission has ever had where so many companies have
24 been excluded from the order. During the original
25 investigation Commerce investigated 14 European

1 companies. Seven of these companies have now been
2 excluded from the orders.

3 The prehearing staff report is very clear
4 that these companies make up a very large part of
5 shipments, of production, of capacity in the subject
6 countries, and when that is deducted from your
7 calculations the remaining shipments and capacity, and
8 especially unused capacity, is minuscule in comparison
9 to what you looked at during the original
10 investigation and also in comparison to current
11 consumption in the U.S. industry.

12 This small amount of potential imports could
13 not possibly hurt this industry. Mr. Hartquist said
14 that the basic conditions of competition have not
15 changed, but that certainly is not borne out by the
16 record. This is a very strong industry, you saw this
17 also last time a year ago, and it has gotten even
18 stronger than it was last year.

19 A big point in your decision last year was
20 that the future forecasts were not good. Here you
21 have a situation where the future forecast is very
22 strong. That's also shown in the prehearing staff
23 report. With worldwide demand, worldwide prices and
24 the domestic industry, two of the companies, Carpenter
25 and Universal, just released earnings reports within

1 the last few days, and both of them talk about the
2 strong demand and the future strong demand.

3 Carpenter states: We expect the energy
4 market to remain favorable and are confident about the
5 outlook for our aerospace business in the second half
6 of our fiscal year. Universal says: As we look to
7 2008 we remain as positive as ever about prospects
8 within each of our end markets. We expect aerospace
9 and power generation demand to remain very strong for
10 the next several years.

11 It is clear that demand has increased from
12 the report, and a big driving influence has been the
13 price of oil that has led to investment in the oil
14 industry in the use of stainless steel bar. Every day
15 the price of oil is setting new records and nobody
16 forecasts that to diminish.

17 Also, the statement that this industry is
18 only healthy because of the orders is also not borne
19 out by the record. The record shows that when imports
20 were declining in 2000 to 2002 the industry actually
21 was doing its very worst. When it had the highest
22 market share in 2003 they had their worst loss, and
23 they did not turn around until the restructuring was
24 basically completed in 2003/2004.

25 Then they started to rebound, and as you

1 have seen, they have grown very strong financially.
2 The interesting part about that is that has occurred
3 at a time when imports have been increasing and raw
4 material costs have been increasing.

5 So their strength is shown by the fact that
6 each year they have stronger and stronger gross profit
7 margins which shows that they are able to pass all
8 these costs to the end purchasers and remain very
9 strong in the face of imports. So on this record we
10 would urge the Commission to allow the expiration of
11 these orders. Thank you very much.

12 CHAIRMAN PEARSON: Thank you, Mr.
13 Montalbine.

14 MS. ABBOTT: Will the first panel in support
15 of the continuation of orders please come forward and
16 take your places.

17 Mr. Chairman, all witnesses have been sworn.

18 CHAIRMAN PEARSON: Mr. Hartquist, you in
19 charge of this show?

20 MR. HARTQUIST: Yes, sir. Thank you, Mr.
21 Chairman.

22 CHAIRMAN PEARSON: Please proceed.

23 MR. HARTQUIST: Let me introduce if I may
24 our witnesses, and I'll introduce them to you in the
25 order in which they will speak. First, Mr. James

1 Rauch, National Sales Manager Stainless of Crucible
2 Specialty Metals; second, here on my right, Mike
3 McGarry, Vice President, Bar Business Group for
4 Carpenter Technology Corporation; our third speaker
5 will be Jack Simmons, Manager, Marketing and Product
6 Development for Electralloy; fourth will be Tom
7 Carlson, Plant Manager of Valbruna Slater Stainless
8 Incorporated; fifth, Jim Gugino, Products Manager,
9 Dunkirk Specialty Steel; sixth, Missy Bilz, Marketing
10 and Distribution Manager for North American Stainless;
11 seventh, Michael Eberth, Commercial Manager for
12 Outokumpu Stainless Incorporated; eighth, Edward J.
13 Blot, President of Ed Blot and Associates; nine,
14 Michael Kerwin, Economist for Georgetown Economic
15 Services.

16 Then we also have several other folks who
17 are here and available to chip in as appropriate,
18 Valter Viero, Secretary of Valbruna Stainless Inc. who
19 just flew over from Italy last night; Brad Hudgens
20 with Georgetown Economic Services; my partner, Larry
21 Lasoff, Mary Staley and Grace Kim, also of Kelley
22 Drye.

23 I might note that we have before you today
24 237 years of experience in the stainless steel
25 industry, so you have the experts before you today.

1 By comparison, you're not going to have most of the
2 European producers who are interested in this, but you
3 will have their lawyers and economists testifying
4 before you today.

5 So with that, I'd like to proceed to Mr.
6 Rauch.

7 MR. RAUCH: Good morning, my name is Jim
8 Rauch, and I am national Sales Manager for Stainless
9 and Bar Steels, Crucible Specialty Metals. I have
10 been in the business of selling stainless steel bar
11 for 28 years. At Crucible we service three primary
12 segments of the market: commercial aerospace, oil and
13 gas and automotive.

14 We produce a product line to service these
15 markets in all size ranges from small diameter rolled
16 bar to large diameter forged bar. As I will discuss
17 in detail, we compete head to head with many European
18 producers who are still subject to the dumping and
19 countervailing duty orders.

20 These producers compete with us on a price
21 basis, and we believe that revocation of the dumping
22 orders would result in a downward price spiral with
23 obvious dire consequences for our company in
24 particular and the U.S. industry as a whole.

25 I have read the briefs the European

1 companies have filed in this case, and I would like to
2 focus my comments today on three important European
3 producers that have been mentioned in those briefs,
4 Idallfand (ph), Schmolz + Bickenbach and Ascometal.

5 Starting with Italy, Idallfand has been
6 characterized as a producer that makes a very narrow,
7 very specialized product range that does not compete
8 with U.S. producers. This assertion is simply wrong.
9 First, it is wrong to characterize Idallfand as a
10 specialty producer.

11 Based on our direct competition with
12 Idallfand's product, we are well aware that Idallfand
13 produces large diameter bar products in the basic
14 commodity 304 and 316 grades. While it is true that
15 Idallfand also produces other more specialized
16 products, we also compete with Idallfand in those
17 areas as well. Idallfand solicits sales from my
18 customers at lower prices than the prices we offer.
19 Without the discipline of the order in place,
20 Idallfand would be free to dump its products in the
21 United States with obvious harmful results to Crucible
22 and other U.S. producers.

23 Next I would like to turn to the claims
24 related to Schmolz + Bickenbach. When I first read
25 the brief by the German producers, I was quite

1 surprised by many of their claims. First the brief
2 says there have been no antidumping findings against
3 Schmolz + Bickenbach, now called DEW. I find this
4 statement very misleading.

5 As our lawyers assure us, two Schmolz +
6 Bickenbach companies are subject to the antidumping
7 orders at rates between 10 and 30 percent. Moreover,
8 Schmolz + Bickenbach produces a full range of
9 products, particularly in the 17-4 product line,
10 including small diameter roll product and large
11 diameter forged product. Again, we produce the same
12 product and compete head to head with Schmolz +
13 Bickenbach.

14 I have also recently received word from our
15 customers that Schmolz + Bickenbach has been quoting
16 the 17-4 product in flat bars at extremely low prices.
17 Again, this is a product that is very important to us.
18 As with Idallfand, we are troubled as to what would
19 happen if Schmolz + Bickenbach were no longer subject
20 to the pricing discipline of the order.

21 I would now like to turn to an important
22 French producer that remains subject to the dumping
23 order, Ascometal. In reviewing the public version of
24 Ugitech's brief about French imports, I found no
25 mention of Ascometal, yet Ascometal is a well-known

1 producer of 400 series product and is actively
2 marketing its product in the United States. Crucible
3 and other U.S. producers are capable of producing the
4 400 series product line and we continue to quote this
5 product to our customers.

6 Importantly, though, another European
7 producer, BGH, who also continues to be subject to the
8 dumping order, has typically sold this product at such
9 low prices it makes it difficult for Crucible to
10 compete. Interestingly, Ascometal has made important
11 headway into this market. Removal of the pricing
12 discipline of the orders would simply give permission
13 for these companies to push prices downward.

14 As a final note, I would like to take issue
15 with the claims made by the German producers that many
16 U.S. steel bar producers are not certified by the oil
17 and gas engineering firms to produce the stainless
18 steel bar these users require. I have been servicing
19 this sector of the market for many, many years. Of
20 the companies mentioned in the German brief,
21 Schlumberger (ph), Halliburton, and Baker Hughes, I am
22 only aware that Schlumberger has an approved vendor of
23 this for its stainless product.

24 Crucible is on this list, as are other
25 domestic suppliers sitting here at this table. The

1 bottom line is that U.S. producers can produce and do
2 compete head to head with German producers' U.S.
3 shipments to the oil and gas sector. This is a very
4 important product line for us and further underscores
5 the importance of maintaining these orders. I
6 appreciate the opportunity to appear before you today,
7 and I will be happy to answer any questions.

8 MR. HARTQUIST: Thank you, Jim. Our next
9 witness is Mike McGarry. And I might mention before
10 Mr. McGarry speaks that until a couple of months ago,
11 he was the director of international sales for
12 Carpenter Technology in Europe, so he's very familiar
13 with the European market and the European producers.

14 MR. MCGARRY: Thank you, Skip. Good
15 morning. My name is Mike McGarry, and I am the Vice
16 President of the Bar Business Group for Carpenter
17 Technology Corporation, a major U.S. producer of
18 specialty metals and other high-performance materials.
19 I am here today because I strongly believe that for
20 our company as well as our industry to remain viable
21 in this market, it is important for the orders against
22 the subject imports to continue.

23 Carpenter produces a wide range of stainless
24 bar products both in the commodity and specialty bar
25 grades. Thus we compete with many of the European

1 producers that are still covered by the orders. For
2 example, Carpenter produces stainless 316L bar that
3 competes with products manufactured and distributed by
4 Sandvik and Empire in the U.K. Our 316L medical bar
5 as well as our commodity bar products also compete
6 with several of the German producers, such as BGH
7 Edelstahlwerke and Schmiedewerke Gröditz.

8 In addition, we also make products that
9 compete with those produced by Italian producer Cogne.
10 Thus, despite the exclusion of certain European
11 producers, there remain several other significant
12 producers subject to the orders. These producers have
13 made several claims in their prehearing briefs as to
14 why revocation of the orders would not negatively
15 impact our industry. I would like to address some of
16 those claims this morning.

17 For example, Sandvik claims that Carpenter
18 is frequently unwilling or unable to meet the needs of
19 U.S. customers' orders for medical bar. This is
20 simply not true. As even Sandvik acknowledges, the
21 medical market is one of the fastest growing segments
22 of Carpenter's business.

23 While the medical bar market may be small in
24 terms of volume, its high value makes it a higher-
25 margin product, which is why this market is very

1 important to our company. It would not make sense for
2 us to turn away an opportunity to increase our sales
3 of a high-valued product such as medical bar. Indeed,
4 over the past year, we have increased our focus on the
5 medical bar market.

6 Furthermore, Sandvik suggests that the
7 medical market is small and its contribution is small,
8 but it is wrong to say that a company like Sandvik or
9 Empire could not adversely affect this market by
10 shipping in product at dumped prices.

11 Even a small volume of unfairly priced
12 product can affect an entire market segment. It just
13 takes a small number of low-prices sales to establish
14 a benchmark price for that segment. Underselling by
15 any of the subject producers will force us to lower
16 our prices on our stainless bar products and in turn
17 on other related products that are sold to the same
18 customers.

19 Next, Sandvik also makes much of the fact
20 that the industry agreed to exclude from the order
21 Sandvik's SAF 2507 bar that is sold to Swagelok for
22 use in producing parts and components for oil field
23 equipment. This is a product that until very recently
24 was protected by patent and is truly a minuscule
25 quantity sold to this customer.

1 In addition, the claim by U.K. producer
2 Corus that Carpenter is immune to imports because of
3 captive sales to end users is false. The fact is we
4 must compete for the same end user business that the
5 independent service centers compete for, and the
6 latter has the ability to buy low-priced imports.

7 Several Respondents also argue that the
8 higher prices in the EU and the relatively weak U.S.
9 dollar make the U.S. market unattractive to the
10 European producers. I disagree. Until a few months
11 ago, I was the managing director of international
12 sales for Carpenter in our office in Brussels,
13 Belgium. As a result, I have firsthand knowledge of
14 bar prices in the European market, and I can assure
15 that if you were to look at prices at the same level
16 of trade, EU prices to our prices to end users instead
17 of to distributors, it would show that EU prices are
18 in fact lower than our prices in the United States.

19 Furthermore, despite the exchange rate, the
20 macro data suggests that the European producers are
21 still shipping stainless bar to the U.S. market. Thus
22 the U.S. market is attractive to subject producers.

23 Finally, Respondents argue that the domestic
24 industry's healthy financial condition protects it
25 from any injury that may occur after revocation.

1 Corus states that the energy sector is heavily
2 dependent on stainless bar and cites a statement made
3 by Carpenter's CEO that the energy market is booming
4 and the growth is likely to continue.

5 I would like to point out, however, there
6 was no mention of stainless bar in that statement.
7 The predominant product produced by Carpenter
8 affecting the energy sector is high-temperature alloy
9 material, not stainless.

10 In closing, the orders have significantly
11 reduced the volume of low-priced imports from the
12 subject countries, and as a result, our industry has
13 seen an improvement in our operating results. Indeed,
14 as a result of the orders, Carpenter was able to move
15 forward with new investments in our stainless bar
16 production operations to become more efficient and
17 competitive.

18 If the orders are revoked, however, the
19 ability to generate a return on our recent capital
20 expenditures would be severely undermined. Therefore,
21 the continuation of these orders is necessary for our
22 company to remain viable in this market, and I urge
23 you to continue these orders.

24 MR. HARTQUIST: Thank you, Mike. Jack
25 Simmons of Electralloy.

1 MR. SIMMONS: Good morning. My name is Jack
2 Simmons. I am the Manager of Marketing and Product
3 Development at Electralloy, a G.O. Carlson Inc.
4 Company. Electralloy is located in Oil City,
5 Pennsylvania, and we are a world-class custom melt
6 producer of high-end stainless steel and nickel
7 alloys, including stainless steel bar. Electralloy
8 has the ability to produce a wide variety of sizes and
9 grades of stainless bar. By plant, however, we focus
10 on the larger round and square cross-sections,
11 generally those greater than six inches.

12 This morning I would like to address some of
13 the claims made by the European Respondents in their
14 prehearing briefs. The central theme of their
15 arguments is that the products produced by the
16 companies that remain subject to the orders are not
17 significant to the U.S. producers and therefore would
18 have no impact on the domestic industry if the orders
19 were revoked. This is not true.

20 You have already heard this morning from the
21 first two witnesses from Crucible and Carpenter that
22 they compete directly with companies that are still
23 subject to the orders. I would like to reinforce
24 that. For example, one U.K. producer, Langley Alloys,
25 produces duplex stainless bar for mining, oil and gas

1 exploration applications in direct competition with
2 our products.

3 So although you have heard that Empire and
4 Sandvik are the only two U.K. producers apart from
5 Corus, this is not an accurate statement. We have
6 been facing growing competition from Langley Alloys
7 since last year. Customers have told us on several
8 occasions that despite the recent jump in the all
9 other dumping rate from 4 percent to 84 percent, the
10 increased rate has not affected the prices offered by
11 Langley Alloys. Rather, they have continued to price
12 aggressively despite the increase in dumping duty. As
13 a result, my company has lost significant sales to
14 Langley Alloys.

15 Langley Alloys has two approved agents in
16 Stockus (ph) in the United States through which it
17 sells and distributes its products and could easily
18 increase its shipments into the U.S. market if the
19 orders against the U.K. were revoked.

20 In addition, Electralloy also competes
21 directly with the Italian producer Idalfand, which
22 produces commodity grades of forged stainless steel
23 bar from many end-use applications. Electralloy
24 customers have informed us that they are constantly
25 receiving offers from Idalfand at prices lower than

1 ours, and we have lost important orders to Idallfand
2 as well.

3 Our biggest concern is that these relatively
4 new entrants into the U.S. marketplace are engaging in
5 the largest underselling. In that sense then, it has
6 not been the long-established producers such as
7 Ugitech or Corus that have been a problem for us.
8 Instead, it is companies like Langley Alloys and
9 Idallfand that start the pricing spiral downward.

10 Next I would like to address a statement
11 made by Cogne in its brief regarding the recent
12 capital expenditures made by Electralloy.
13 Specifically, Cogne claims that Electralloy installed
14 three vacuum arc remelt furnaces in 2006. While this
15 is true, I would like to clarify the issue.

16 All of the VAR furnaces are operated by
17 Electralloy. Two of the three VAR furnaces are owned
18 by our customer and are dedicated exclusively towards
19 the melting of that customer's nonstainless product.
20 Thus Electralloy has added one new VAR furnace that
21 can be used for the production of stainless bar and
22 stainless steel billets during the period of review.

23 As you know from prior proceedings, such
24 capital expenditures are vital in our industry for
25 Electralloy or for any other producer to remain

1 competitive and become more efficient. Since the
2 orders were imposed, Electralloy has continued to see
3 the benefits from those orders.

4 The orders have not only permitted
5 Electralloy to reinvest in a new VAR furnace but have
6 allowed us to purchase and install additional sawing,
7 finishing and grinding capabilities that have improved
8 delivery to meet market demands. Through these
9 investments, we have increased our production,
10 improved efficiencies and reduced our costs over the
11 period of review.

12 These investment efforts by my company will
13 be significantly undermined if the orders are revoked.
14 Based upon our own history, we would expect to lose a
15 significant percentage of our commodity bar business
16 within one year of the orders being revoked. Without
17 the continuation of these orders, the market will
18 quickly return to the conditions that existed before
19 the orders were imposed and our existing investment
20 and any future investments would be in jeopardy.
21 Thank you very much.

22 MR. HARTQUIST: Thanks, Jack. Next is Tom
23 Carlson of Valbruna Slater.

24 MR. CARLSON: Good morning, Commissioners.
25 My name is Tom Carlson. I am the Plant Manager of

Heritage Reporting Corporation
(202) 628-4888

1 Valbruna Slater Stainless of Fort Wayne, Indiana, and
2 I held the position of manager, Rolling and Remelting,
3 for Slater Steel before the company's bankruptcy.

4 This morning I would like to discuss our
5 place in the domestic industry and our concerns on the
6 competition we face from producers that remain subject
7 to the orders on this stainless bar. Slater Steel
8 declared bankruptcy and closed its stainless bar and
9 angle production facility in Fort Wayne in the middle
10 of 2003. The company had been through a tough period
11 and suffered several years of substantial operating
12 losses, due in part also to the dumping of imports of
13 stainless steel bar. The idling of that facility led
14 to the loss of about 400 jobs and was a significant
15 blow to the local economy.

16 In 2004, the Italian stainless producer
17 Esileri (ph) Valbruna purchased Slater's stainless bar
18 production facility in a Bankruptcy Court auction.
19 Valbruna restarted production in the plant in July of
20 2004 and was able to hire back part of the workforce
21 that had been laid off.

22 Valbruna is in the process of making major
23 capital expenditures and upgrades to improve the
24 efficiency of the Fort Wayne mill and has already
25 invested \$4.3 million in the facility in the last two

1 years and has announced an additional \$15 million to
2 be completed in the very near future. Our plan is to
3 restart portions of the mill that currently remain
4 idle, allowing us to widen the scope of our stainless
5 steel bar product offerings and hire several
6 additional production workers.

7 The stainless bar that my firm produces
8 competes directly with products offered by several of
9 the subject producers. While the briefs of the
10 foreign producers would have you believe that the
11 companies that are still subject to the orders are
12 shipping almost nothing of importance into the U.S.
13 market, I can tell you otherwise.

14 The French producer, Ascometal, for example,
15 ships 400 series product to the U.S. market that
16 competes directly with the product we produce in Fort
17 Wayne. Likewise, the Italian producer, Idallfand,
18 sells rolled and forged bars in the U.S. market for
19 oil patch applications in the four- to eight-inch
20 range in direct competition with our product. Several
21 of the German producers, such as BGH and Schmolz +
22 Bickenbach, also produce rolled and forged bar for the
23 oil patch applications and sell in the U.S. market.

24 These imports compete for the same customers
25 we do and are serious competitors. Given that these

1 companies already compete fiercely with us in the
2 unfair trade orders in place, I hate to think how they
3 might affect us if the orders were in fact revoked.
4 My company has made substantial commitment to renewed
5 production of stainless steel bar in Fort Wayne.

6 We fear that if the orders are revoked, we
7 would face sever price competition from many foreign
8 producers currently subject to the orders. This would
9 lead to large increases in import volumes and
10 declining transaction prices in the U.S. market. The
11 ultimate effect would be that our plans for renewed
12 production will be jeopardized, and our ability to
13 complete as a reentrant into the U.S. market will be
14 seriously questioned. Thank you very much. This
15 concludes my testimony.

16 MR. HARTQUIST: Thank you, Tom. Next is Jim
17 Gugino of Dunkirk Specialty Steel.

18 MR. GUGINO: Good morning, Chairman and
19 members of the Commission. My name is Jim Gugino. I
20 am the Product Manager of Dunkirk Specialty Steel, a
21 position I have held since 2002 when Dunkirk was
22 founded. Prior to that time, I was the product
23 manager for Empire Specialty Steel, Dunkirk's
24 corporate predecessor. In total, I have spent more
25 than 20 years of my career in sales and marketing of

1 stainless steel long products.

2 I read with interest the briefs by Ugitech
3 and the German Respondents touting the success and
4 investments made by Dunkirk Specialty. Needless to
5 say, we at Dunkirk are very proud of the success we
6 have achieved, particularly in the light of the
7 origins of our company. We have recently made
8 significant investments in the state-of-the-art bar
9 blaster and coil blaster.

10 These investments are critical to our
11 ability to compete in the highly competitive market,
12 but I believe it is important to understand our
13 success in a historical context and to take special
14 note that our parent company purchased the assets of
15 our predecessor company that had been pushed to
16 bankruptcy, in major part due to a flood of unfairly
17 traded imports.

18 Our parent company, Universal, has been in
19 the business of making stainless steel product since
20 1994. In the early 1990s, Universal wouldn't have
21 considered purchasing the assets of Empire because of
22 the substantial volume of unfairly traded imports.
23 With the imposition of the orders and with Universal's
24 experience in making other stainless products,
25 Universal decided that the production of stainless bar

1 could eventually be profitable and successful.

2 Accordingly, Universal decided to acquire
3 the assets of Empire to form Dunkirk Specialty Steel.
4 Acquisition of these assets would likely not have
5 occurred if import relief were not in place. As a
6 result of the formation of Dunkirk Specialty Steel, we
7 were able to hire back many of the steelworkers that
8 had lost their jobs as a result of Empire's closure in
9 2002.

10 As a final note, I would also like to
11 address directly the British producer Sandvik's claim
12 concerning its medical bar product line. Sandvik
13 focuses its attention on Carpenter, and Mr. McGarry
14 has fully responded to these claims. I would simply
15 like to add that Dunkirk also produces medical bar,
16 particularly the VAR 316L grade, and also directly
17 competes with Sandvik for these sales.

18 As Sandvik has explained, this is a
19 relatively high-value product line and therefore,
20 sales of this product are extremely important to
21 Dunkirk. If the orders are revoked, it is likely that
22 the pricing discipline that currently exists in the
23 market would evaporate completely and market prices
24 would drop.

25 In summary, these orders have been and

1 continue to be very important to Dunkirk Specialty.
2 Without the continuation of the pricing discipline of
3 these orders the market will likely worsen and our
4 existing investment and any continued investment would
5 be in jeopardy. We urge you to continue the orders
6 for the additional five years. Thank you, and I would
7 be happy to answer any questions.

8 MR. HARTQUIST: Thanks, Jim. Our next
9 witness is Missy Bilz of North American Stainless.

10 MS. BILZ: Good morning, Mr. Chairman, and
11 members of the Commission. My name is Missy Bilz, and
12 I am the Marketing and Distribution Manager for North
13 American Stainless. It is a pleasure to appear before
14 you today. You may hear that North American Stainless
15 is the dominant factor in this marketplace.

16 As the Commission is aware NAS began
17 producing stainless steel bar with the opening of our
18 new state of the art stainless long products rolling
19 mill in 2003 when antidumping and countervailing duty
20 orders were already in place. We would not have
21 undertaken such a major investment in the United
22 States if unfairly traded imports were continuing to
23 have such a devastating impact on prices.

24 Also, when we decided to start a new
25 operation in the U.S. our goal was not only to ensure

1 that the facilities could be fully utilized, but also,
2 to ensure that the capital investment we make was
3 reasonable. To start a new bar operation no rational
4 producer would build a rolling mill with too little
5 capacity.

6 Although you may initially use just a
7 portion of the capacity the investment is long-term
8 with a goal of becoming an efficient producer and to
9 be as low cost and as competitive as you can be to
10 stay in business. Moreover, in building the rolling
11 mill that we did we knew we would use it not just for
12 bar but for stainless steel wire rod and for angle as
13 well.

14 Thus, many of the Respondents' briefs simply
15 exaggerate the nature of our operations. Respondents
16 allege that NAS has been a price leader. I would like
17 to set the record straight. NAS concentrates its bar
18 operations to produce primarily three commodity
19 grades, 304-L, 316-L and 303, and to sell these
20 products for a profit.

21 As part of our business model we are
22 constantly evaluating offshore pricing. When we are
23 faced with competition from our offshore competitors
24 who sell at lower prices we then evaluate whether to
25 lower our prices or to simply lose the business.

1 Therefore, our prices are only reduced when we are
2 forced to do so to compete with low priced imports.

3 In the face of increasing raw material costs
4 NAS has worked very hard to reduce our other costs and
5 to be an efficient producer of stainless bar. The
6 orders have allowed NAS to justify the sizable capital
7 investment we have made in our stainless long products
8 facility and have given us the ability to make
9 additional capital improvements.

10 If the orders are revoked, however, our
11 investments would be severely undermined putting
12 future investment, production and employment at
13 serious risk. Thank you.

14 MR. HARTQUIST: Thanks, Missy. Next is Mike
15 Eberth of Outokumpu Stainless.

16 MR. EBERTH: Good morning, my name is Mike
17 Eberth, and I am the Commercial Manager for Outokumpu
18 Stainless Bar. I've been in the business of selling
19 stainless steel bar on and off for the past 20 years
20 including several years with Republic Steel.

21 With all the other testimony you've heard
22 this morning my statement will be very brief and is
23 directed at addressing some of the comments made by
24 the Respondents about Outokumpu's recent capital
25 investments. We have recently invested a significant

1 amount of money, approximately \$25 million, to upgrade
2 our cold finishing equipment to be sure these
3 investments were not made lightly.

4 In this business to remain cost competitive
5 expensive state of the art equipment is not a luxury,
6 it is a necessity. No stainless steel producer can
7 stay in business for any length of time if it does not
8 have the ability to upgrade and maintain its
9 facilities.

10 Despite these significant investments,
11 however, the only way that we or any other U.S.
12 producer can get an adequate return on our investment
13 is if there continues to be pricing discipline in the
14 market. I do not believe that we would have been in
15 position to make our investments if the dumping and
16 countervailing duties on the European and Korean
17 producers had not been in place.

18 Perhaps more importantly for the purposes of
19 this proceeding, however, our investments and our
20 ability to secure an adequate rate of return on these
21 investments will be placed in jeopardy if unfairly
22 traded goods by the European and Korean producers
23 became unchecked.

24 For this reason we ask you to maintain these
25 orders. I truly appreciate the opportunity to appear

1 before you today and will be happy to answer any
2 questions.

3 MR. HARTQUIST: Thank you, Mike. Next is Ed
4 Blot.

5 MR. BLOT: Good morning, I'm Edward Blot,
6 President of Ed Blot and Associates. My company
7 provides consulting services to North American
8 producers, distributors and consumers of specialty
9 metals. As a regular part of these services I provide
10 market analysis and forecasts concerning stainless
11 products.

12 This morning I will address three topics
13 supporting the industry's position that the current
14 orders on stainless bar from the subject countries
15 should not be revoked. First, I will discuss the
16 product that is the subject of this review along with
17 the channels of distribution to the marketplace.

18 Second, I will present my forecast of demand
19 and pricing. Third, I will address some claims made
20 by the Respondents in their prehearing briefs. For
21 the benefit of some of the new Commissioners,
22 stainless bar is a straight length product of uniform
23 cross-section produced in a variety of shapes and also
24 including rebar.

25 Stainless bars are produced by hot forging

1 or hot rolling from ingots or billets, heat treating
2 for mechanical properties and then surface enhanced by
3 either descaling, turning or cold finishing for close
4 dimensional tolerances. Some ingots are melted a
5 second time in a controlled atmosphere to ensure
6 cleanliness and then processed as described above.

7 These production processes are basically the
8 same worldwide. Stainless bars are produced in many
9 different grades and many different sizes. They're
10 used in a wide variety of parts supplied to markets
11 like aerospace, automotive, chemical processing,
12 construction, energy, food processing and medical.

13 Some stainless bars are also used in
14 critical parts for defense and homeland security
15 applications. Unlike many other steel products that
16 are sold directly to end users, the U.S. market sales
17 of stainless bar are made primarily to large service
18 centers and mass to distributors that in turn sell to
19 smaller distributors or to end users.

20 The staff report indicates that in 2006 79
21 percent of the weighted average of domestic producers'
22 shipments and imports were sold to distributors. The
23 larger national service center chains purchase
24 stainless bar from both domestic producers and
25 importers, warehouse a wide variety of grades and

1 sizes and sell to both smaller service centers and to
2 end users.

3 Master distributors generally purchase from
4 trading companies who have affiliations with foreign
5 mills and sell primarily to service centers. Because
6 of the high substitutability, these distributors
7 inventory domestic and imported products side by side
8 in their warehouses. The channels of distribution
9 system affords distributors the opportunity to
10 inventory a full line of stainless bar products from a
11 wide variety of sources.

12 The nature of the distribution system,
13 however, has made it easier for distributors to import
14 large quantities of stainless bar. A typical business
15 philosophy is stated on the company website of
16 Specialty Steel Supply promoting their, "ability to
17 procure and source metals from all parts of the
18 world."

19 Now, I would like to discuss stainless bar
20 demand. All the Respondents paint a very, very rosy
21 picture of growth citing the increases in consumption
22 during 2004 and 2005 and stating that rate will
23 continue for years to come. They failed to mention
24 the steep decline from 2000 to 2003, and they failed
25 to mention that consumption has just returned to that

1 2000 level.

2 The industry would love to see the 2004 and
3 2005 growth continue. Unfortunately, the Respondents
4 are dead wrong. In 2006, the market consumption grew
5 a whopping one half of one percent, and my forecast
6 for consumption in 2007 is a decrease from 2006.
7 While I am forecasting some modest recovery in 2008,
8 the total growth over the three year period will only
9 be about one percent.

10 This is not significant growth as the
11 Respondents portray. It's basically no growth. There
12 are several reasons for my forecast decline in
13 consumption of stainless bar this year. First,
14 manufacturers of downstream products continue to
15 relocate to lower priced Asian countries.

16 Second, while some capital goods markets,
17 like aerospace and energy, will have increased demand
18 for products made from stainless bar, these new gains
19 will be offset by decreases in automotive and other
20 consumer goods products.

21 Lastly, as raw material prices continued to
22 rise last year and continue to rise through the first
23 half of this year the distributors were buying more
24 than required for their customers so as to build
25 inventory at lower prices than expected future

1 replacement cost.

2 That buying frenzy ended in the second
3 quarter this year. Destocking is occurring resulting
4 in reduced consumption for the second half of this
5 year. This is not some textbook theory, this is based
6 upon my continued market contacts with producers,
7 master distributors, national service centers and
8 major end users.

9 One major distributor told me in March that
10 he was not going to order material for the second half
11 of 2007 delivery beyond what was already on the books.
12 He just recently began ordering again but tells me
13 material will not be delivered until 2008. Last
14 September I appeared before the Commission to testify
15 in the sunset review for stainless bar from four
16 countries.

17 The Commission determined that the strong
18 growth in demand in 2004 and 2005 was unlikely to
19 continue. The Respondents have criticized the
20 Commission in their briefs and were also quick to
21 point out that I was wrong last year in forecasting a
22 slight decline in consumption for 2006.

23 As stated earlier, the market did not
24 decline last year but grew about one percent. When I
25 appeared before the Commission cash nickel prices in

1 the second quarter of 2006 averaged \$9.04 a pound, an
2 historic high at that time. The nickel forecasters
3 were predicting a decline which would have led to
4 destocking by the distributors resulting in
5 consumption declines.

6 Nickel didn't decline, nor did chrome or
7 molybdenum, and rose each quarter since then averaging
8 \$21.80 a pound in the second quarter of this year. As
9 stated earlier, buyers were not eager to place orders
10 at continued rising prices, and so finally, destocking
11 started.

12 When raw material prices started to decline
13 this past quarter there was still hesitancy to place
14 orders until some bottom was foreseen. This has led
15 to my 2007 forecast decline in consumption primarily
16 coming in the second half of this year.

17 The Respondents have stated that the rise in
18 stainless bar prices after 2003 have substantially
19 exceeded the increase in raw material costs. That
20 increase was due to a combination of base price
21 increases and surcharges which lagged raw material
22 costs. What a difference a year makes.

23 Offshore base pricing has declined this
24 year, and the domestic industry has been forced to
25 twice reduce base pricing of some standard grades and

1 sizes by a total of 17 percent since the second
2 quarter. Nickel finally started the expected decline
3 in the third quarter averaging \$13.70 a pound, a 37
4 percent decrease from the second quarter.

5 I don't need to be an economist to know the
6 combination of base price and surcharge reductions are
7 going to result in lower selling prices and profits
8 for the industry. The Respondents claim that imports
9 declined after the orders were initiated. This was
10 expected, especially since safeguards were also put in
11 place for all countries at the same time as the
12 orders.

13 Investments made during this time period
14 helped improve industry profitability the past two
15 years. The Respondents also claim that imports' share
16 of consumption remains below the level of the initial
17 period of review. They again need to review the data,
18 but regardless, import penetration for the last two
19 and a half years has been above 40 percent. This is
20 significant for any industry to combat, especially one
21 operating at about 50 percent of capacity.

22 The European producers claimed they sell
23 specialty grades into niche markets. During last
24 year's stainless bar review the staff report indicates
25 that 2005 domestic industry shipments of nonstandard

1 grades were 24 percent of the total. The German
2 producers claim that all patch grades are specialty
3 products.

4 Two of the standard grades reported are also
5 all patch grades putting the specialty grade total at
6 40 percent of industry shipments. Bottom line is that
7 specialty grade are a significant portion of the
8 market, and this is the target of the German and other
9 European producers.

10 Sandvik Bioline claims in their brief that
11 they're shipping bar into the medical market which
12 they state is insignificant at only one percent of
13 U.S. consumption by quantity. Even though the
14 quantity is small because of the revenue potential of
15 these high value products the medical market on a
16 value basis is significant.

17 BGH's claims in the German brief that they
18 have not engaged in significant dumping since past
19 administrative review findings are under one percent.
20 They further state that their imports would not
21 significantly increase if the orders were revoked
22 because the low duty does not prevent them from
23 currently doing so.

24 A major distributor told me that BGH is
25 doing everything they can to keep the duty low hoping

1 to eventually have the order revoked. They told this
2 distributor that they had the capacity to produce and
3 yield oil patch grades but while under orders will
4 only do so at oil patch heat treated prices so as to
5 not affect administrative review findings.

6 They also have the capacity to produce 300
7 series standard grades in four sizes, but for similar
8 concerns advised that they would not ship these
9 products while under order. To me, this sounds like a
10 producer willing to increase shipments not control
11 them if the orders are revoked.

12 Now, to summarize my comments, stainless bar
13 is a product that is fungible and generally
14 substitutable between subject imports and domestic
15 producers. For the three year period from 2005 to
16 2008 my forecast is for a total consumption growth of
17 less than one percent.

18 Further, since the second quarter of this
19 year both base prices and raw material surcharges are
20 declining. Finally, specialty products are a
21 significant part of the domestic producers' shipments,
22 and revoking the orders will result in losses of both
23 price and market share. Thank you.

24 MR. HARTQUIST: Thank you, Ed. Our final
25 witness is Michael Kerwin of GES.

1 MR. KERWIN: Good morning, I'm Michael
2 Kerwin of Georgetown Economic Services. This morning
3 I'd like to respond to a few key issues raised by the
4 Respondents in their prehearing briefs. First, the
5 Respondents have pointed, almost in unison, to the
6 ongoing depreciation of the dollar as a compelling
7 reason why they would be uninterested or unable to
8 ship to the U.S. market in the event of revocation.

9 In assessing these claims I would direct the
10 Commission to examine the record evidence from the
11 period of review. The staff report shows clearly that
12 the value of the dollar in relation to the Euro, the
13 pound, sterling and the Korean Yuan reached its period
14 of review peak in 2002.

15 From that point until the end of 2006 the
16 dollar lost roughly 40 percent of its value in
17 relation to each of these currencies. If a weakening
18 dollar really caused producers in the subject
19 countries to reduce export shipments to the United
20 States we certainly would have expected to see that
21 over this period, but that is not what we see.

22 Instead of declining volumes we see that
23 imports of stainless bar from France increased by 50
24 percent from 2002 to 2006, those from Germany
25 increased 108 percent, U.K. imports expanded 19

1 percent and if we look at the public statistics,
2 imports from Italy nearly doubled.

3 Only Korea, whose industry hasn't shown up
4 to make this exchange rate argument, showed a decline
5 in exports to the United States in this period. Given
6 the track record of the subject producers in all of
7 the European countries during the period of review,
8 Respondent assertions that a weak dollar means, "the
9 U.S. market could not possibly be the market of
10 choice," for European producers cannot be considered
11 credible.

12 Second, the Respondents have argued that the
13 domestic stainless bar industry is doing so well that
14 it could readily withstand renewed competition from
15 all producers in the subject countries. In assessing
16 these claims it's important to review the data from
17 the entire period of review.

18 As Mr. Blot has mentioned, U.S. consumption
19 of stainless bar only increased as much as it did from
20 2004 forward because it had fallen so precipitously
21 from 2000 to 2003. In fact, consumption would not
22 return to a level comparable to that in 2000 until
23 2005, and Mr. Blot's forecast for total consumption
24 this year is actually slightly lower than that shown
25 in 2000.

1 Please bear these facts in mind as you
2 consider the claims of dramatic growth in the U.S.
3 market. Further, almost every indicator of the
4 domestic industry's health was lower in the first half
5 of the period of review than during any of the years
6 of the original period of investigation.

7 Yes, things did improve in the second half
8 of the POR, but many indicators did not get back to
9 2000 levels until 2004 or 2005, and industry operating
10 profits for the POR as a whole amounted to just 4.2
11 percent of sales value, not exactly a stellar return.

12 Given the amount of capital investment
13 required to maintain competitiveness in this industry
14 Respondent assertions that the domestic industry had
15 "a strong financial condition" during the period of
16 review are off base. One of the more outlandish
17 claims made by the Respondents in their briefs is
18 that, "there is no prospect of product shifting should
19 the orders be revoked."

20 In point of fact, many of the subject
21 producers manufacture subject and nonsubject products
22 on common equipment. Such nonsubject products include
23 stainless wire rod and bar produced from other metals
24 such as alloy steels and tool steels. In some
25 instances, the volumes of nonsubject long products

1 produced far exceed the subject volume, meaning that
2 large tonnages of capacity could readily be shifted
3 toward stainless steel bar in the event of revocation.

4 I'd also like to discuss the issue of
5 relative pricing in the U.S. market versus that in the
6 Respondents' home and third-country markets. As we
7 discuss in our brief there are several forms of
8 pricing evidence on the record, and that evidence
9 generally indicates that U.S. pricing tends to be
10 higher than that in most of the relevant home and
11 third-country export markets.

12 Now, you would not know this from the
13 Respondents' briefs because they cite to one source of
14 information only, and they conveniently gloss over the
15 fact that even those data are mixed. Let's discuss
16 some of the public price evidence.

17 The staff report shows that for shipments
18 from the subject countries as a whole exports of
19 stainless steel bar to the United States reflected the
20 highest average unit values of any of the regional
21 export markets or the home markets in every year of
22 the period of review, that is from 2001 through 2006.

23 Remember, these are based on data provided
24 by the foreign producers themselves. A second source
25 of evidence comes from the data of the Italian

1 producers of stainless bar, the only set of industry
2 data that were released in the public staff report.

3 These also show that the average unit values
4 of exports of stainless bar from Italy to the United
5 States were higher than shipments to the Italian
6 market and to all regional export markets in each of
7 the years 2001 through 2006.

8 I should emphasize that in both of the
9 examples that I've mentioned to you the average unit
10 values to the United States were consistently higher
11 than those to the European Union, the region which
12 essentially all the participating producers have
13 pointed to as their primary export market.

14 A third form of evidence on the relative
15 attractiveness of pricing in the U.S. market comes
16 from the *Global Trade Atlas* export data included in
17 the staff report. These data show that exports of
18 stainless bar from France and from Italy to the United
19 States reflected the highest AUVs of any export market
20 in each of the years of the period of review.

21 Similarly, export AUVs from Korea to the
22 U.S. exceeded those to any other market in each of the
23 years 2004 through 2006, while those from Germany to
24 the U.S. were higher than to all export markets other
25 than Switzerland for each of the years 2001 through

1 2003.

2 Finally, exports from the U.K. to the United
3 States did not show dramatically high AUVs, but in
4 2006, they were above the average of stainless bar
5 exports from the U.K. The last pricing data come from
6 two different proprietary sources that I cannot
7 discuss in detail here, but between those two sources,
8 there's mixed information on relative pricing for
9 stainless bar in the U.S. and European markets.

10 I will note that to the extent that one of
11 the sources show higher prices in Europe, that appears
12 to reflect the differing distribution systems in the
13 United States and European markets, with U.S. prices
14 predominantly reflecting sales to distributors, and EU
15 sales primarily to end users.

16 In their brief, the German Respondents
17 address this issue, but they do not dispute the basic
18 accuracy of the observation that sales in the two
19 markets take place at differing levels of trade.
20 Rather, their assertion is that whether a sale is
21 being made to an end user or a distributor,
22 manufacturers realize higher prices in Europe.

23 In point of fact, however, when a
24 manufacturer handles its own distribution to the point
25 of sale to an end user, it incurs all the costs that

1 any other distributor incurs. Those costs must be
2 backed out in order to derive true net prices realized
3 by the manufacturer.

4 We, of course, don't have sufficient
5 information to make that adjustment. Because of this
6 limitation, the pricing data from this source amounts
7 to an apples to oranges comparison.

8 Having been through a number of these sunset
9 reviews, it seems almost invariably the case that
10 comparative pricing data between markets are less
11 precise than we would like. In the current case, I
12 would submit that if one takes the totality of pricing
13 information into consideration, pricing in the U.S.
14 market appears to be relatively high as a general
15 proposition.

16 Now one could quibble with the use of
17 average unit values in assessing relative pricing
18 between markets, and there may be some validity to
19 such criticism. However, if the higher AUVs in the
20 U.S. market reflect a product mix difference, the data
21 at least shows that the products being sold in the
22 U.S. market are toward the higher end of the value-
23 added spectrum, which is where most stainless bar
24 mills would prefer to be selling, due to better profit
25 margins.

1 Thus, whether reflective of higher prices
2 for directly comparable merchandise or of a more
3 lucrative product mix, this data indicates that the
4 U.S. market is very attractive to the subject
5 producers in relation to other markets.

6 As you heard this morning from Mr. McGarry,
7 he confirmed from his own professional experience that
8 U.S. prices for stainless bar are higher than those in
9 Europe.

10 Finally, I want to mention one other issue
11 in relation to the pricing data. While the
12 Respondents protest vociferously that the producers no
13 longer subject to the orders should be considered in
14 the Commission's analysis, they point to the pricing
15 data in the staff report, which is based on the data
16 of both subject and non-subject producers as
17 supporting the argument that under-selling is limited
18 and, therefore, there would be no price effects if the
19 orders were revoked.

20 In our pre-hearing brief, we have analyzed
21 the pricing data with the non-subject producers
22 excluded and, suffice to say, a very different picture
23 emerges. In assessing the likely price effects, the
24 analysis should be limited to the pricing actions of
25 the producers that remain subject to the orders.

1 Thank you, that concludes my testimony.

2 MR. HARTQUIST: Mr. Chairman, that concludes
3 our direct testimony. I do have some summary remarks,
4 but I'll save those for rebuttal and closing, if I
5 may. I'll ask the Secretary for a time check at this
6 point, please?

7 MR. BISHOP: You have six minutes remaining.

8 MR. HARTQUIST: Thank you very much.

9 CHAIRMAN PEARSON: And, of course, you may
10 retain that time for the end.

11 I'd like to greet this panel. We appreciate
12 your efforts to get here, including one European who
13 has made the long flight. It's been an informative
14 start. We will begin the questioning this morning
15 with Vice Chairman Aranoff

16 VICE CHAIRMAN ARANOFF: Thank you, Mr.
17 Chairman. I join the Chairman in welcoming everyone
18 on this morning's panel. We appreciate very much your
19 taking the time away from your business to help us to
20 understand what's going on in this case.

21 Mr. Hartquist, I note that in your opening
22 statement this morning, you said that the condition of
23 the U.S. industry today is not materially different
24 from one year ago, when we were looking at another set
25 of orders on this product.

1 But in that case, the Commission found that
2 the domestic industry was not vulnerable, referring
3 specifically to the industry's healthy profit levels
4 for two years, and the industry's ability to pass
5 through cost increases in the form of price increases.
6 Neither of those things has changed on the current
7 record, although there's now been a third year of
8 healthy profits on the record.

9 So is your argument that we should, as we
10 did in last year's case, find that continuation or
11 occurrence of injury is likely dispute the condition
12 of the domestic industry? I mean, is that basically
13 your argument; that we should be looking at the
14 volumes that are going to come in, rather than the
15 condition of the industry, as the primary focus?

16 MR. HARTQUIST: No, it's not solely that,
17 Madam Vice Chairman. I think that particularly in Mr.
18 Blot's testimony with respect to his forecast as to
19 what's going on in the market and what is expected for
20 the remainder of this year and into 2008, that the
21 industry is now in a more vulnerable position than it
22 was a year ago.

23 VICE CHAIRMAN ARANOFF: And you would make
24 that argument because of the demand forecast.

25 MR. HARTQUIST: Yes, exactly -- and in

1 addition to that, we have entrants that are in the
2 market today from the countries that we're looking at
3 today, that were not there before. A number of these
4 companies have increased their position in the United
5 States' market very significantly over the past year.

6 VICE CHAIRMAN ARANOFF: Okay, Mr. Carlson, I
7 saw you raise your hand back there; go ahead.

8 MR. CARLSON: I can support that
9 documentation. I can tell you for a fact that
10 Valbruna's position this year is worse than a year
11 ago, as far as condition. We've seen decreasing
12 orders greatly in the second half of the year. We
13 will finish the second half of the year in total,
14 somewhere around 25 percent reduction in total orders
15 for our company. So that's supportive data; thank
16 you.

17 VICE CHAIRMAN ARANOFF: Okay, and I know
18 that one of the things that Mr. Blot talked about was
19 that there's an inventory correction that's going on,
20 and that that's one of the reasons that people's sales
21 are down. Now inventory corrections are a pretty
22 normal event in this industry; are they not?

23 MR. BLOT: Could you repeat the last part?
24 I'm sorry, Commissioner.

25 VICE CHAIRMAN ARANOFF: You mentioned that

1 there's an inventory correction going on right now,
2 that distributors have high inventories, and so
3 they're waiting awhile before they start buying again;
4 and that that's what is affecting demand this year and
5 perhaps reducing domestic producers' sales.

6 Isn't that a normal event in this industry
7 in inventory correction, and don't they usually work
8 their way out of the market in three or six or however
9 many months?

10 MR. BLOT: Commissioner, that's correct.
11 But when you are trying to look at a short period of
12 time, that's again why when I was looking at the
13 market last September when I was here. I thought the
14 de-stocking was going to be starting at that time we
15 were into it. It just kept going the other way. They
16 kept, you know, re-stocking.

17 So you are right, in time that will work its
18 way out. But when you're looking at the overall
19 market as such, you still have to look at what is
20 going to happen over the short run, meaning the next
21 year or year and-a-half. That's why we're in this de-
22 stocking now.

23 I just want to make sure that the
24 Commissioners understand that this is not a market
25 that's growing like it was in 2004 and 2005. That's

1 what I'm reading in the briefs of the Respondents;
2 that this thing is going to continue to grow at, you
3 know, some expedient rate, and it's not.

4 Even when the de-stocking is over, we're
5 talking about very, very modest growth, because we
6 still have the fact that end users are losing
7 business, you know, in making parts to a lot of the
8 Asian producers who have lower prices into the market
9 place.

10 Again, I'm not taking into account the fact
11 that we could go into recession next year. That is
12 not even in my forecast. If we do go into recession
13 next year, it's even going to be worse than what I'm
14 predicting right now. But no one is saying we're
15 going to be in a recession, so I don't have that in my
16 analysis.

17 What I strictly look at is the de-stocking.
18 I look at the shifting that goes on with regards to
19 the different markets. Some markets are growing, some
20 markets are shrinking, and I try to put together the
21 best forecast I can. You know, you do it a couple
22 times a year, and hopefully you get it right most of
23 the time.

24 VICE CHAIRMAN ARANOFF: Okay, well, help me
25 to separate then, because I think that this will be

1 helpful for us. You know, reductions in demand -- I'd
2 like to put aside the issue of inventory restocking,
3 because that's a more short-term phenomenon that
4 history tells us will come and go, even if we can't
5 predict exactly when, and look more at these longer
6 term trends that you're talking about.

7 I don't know if you've already put this on
8 the record. But can you help me to understand,
9 because you mentioned that demand may be increasing in
10 some end use sectors, but declining in others. It
11 would be helpful for me to have a sense of, you know,
12 what percentage of the stainless bar market in the
13 U.S. is in these various end uses, where each of them
14 is going, and have something on the record on that.

15 Because most of the public information that
16 we have in our records so far is pretty positive
17 demand forecast, looking at the market overall. So it
18 would be helpful to have it broken down.

19 MR. BLOT: What I'll be glad to do for the
20 Commissioner in a post-hearing brief is give you my
21 detailed analysis of the end user market. I prefer
22 not to do that publicly, because I'm able to charge
23 some folks some money for that, if you can appreciate
24 that. But I'll be glad to do that.

25 I can tell you that, I mean, basically, if

1 you put it to two categories, you know, consumer goods
2 are somewhere in the neighborhood of 25 to 30 percent
3 of the total market; and capital goods, if you say
4 that's the rest of the market, might be, you know, 70
5 percent of the market.

6 But I can give you my breakdown of the
7 various markets that I just talked about in my
8 testimony, and will be glad to do that in a post-
9 hearing brief.

10 VICE CHAIRMAN ARANOFF: Okay, that would be
11 very helpful. I understand that your sources are
12 basically from talking to people in the industry.

13 MR. BLOT: I'd be happy to do that.

14 VICE CHAIRMAN ARANOFF: Okay, that would be
15 helpful. Now can you just tell me -- because rebar is
16 part of the like product in this case -- rebar is
17 going into construction applications?

18 MR. BLOT: That's correct, Commissioner. I
19 can let certainly the folks from both Carpenter and
20 North American Stainless and also Universal talk in
21 more detail on that. But basically, it is going to
22 construction.

23 Primarily, rebar is going into bridge deck
24 applications, where there's been unfortunately, you
25 know, failures as such. It's when you have salt

1 conditions. It could be salt conditions from a
2 southern state, coming off the ocean, or it could be
3 the salt that we put here in the Northern States to
4 melt the snow.

5 They basically get into the current carbon
6 steel, epoxy-coated rebar and start to eat away at
7 that, and that's what is causing some of the failure.
8 So stainless steel replaces that, and it's got every
9 bit the strength, and in some cases is stronger than
10 carbon steel.

11 That primarily where you see it. You'll see
12 it in parking desks. You'll see it in the other
13 applications. You'll see it, and not to a great
14 extent -- but if any of you ever had an MRI scan as
15 such, and if you're in a new hospital wing and it's
16 built with concrete, you don't want to put any kind of
17 carbon steel reinforcing bar in that concrete, or else
18 it will mess up our tests. So you have to put a non-
19 magnetic rebar in there, and that's where stainless
20 comes in.

21 VICE CHAIRMAN ARANOFF: Okay, and you were
22 counting that in the capital goods part of the market,
23 as opposed to consumer goods, when you were dividing
24 up the market?

25 MR. BLOT: I'm sorry, that would be in the

1 capital goods market, yes. I define that by
2 construction. I'll give you some of those details
3 when I give you my post-hearing information.

4 VICE CHAIRMAN ARANOFF: Okay, I don't know
5 if there are any of the producers who are in the rebar
6 part of the market who want to talk a little bit about
7 demand; how much of the market is that, and what
8 demand looks like in that part of the market?

9 MR. MCGARRY: I'm sorry, from Carpenter's
10 perspective, what we really see in the rebar market is
11 an opportunity to sell the characteristics of
12 stainless and the attributes that it brings, such as
13 extended life cycle, enhanced corrosion resistance and
14 all of the attributes.

15 The real decision, however, is made at a
16 design level, and it's ultimately driven to a large
17 degree economically. What we see very clearly is, as
18 nickel pricing increases, the desirability to use
19 stainless rebar decreases, because of the economic
20 side of it.

21 VICE CHAIRMAN ARANOFF: Okay, did anyone
22 else want to comment on that, before my time is up;
23 Ms. Bilz?

24 MS. BILZ: I would just go along with what
25 he said. It's a very small part of our business. I

1 think due to the nickel prices being so high, people
2 tend not to look at that product.

3 VICE CHAIRMAN ARANOFF: So that means that
4 if you're building a bridge, you can choose to make
5 the bridge more durable by buying this product; but
6 you can choose not to?

7 MS. BILZ: That's correct, unfortunately.

8 VICE CHAIRMAN ARANOFF: I should ask someone
9 what they're putting in that new bridge that they're
10 putting across the Mississippi.

11 (Laughter.)

12 MR. MCGARRY: I can answer that question.
13 It's not stainless.

14 VICE CHAIRMAN ARANOFF: I don't think I want
15 to know that.

16 (Laughter.)

17 VICE CHAIRMAN ARANOFF: All right, thank you
18 all very much.

19 CHAIRMAN PEARSON: And you don't go to
20 Minneapolis very often either.

21 (Laughter.)

22 CHAIRMAN PEARSON: Commissioner Okun?

23 COMMISSIONER OKUN: Thank you, Mr. Chairman;
24 and I join my colleagues in welcoming all of you here,
25 and many of you, welcome back. I appreciate you

1 taking the time to answer these questions and submit
2 information for our review.

3 Mr. Blot, let me just follow-up on a couple
4 other demand questions, both in your testimony in
5 response to the Vice Chairman. I think I understood
6 most of what you were saying.

7 But I just want to be clear, when we are
8 looking at this record, when you were saying that you
9 believe 2007 is going to finish off, I think you said,
10 less than one percent growth from 2006. Did I hear
11 your correctly?

12 MR. BLOT: Let me clarify. What I was
13 saying is that 2006 versus 2005 was less than one
14 percent. It was one-half of one percent. I'm saying,
15 this year, 2007, will be down versus 2006; about two
16 and-a-half percent for the total year.

17 COMMISSIONER OKUN: Okay.

18 MR. BLOT: The bulk of that is happening in
19 the second half.

20 COMMISSIONER OKUN: Okay, and just so I'm
21 positive on this, you're predicting something that is
22 a prediction, because it's not in any of our record
23 evidence at this point. In other words, on the cut-
24 off and when we collected data, we see something much
25 different than what you're predicting. So there would

1 have to be a very big downturn in the second half to
2 come up with that number, if I look at this data.

3 MR. BLOT: That's correct, Commissioner.
4 But again, what was happening during the first half,
5 again, it was going on late last year through the
6 first half of this year; and that was why the raw
7 material costs going up the way that they were, people
8 were trying to bring in material. This is the
9 stocking and de-stocking that Commissioner Aranoff was
10 trying to understand a little bit with the inventory.

11 Eventually, it works its way out. But for
12 any period of time you're looking at, in the first six
13 months of this year, it looks like the market is
14 exploding. But it is not exploding when you look at
15 what's happening in the second half of the year.

16 We already know four months' worth of
17 imports -- we already know what the import data is,
18 full statistics for July and August. We have the
19 flash report for September, and we have the SEMA data
20 for October. You know, you take that, and I'm even
21 increasing a little bit of imports in November, down a
22 little in December.

23 But I've got those pretty well down, and I
24 talked to all the producers here. They don't give me
25 all the details of their exact shipments. But I have

1 a pretty good feel for what they're doing.

2 You just heard from Mr. Carlson. He said
3 that his shipments were going to be down 25 percent in
4 the second half of this year, versus the first half of
5 this year. I'm telling you, the overall market is
6 going to be down about 15 percent. So he is atypical.
7 He's on the high side of that.

8 I mean, you can have these adjustments
9 occurring, and it can happen pretty significantly.
10 But I just didn't want, when you read the staff report
11 and when you read the Respondents, you getting the
12 impression this market is growing and growing and
13 growing, and it's not. It's playing with people
14 bringing in inventory to beat the price.

15 COMMISSIONER OKUN: Okay.

16 MS. ABBOTT: Commissioner?

17 COMMISSIONER OKUN: Yes.

18 MS. ABBOTT: Mr. Gugino has a comment.

19 COMMISSIONER OKUN: Yes, please.

20 MR. GUGINO: I would just like to support
21 Mr. Carlson and Mr. Blot's comments, as well; that
22 Universal's second half order entry is considerably
23 down. I don't know to what extend it is, but it is
24 down over what it was the first half.

25 COMMISSIONER OKUN: Yes, and we have another

1 hand up there. Is that Mr. Simmons?

2 MR. SIMMONS: Yes, this is Jack Simmons,
3 Electralloy. I'd like to say, you know, I deal in
4 real numbers. The second half of 2007 is lower than
5 the first half of 2007, and 2007 will finish double
6 digits behind 2006 for Electralloy. But it's been a
7 very slow second half of the year.

8 COMMISSIONER OKUN: Yes, Mr. McGarry?

9 MR. MCGARRY: Much the same as everyone here
10 has been describing, I guess an analogy to consider
11 is, when you're looking at the macro side of it,
12 consider that the news on the housing front and, in
13 turn, what's happening in terms of consumer spending.

14 The analogy that we like to use is that
15 unfortunately, there is a correlation between the
16 folks that build houses and buy new vehicles. They're
17 doing neither right now, and that's well founded in
18 the numbers that I think we're all seeing.

19 COMMISSIONER OKUN: On that breakdown
20 though, the consumer side versus the business side,
21 what figure did you just give, Mr. Blow, on the
22 breakdown on what percent of the market is automotive
23 versus consumer?

24 MR. BLOT: Okay, Commissioner, what I was
25 saying is that if you take all the markets, and say

1 they're either consumer goods markets or they're
2 capital goods markets -- and I'll get the details of
3 those things -- but basically, you're looking at
4 consumer goods, somewhere in the neighborhood of 25 or
5 maybe 35 percent of the total bar market.

6 If all the other markets you consider to be
7 capital goods, like aerospace and energy and so forth,
8 then that would be basically 70 or 75 percent of the
9 total market for stainless bar last year.

10 COMMISSIONER OKUN: Okay, and again, I'm
11 also interested in the breakdown that the Vice
12 Chairman requested with regard to what you see going
13 on in those end user markets. Because again, you have
14 a 2008 forecast. If I understood your 2008 forecast,
15 you forecast recovery, not large growth. So de-
16 stocking finishes out this year in 2008?

17 MR. BLOT: Correct, the inventory adjustment
18 that is taking place, the de-stocking, will be over
19 some time -- and it depends on the individual customer
20 -- but it will be some time between the end of this
21 year and the first quarter of next year.

22 So the end user demand, you know, is going
23 to be there. We're going to still have some consumer
24 goods products that are going to be down. You'll read
25 in the paper, and you'll understand. It's like Mr.

1 McGarry said, you're going to have automotive down and
2 you're going to have other housing down. So that's
3 going to be down next year.

4 Also, when you have automobiles shifting
5 from SUVs into sedans, you've got less stainless steel
6 that going to go into an airbag; less stainless steel
7 that's going to go into an intake valve; less
8 stainless steel that's going through a fuel injector,
9 because it's a smaller car. So even if you had the
10 same production, you're still going to have a down
11 shift on that.

12 So that's kind of what I try to look at with
13 the different markets, as such. The stainless bar
14 market is very difficult to try to get a good handle
15 on, which is why I can charge some money for that.

16 COMMISSIONER OKUN: Okay, well, I will look
17 forward to seeing that. Let me then turn to demand in
18 the European market; and obviously, we'll have a
19 chance to talk with our Respondents about that.

20 But maybe I should start, not with the
21 European market, but if you can just clarify for me,
22 Mr. Kerwin, some thoughts. This is not a case where
23 China is coming in and displacing in great guns. I
24 mean, this is not a China-on-the side case?

25 MR. KERWIN: Well, I think your observation

1 is reasonably accurate in terms of, we did not play up
2 the China role in our pre-hearing brief or in our
3 testimony this morning.

4 China is out there. China is an area of
5 concern. The European countries typically not are
6 shipping tremendous volumes to China. Korea has
7 traditionally shipped a lot of volume to China.

8 But we discussed this yesterday and, in
9 fact, some of the recent information indicates that
10 China has actually become an exporter of stainless
11 bar, as of 2006. As in so many other steel and
12 specialty steel applications and areas of the
13 industry, the Chinese capacity in stainless bar has
14 grown much more quickly than consumption in China.

15 So you're seeing a displacement of imports
16 by that domestic production; and now we've reached a
17 point where significant volumes are being exported
18 from China, and the exports are exceeding the imports.

19 So it is definitely a concern that is out
20 there. There are stainless bar imports entering the
21 U.S. right now from China. Specifically in the
22 immediate context, I think we're certainly concerned
23 that the growth in exports from China will displace
24 third country exports; certainly for Korea and also
25 for the European producers, as well.

1 I'd like to point out that we included in
2 our brief recent press coverage of the fact that the
3 stainless long products industry in Korea is currently
4 considering whether they should bring an anti-dumping
5 action in relation to Chinese imports of long products
6 into Korea.

7 So it's already an issue within the Korea
8 market, and can only become more of an issue in those
9 third country export markets, as well as a concern in
10 relation to imports directly into the United States.

11 COMMISSIONER OKUN: So for post-hearing, I
12 assume you're going to put in the data; at least the
13 data that we had reviewed was not clear where China
14 was in terms of exports versus imports --

15 MR. KERWIN: That's correct.

16 COMMISSIONER OKUN: -- and to the extent
17 that it's available, any consumption data looking
18 forward, as well.

19 MR. KERWIN: We'd be happy to do that.

20 COMMISSIONER OKUN: My yellow light has come
21 on, but I do want to talk about Europe. Mr. McGarry,
22 you had started to talk a little bit about that. But
23 you know, there have been a number of news articles
24 indicating that for the first time in a long time, the
25 EU and the United States may not be moving in the same

1 direction; that there's not a pull-down, yet. Do you
2 see that, when you look for carpenters or when you're
3 looking at the EU market?

4 MR. KERWIN: I'm sorry, could you restate
5 that? A pull-down meaning?

6 COMMISSIONER OKUN: There are a number of
7 news articles saying that, you know, usually the U.S.
8 drags down the rest of these world economies. In
9 fact, we have not yet seen that; in that the EU has a
10 different demand forecast going forward. I wonder if
11 you think that's consistent with what you've seen in
12 that market?

13 MR. KERWIN: It's very market dependent.
14 These different end markets that we're talking about,
15 Aerospace is an example. We see demand being very
16 similar in both regions. We do see different
17 consumption patterns in automotive, as an example,
18 which correlate to differences in sales levels.

19 COMMISSIONER OKUN: Okay, I'm going to want
20 some more details on that, but my red light has come
21 on. So I'll come back on another round; thank you,
22 Mr. Chairman.

23 MR. KERWIN: Okay.

24 CHAIRMAN PEARSON: Commissioner Lane?

25 COMMISSIONER LANE: Good morning, it seems

1 like only yesterday we were here, talking about
2 stainless steel bar.

3 Let me talk about the original investigation
4 in 2000. If the orders were revoked, is it your
5 position that the subject imports would be likely to
6 increase to the pre-order level or greater? And
7 please explain what factors lead to your conclusion.
8 Mr. Blot, why don't we start with you?

9 MR. BLOT: Just so I'm clear, you're asking
10 if the imports from the producers are currently under
11 order?

12 COMMISSIONER LANE: Okay, yes, I'm sorry --
13 the cumulated subject imports that are the subject of
14 this order.

15 MR. BLOT: If the orders are revoked, what I
16 am saying is that yes, the imports would be
17 increasing. Let me check my notes here to see to what
18 level they're going to get to here.

19 COMMISSIONER LANE: Okay.

20 MR. BLOT: Could I come back to you, or
21 could you come back to me on that?

22 COMMISSIONER LANE: Yes, does anybody else -
23 - Mr. Kerwin, do you want to take a stab at that?

24 MR. KERWIN: Sure, I'd be happy to. In my
25 mind, in looking at this issue and assessing what's

1 likely to happen if the orders are revoked, I tend to
2 look at the five individual countries before we get to
3 the issue of the cumulated volume.

4 The picture that we have is that, of course,
5 none of the Korean producers have been excluded from
6 the orders. One fairly minor German producer has been
7 excluded from the orders. So the vast majority of the
8 German industry is still subject to the order.

9 In Italy, we have one relatively large
10 producer, who is no longer subject to the order, and a
11 couple of smaller producers. But we also have a
12 number of significant producers in Italy; one of which
13 you heard directly about this morning is very active
14 in the United States in aggressively pricing their
15 product in the United States.

16 Another company, which is a very, very
17 significant producer of stainless bar, namely Cogne --
18 and according to the staff report, there's a chart
19 there, a public chart that shows that Cogne is the
20 third largest producer of stainless steel bar in the
21 entire world.

22 I also went back and looked for some
23 evidence from the original investigation, and we don't
24 have the full proprietary record from the original
25 investigation. But I was able to find some

1 information from our petition that we filed in that
2 case.

3 That petition showed that Cogne was the
4 largest exporter of stainless steel bar from Italy to
5 the United States at that time. Italy, of course, was
6 the largest exporter of stainless steel bar to the
7 United States at that time.

8 So you're talking about a very, very
9 significant producer in Italy that is still subject to
10 this order; one of the largest in the entire world,
11 and accompanied with tremendous long products
12 capacity. It's very well documented in a company
13 that's certainly very well capable of shipping to the
14 United States, and a company that has chosen not to
15 ship to the United States, because it has been unable
16 to do so, because it has been slapped with a very
17 significant anti-dumping margin.

18 Then the two remaining countries are France
19 and the U.K. In both of those countries, yes, there
20 is one significant producer in each of those countries
21 that is no longer subject to the orders. But our
22 point of view on this is, we conceded those companies
23 are no longer subject to the orders; and they're not
24 the focus of our case. In fact, we're somewhat
25 surprised that they're even here; that they feel it

1 necessary to speak to the Commission this morning,
2 considering that they are no longer subject to the
3 orders.

4 But the point is that there are still some
5 significant producers in both the U.K. and in France;
6 and as you've heard from people in the industry, these
7 people, these companies are aggressive. They have
8 come on in the United States much more aggressively in
9 the last several years. They are out there and they
10 are definitely a concern, and it's a very real concern
11 in relation to the question of revoking the orders.

12 So I think if you go then from the detail of
13 the individual country, and look at the big picture of
14 accumulated profile of what is likely to be shipped
15 here, the volumes indeed are quite significant, and
16 certainly could come back to the levels or in excess
17 of those at the time of the original investigation.

18 COMMISSIONER LANE: Okay, specifically, I'd
19 like to know if you think they're going to come back
20 to the pre-order level or increase. If you think
21 they're going to come back to either one, why do you
22 think that that will happen? Is it because they have
23 the capacity? Is it because of our prices, or is it
24 demand, or a combination of all three?

25 MR. KERWIN: A combination of factors -- one

1 of the things we just mentioned is a concern about
2 China displacing shipments to third country markets,
3 and even directly shipping to the European market and,
4 of course, to the Korean market. That's one.

5 Two is pricing. As we've discussed this
6 morning, we believe that U.S. pricing is more
7 attractive than that in Europe or in Asia. So even if
8 a company is producing flat out and at 100 percent of
9 capacity, it has the option of changing its sales
10 patterns and shifting its product from wherever they
11 are currently shipping to the U.S. market; and that
12 would be a rational decision if pricing here is higher
13 than in the markets to which it's currently shipping.
14 That's a very significant attraction.

15 The demand characteristics of the U.S.
16 market and the European market, we don't think that on
17 balance that they're going to be radically different.
18 So the U.S. market does remain very attractive to all
19 of these subject producers.

20 The other thing I wanted to mention is the
21 issue of product shifting. Some of these companies
22 have massive, massive capacities to produce long
23 products or bar. It is not a stretch by any
24 definition to change your production from producing
25 tool steel bar to stainless steel bar. That's just a

1 matter of the difference of the alloy that you're
2 running through your line. But it's the exact same
3 production process and the exact same equipment.

4 So to the extent that the stainless bar
5 becomes more attractive vis-a-vis pricing -- and that
6 will happen, once the dumping orders are done away
7 with -- then certainly these companies have a major,
8 major incentive to shift their product mix towards
9 stainless steel bar; again, even if we buy their
10 arguments that they're at 100 percent of capacity.

11 COMMISSIONER LANE: Okay, thank you; Mr.
12 Blot, did you want to add anything to that?

13 MR. BLOT: Very little, Commissioner, other
14 than just to restate, yes, I think that the producers
15 that are on the order and then the "all other"
16 categories would return to at or above the level that
17 they were, for the reasons that Mike had just
18 indicated as such; again, because you also have had
19 new entries coming into the U.S. and the countries
20 that are currently on the order.

21 You've heard testimony about Langley Alloys.
22 You've heard testimony with regards to Ascometal.
23 Those people were not shipping in stainless steel bar
24 in the original investigation. They have since found
25 the U.S. market. So that adds to those people like

1 Cogne, who are already under order, and would come
2 back in if the duties were revoked.

3 MR. HARTQUIST: Commissioner Lane, if I may
4 make just a brief additional comment to what the
5 gentleman has said, we can't discuss Table IV-1 from
6 the staff report.

7 But if you look at the data there, you will
8 see that the confidential data indicates that imports
9 from the subject countries have been increasing quite
10 significantly during recent years; and are really
11 poised, we believe, to increase very substantially,
12 based upon the factors that Mr. Kerwin has mentioned -
13 - their capacity, their ability to ship, and their
14 desire to be in the market today, even with the
15 dumping duties that are currently in effect.

16 COMMISSIONER LANE: Okay, thank you; in the
17 original investigations, the Commission found that the
18 subject imports both depressed domestic industry
19 prices and suppressed needed domestic industry price
20 increases.

21 If the orders were revoked, is it your
22 position that the subject imports would be likely to
23 again depress and suppress domestic prices to a
24 significant degree? If so, please explain.

25 MR. SIMMONS: Jack Simmons, Electralloy.

1 There's no doubt in my mind that if the orders are
2 revoked and limited that the pricing pressure will be
3 downward. The excess capacity exists and, you know,
4 the business model of being export oriented,
5 especially to this attractive market in the U.S., will
6 certainly occur.

7 COMMISSIONER LANE: Okay, Mr. Kerwin or Mr.
8 Blot, do you want to add anything to that; Mr. Kerwin?

9 MR. KERWIN: I would add that in our pre-
10 hearing brief and in our Exhibit 8, we examined the
11 pricing data for the subject and non-subject imports;
12 and I would recommend you take a look at that. I
13 can't really say much more than that, but I think it's
14 relevant to this issue.

15 COMMISSIONER LANE: Okay, thank you; thank
16 you, Mr. Chairman.

17 CHAIRMAN PEARSON: Commissioner Williamson?

18 COMMISSIONER WILLIAMSON: Thank you, Mr.
19 Chairman -- I, too, want to welcome the witnesses and
20 thank them for their testimony.

21 I first would like to try to get a better
22 handle on the importance of the specialty sector --
23 particularly the stainless steel for medical products.

24 Mr. Blot, I think you gave us a figure for
25 the volume of shipments, how large that market is in

1 the U.S. Then you just said the value was much more
2 significant. But you never really said how
3 significant is significant, percentage-wise.

4 MR. BLOT: Commissioner, well, I was
5 actually quoting the Sandvik Bioline brief. They said
6 that the consumption of stainless bar in the medical
7 market was about one percent of the U.S. market
8 consumption. I would agree that that's a reasonable
9 number from the work that I've done.

10 They also state in their brief that the
11 selling prices are 300 to 700 percent higher than
12 standard grades. So if you look at it from a value
13 standard, what you're really looking at is a market
14 that's somewhere between three to seven percent on a
15 value basis; one percent on quantity, and maybe three
16 to seven percent on value. I'm quoting their numbers.
17 But again, I think that they're reasonable in the way
18 that they're looking at it.

19 COMMISSIONER WILLIAMSON: I think several of
20 the producers here said that medical bar was very
21 important to them. I was wondering if we could get
22 maybe for post-hearing a table that shows who the
23 domestic producers are, how important is this market
24 to them; and then showing the European companies that
25 are exporting here, what they're competing against for

1 this, and whether or not they're subject or not to the
2 orders. That's just so we can get a better picture.

3 It's almost like you're saying, this is an
4 area where we're still vulnerable and we're going to
5 be hit if the orders are lifted. I just want to get
6 that quantified.

7 MR. HARTQUIST: We'll be happy to do that,
8 Commissioner.

9 COMMISSIONER WILLIAMSON: Okay, thank you.
10 I was wondering, I know Mr. Kerwin has talked about
11 the fact that there's been a gradual appreciation of
12 the euro against the dollar.

13 It's almost as if you're saying that people
14 usually talk about a lag effect, in terms of exchange
15 rates. It's almost as if you're saying that this is
16 not a factor here, because it's been in the market for
17 such a long time. Now I wonder if you could clarify
18 that, because we are talking about the euro having
19 peaked at this point.

20 MR. KERWIN: Well, the point of my testimony
21 was that the U.S. dollar was roughly 40 percent of its
22 value, 2002 to 2006, in relation to, let's just
23 discuss specifically, the Euro; and that this had no
24 apparent effect on import volumes, specifically of
25 stainless steel bar from any of the subject countries.

1 So if we didn't see that impact of a decline
2 in the value of the U.S. dollar during that period,
3 why would we believe the Respondents' arguments that
4 this is a huge impediment for them, going forward? It
5 hasn't happened historically over the last four years.
6 So I don't find that argument of theirs very credible.

7 COMMISSIONER WILLIAMSON: Mr. McGarry, do
8 you want to add something to that?

9 MR. MCGARRY: Sure, from my perspective,
10 there are a couple of things that pertain to exchange
11 rate. I think there's a perception that as exchange
12 rate dynamics occur, that pricing or pricing power
13 will trend with that.

14 But when you dig below the surface, what you
15 really discover is that based on the cost components
16 to manufacture these materials, the part that someone
17 would be most vulnerable to would be the non-dollar
18 denominated portion of their cost structure, which is
19 typically labor.

20 More specifically nickel, which is sold on a
21 dollar denominated basis -- today, a producer in
22 Europe that has a predominant Euro-stream actually has
23 more purchasing power than someone that has a U.S.
24 dollar predominant revenue stream. So there are some
25 very important nuances like that intertwined within

1 the overall impacted foreign exchange rates.

2 COMMISSIONER WILLIAMSON: Are you saying
3 those raw material costs are really the most
4 significant factor in their pricing?

5 MR. MCGARRY: And particularly as they've
6 risen as dramatically as they have over the last
7 several years -- nickel is an example. It being a
8 dollar-denominated commodity, the ability to purchase
9 it, depending on your predominate revenue stream, is
10 significantly different if you're Euro-denominated or
11 U.S. denominated.

12 COMMISSIONER WILLIAMSON: Okay. Thank you.
13 Does anyone else want to add something to that?
14 That's very helpful.

15 In the producer's brief, you argued the
16 excess stainless steel bar capacity, that the foreign
17 producers have excess capacity. The data seems to
18 show that their capacity has increased. Foreign
19 producer questionnaires, however, do not generally
20 show a large amount of excess capacity. So what data
21 would you use to support your argument regarding their
22 excess capacity?

23 MR. KERWIN: I want to be careful about
24 getting into proprietary information here. So I'll
25 speak more conceptually. There certainly are

1 producers that do have sufficient capacity to increase
2 their shipments here significantly.

3 Some of the other producers may show that
4 they don't currently have that. As I mentioned
5 before, there is a huge issue of product shifting
6 here; and in some instances, the capacity of the
7 equipment that they have that produces stainless bar
8 is many times larger than what's been expressed in
9 relation to specifically the subject product, and it
10 is not a difficult procedure to shift to a different
11 alloy.

12 The other thing I would mention is, we had
13 some discussions yesterday, and this kind of a slow-
14 down in demand that's occurring in the U.S. market is
15 also occurring in the European market in the second
16 half of this year.

17 In fact, one article that I saw yesterday
18 mentioned the fact that Cogne had a press release in
19 which they revised their estimated shipments downward
20 for 2007 rather substantially.

21 So I think that the subject producers are
22 facing a situation where things are cooling off; and
23 to the extent that some of the producers did not
24 express that they have significant capacity to ship
25 here, that may be changing quickly.

1 COMMISSIONER WILLIAMSON: Mr. Carlson?

2 MR. CARLSON: Also, almost all of the
3 foreign producers have announced huge investment
4 programs; some of them greater than \$200 million each,
5 and that's all been submitted. Any more data you need
6 would be available.

7 There are also great investments being made
8 in the UK, Italy, et cetera, to increase Germany, to
9 increase their capacities. So there are great capital
10 expenditures underway to do so.

11 COMMISSIONER WILLIAMSON: Okay, thank you
12 for that. Pursuing this a little bit further, you
13 talked a lot about product shifting. You know,
14 there's the Court of International Trade. They talk
15 about product shipping has to be a rational economic
16 option.

17 Given that the tendency of the European's
18 suppliers is to claim that they, you know, are just
19 servicing their existing customers -- and I assume
20 this would also apply if they have high capacity
21 utilization, where they are also supplying their other
22 products -- could you further elaborate on what's the
23 economic rationale for shifting to stainless steel
24 bar? Why is this product shifting going to occur?

25 MR. KERWIN: Well, we've had for the last

1 five years the discipline of the orders in place.
2 We've had, you know, market conditions that have been
3 defined with the orders in place.

4 Some of these dumping margins are extremely
5 significant -- 30, 40, 70 percent. If those orders
6 are removed, it's obviously going to be a huge change
7 in the market place, particularly in relation to those
8 subject producers who have been facing these types of
9 margins.

10 So that, in itself, could make stainless
11 shipments of bar products far more attractive to these
12 companies than has been the case. In relation to some
13 of these companies such as Cogne, Cogne is a major
14 producer of stainless steel wire rod. They remain
15 subject to that dumping order.

16 For them to have the dumping order removed
17 in relation to stainless bar, while the order remains
18 in place on stainless steel wire rod, that would offer
19 them a tremendous incentive to shift their production
20 away from wire rod and toward bar, and to ship that to
21 the United States.

22 COMMISSIONER WILLIAMSON: Okay, I see my
23 time is expiring, and thank you for that. It may be
24 useful in post-hearing to kind of put that in table
25 form so that we can sort of see who is really still

1 subject to the orders and how significant their rates
2 are in this analysis.

3 MR. KERWIN: Sure, we'd be happy to do that.

4 COMMISSIONER WILLIAMSON: Thank you.

5 CHAIRMAN PEARSON: Commissioner Pinkert?

6 COMMISSIONER PINKERT: Thank you, Mr.

7 Chairman; and I'd like to join my colleagues in
8 welcoming this panel.

9 I'd like to start with you, Ms. Bilz, and
10 ask you to discuss the assumptions that your company
11 made regarding the continuation of these orders, back
12 when the company built the mill that you testified
13 about.

14 MS. BILZ: Sure, a rolling mill has more
15 capacity than our finishing mill, at this point. The
16 orders were in place, and that was the assumption that
17 those would remain. So if we wanted to add additional
18 finishing capacity as the market dictated, then we
19 could do that.

20 COMMISSIONER PINKERT: So then you
21 understand that parts of these orders have already
22 been revoked.

23 MS. BILZ: Yes.

24 COMMISSIONER PINKERT: So how is that
25 consistent with the assumptions that your company made

1 back when it built the mill?

2 MR. BLOT: Let's see, I guess, you know, we
3 try to just keep competitive in reducing our costs and
4 be at a level where we can still ship the same as we
5 are today. We haven't added any additional finishing
6 capacity, and I think it's kind of too early to tell
7 how much of an impact the removal of those companies
8 is going to have on our business.

9 COMMISSIONER PINKERT: Thank you, if there's
10 any additional information about that, that you could
11 supply in the post-hearing, I think that would be very
12 helpful.

13 Turning now to an argument that Mr.
14 Montalbine made in his opening statement, I'd like to
15 get a response, either from Mr. Kerwin or Mr. Blot,
16 about his argument that if you look at the period of
17 review, when you find the highest U.S. market share
18 during that period, you also see significant losses by
19 the U.S. industry. How does that fit in, or how does
20 it jog with the argument that you're making that the
21 orders have effectuated the improved condition of the
22 U.S. industry?

23 MR. KERWIN: Well, in looking at a case like
24 this, and in every case that the Commission examines,
25 it has to look at the market place as it happened

1 during the period -- in this case, a period of review.
2 Obviously, many things can happen over the period of
3 review.

4 In this instance, we had really one of the
5 most severe industrial recessions probably in our
6 lifetimes. The drop-off in industrial output after
7 9/11 and up until 2003 was very, very significant.
8 The decline in consumption in the U.S. market during
9 that period, specifically for stainless steel bar, was
10 very dramatic.

11 That's kind of our point in assessing what
12 is going on with consumption in the second half of the
13 period review. You can't really look at the data from
14 the last three years and assume that that's going to
15 be the growth rate that's going to continue in years
16 to come -- that we need to look at the period of
17 review as a whole, and take into account that there
18 was this massive drop-off; then the upturn in the
19 second half of the period of review brought you back
20 to basically where you were in 2000.

21 So the business cycle in this instance in
22 this case is extreme. So, you know, I think that that
23 has to be taken into consideration in assessing this.

24 MS. STALEY: If I could also just add
25 something, Commissioner Pinkert. Also, what the

1 industries have seen and what's been evident is the
2 increase in prices. That has occurred while the
3 dumping orders have been in place. The position, as
4 you've heard today, it was the pricing stability in
5 the marketplace that allowed many of these producers
6 to decide that they wanted to make investments.

7 You've seen significant investments, and
8 that has helped to turn the industry around and that
9 price stability has turned the industry around, and
10 those are, in fact, directly related to the imposition
11 of the orders.

12 MR. BLOT: Since I don't have APO
13 information, Commissioner, I really can't add anything
14 more in the detail, other than just to basically say
15 that that was a terrible year as far as the economic
16 conditions of the U.S. in 2002.

17 At the same time that these orders were in
18 place, it was necessary for the Commission to find
19 that safeguards also needed to come in place on a
20 number of products; not just stainless steel bar,
21 because of the floor of imports that were coming in.
22 So there was a tax on the prices and margins and
23 everything. You know, either the volumes were down.
24 You would be attacked from a lot of different areas.
25 So it was a combination of those things.

1 Then, of course, the economy had started to
2 recover a little bit, and we had some good years,
3 robust, in 2004 and 2005, again leveling off as I've
4 said for the last couple years and into next year.

5 And when you make these investments, when
6 you make the decision to go ahead and put investments
7 in, it takes a while for it to come in before you
8 start to see the results. So, I mean, to me, it's
9 pretty clear what happens in that particular case.
10 The profitability starts to pick up when the
11 investments are put in, when the efficiencies are in,
12 and that's a lag effect from when you make the
13 decision to put them in.

14 COMMISSIONER PINKERT: Mr. McGarry?

15 MR. MCGARRY: Commissioner Pinkert, just to
16 characterize that timeframe in my company, we've been
17 in business about 118 years, and that 2003 timeframe
18 is one of two timeframes in the company's history that
19 we actually had losing quarters in terms of
20 profitability. What we were really faced with quite
21 frankly was cut costs to survive.

22 COMMISSIONER PINKERT: Thank you. Now I
23 noted that in your testimony, Mr. Blot, even before
24 the questioning, you had mentioned the possibility of
25 a recession and how it was not taken into account in

1 your projections but how it is a factor that might
2 bear on the profitability of the industry going
3 forward.

4 I wonder if you could talk a little bit
5 about where you place the probability of recession
6 over the next 12 to 24 months and how that would
7 affect your projections if in fact we did go into a
8 recession during that period.

9 MR. BLOT: The answer to your first question
10 is since I'm not an economist and since none of the
11 economists can agree exactly what's going to happen,
12 I'm not going to say what the probability is of us
13 moving into a recession from that standpoint.

14 But if we do, there are two things that
15 would happen. One is the consumer goods market
16 continues to decline. I mean, we understand that.
17 But what will happen also is these capital goods
18 markets, that's roughly 70, 75 percent of the market,
19 a lot of those programs then are going to get delayed,
20 because if consumers aren't buying things, then it's
21 going to have that ripple effect.

22 So, if we do move into a recession, it's
23 going to actually end up being probably negative
24 growth as we move forward beyond 2008. But as far as
25 forecasting are we going to go into a recession or

1 not, no, I let the economists do that, and they're all
2 over the map as to if and when that's going to happen.

3 COMMISSIONER PINKERT: Mr. Kerwin, do you
4 want to comment on the first part of that question?

5 MR. KERWIN: My personal opinion is that
6 we'll definitely go into a recession next year. I'm
7 being facetious. I will mention that, no, I agree
8 with that. I don't think anybody really knows what's
9 going to transpire over the next 12 or 18 months. You
10 do have people as notable as Alan Greenspan saying
11 that we have a 50/50 chance of being in a recession by
12 next year. I did see a *Washington Post* poll that 57
13 percent of Americans think we are likely to be in a
14 recession by next year.

15 So it's a very real possibility. I don't
16 think beyond a 50/50 chance. I don't know that
17 anybody knows much more than that. There certainly
18 are some very disturbing signs in the economy and then
19 there are signs of continued strength in the economy.
20 So it's kind of hard to offer a prognostication.

21 But certainly, in the context of this case,
22 it's a massive concern, that even if conditions remain
23 relatively as they have been economically, that you're
24 still only talking about minor, minor growth in the
25 stainless bar industry. Of course, if we do hit a

1 recession, you could expect to see -- who knows, if
2 the slow-down would be as significant as what we saw
3 from 2001 to 2003. But it certainly could be.

4 COMMISSIONER PINKERT: So is it your
5 testimony that where there is a downturn in the
6 overall economy, that that is reflected in some
7 significant way in the performance of the U.S.
8 industry?

9 MR. KERWIN: Certainly, yes.

10 COMMISSIONER PINKERT: Thank you; thank you,
11 Mr. Chairman.

12 CHAIRMAN PEARSON: Mr. Blot, permit me to
13 join the other Commissioners, who have expressed
14 interest in your projection for consumption during the
15 last half of 2007. I trust that we'll see the
16 specifics of that projection in the post-hearing
17 brief?

18 MR. BLOT: I will give you the specific
19 details for 2007 and 2008 -- both first half
20 information, of course, that you already have for this
21 year; second half, both in terms of domestic shipments
22 and imports. and then this year, first half and second
23 half. That will be done in the post-hearing brief, if
24 that's okay with you.

25 CHAIRMAN PEARSON: Yes, I understand there

1 are real limitations on what we can say and do now.
2 But in that process, I imagine you'll help us to
3 understand why we shouldn't expect this inventory
4 correction to be relatively modest, you know, with
5 things getting back on track in 2008.

6 I'm trying to understand more thoroughly the
7 nature of the argument you're making, given the
8 adjustment that you see happening now in this last
9 half of 2007, whether it's how should it influence our
10 understanding of the likely conditions facing the
11 industry for the reasonably foreseeable future?

12 MR. BLOT: Again, the inventory bill that
13 was occurring, beginning very late last year, though
14 the first part of this year, was again because of the
15 spiraling costs of the raw materials.

16 So in other words, the major customers of
17 stainless bar being the major national big, large
18 distributors and master distributors, they were all
19 saying to themselves, they think that this price for
20 raw material costs is going to keep going up for
21 awhile.

22 So what they wanted to do is to keep
23 bringing in stuff at the most economical level, so
24 that when they re-sell it, they'll be able to make
25 their maximum amount of profit that they can from that

1 standpoint; or be able to help support some of their
2 end users. Then when they got to such a high point,
3 they said, under no circumstances; we just can't
4 continue to do this. So they start the stocking
5 process.

6 Now what you could say has happened, if I
7 was deadly accurate last year and we should have ended
8 up with just a slight decline in the marketplace, then
9 we should never had had that growth in shipments.
10 Remember, the shipment is going to the distributors
11 and the master distributors.

12 As I mentioned, if you take the composite of
13 domestic shipments and imports, it's about 79 percent
14 of the total. So you've got 79 percent of what we
15 call consumption; not the end user, but the first
16 stage purchaser that's building this inventory.

17 So that growth that you saw in the first
18 half of this year, essentially you end up saying,
19 that's an inventory growth; and yes, it does work it's
20 way down. What's happening is, the distributors are
21 selling this stuff off. They're just bring in less
22 stuff in the second half of this year.

23 Like I said, I would think it depends on the
24 customer, between the end of this year and the first
25 quarter of next year, then that will be leveled out.

1 CHAIRMAN PEARSON: Okay, well, you obviously
2 are a lot more familiar with this marketplace than I
3 am. But like some of my colleagues, I'm just trying
4 to get my head around this issue. Because we don't
5 see it clearly in the data in the staff report. So
6 I'm trying to absorb it now.

7 MR. BLOT: Well, like I said, Mr. Chairman,
8 last year at this time, I felt as though the market
9 would have started its decline. So you've always got
10 this lag effect, unfortunately, of what the shipments
11 are going to show.

12 CHAIRMAN PEARSON: Yes.

13 MR. BLOT: You know, you don't place an
14 order today and produce it, and ship it tomorrow.
15 There's that lag effect.

16 CHAIRMAN PEARSON: Right, and you don't seem
17 to me like a person who is perpetually pessimistic.
18 So I assume that you may occasionally see a silver
19 lining somewhere, and we might learn more about that.

20 Following up though, the Commission is
21 sensitized to conditions in the oil and gas industry,
22 because we occasionally get to deal with cases
23 involving various tubular products. So we have, I
24 think, an impression that the demand for steel in oil
25 and gas is really quite robust.

1 So perhaps either now or in the post-
2 hearing, you might explain how your expectations of
3 use of stainless steel bar going into energy-related
4 uses -- how that may counter-balance or work into your
5 overall analysis of what's happening.

6 MR. BLOT: I'll be happy to do that in a
7 post-hearing brief. Because what you'll be getting is
8 what I believe the share of the total market is in
9 energy; and then I'll try to balance that with, you
10 know, some markets are going to be up and some markets
11 are going to be down.

12 But I am saying that energy will be up next
13 year. I did say that in my testimony, and I really
14 believe that; that the energy will be up next year, as
15 will be aerospace, as far as the usage of stainless
16 steel. It's unfortunate, that's not 100 percent of
17 the market.

18 CHAIRMAN PEARSON: Yes, okay, and I can
19 barely explain the past, must less predict the future.
20 So I salute you for sticking your neck out on the line
21 and making a living doing this. Yes, Mr. Simmons?

22 MR. SIMMONS: Jack Simmons, Electralloy --
23 the aerospace market is a very important market; the
24 oil and gas are very important market. But in forged
25 bar, in the large cross-section bar, the automotive,

1 the capital goods, the mining, the agriculture
2 equipment, the off-road highway -- those markets are
3 all projected.

4 Electralloy participates not only in the bar
5 market, but in the forging market. In the forging
6 market, and in the investing casting institute market,
7 all those markets that I've just mentioned are all
8 projecting very low or flat growth next year.

9 CHAIRMAN PEARSON: Okay, thank you; Mr.
10 McGarry?

11 MR. MCGARRY: Could I just add something
12 from my perspective, at least as far as my company is
13 concerned? We really segment energy into two major
14 areas. One is for land-based guests, turbine
15 application. The other is for the exploration of oil
16 and natural gas. In both of those instances, as I
17 mentioned in my testimony, the products that at least
18 my company provides are products other than stainless
19 steel.

20 CHAIRMAN PEARSON: Okay, thank you; Mr.
21 Kerwin, you've mentioned exchange rates. You know, I
22 haven't been in Europe lately. But I'm told by others
23 that the normally pleasant experience of going to
24 Europe has been tinged with a bit of harsh reality,
25 when it comes time to pay.

1 You talked about, over the period of review,
2 not seeing much change in shipments from European
3 firms into the United States, and I agree. I mean,
4 there's basically not a lot going on there, I don't
5 think.

6 But what I'm wondering is, how should we
7 understand that, in the context in which the firms
8 were operating under anti-dumping or countervailing
9 orders, or both; and especially since there wasn't a
10 lot happening in the market? Should we interpret that
11 those firms were just trying to serve their
12 traditional customers in the United States, perhaps
13 with specialty products that might not have been
14 readily available elsewhere?

15 I mean, I don't know, in looking at that
16 history, that I see the exchange rates playing much of
17 an issue; rather, the firm is just trying to hang on
18 to their traditional customers. What is your feeling
19 on this?

20 MR. KERWIN: I don't know that I would
21 characterize it as hanging onto their customers. I
22 mentioned that in the instance of Italy. It had,
23 like, 100 percent growth, and I don't remember the
24 exact figures.

25 But the growth in the volumes for most of

1 these countries was actually substantial. It wasn't
2 just kind of holding their own. In fact, the response
3 to the change in the exchange rate is exactly the
4 opposite of what the Respondents are arguing.

5 In other words, not only did the volumes not
6 remain the same as the dollar lost its value; the
7 volumes increased -- the shipments from Europe to the
8 U.S. market increased substantially as the dollar was
9 losing its value.

10 Now what that indicates to me is that these
11 companies very highly value this market. They want to
12 ship here, and they're willing to do that at whatever
13 price it takes to get the product into the market.

14 The behavior in this period is totally
15 contrary to what the Respondents are arguing, and it's
16 contrary. In other words, if that was the only real
17 factor or the primary factor that was motivating sales
18 and shipments to the United States by these producers,
19 that certainly is not borne out by the data.

20 CHAIRMAN PEARSON: Right, I agree with that.
21 But what I'm trying to understand is, what type of
22 behavior would we expect from firms operating under
23 orders? I mean, because we don't have an open market
24 situation here during the period of review that we're
25 looking at. So it's very difficult, I think.

1 MR. KERWIN: I just have one point before I
2 give it over to Mr. McGarry.

3 CHAIRMAN PEARSON: Well, I'm on my yellow
4 light, so it better be a short point.

5 MR. KERWIN: Well, my point is that not only
6 did we have these exchange rate movements. But you
7 did have some producers with very substantial anti-
8 dumping duties imposed against them that continued to
9 ship here. Somehow, they priced their product
10 aggressively in the marketplace, which is completely
11 counter-intuitive. I can't really explain it.

12 But certainly, if the dumping margins are
13 taken away, then I think the logical assumption would
14 be that they will become even more price aggressive.

15 CHAIRMAN PEARSON: I have a quick comment on
16 red light here. You know, as in all reviews, we are
17 trying to conduct a counter-factual investigation,
18 whatever counter-factual means exactly.

19 But basically, it means, we don't know what
20 the future is going to be like, and we're really
21 trying to project into the future. So if we've got
22 the reality that you're always 40 percent higher value
23 now, relative to the dollar, compared to the start of
24 the POI, and we lift the orders and then we free the
25 market up to do what it ought to do, how should we

1 understand the likely effects on imports from doing
2 that? So perhaps in the post-hearing, you could try
3 to address that.

4 MR. KERWIN: I'd be happy to.

5 CHAIRMAN PEARSON: Madam Vice Chairman, over
6 to you.

7 VICE CHAIRMAN ARANOFF: Thanks, Mr.
8 Chairman; I want to try and understand a little bit
9 better how a product is priced in the U.S. market.

10 Particularly, it's unusual; I'm trying to
11 understand, for example, the role of raw material
12 surcharges when you're dealing with spot sales, which
13 is what you're basically dealing with in this market.
14 Can some of the producers just talk to me about how
15 you would set a price on a normal sale, say, to a
16 distributor?

17 MR. MCGARRY: Let me just offer a few
18 comments. The fundamental role of the surcharge is
19 very clear, although the mechanics of it may be
20 different from one company to the next. But the
21 fundamental role is to simply pass through the
22 additional cost that's represented by the change from
23 one period to the next of the raw materials. We would
24 look at that in each and every case with the same
25 methodology.

1 What does suddenly vary is that in some
2 markets, it may be customary to have one total price
3 as opposed to a price and its surcharge component
4 broken into a piece. From our perspective, we're
5 looking at what is the total revenue. It doesn't
6 matter if the comments are separated, or if they're
7 combined. But the intent is to neutralize the impact
8 of raw material. The manner of collecting it may be
9 slightly different. We look at the bottom line
10 revenue collected.

11 VICE CHAIRMAN ARANOFF: Is there a standard
12 practice across the industry of tending to price base
13 price plus surcharge; or does it vary from company to
14 company?

15 MR. MCGARRY: It varies from company to
16 company, and country to country, and region to region.
17 But again, our objective, knowing all of that, is to
18 look at what is the total revenue contribution,
19 whether it's customarily broken out one way or the
20 other.

21 MR. HARTQUIST: Madam Vice Chairman, we've
22 talked a lot about this in many hearings on stainless
23 steel. It's almost always an issue before the
24 Commission. I would just simplify things to the
25 following extent.

1 A surcharge system is used in the United
2 States generally and traditionally has been, and in
3 Europe generally it traditionally has been. In fact,
4 in Europe not too long ago, the European producers got
5 nailed for anti-trust violations because they had
6 agreed upon a common surcharge formula, and it was
7 essentially a fixed deal among the producers which
8 lead to anti-trust issues.

9 But the U.S. and the Europeans priced
10 products similarly by trying to, as Mr. McGarry has
11 indicated, take into account the changes under a
12 formula that will vary from company to company of the
13 costs of these raw materials like nickel and chromium
14 and balibtimum (ph) and so forth.

15 The Asian producers typically do not apply
16 surcharges on their products. They simply have a
17 price. But the bottom line is that whatever the price
18 is, it's going to include consideration of these
19 significant changes in raw material costs, which are
20 such a huge part of the cost of making stainless
21 steel.

22 As far as the customer is concerned, the
23 customer doesn't care how you get there, whether it's
24 a surcharge or a noncharge, or whether it's all part
25 of one package or broken out. He wants to know what

1 am I going to have to pay for a pound of stainless
2 steel. That is when the sale is either made or not
3 made.

4 VICE CHAIRMAN ARANOFF: Okay, we have been
5 told in some cases, and they may not have involved
6 stainless steel products, that the customer actually
7 does care whether he gets one price or a base price
8 plus a surcharge, because having the surcharge, for
9 example, might make it easier for him to pass on the
10 cost increase to his downstream customer. Maybe
11 that's not the case here.

12 MR. MCGARRY: Again, it's dependent, region
13 by region. There may be certain industry niches where
14 someone does have that desire, and someone might
15 acquiesce to that for that reason.

16 VICE CHAIRMAN ARANOFF: Are energy costs
17 also dealt with on a surcharge basis, or is that just
18 computed into the base price, Mr. Carlson?

19 MR. CARLSON: Valbruna does put an energy
20 surcharge only on the natural gas portion of the
21 energy, because that is our largest component. That's
22 just like if all of us go home and if we were to check
23 our electric bills and our gas bills, there would be a
24 surcharge on that, based upon either coal or nuclear
25 or whatever is passed through. So we do, in fact, do

1 it on natural gas. We do have a component of
2 surcharge on natural gas.

3 MR. MCGARRY: From my company's perspective,
4 several years ago when natural gas prices ran up, we
5 did implement a separate natural gas surcharge. What
6 we have done is rolled that into the raw material
7 surcharge in much the same manner as we would any
8 other raw material. We look at the basis in the
9 change, and we factor that into the calculation.

10 VICE CHAIRMAN ARANOFF: Okay, well just so I
11 understand, for let's say a typical sale to a
12 distributor, would you approach the distributor, or
13 would the distributor approach you; and when you are
14 looking at a potential sale to a distributor and
15 coming up with a price to offer, do you know who
16 you're competing against for that sale? I mean, do they
17 tend to put it up for bid? How does the process work?

18 MR. MCGARRY: I think distributors in
19 general will tend to shop their business, more than
20 someone as an end user who would have a contractual
21 arrangement for an extended period of time, for an
22 item that they are producing on an ongoing basis. A
23 distributor tends to have less predictable demand, so
24 they will shop it.

25 VICE CHAIRMAN ARANOFF: Okay, I mean, I've

1 heard in different industries of very different
2 practices in terms of, you know, people using reverse
3 Internet auctions, or people using a process where
4 they've put something up for bids, and you get to bid
5 once and then they decide; a process where people tell
6 you what all the bids were and then ask if you want to
7 revise your bid. Are any or all of those typical in
8 this industry; yes, Mr. Rauch?

9 MR. RAUCH: I think that it pretty much
10 varies by the distributor. There are certain parts of
11 the methods that you've just described used by
12 everybody. Again, it depends. You may know who
13 you're quoting against, only because of the market
14 information that you have in the marketplace; or you
15 may know because they tell you.

16 But there isn't a set way that it goes down.
17 Depending on who may or may not be quoting it, again,
18 it's accurate as far as how it's quoted, more by parts
19 of the country or parts of the world I think than
20 anything. But typically, domestically, it's quoted
21 with a base price plus a surcharge. That's how that's
22 quoted.

23 VICE CHAIRMAN ARANOFF: Okay, I want to turn
24 and ask some questions about what's gone in the market
25 in the U.S. since the partial revocations with respect

1 to some of the European producers in April. I guess
2 the big picture question that I'm getting at is,
3 should we be looking at the period between April and
4 now as a good example of what might happen if these
5 orders were revoked?

6 So can anyone comment with respect to the
7 producers for whom the orders were revoked? Have
8 their exports to the United States increased since
9 April, and what's happened to prices? Do we think
10 that there's something different about the producers
11 as to whom the orders have not been revoked?

12 MR. MCGARRY: I think it may be a little bit
13 premature to make that judgment, based on only having
14 several months' worth of data, transportation
15 realities, as well as many factory lead time
16 realities.

17 VICE CHAIRMAN ARANOFF: Okay, but we do
18 know, and Mr. Blot was saying earlier that we have
19 data for, you know, licensing information or whatever
20 that goes up through October of this year. So that's
21 pretty good number of months. There's nothing we can
22 conclude from that yet?

23 MS. STALEY: Well, just to clarify, Vice
24 Chairman, the orders were not revoked until the end of
25 April, and that was when they were published in the

1 Federal Register. So actually, you know, since May,
2 it's only been a few months really to judge what's
3 really going on in the marketplace.

4 MR. HARTQUIST: Yes, Commissioner, and the
5 problem is that, of course, the import data is not
6 specific as to the exporter, the company from which
7 the material comes. So you may have some general
8 ideas, just observing what's happening in the
9 marketplace; but nothing specific where we could say
10 Company X, for whom the order was revoked, has
11 increased their shipments by 25 percent. We can't say
12 that.

13 VICE CHAIRMAN ARANOFF: Okay, well, that's
14 fair enough, and if there's anything you want to add
15 in the post-hearing, please feel free. But I'll
16 understand if there isn't anything.

17 With respect to placing, I mean, we do know
18 that the market did not react by pricing going down.
19 So, I mean, to the extent that the market may react to
20 the anticipation of volumes coming in, we didn't. Do
21 you have any thoughts on that?

22 MR. KERWIN: Well, the staff report data, of
23 course, only goes through mid-year. Given the timing
24 of when the specific orders were revoked, I don't
25 think that would be sufficient time to be reflected in

1 the data of the staff report.

2 VICE CHAIRMAN ARANOFF: Right, although if
3 you look in the back where we have, not the same
4 public data, but their proprietary data that don't
5 come from our questionnaires, from various proprietary
6 sources, those data go a few months later.

7 MR. KERWIN: We could probably follow-up
8 with the members of the industry to try to get some
9 more recent pricing information, you know. But I
10 would assume that, given what's going on in terms of
11 market demand, the softening in demand, typically when
12 demand softens, pricing is going to soften, as well.
13 You know, that's a general observation; but we don't
14 have the hard data to back that up right now.

15 VICE CHAIRMAN ARANOFF: Okay, you know,
16 overall, I'm trying to figure out if there's anything
17 we can learn from the period since the partial
18 revocation that would give us clues as to what might
19 happen if the remaining portions of the orders were
20 revoked. So if there's anything that you want to add
21 post-hearing --

22 MR. HARTQUIST: We'll take a look at that
23 for the brief; thank you.

24 VICE CHAIRMAN ARANOFF: Thank you.

25 MR. KERWIN: One thing I would add is that,

1 of course, the companies that are no longer subject to
2 the order were found to be non-subject because they
3 were found to be, you know, under the new system, not
4 to be dumping any more. Of course, the companies
5 that remain have very substantial dumping margins in
6 place against them.

7 MR. LASOFF: I would just add to that that
8 virtually all of those companies that were revoked did
9 have, at the time, very, very small margins anyway, at
10 that point in time. So you wouldn't see a major
11 change as a result of the revocation, with respect to
12 those companies. More importantly, the fact of the
13 matter is the testimony this morning has focused on
14 the companies which these producers see as being their
15 current threat in the marketplace.

16 VICE CHAIRMAN ARANOFF: Thank you for all
17 those answers; thanks, Mr. Chairman.

18 CHAIRMAN PEARSON: Commissioner Okun?

19 COMMISSIONER OKUN: I'm still thinking about
20 Mr. Lasoff's answer, because I think the way that was
21 phrased, it would almost support what the Respondent's
22 counsel raised in their opening in saying for the
23 subject producer that's still left that has a one
24 percent margin, you wouldn't expect to see much change
25 if what happened with these ones that were removed

1 from the order had such low margins that you wouldn't
2 end up saying much there, either.

3 MR. LASOFF: Well, again, I would also
4 respond that we, in fact, appreciate the importance of
5 having a particular producer under order, because it
6 is the discipline itself.

7 In this particular case, you've heard
8 testimony regarding those producers, particularly the
9 producer from Germany, and the concerns these
10 producers have with respect to that particular
11 producer. So in that particular context, there
12 remains this concern that if that order, that
13 discipline, is removed, this would be quite
14 problematic. We're talking specifically about one
15 producer in Germany.

16 MS. STALEY: Yes, Commissioner, it's BDG.

17 COMMISSIONER LANE: Yes.

18 MS. STALEY: And it has a very small margin
19 right now. But as you heard Mr. Blot say earlier,
20 they have limited very significantly the types of
21 sales that they are selling in the U.S., and his
22 contacts have said that they have done that because
23 they are concerned about the dumping order. But if
24 the dumping order were lifted, they would be able to
25 sell another product line at very low prices.

1 So yes, there is one producer right now that
2 has a low margin because of some recent administrative
3 reviews. But if you understand what Mr. Blot is
4 saying, it's because they have highly controlled their
5 shipments to the U.S., in a product where they would
6 not; and they have not shipped the majority of their
7 product line to the U.S. because they can't do that
8 without dumping. So please take that into
9 consideration when you consider that one producer of
10 the German product.

11 COMMISSIONER LANE: I've actually not
12 usually used it. It's just it was surprising to hear
13 Petitioner's counsel say something that resembled it.
14 That was my only point in asking the question.

15 Mr. Kerwin, let me come back up to you with
16 respect to some pricing, a pricing question. In your
17 remarks, I think you had asked the Commission to give
18 less weight to some of the proprietary pricing data
19 that we've collected from sources that we have relied
20 on in many other reviews. And if I understood your
21 argument, it's because you're saying in this case, you
22 think it's the different levels of trade is, I guess,
23 artificially inflating what you see as an EU price.
24 Is that the argument with regard to that data?

25 MR. KERWIN: Yes, that's correct. They're

1 acting as -- primarily acting as their own
2 distributors. And as I mentioned, being a distributor
3 has costs associated with it. So until you can back
4 out those costs and figure out what you truly realize
5 on that sale, then you can't really compare that
6 selling price to what's happening in the United States
7 market.

8 VICE CHAIRMAN ARANOFF: Okay. And then is
9 that consistent with other arguments you would have
10 made -- well, I guess, I don't know if that's a fair
11 question to you. But, in other words, the Commission
12 often look to that data, recognizing that, again, in a
13 review, the actual pricing data in the U.S. market is
14 sometimes limited. We're trying to look at what is
15 going to happen in foreign markets and some of these
16 data sets are the best information available to us.
17 And in some cases, I guess maybe people have made
18 similar arguments, that that data has flaws. If there
19 is any other information that's available, I would
20 appreciate you sharing that with us and then, also,
21 looking to see if -- well, if you have any other
22 examples where the Commission has declined to use
23 those data sources for similar reasons, I'd appreciate
24 seeing that, as well.

25 MR. KERWIN: Well, one thing I would point

1 out, I don't know how this compares to every other
2 case, in which these data have been used, but in the
3 United States market, a very substantial proportion of
4 the stainless bar that's sold is going through
5 distribution. So, there may be other products, in
6 which the distribution system between the two markets
7 is relatively comparable. I don't know off the top of
8 my head what those cases are and I don't even know
9 which cases necessarily these data have been used in.
10 But, in this case, I do know that there's a rather
11 extreme difference in the way that the product is
12 distributed between the two markets.

13 VICE CHAIRMAN ARANOFF: Right. And I guess
14 based on your argument, I'm just trying to understand
15 what you would have us look at. Because, if you're
16 saying subtracting out some number, which we don't
17 know, why would I assume that an EU producer would
18 have an economic incentive? And I could look at the
19 price they're giving to their end user and say, okay,
20 I've got to discount some of that, because it's not
21 the same as if they shipped it over to the United
22 States to a distributor. I'm not sure if I think that
23 I have enough information to just say that.

24 MR. KERWIN: That's probably true, but there
25 are other sources of information, the things that I've

1 mentioned, average unit values, which granted have
2 their own limitations. And there is another
3 proprietary source of information that shows something
4 different. And I don't want to get into the specifics
5 of the numbers that are in that data series, but I
6 would be happy to address some of the observations
7 that I would have in relation to that data series in a
8 post-hearing brief. And we would, also, like to
9 attempt to put together some information, specific
10 information from some of the companies that are here
11 this morning, to the extent that they have that
12 information, on relative pricing for comparable
13 products in the two markets.

14 VICE CHAIRMAN ARANOFF: Okay. That would be
15 great. I appreciate seeing that. And then, Mr.
16 McGarry, I wanted to go back to you, to finish up our
17 conversation that we were having earlier about your
18 experience in the European market. And I guess
19 specifically one that I think I would be interested in
20 is whether you would be able to show whether Carpenter
21 relies on someone similar to Mr. Blot for the European
22 market, that may have forecast for the reasonably
23 foreseeable future. Is that something that you would
24 have available or could make available to the
25 Commission?

1 MR. MCGARRY: We do rely on other folks and
2 Mr. Blot is attempting to sell us some of that data
3 that he was mentioning a little bit earlier. We're
4 the lone man out. We use a variety of external
5 sources.

6 VICE CHAIRMAN ARANOFF: Including for -- I
7 guess I'm specifically --

8 MR. MCGARRY: Global.

9 VICE CHAIRMAN ARANOFF: -- interested in --

10 MR. MCGARRY: Global.

11 VICE CHAIRMAN ARANOFF: If you have
12 different forecast than Mr. Blot, I would like to see
13 them, as well. But, I'm also, more specifically
14 wonder whether you would have anything to add with
15 regard to pricing in the EU market, based on
16 forecasters like Mr. Blot, who focus on that market.

17 MR. MCGARRY: You just touched on several
18 issues. First of all, our demand forecast is very,
19 very similar to what Mr. Blot described, uncannily
20 similar. And in terms of other markets, we do utilize
21 research from external firms, as well as what we
22 generate internally, to corroborate in major
23 countries, not just major regions, but in major
24 countries within those regions what we see looking
25 ahead and what those drivers are.

1 VICE CHAIRMAN ARANOFF: And is that
2 something you can show to the Commission in a post-
3 hearing submission?

4 MR. MCGARRY: Yes, I can.

5 VICE CHAIRMAN ARANOFF: All right, great. I
6 appreciate seeing that.

7 MR. MCGARRY: Sure.

8 VICE CHAIRMAN ARANOFF: Very helpful. I
9 don't know if that would apply for anyone else, any of
10 the other producers here, who would have some more
11 information about any other markets. No one -- no?
12 Okay.

13 Then, another, and I'll go to you, Mr.
14 McGarry, on this one --

15 MR. MCGARRY: Sure.

16 VICE CHAIRMAN ARANOFF: -- as well. I think
17 it was -- I don't know if it was Mr. Viero. Someone
18 had made the comment at the end of another question
19 that there are substantial investments going on in the
20 EU. Who made that comment? Was that Mr. Carlson?
21 And I guess when you hear that, and we often discuss
22 this in the U.S. market, as well, which is one
23 interpretation that I assume the Respondents will
24 raise, is that those investments, and some of them, as
25 I understand it, are probably from now non-subject

1 European producers, indicate that they see demand as
2 good in their market or they wouldn't be submitting --
3 or they wouldn't be committing those types of
4 resources. You, I think, was trying to make a
5 different point, which is it just means there's going
6 to be a lot of volume that can come over here. But, I
7 wondered if you or anyone else, Mr. Blot or others
8 have any -- or Mr. Kerwin have anything else you could
9 elaborate with regard to investment going on in the EU
10 market from producers.

11 MR. CARLSON: All I can refer to is the
12 announcements that they've actually physically made to
13 the media, which does refer to the volume that they
14 anticipate on getting. Everybody from Cogne and
15 others, who have done announcements as to what dollars
16 they are expending and what expectation of increased
17 tonnages they are attempting to reach. What market
18 they're going to ship them to at this moment, I can't
19 tell you. I don't know the specifics behind it.

20 VICE CHAIRMAN ARANOFF: Okay. I see my
21 yellow light is on. If I could just try one more
22 quick question, just with respect to raw material
23 costs and prices in the U.S. market. The graphs in
24 Part 5 show that in 2007, prices for nickel and
25 stainless steel scrap declined. And I wondered when

1 you would expect us to see a decline in stainless
2 steel bar prices, whether there is a lag we should be
3 looking at; and if so, remind me what that lag would
4 be. Mr. Blot, did you already talk to that? I just
5 couldn't remember on the --

6 MR. BLOT: I'm not quite sure I understood
7 your question.

8 VICE CHAIRMAN ARANOFF: In terms of the
9 graph on raw material prices in Part 5, as I
10 understand, and in 2007, we saw a decline. And in
11 terms of U.S. prices, I'm trying to understand when
12 you would expect us to see a decline, whether there is
13 a particular lag time we would expect to see between
14 prices for the product and raw material prices --
15 costs.

16 MR. BLOT: Again, the raw material prices
17 were going up throughout 2006 to the first-half of
18 2007. So, if you're saying they weren't going up, I
19 guess I disagree with that statement. Raw material
20 costs were going up quarter-by-quarter 2006 through
21 the first-half of 2007.

22 VICE CHAIRMAN ARANOFF: Is there something
23 else -- I'll go back and look -- but in terms of
24 nickel and stainless steel, in particular, would they
25 be going --

1 MR. BLOT: I'm talking about the raw
2 material costs --

3 VICE CHAIRMAN ARANOFF: Including those?

4 MR. BLOT: -- that go into stainless steel.
5 So, I'm talking about nickel, chromium, and --

6 VICE CHAIRMAN ARANOFF: Okay. I'm looking
7 at the exact charts. What we see is a sharp drop off
8 in those charts in 2007.

9 MR. BLOT: In 2007, the raw material costs
10 going up quarter-by-quarter.

11 VICE CHAIRMAN ARANOFF: Okay. At the very
12 end -- take a look at --

13 MR. BLOT: If you're talking about the third
14 quarter, that's what I'm saying, I agree, the third-
15 quarter raw material costs came down substantially.
16 Nickel came down a total of 37 percent in the third
17 quarter versus the second quarter.

18 VICE CHAIRMAN ARANOFF: Okay. We're trying
19 to look at these lines to see if that looks
20 consistent. But, just take a look and just make sure.
21 I know that people's hands are up, but I'm well beyond
22 my red light. So, I will come back just to see if I'm
23 missing something. Thank you.

24 CHAIRMAN PEARSON: Commissioner Lane?

25 COMMISSIONER LANE: Mr. Kerwin, I'll start

1 with you and then someone else can jump in, if they
2 want. Can you provide any calculation showing what
3 you believe would be the combined volume and price
4 impact of subject imports on the domestic industry's
5 financial position and the effect on employment in the
6 domestic industry, if the orders were revoked?

7 MR. KERWIN: I think we could put together
8 something along those lines, certainly, yes.

9 COMMISSIONER LANE: And you will do that in
10 the post-hearing?

11 MR. KERWIN: Yes, we'd be happy to do that.

12 COMMISSIONER LANE: Okay, thank you. In
13 looking at the data on these recent investigations --
14 or on these review investigations, I'm especially
15 interested in the consistent inquiries of subject
16 import volumes into the United States market since
17 2003. What market conditions have permitted subject
18 imports to increase so significantly in recent years,
19 especially in light of the orders? Mr. Blot, do you
20 want to take a shot at that?

21 MR. BLOT: Commissioner, I'm sorry, I was
22 looking at the data here and I was only half listening
23 to your question. So --

24 COMMISSIONER LANE: We require multitasking
25 here.

1 MR. BLOT: I know that.

2 COMMISSIONER LANE: Okay. What I'm trying -
3 - okay, I'll read the question again.

4 MR. BLOT: I'm sorry.

5 COMMISSIONER LANE: We've seen a consistent
6 increase in the subject import volumes since 2003.
7 What market conditions have permitted those volumes to
8 increase so significantly, especially in view of the
9 orders?

10 MR. BLOT: I can't say there's any one
11 specific market that you're looking at. I would say
12 that the increases in the imports have certainly gone
13 into the energy market. They've certainly increased
14 there. They've --

15 COMMISSIONER LANE: No. I'm asking why are
16 we still seeing so many subject imports coming into
17 this country, in view of the fact that there are
18 orders on those imports.

19 MR. BLOT: So many subject imports coming in
20 -- oh, why there are so many subject imports coming
21 into the country, in view of the fact that we have
22 orders on them.

23 COMMISSIONER LANE: Yes. How do you explain
24 that?

25 MR. BLOT: Well, because the prices here are

1 still pretty attractive from the standpoint that
2 they're higher priced here and they are in their home
3 market when you sought to look at the prices to a
4 distributor and prices to a distributor. And the fact
5 that they can also shift product line and go from one
6 product to stainless. You can make the same -- if
7 you're selling a product at one price and make a
8 certain margin on that and you can sell a stainless
9 steel bar that's got twice the selling price and the
10 same percent margin, you're getting more dollars to
11 come in. So, it's a natural to move that way.

12 COMMISSIONER LANE: Okay. Did anybody else
13 want to add to that? Mr. McGarry?

14 MR. MCGARRY: Sure. Using that 2003 time
15 frame is the point from which you're looking forward.
16 There's a number of factors that I think you could
17 summarize in terms of the market, itself, obviously
18 going from dire straights to getting better, the
19 pricing environment improving and, frankly, folks
20 looking from an oversea's perspective at gaining a
21 foothold in this market. I think it's a combination
22 of those factors.

23 COMMISSIONER LANE: Okay.

24 MR. LASOFF: Commissioner?

25 COMMISSIONER LANE: Mr. Lasoff?

1 MR. LASOFF: Just to add on that point with
2 respect to the orders, themselves, the intent of the
3 orders is not necessarily to preclude the imports from
4 coming into this country. If, in fact, the foreign
5 producers are revising their prices in a way that will
6 minimize the amount of dumping and still operate
7 fairly under those orders, then there is no reason why
8 in a strong market those imports can't continue to
9 increase, as long as the prices remain stable and are
10 not dumped. And in this instance, I think you had a
11 significant increase in demand. You, also, got a
12 significant increase in pricing. So, the orders may
13 have definitely had their effect, in terms of
14 minimizing the unfair pricing; but, nevertheless,
15 imports can continue to increase in a strong market.
16 Remember, the purpose of these orders is not to
17 eliminate imports. The purpose of these orders is to
18 create a level playing field, as far as pricing in the
19 marketplace is concerned.

20 COMMISSIONER LANE: Okay, thank you. Is the
21 subject product currently being sold in the United
22 States market the same type of stainless steel bar
23 that permeated the market in the original
24 investigations?

25 MR. BLOT: I'll take a crack at that,

1 Commissioner. Yes, as far as I'm concerned, we have
2 the same products coming into the country today that
3 were in the original investigation. You have certain,
4 again, markets that have been -- may have been
5 stronger or weaker now than they were at that
6 particular time, but it's the same products going into
7 those specific markets.

8 COMMISSIONER LANE: And so the Respondents'
9 argument about different types of niche products, et
10 cetera, you are saying that what we are still seeing
11 coming into this market are the same products or the
12 same type of products that were coming in prior to the
13 orders?

14 MR. BLOT: That's what I'm saying, yes.

15 COMMISSIONER LANE: Okay, thank you. I
16 would like to discuss U.S. transportation. How
17 difficult is it for domestic producers to transport
18 their stainless steel bar production throughout the
19 United States? And how much do you transport by
20 train, as opposed to truck or water? And how have
21 these shipping transportation costs changed for
22 domestic producers since the original period? Mr.
23 Simmons?

24 MR. SIMMONS: One-hundred percent of those
25 shipments are shipped by truck and the energy costs

1 with surcharges on fuel for the transportation of the
2 trucks have increased that cost substantially. We
3 ship nothing by rail or water.

4 COMMISSIONER LANE: Okay. Anybody else want
5 to answer that? Mr. McGarry?

6 MR. MCGARRY: Yes, we have the same.
7 Unfortunately, no customers are located in Hawaii, so
8 it's all over land by truck.

9 COMMISSIONER LANE: Does anybody ship by
10 rail?

11 (No response.)

12 COMMISSIONER LANE: Okay, thank you. Data
13 in the staff report indicate that the domestic
14 industry's productivity, tons per thousand hours
15 increased significantly between 2001 and 2006. What
16 factors are responsible for this increase in
17 productivity?

18 MR. MCGARRY: I'm not sure what numbers
19 you're looking at, but I can speak on behalf of my
20 company. We have really a relentless focus since the
21 time frame that I mentioned when our backs were
22 against the wall in the 2002-2003 time frame. To
23 ensure that we are on an ongoing basis looking at ways
24 to reduce waste and variation reduction,
25 implementation of lean methodology throughout our

1 entire process is really embellished in the mind of
2 every employee of the company. And, thankfully, the
3 result of that is that there is some return relative
4 to increased efficiency.

5 COMMISSIONER LANE: Okay. Does anybody else
6 want to take -- answer that, please? Yes, sir?

7 MR. CARLSON: Tom Carlson. Well, for one
8 thing, I know the Slater Facility going bankrupt
9 caused a complete restructuring of the Faber staff.
10 And in the meantime, we started up only those
11 operations that we thought were going to be efficient
12 at Valbruna. In the meantime, we've also added a
13 couple capital investments that we've actually toted
14 already for efficiency and that's the cause of our
15 other additional \$15 million is going to be not only
16 efficiency, but hoping to start up portions of the
17 plant that are currently not operating.

18 COMMISSIONER LANE: Okay, thank you. Please
19 describe more fully the role of Buy American
20 provisions in the U.S. market for stainless steel bar
21 and how that might limit competition between subject
22 imports and domestic stainless bar?

23 MR. CARLSON: Commissioner, there are Buy
24 American provisions in the U.S. law and, particularly,
25 there is a specialty metals amendment that's

1 applicable for defense applications. However, there
2 are exemptions from that specific requirement for
3 European countries, for NATO countries that have
4 defense relationships with the United States. So,
5 they are essentially exempted. So, there is actually
6 no impact with those Buy American provisions, at least
7 with respect to the European producers.

8 COMMISSIONER LANE: So, all of the NATO
9 countries are exempt?

10 MR. CARLSON: Yes, they are exempt from the
11 specialty metals amendments; yes.

12 COMMISSIONER LANE: Okay, thank you. Thank
13 you, Mr. Chairman.

14 CHAIRMAN PEARSON: Commissioner Williamson?

15 COMMISSIONER WILLIAMSON: Thank you, Mr.
16 Chairman. I have a question on cumulation. The
17 Respondents have argued that there are substantial
18 difference in likely conditions of competition between
19 the European producers and those in Korea. For
20 example, European producers are focused primarily on
21 the European market. That's a barrier-free market.
22 And they're operating at very high capacity
23 utilization rates and also they have affiliated
24 producers in the U.S. What is your response, in light
25 of the factors that have led various Commissioners not

1 to cumulate countries in the past reviews?

2 MR. HARTQUIST: Mr. Lasoff has been waiting
3 all morning for someone to ask that question,
4 Commissioner. Thank you.

5 MR. LASOFF: First, Commissioner, obviously,
6 we are taking a position very strongly in favor of
7 cumulation of all of the imports in this
8 investigation. This issue was confronted in 2006 in
9 the price stainless steel bar review. The Commission
10 elected to cumulate. The Commission went through the
11 analysis of the likelihood of competition between the
12 various countries and reached the conclusion that they
13 should cumulate. In conducting that, they certainly
14 looked at the basic factors the Commission has
15 traditionally looked on. They've looked upon
16 fungibility. And, certainly, the record shows that
17 the overlap with respect to the fungibility of this
18 merchandise, a key factor here. The products that, of
19 course, the Koreans sold -- and, of course, you have
20 to go back to before the investigation, because Korean
21 has ceased shipping to the United States in any
22 significant volume since the original orders went into
23 effect. So, you have to go back before 2001, in this
24 particular situation. So, you have the fungibility of
25 the merchandise.

1 You have the similar channels of
2 distribution, the main distribution channel, the
3 master distributors, who purchase worldwide, who
4 source worldwide, typically make distinctions between
5 a number of foreign countries for the basic commodity
6 products. So, in terms of some of the factors, those
7 are key, in terms of looking at cumulation.

8 With respect to the export orientation
9 factor, that was very, very critical to the
10 Commission's determination in 2006. Like the European
11 producers, the Korean producers are very export
12 oriented. I believe they're net exports of stainless
13 steel. Their markets may be somewhat different, but,
14 nevertheless, they are net exporters.

15 So, the combination of all of these factors,
16 I think, really go to show the overlap of competition
17 that would meet your statutory criteria here. And we
18 believe that they should be cumulated. Obviously,
19 there is going to be an argument that because the
20 Korean producers are not shipping at the current time,
21 because they've been unable to ship without dumping,
22 that there's going to be on discernible impact by the
23 Korean producers. But, we believe on the contrary,
24 that the fact that they are not shipping now should
25 not be a bar against the Commission exercising its

1 discretion and cumulating the Korean producers in
2 there. So, we feel very, very strongly that all of
3 the statutory criteria are met with respect to Korea.
4 And all of these countries, they all compete with each
5 other and with the domestic producers. In the case of
6 Korea, you do have to look before 2001.

7 MS. STALEY: If I could also just add to
8 that. I think some of our producers here today could
9 probably also explain that the production facilities,
10 for example, Chang Wong, is capable of producing the
11 17-4 product that you've heard so much about today.
12 That competes directly with the European producers.
13 It competes directly with what the U.S. producers
14 make. Those Korean facilities are very highly modern,
15 state-of-the-art production facilities. They make the
16 wide range of products, as well. They are not limited
17 to any -- the Korean producers have never been limited
18 to any particular market segments. They product in
19 all -- the entire product range, from the more so-
20 called quantity ranges, to the specialty ranges, as
21 well. So, they are a very broad spectrum of producer
22 and they compete in all market segments.

23 COMMISSIONER WILLIAMSON: Is there any
24 reason to distinguish European producers -- (tape
25 briefly did not record) -- some of them affiliations

1 in the U.S. market?

2 MS. STALEY: That some of the European
3 producers have affiliates in the U.S. and can sell
4 through them is that --

5 COMMISSIONER WILLIAMSON: Or actually have
6 investments in the U.S.

7 MS. STALEY: Well, the companies that --
8 most of the companies that remain subject to the
9 orders do not have -- they have U.S. sales affiliates,
10 but they don't otherwise have investments in the U.S.
11 market. So, they actually sell through the same exact
12 channels of trade that the Koreans would sell through,
13 if the Koreans had not stopped -- gotten out of the
14 market, because of the dumping orders. And I think
15 Mr. Carlson has also some firsthand experience with
16 some of the Korean producers.

17 MR. CARLSON: I personally work for a firm
18 that was purchased by Sammy Corporation before they
19 went bankrupt. That is now known as Pasco, which is a
20 chain we are referring to here for imports. I can
21 tell you for a fact, personally, firsthand, they are
22 capable of making every product that several companies
23 here can make. They are perfectly capable of turning
24 out extreme high volumes and they will return to
25 shipping to this country any moment they can, anytime

1 anything is relieved of them. I actually worked for
2 them directly.

3 COMMISSIONER WILLIAMSON: Anyone else have
4 any -- otherwise, thank you for those answers. We've
5 talked some about raw materials costs and energy costs
6 and we talked about surcharges. And I just wanted to
7 know if you want to give me some characterization, to
8 what extent are you able to pass on these increased
9 costs to your customers? What factors control that?
10 Yes?

11 MR. SIMMONS: From a Electralloy standpoint,
12 surcharges are unique from company to company. There
13 is no industry standard. And it always comes back to
14 the net transaction price. We discussed earlier,
15 you've got a base price, you've got a surcharge
16 constituent. The two of them together come out to the
17 net transaction price. You know, you've got the
18 nickel. You've got copper. You've got molly. You've
19 got energy, in some instances. Some mills surcharge
20 all of that, other mills do not.

21 COMMISSIONER WILLIAMSON: But I guess the
22 question is, to what extent are you really able to
23 pass on the increased cost that you have to incur?

24 MR. SIMMONS: To the extent that the
25 transaction price permits to sell. And the chart that

1 I'm sure Ed will discuss later is that on a monthly
2 basis, as the raw materials fall off, the net
3 transaction price changes month to month.

4 COMMISSIONER WILLIAMSON: Okay, thank you.
5 Anything to add to that, Mr. Blot?

6 MR. BLOT: I think just to add to that and
7 to emphasize, if you have a decline in market, even
8 though the surcharge is transparent and passes along,
9 there comes negotiation then on the base price. So,
10 it still goes back to what the total price is going to
11 be. So, if producers are anxious to get orders, they
12 can leave the transparent, meaning that it's a
13 published surcharge that they issue, they can leave
14 that out there and they can then decide to take their
15 base price and reduce that further. So, it still ends
16 up being what's the total price going to be.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. BLOT: As far as the elements go,
19 different companies -- I mean, the standard elements
20 of chrome, nickel, and molly, everybody surcharges on.
21 When you get beyond that, some people surcharge
22 copper, some people surcharge energy, and some people
23 surcharge titanium, some people surcharge manganese.

24 COMMISSIONER WILLIAMSON: But to the extent
25 they're able to get those, to impose those surcharges

1 and get those prices increased when those --

2 MR. BLOT: Again, they're able to get them,
3 but I want to put in a proviso that they're able to
4 get them and that's the transparent part that's known.
5 What's not know is what has to happen with
6 negotiations on the base price. They quote a base
7 price, plus a surcharge. The surcharge is a
8 transparent number. If that total price doesn't seem
9 right to the customer, the surcharge still goes on the
10 invoice, whatever it is, and the base price gets
11 negotiated down.

12 COMMISSIONER WILLIAMSON: So to the extent,
13 they're really able to pass -- their success in
14 passing on price increases depends on what the deal is
15 on the base price?

16 MR. BLOT: That's right. It effects that,
17 so it effects the profitability then of what they
18 could have made on that particular item.

19 MR. MCGARRY: Just to add to that, the
20 notion here that this is just a pass-along, this is
21 not a walk-in-the-park. And with the level of raw
22 material escalation, companies like all of ours have
23 experienced, and I'll use nickel as an example, when
24 we want to see customers utilize products that consume
25 nickel and the higher the nickel pricing goes, the

1 more that would naturally discourage someone from
2 doing that. So, there is an element of negotiation in
3 any of these things, regardless of the mechanism that
4 obviously comes into play.

5 COMMISSIONER WILLIAMSON: Thank you for
6 that. I have some additional questions, but let me do
7 it in the next round. Thank you.

8 CHAIRMAN PEARSON: Let me just note that,
9 guys, it's just us. I don't know whether that should
10 enter into the types of questions you ask, but,
11 Commissioner Pinkert, your turn.

12 COMMISSIONER PINKERT: Thank you, Mr.
13 Chairman. I want to start with a currency question
14 and perhaps I could get Mr. Kerwin to comment on this
15 one. If home market currency is appreciating and
16 there is no adjustment made to U.S. prices, no upward
17 adjustment made to U.S. prices, what happens to
18 dumping margins in that circumstance?

19 MR. KERWIN: If the home market currency is
20 appreciating --

21 COMMISSIONER PINKERT: Right.

22 MR. KERWIN: -- and they don't adjust their
23 U.S. price, what happens to the dumping margin?

24 COMMISSIONER PINKERT: Correct.

25 MR. KERWIN: Well, of course, you have to --

1 that's only relevance in any instance where a company
2 is going to ask for an administrative review, which
3 many of the companies have not. Let me think that
4 through. In the instance that a company would ask for
5 a review and the home market -- you know, I would be
6 happy to -- I have to be honest, I don't work on the
7 DOC side of things in these cases. I'm an ITC
8 specialist.

9 COMMISSIONER PINKERT: I don't either. I
10 was just --

11 MS. STALEY: I think that's probably me,
12 okay. So, basically, if the home market prices go
13 lower relative to the U.S. prices, then the dumping
14 margin goes down. I mean, I think the lower the home
15 market price, if the U.S. price stays the same, the
16 dumping margin will be lower than it was in other
17 periods. So --

18 COMMISSIONER PINKERT: So, if the home
19 market currency is appreciating relative to the
20 dollar, what is happening to the dumping margin?

21 MS. STALEY: When they exchange it, then --
22 I mean, because -- the home market price in the U.S.
23 dollar would be lower, compared to the U.S. price.
24 What you're saying is it the same thing. Oh, okay.
25 All right.

1 MR. KERWIN: The home market price is
2 converted to U.S. dollars before --

3 MS. STALEY: Right.

4 MR. KERWIN: -- before the calculation is
5 made, correct?

6 MS. STALEY: Right, okay. But, so if we're
7 saying that otherwise everything being equal, then the
8 home market price is -- you're saying that when --
9 let's say if it's a dollar, okay, and otherwise it was
10 \$1.50, but because of the euro exchange, it becomes
11 then with the appreciation, then it's exchanged,
12 right, it becomes -- the product becomes then more
13 expensive, in terms of U.S. dollars, okay. If it was
14 a dollar before and it was \$1.50, but because of the
15 change in the Euro, it was like \$1.50 in Euros, with
16 the change -- appreciating, then it's going to be
17 \$1.90 in U.S. dollars. So, then, the dumping margin
18 would be higher at that point.

19 COMMISSIONER WILLIAMSON: Okay. Well, the
20 reason I ask the question is that I don't know whether
21 we're actually observing this phenomenon in the data
22 of our dumping margins or if we're not observing it,
23 is the reason because no review is requested, as Mr.
24 Kerwin suggested that there might be a possibility, or
25 is there some other reason? And perhaps this is

1 something that you could take a look at for the post-
2 hearing.

3 MR. LASOFF: We will be happy to do that.
4 And I suspect because of your background, Commissioner
5 Pinkert, you may know actually something about the way
6 this is done at the Commerce Department. But, I will
7 say that one of the things that we take into
8 consideration, and I'm sure Respondent counsel will
9 tell you the same thing, in whether to request an
10 annual review to determine whether the dumping margin
11 should be modified, is what's happening with exchange
12 rates, because essentially you're going to adjust the
13 foreign home market price depending upon where the
14 exchange rate is going. It's either going to be worth
15 more or less, in terms of U.S. dollars. And that is
16 going to help to determine the extent of whether -- of
17 the antidumping margin, in comparison with the U.S.
18 price. So that spread may become larger or smaller
19 depending upon exchange rate relationships.

20 But the basic point that we've made is that
21 despite what's happened to the Euro, it doesn't seem
22 to effect the shipment levels. It's counterintuitive.
23 And so, one would think that with a weaker dollar,
24 it's tougher to buy material from Europe, at this
25 point. But, if you look at the data, you'll see that

1 that doesn't seem to be happening.

2 COMMISSIONER PINKERT: Thank you. Now,
3 turning to Mr. Lasoff, I noted that you refer to the
4 no discernible adverse impact standard in your answer
5 to one of the questions. And I'm wondering if you can
6 give me your view about how that standard applies in
7 the case of the U.K., in light of the data, some of
8 which you can't mention in a public hearing, but in
9 light of the data that we have in front of us.

10 MR. LASOFF: Well, again, you're
11 specifically referring to the fact that the largest
12 U.K. producer is now -- has been zeroed out of the
13 case. We don't look at the discernible impact as
14 strictly an issue of volume. And I think the whole
15 purpose of our presentation this morning is to
16 demonstrate to the Commission that there would be an
17 impact, as a result of revocation, as a result of
18 these other producers.

19 The law, I think, and I think the
20 interpretation of the law, I believe it's the Usenole
21 case, makes this point very specifically, that the
22 discernible impact standard is not an injury standard.
23 You don't need to look necessarily at volume in and of
24 itself to show that you have to have a substantial
25 volume of imports, in order to prove discernible

1 impact. And as I said, what we tried to do this
2 morning was specifically to present the Commission
3 with evidence from the industry that these other
4 producers, these five or six other producers from the
5 U.K., these producers from Italy, the producer from
6 France, are all having a significant impact on
7 significant margins. So the mere fact that we're not
8 looking from these particular producers are necessary
9 large commodity volumes should not preclude the
10 Commission from cumulating in this particular
11 instance. And I think the case law has supported
12 that.

13 We go back to, for example, in the 2006
14 review, the India case, the largest, the overwhelming
15 largest producer at that time was Verage. Verage was
16 revoked from the India antidumping duty order, as a
17 result of three consecutive periods of zero dumping.
18 And, nevertheless, the Commission looked at the fact
19 that there were numerous other small Indian producers
20 that were proliferating. They were getting into the
21 market and they were making a significant impact by
22 very aggressive pricing.

23 That is the situation here. We have the
24 similar situation in Spain. The evidence on the
25 record in that case was very, very clear that the

1 largest, the overwhelming largest Spanish producer,
2 Roldon, had essentially backed out of the marketplace,
3 because its affiliate NAS was now covering the
4 marketplace for its parent Cerenox. So, again, the
5 Commission did not find no discernible impact. They
6 noted that there was another producer, a new producer,
7 Cytador, that was developing its capacity, that was
8 seeking to enter this market. At that point, all it
9 had done was seek a new shipper review. They had a
10 couple of hundred tons into the United States.

11 So, the Commission isn't bound to look at
12 strictly volume, in looking at this discernible
13 impact. I think it has to take into account the
14 totality of the situations. And I, also, you know,
15 ask the Commission to look at the Nina Foundry case,
16 where it makes it very clear that the mere fact that
17 one particular producer -- two particular producers
18 had very, very small import levels should not preclude
19 cumulation. In fact, the Nina court said it would be
20 abuse of discretion to merely eliminate a particular
21 country from cumulation on the basis that they had a
22 small volume of sales.

23 COMMISSIONER PINKERT: Was that current
24 volume or was that a potential volume in the event of
25 revocation?

1 MR. LASOFF: In the --

2 COMMISSIONER PINKERT: In the case that
3 you're referring to.

4 MR. LASOFF: The Nina Foundry case, I
5 believe, was a revocation case. I haven't read it in
6 awhile. But, yes.

7 COMMISSIONER PINKERT: You're saying that in
8 that case, the court said that I would be an abuse of
9 discretion to focus on current volume or on potential
10 volume in the event of revocation?

11 MR. LASOFF: It said -- I'm quoting from the
12 case, 'cumulation of imports from countries with
13 relatively small volume and price impact would not
14 only be appropriate, but a refusal to do so without
15 some additional justification could constitute an
16 abuse of discretion.' The language the court uses,
17 cumulation of imports from countries with relatively
18 small volume at the particular point in time.

19 COMMISSIONER PINKERT: So, you're referring
20 to current volume, then?

21 MR. LASOFF: Yes.

22 COMMISSIONER PINKERT: Mr. Hartquist?

23 MR. HARTQUIST: Yes, I believe that's the
24 case.

25 COMMISSIONER PINKERT: Thank you. Thank

1 you, Mr. Chairman.

2 CHAIRMAN PEARSON: Ms. Staley, among others
3 -- others may have mentioned the same thing, but I
4 think I understood you to say that the investments
5 that have been made in this business were, to some
6 degree, predicated on the orders being in place. And
7 let me suggest that it seems to me improbable that a
8 decision to invest so many millions of dollars over a
9 period of years with a payout over decades, that that
10 would be driven by the absence or presence of an
11 order. And I'm wondering, do you have available
12 business plans that would indicate that indeed the
13 existence of the order was a significant consideration
14 for any of your clients, in making an investment?

15 MR. SIMMONS: I think you heard the
16 testimony today from most of the producers that it's
17 not as if the orders were the sole factor in their
18 decision to investment, but that they would not have
19 made those investments if the conditions in the
20 marketplace had been that which existed when there was
21 the flood of imports. And that's what the position is
22 of -- I think of the companies that are here today,
23 that if the conditions in the marketplace had been
24 what they had been before the imposition of these
25 orders, the investments likely would not have taken

1 place. I don't think the business plans would
2 necessarily state that they wouldn't have invested
3 earlier and I doubt that the companies have specific
4 business plans that address that, because I believe
5 that question has been asked in prior proceedings.

6 Because, all of these -- many of the major
7 investments that we're talking about today occurred
8 prior to the last review. They were happening at the
9 time in the marketplace around 2003, many of them,
10 when the companies before that, such as Empire, had
11 been in bankruptcy, when Slater had been in
12 bankruptcy, and those companies had been found to be
13 injured in prior proceedings because of the flood of
14 imports. But, these reinvestments that have occurred
15 at -- for example, at Slater and at Universal and
16 within NAS, they all occurred after the imposition of
17 the dumping order. So, the point is that it was the
18 condition of the marketplace, not -- they weren't
19 saying, I don't think, that it was only because the
20 orders were in place that they made these investments,
21 but that the conditions of competition that had
22 existed prior to that would not have made those
23 investments worth making. And, also, that these
24 companies were -- two companies in particular here
25 today have been revitalized, because of the pricing

1 stability that has been put into the marketplace after
2 the orders were imposed.

3 CHAIRMAN PEARSON: Well, you might be
4 leaning a little more heavily on causation there than
5 I would, in terms of saying that the orders allowed
6 the restructuring to happen. I assume the
7 restructuring would have happened regardless of
8 orders, because something needed to happen. But, I
9 just --

10 MS. STALEY: Well, just to clarify my point
11 is that the two companies were in bankruptcy when --
12 at the time when there was a flood in imports and
13 market conditions were very poor and that was through
14 the historical context of this. I don't -- you know,
15 it's hard to say, I think at this point, whether those
16 -- I guess your point is that those investments would
17 have occurred whether the orders had gone into place
18 five years ago or not. But, I'm not sure that you
19 could make that assumption.

20 CHAIRMAN PEARSON: Well, in my review of the
21 record, it looks like the orders, although they are a
22 factor in the marketplace, they don't look to me like
23 as an important a factor that might drive firms'
24 decisionmaking as the growth in consumption overall,
25 the various changes we've seen in import costs. And

1 then when a firm is considering an investment, you
2 have that basic question of what do I expect the
3 marginal cost of the facility to be, what's the
4 marginal revenue. There's all these economic
5 fundamentals that I think it's -- I sense a tendency
6 to want to sweep them away and say that all of the
7 good things happening in the industry are due to the
8 orders. And so, I'm resisting that. That's what's
9 going on here, okay?

10 MR. MCGARRY: Just to add a point, if I
11 could, please?

12 CHAIRMAN PEARSON: Yes.

13 MR. MCGARRY: Relative to looking at any
14 capital investment, obviously, economic environment
15 plays a role in that. My company, at least, would
16 look at what are the factors that would justify and
17 return a significant enough return to the business to
18 say yes or no in terms of capital investment. Would
19 we at least identify the orders as a component of that
20 decisionmaking process? The answer is, yes, it would
21 be identified. However, it is not typically the major
22 criteria by which we base our economic analysis. But,
23 it's at least identified.

24 CHAIRMAN PEARSON: No, I think actually
25 we're on the same wavelength, Mr. McGarry. Thank you

1 for that. Any other comments on this?

2 (No comments.)

3 CHAIRMAN PEARSON: Okay. Am I correct to
4 understand that apparent consumption of stainless
5 steel bar is actually larger in the European Union
6 than it is in the United States?

7 MR. MCGARRY: Yes.

8 CHAIRMAN PEARSON: What are some of the
9 factors for that? I mean, so often we think of the
10 United States being the largest market in the world.
11 But, here, we're not.

12 MR. MCGARRY: From my perspective, it's a
13 throwaway mentality that exists where we're sitting
14 today. As an example, we walk into a hardware store
15 in Europe. It is not at all atypical to see lawn
16 furniture, thermadores, many, many things that in the
17 U.S. market are not made out of stainless steel, that
18 in Europe, they are. Several times in a per capita
19 basis, the consumption difference in both Europe and
20 Asia.

21 CHAIRMAN PEARSON: Mr. Simmons?

22 MR. SIMMONS: Jack Simmons, Electralloy. I,
23 also, am chairman of the SSI, a market development
24 committee, and we wrestle with this question about
25 apparent consumption in Europe and the U.S. all the

1 time. The Europeans have a manufacturing base that
2 makes stainless steel tumblers and washing machines
3 and dryers, and those products are, in turn, not
4 consumed in Europe, but exported abroad. So, you
5 know, the true apparent consumption data is, at times,
6 very misleading.

7 CHAIRMAN PEARSON: Okay. Thank you. But,
8 it's correct to say that the European manufacturers
9 seem to be building products that use a lot of this
10 stuff. I mean, that's obviously what's going on here.
11 Okay.

12 So, how should the existence of a large home
13 market or regional market in Europe influence our
14 analysis of the behavior of EU firms, in the event
15 that these orders are revoked? I mean, they've got a
16 lot of demand possibilities around in Europe. Should
17 we evaluate differently what they might do here, than
18 if they had a very small home market and a lot of
19 export potential? Mr. McGarry?

20 MR. MCGARRY: I think what I would expect is
21 that, again, to underscore the attractiveness of the
22 U.S. market is unparalleled. The ability to pursue
23 the U.S. market, if the orders were lifted, and the
24 prospect of money that can be made in that market
25 versus the others, I think has been discussed this

1 morning in several different context and I think that
2 would be the preliminary driver that one would
3 anticipate.

4 CHAIRMAN PEARSON: Mr. Hartquist?

5 MR. HARTQUIST: Mr. Chairman, there are a
6 number of countries around the world that have higher
7 per capita consumption of stainless steel than the
8 United States does. Unfortunately, we keep trying to
9 increase it here. And it's a competitive matter with
10 other materials and so forth, in trying to build this
11 market. Stainless rebar going into bridges, for
12 example; stainless steel roofs; stainless steel
13 bathtubs -- applications that are not common in the
14 United States are often true in other economies. But,
15 many of those countries that have significantly higher
16 per capita consumption of stainless steel than the
17 United States does are major exporters of stainless
18 steel to the United States, despite the fact that they
19 have pretty good home markets. They've got
20 substantial capacity and they build more capacity.
21 China is going to be another example of that down the
22 road yet on this product. But, where they're trying
23 to not only serve a significant home market, they want
24 to export and sell and earn American dollars.

25 CHAIRMAN PEARSON: Okay. Ms. Bilz, did you

1 have something you wanted to add?

2 MS. BILZ: No.

3 CHAIRMAN PEARSON: No, okay. I
4 misinterpreted it, sorry. Okay. Mr. Hartquist, we
5 have heard relatively little today about Korea.
6 Assume for a moment as a hypothetical that the
7 Commission determined to let the orders lapse on the
8 European countries. In that case, what reason would
9 there be for retaining the Korean order? Maybe, you
10 want to elaborate in the post-hearing; but if you have
11 anything to say now, I would be glad to hear it.

12 MR. HARTQUIST: Well, I'll be happy to --
13 we'll be happy to do that in the post-hearing brief.
14 But even if the orders were revoked for the Europeans,
15 the Koreans ability to dump product is well
16 established in this marketplace and have a lot of
17 capacity to ship to the U.S. We've heard testimony
18 that they make everything that we make in Korea. So,
19 Korea can be a very significant factor in this
20 marketplace and have a significant effect on pricing
21 as an individual country.

22 CHAIRMAN PEARSON: Okay. Well, please feel
23 free to elaborate in the post-hearing and we'll see
24 what we can do with it. Let's see, Vice Chairman
25 Aranoff?

1 VICE CHAIRMAN ARANOFF: Thank you, Mr.
2 Chairman. One quick follow-up on the issue of
3 specialty products that I don't think has come up yet.
4 Cogne, in their brief, argues that Idallfand is a
5 specialty producer that makes -- and they mention two
6 products. They mention very large forged bar and
7 duplex grades. Can someone describe for me what
8 precisely those products are and how much of U.S.
9 demand do you think they account for and what U.S.
10 producers make those products?

11 MR. RAUCH: At Crucible, everybody's
12 definition on large forge rounds, I think, is a little
13 bit difference, because it depends on what your
14 product line is. But, forged rounds typically would
15 be something in the neighborhood of eight-inch
16 diameter and up and larger. And that certainly is a
17 market that Idallfand is in. Besides the fact that
18 with the duplex and in those large diameters, our
19 domestic suppliers that can produce those grades and
20 make those products, Idallfand, also, is in the more
21 standard grades, the typical stainlesses 304, 316, and
22 whatnot, which are, also, readily available in this
23 country.

24 I think part of your question also was the
25 percentage of the marketplace, and I don't really have

1 that information here to share.

2 VICE CHAIRMAN ARANOFF: Thank you. Go
3 ahead.

4 MR. SIMMONS: Jack Simmons, Electralloy.
5 Idallfand produces 300 series bar 303, 304, 316,
6 commodity stainless bar. It's purchased by every
7 major stocking center here in the United States.
8 Their size ranges, because they have a forging
9 machine, range between about six-inch and 24-inch in
10 diameter. They produce the ASTM, ASME, the QQN, the
11 same specifications that the American producers
12 produce to. It's a fungible product. There's no
13 difference on the shelf and a master distributor, a
14 distributor between their product and an Electralloy
15 product or Crucible or any other U.S. producer that
16 produces forged bar in that size range.

17 Do they produce duplex? Yes. Do they
18 produce nickel alloy? Yes. They're going into those
19 product lines. But, that doesn't preclude them that
20 they still produce commodity stainless steel product.

21 VICE CHAIRMAN ARANOFF: Are they currently
22 selling commodity product in the U.S. or are they
23 currently selling the specialized products?

24 MR. SIMMONS: They are currently selling
25 commercial product here in the United States. We have

1 lost orders to them, yes, ma'am.

2 VICE CHAIRMAN ARANOFF: Okay. If there are
3 any examples that you can give that would document
4 competition on commodity grades in your post-hearing,
5 that would be very helpful.

6 MR. SIMMONS: We can provide that.

7 VICE CHAIRMAN ARANOFF: Okay, thanks. I,
8 also, want to give you an opportunity, and because the
9 data are confidential, it will have to be, I guess, in
10 the post-conference, but one of the arguments that
11 several of the Respondents make is, in looking at the
12 pricing data that we have on the record, is to argue
13 that sales values for sales by NAS are lower than
14 sales values for either other domestic producers or
15 for subject imports and are leading prices in the
16 market. I don't know if there's anything that you can
17 say publicly, but I would like to have you look at
18 those data in the post-hearing and respond to that, if
19 you could.

20 MR. HARTQUIST: We'll do so.

21 VICE CHAIRMAN ARANOFF: Okay. Thank you,
22 very much. No one has asked this yet, probably
23 because it's always a morass. But, I'm going to try.
24 Capacity utilization numbers for the domestic
25 industry, this is -- I don't know, I guess I've lost

1 count of the number of steel cases that we've had
2 reviews on where the U.S. industry seems to be
3 routinely operating at fairly low levels of capacity
4 utilization and all the subject producers seem to be
5 operating at very high levels of capacity utilization
6 and part of it is because it depends on the number of
7 shifts that people are counting. So, can I have the
8 producers, who are here today, just tell me how many
9 shifts you are currently operating in your facility
10 and if that's changed during the period of review?

11 MR. RAUCH: Various parts of the mill run
12 various shifts. It depends on the workload at the
13 time or whatnot. During the -- since the review,
14 certainly in 2003, when everybody was in their worse
15 situation, we were not running at the same level as we
16 are now. But, the number of shifts, again, vary by
17 department.

18 VICE CHAIRMAN ARANOFF: Okay. But, my
19 understanding would be that to get to the capacity
20 utilization numbers that you all have reported in your
21 questionnaires, that you are looking at operating
22 three shifts, that you're looking at operating all the
23 time, except for normal maintenance. And so what I'm
24 trying to get a sense of when is the last time you
25 ever actually operated at that level and how close to

1 that have you been during the period? Now, if you
2 don't want to answer that publicly, if you could just
3 go back for each producer in the post-hearing and let
4 me know how many shifts you're operating. And if you
5 want to distinguish finishing versus melting, because
6 they're different, that's okay, too.

7 MR. HARTQUIST: We'll survey the companies
8 and put that information in the brief, if that's all
9 right.

10 VICE CHAIRMAN ARANOFF: Okay. Thank you,
11 very much. That would be helpful. With that, Mr.
12 Chairman, I don't think I have any further questions.

13 CHAIRMAN PEARSON: Commissioner Okun?

14 COMMISSIONER OKUN: Thank you. Just one
15 legal question left and Mr. Hartquist, I'll put it to
16 you. But, if others -- if you want your other counsel
17 to answer that, that would be fine, too, and you can
18 elaborate on post-hearing. But, Respondent's counsel,
19 Mr. Montalbaine's opening remarks have led with the
20 argument that this was a unique case, because of so
21 many formerly subject products, now non-subject. And
22 I wanted to get your response on whether you would
23 agree that the complexity of the Commission's analysis
24 -- or makes the Commission's analysis more complex or
25 more difficult to evaluate what the likely -- when

1 we're evaluating, whether the revocation, the
2 remaining orders would be likely to lead to recurrence
3 of material injury, whether that's complicated where
4 we're going to have to distinguish between volume of
5 what was formerly subject in the original
6 investigation -- we're going to be looking at that
7 data -- and then trying to extrapolate what that means
8 for volume, price, and impact and whether you have any
9 suggestions on how you think that analysis should be
10 conducted.

11 MR. HARTQUIST: This is an unusual case, in
12 my experience. I don't know whether it's
13 unprecedented in the Commission's experience entirely.
14 I think your analysis is more complicated, because you
15 don't have data that distinguishes shipments, for
16 example. It's complicated further by the fact that
17 you don't have complete questionnaire responses from
18 the Respondents. So, you've got fragmentary
19 information. It's difficult to breakout subject
20 versus non-subject companies from the data. So, I
21 would agree, it's a tougher task than you normally
22 have. But, the law remains.

23 COMMISSIONER OKUN: And just a follow-up on
24 that, which is, do you think other -- any of the court
25 decisions on reviewing our sunset cases or the statute

1 or legislative language would speak to whether the
2 Commission should be, in fact, on looking at kind of
3 two separate sets of non-subjects here, but the non-
4 subjects that were -- the following subjects -- the
5 subject countries and then the bigger portion of just
6 -- of non-subject country producers or is it just all
7 non-subjects?

8 MR. HARTQUIST: I'd like to take a look at
9 that. My colleagues may want to comment, but I think
10 that's something we probably would want to think about
11 a little bit and put in the brief.

12 COMMISSIONER OKUN: Okay. Ms. Staley?

13 MS. STALEY: We will definitely comment on
14 it. But, I believe that it's not, as Mr. Lasoff has
15 said earlier, the situation is actually very similar
16 to the situation involving Verage, where the company
17 was revoked during -- very recently, at the time of
18 the sunset decision. It wasn't that much previously
19 that Verage had been out from under the order when you
20 made your sunset determination. So, in that sense,
21 there have been other cases, too, where producers may
22 have gone out of business during the time of the
23 period of review and, obviously, those became -- the
24 volume of exports from them changed the picture. But,
25 nevertheless --

1 COMMISSIONER OKUN: Although, it seems like
2 it's different. I mean, I guess that would be one
3 thing I would like you to look at, which is where we
4 know these formerly subject producers are still
5 shipping and their volumes are going to be part of the
6 volume of product coming into the country, assuming
7 that we would think that there would be increasing
8 volume from them, as well, just trying to help me
9 understand how you believe we should conduct that
10 analysis, to make sure that we're not -- I mean, it's
11 a little of an attribution argument, I guess, of how
12 you look at volume, price, and impact, when that
13 volume isn't being taken out of the market completely,
14 in the case of an industry shutting down. And I think
15 it's further complicated, if you look at it on a
16 cumulated basis or not when the volumes are different
17 between the different subject producers. I think it's
18 quite complicated. So, I will appreciate looking at
19 your post-hearing submissions and analyze it then.

20 Thank you, very much. Mr. Chairman, I have
21 no further questions. Mr. Blot wanted to add a
22 comment. But, he's not a lawyer, but he has a comment
23 here.

24 MR. BLOT: Well, it's not on that subject,
25 Commissioner.

1 COMMISSIONER OKUN: Okay.

2 MR. BLOT: I was looking at the data when
3 Commissioner Lane, of course, said I was not
4 multitasking. But, I was looking at the data here in
5 Figure 5, when you asked about raw material costs.

6 COMMISSIONER OKUN: Yes.

7 MR. BLOT: I stand by my comments. The data
8 supports what I'm saying. Raw material costs were
9 going up through the second quarter. The data you're
10 looking at goes through August and that's what you see
11 in the lines coming down. So, what I told you, what I
12 said in my testimony is correct. And I apologize for
13 not being multitasked.

14 COMMISSIONER OKUN: And you may have said
15 this in response to Commissioner Lane, which is but
16 then if we're looking also at prices during that
17 period, did prices for the product follow those raw
18 material costs down? Was there a lag? I wanted to
19 make sure I understood that, too.

20 MR. BLOT: That's correct.

21 COMMISSIONER OKUN: Okay.

22 MR. BLOT: As the prices are coming down, as
23 the raw material costs are coming down, the prices are
24 coming down. I will also mention, there's been
25 additional pressure on the base price and on some of

1 the standard grades in certain sizes. We've had a
2 total of two base price decreases since the second
3 quarter of this year --

4 COMMISSIONER OKUN: Okay. I appreciate
5 those further thoughts on that.

6 MR. BLOT: -- independent of the raw
7 material costs coming down.

8 COMMISSIONER OKUN: Okay. Thank you. Thank
9 you, Mr. Chairman.

10 CHAIRMAN PEARSON: And, Mr. Blot, I would
11 just note that I'm pleased if I can do one task at a
12 time. Commissioner Lane?

13 COMMISSIONER LANE: I want to follow-up on a
14 question that Vice Chairman Aranoff posed to you. And
15 when you answer her question in the post-hearing
16 brief, I would like for you to focus on -- also on
17 what Cogne said in its pre-hearing brief, where they
18 argue that the capacity figures presented by the
19 domestic industry are not credible. They state that
20 it simply does not make sense for the domestic
21 industry to be adding capacity and reaping huge
22 profits, if, in fact, they are operating at roughly 50
23 percent of capacity. And they call the domestic
24 industry's numbers untrustworthy. So, when you are
25 answering this question, would you, please, respond to

1 those allegations?

2 MR. HARTQUIST: We will be more than happy
3 to do so. Thank you.

4 COMMISSIONER LANE: Okay, thank you. Now,
5 the German producers pre-hearing brief argues that
6 there is no evidence that the antidumping and
7 countervailing duty orders had any effect upon
8 limiting imports or raising domestic prices. And I'm
9 assuming that you disagree with that. So, would you,
10 please, explain to me exactly what effect the orders
11 have had on limiting imports and raising domestic
12 prices, especially in light of the surge of subject
13 imports in the last couple of years?

14 MR. HARTQUIST: We will be happy to do so.

15 COMMISSIONER LANE: Okay, thank you. And I
16 don't think that this was answered, and if it was,
17 then it's not that I can't multitask, it's that I
18 can't remember. On page 13 of Ugitech's pre-hearing
19 brief, it is argued that France and Italy have a
20 different product mix than other subject producers.
21 To what extent is the stainless steel bar produced by
22 subject producers in France and Italy different than
23 the stainless steel bar produced by other subject
24 producers?

25 MS. STALEY: I'll start answering that and

1 then the industry members can weigh in. I think some
2 of the testimony you've heard today was about
3 Ascometal, the French producer, making the 400 series
4 product. But, that does compete directly with other
5 400 series products that's produced also in Germany.
6 So, there definitely is an overlap between the French
7 and the German producers along those lines.

8 The other -- in terms of Italy, Cogne, as
9 you've heard also today, has an enormous product line.
10 It competes in almost every product area that we've
11 talked about today, the higher grades and the regular
12 so-called commodity grades. So, that the Italian
13 producers, in terms of Cogne, does compete with
14 producers from all the other markets, as well. And
15 you've also heard about Idallfand today, that it
16 produces the large range of products, especially in
17 the forged product, that also competes with German
18 producers, as well.

19 So, we, obviously, strongly disagree with
20 the statement that the products made by France and
21 Italy do not compete with the other subject producers.
22 In fact, they are directly competing with them. And
23 maybe Mr. Simmons can add also to that.

24 MR. SIMMONS: I would agree with that. Both
25 countries produce products that directly compete with

1 each other and with producers here in the States.

2 MR. MCGARRY: Our observation is exactly the
3 same. They compete head-to-head in different markets,
4 as well as here.

5 COMMISSIONER LANE: Okay, thank you. Now,
6 I'm probably going to really mispronounce this name,
7 Sandvik Bioline contends that some domestic producers
8 are oftentimes neither willing nor able to meet the
9 needs of U.S. customers, small orders for custom-
10 produced medical bar. The purchasers of small orders
11 of custom produced medical bar or other types of
12 specialty bar sometimes have difficulty in getting
13 their orders filled.

14 MR. MCGARRY: It's very surprising to hear
15 that and from our perspective, it's simply not
16 anything that I could correlate to. It appears to be
17 out of whack with reality, from our perspective.

18 COMMISSIONER LANE: Okay, thank you. Mr.
19 Chairman, I don't have any other questions.

20 CHAIRMAN PEARSON: Commissioner Williamson?

21 COMMISSIONER WILLIAMSON: Thank you, Mr.
22 Chairman. Just a few other questions. In your
23 testimony, you made reference to, I think, some new
24 producers -- new shippers here that we really should
25 take into account, in deciding whether or not to

1 revoke the orders. I don't think we have particularly
2 -- I don't have a lot of detail about who those are
3 and how do they fit in, in terms of the overall
4 exporters to the U.S. market. So, I was wondering in
5 post-hearing, if you could give us some more detail
6 about those -- who the firms are, what their size is,
7 and what their production is.

8 MR. HARTQUIST: Yes. You're referring,
9 Commissioner, to new shippers since the orders came
10 into place?

11 COMMISSIONER WILLIAMSON: Yes, I believe
12 that was correct. And you mentioned that they were --
13 you know, that they were still under order and could
14 be a threat.

15 MR. HARTQUIST: Yes. Yes, we'll be happy to
16 do that.

17 COMMISSIONER WILLIAMSON: Because I don't
18 think the staff report gives as much detail about
19 those. And to the extent that you have information,
20 it would be helpful.

21 MR. HARTQUIST: We will do that.

22 COMMISSIONER WILLIAMSON: Good. Also, this
23 question about capacity utilization, maybe you could
24 address to the extent to which there are plans for
25 increases in capacity in the melting facilities, as

1 opposed to rolling mill facilities, you know, any
2 plans to expand either one or the other by the
3 domestic industry.

4 MR. HARTQUIST: Okay. We'll be happy to
5 take a look at that and see whether we should
6 supplement what's already been provided to the
7 Commission.

8 COMMISSIONER WILLIAMSON: Okay. Thank you.

9 MR. HARTQUIST: Focusing on melting only?

10 COMMISSIONER WILLIAMSON: No, melting and
11 rolling.

12 MR. HARTQUIST: You want that separated?

13 COMMISSIONER WILLIAMSON: Yes.

14 MR. HARTQUIST: Okay.

15 COMMISSIONER WILLIAMSON: Okay. Thank you.

16 Mr. Blot, just one last question. I've
17 heard for years about the importance, you know, US
18 industry is going to just-in-time delivery and cutting
19 down inventory costs, but everything you have sort of
20 indicated, you talked about in terms of the way the
21 distributors operate in the US, it almost seems like
22 that doesn't apply in this industry. I'm new to the
23 subject so maybe, is there something missing here?

24 MR. BLOT: I'm sorry. Could you repeat that
25 first part?

1 COMMISSIONER WILLIAMSON: You talk about the

2 --

3 MR. BLOT: The distribution of channels,
4 yes.

5 COMMISSIONER WILLIAMSON: Yes, the
6 distributors and how they build up inventory and
7 stock, things like that and you know, that costs
8 money. Everybody talks about how important it is to
9 have a just-in-time delivery system, but it doesn't
10 seem to operate in this industry, and I'm wondering if
11 I'm missing something.

12 MR. BLOT: Well, again, this industry is
13 different, I think certainly different from all the
14 other, even all the stainless industries, that such a
15 large portion of this product does go through
16 distribution. You take the carbon steel market, I
17 think their statistics show something like maybe 20-
18 some percent, 25 percent goes to distribution, and the
19 rest of it goes to directly to end users, whereas in
20 our industry, as I've said, the average last year when
21 you take the domestic and the imports and put the
22 weighted average together, was 79, call it 80 percent
23 for talking purposes.

24 That's because the average bar order that an
25 end user is going to get, that average bar order is

1 probably only maybe 3 or 400 pounds. Now, there are
2 some that are larger. The typical order on a mill is
3 going to be like 2000 pounds or 5000 pounds and they
4 salivate when they get a 10,000 pound order of an
5 item, same grade and size. So what you have is a lot
6 of end users out there, so the distribution network
7 has to be in place to support that.

8 The mills cannot produce and then -- a 500-
9 pound order. You know, they've got to have the
10 economies of scale to make a larger quantity. So
11 therefore, it's going to go through distribution,
12 whereas in other products, like carbon steel,
13 customers, end users, it's not untypical to be
14 ordering a truckload quantity at a time, so you can
15 make a production order.

16 As far as the cost of possession, yes, they
17 have a cost of possession. They do, you know,
18 primarily they will inventory material, they will
19 break down large bundles into small bundles, sometimes
20 they may do a little bit of cutting up or something, a
21 little bit of value-added that's being done, maybe
22 some surface enhancement, but by and large they are
23 there to buy bulk and sell small quantities to a
24 numerous number of end users throughout the country.

25 A lot of these people are machine shops.

1 They are not directly OEM, but they are supplying a
2 number of OEM jobs and they are competing for every
3 one that comes along. So then the distributor is
4 saying, all right, I've got to work on the difference
5 between what I buy and what I'm going to sell out in
6 the marketplace, and my competition is that
7 distribution network. So they are going to take every
8 opportunity they can to try to buy as economically as
9 they can, and yes, they'll buy more than is needed if
10 they feel that the prices are going to be, you know,
11 increasing, they'll buy more than what they really
12 have to sell.

13 So their end user customer may say, I want
14 some 10,000 pounds a month, and they'll buy maybe
15 12,000 pounds a month and start to build it up if they
16 believe prices are moving up. When prices are coming
17 down, they do just the opposite. So they are built --
18 yes, it does cost money to do that. There is no
19 question about that, but they make the difference up
20 in the fact that the interest that they have to pay to
21 borrow the money to build that up, they get on the
22 basis that they have been able to purchase at a more
23 economical price as prices are moving up.

24 I don't know whether that explains it or
25 not.

1 COMMISSIONER WILLIAMSON: No, that is very
2 helpful.

3 Mr. McGarry, the Europeans, do they do it
4 differently? Is there another distribution system
5 there?

6 MR. MCGARRY: No, it is different. It's not
7 as much independent distribution. The point I was
8 going to make is that in addition to just these
9 products, what has evolved in the US market is,
10 including not just stainless as an example but copper,
11 brass, bronze, aluminum, an entire package of raw
12 materials that an end user may have a shopping list,
13 so to speak, and that's part of the role that that
14 distributor is fulfilling.

15 It's very unusual to have a distributor be
16 focused exclusively on your stainless bar.

17 COMMISSIONER WILLIAMSON: The difference in
18 the distribution systems, does that have any effect on
19 the end user prices that we are looking at compared to
20 Europe in the US, or has that been factored out?

21 MR. MCGARRY: It's generally a totally
22 different set of customers. You're referring to an
23 end user in Europe as opposed to an end user in the
24 US?

25 COMMISSIONER WILLIAMSON: Yes, when we are

1 looking at prices, comparing prices in the two
2 markets, I wondered, does this distribution system
3 explain any of the difference?

4 MR. MCGARRY: It explains a lot of it. As I
5 think we've mentioned on numerous --

6 MR. KERWIN: Commissioner, I'd add one point
7 that kind of occurred to me, which is that, to the
8 extent that the European sales are being sold from a
9 distributor to an end user, and the US sales would be
10 made from the supplier, the manufacturer to the
11 distributor, there is a bit of a time lag between the
12 two, in that the distributor is going to hold the
13 inventory some period of time, unspecified, but -- and
14 then that sale will be made to the end user.

15 So it could well be that the pricing that's
16 shown in the European market, it appears to be
17 happening as the United States. Because of the added
18 step in the distribution process, they may not be
19 directly comparable in terms of time period. In other
20 words, the sale that's going to the distributor in the
21 US may be happening at the same time as the sale from
22 the distributor to the end user in Europe, and because
23 of that you could have a question of a difference in
24 relation to the surcharges for each of those sales.

25 In other words, in a market where the

1 surcharges are going up quickly and the raw materials
2 costs are changing rapidly, the effect of one month or
3 two of a product being held in a distributor's stock
4 could affect the relative pricing because of the time
5 lag between the two markets. Does that make sense?

6 COMMISSIONER WILLIAMSON: It does, yes. Of
7 course it does.

8 MR. MCGARRY: So I'm not sure that that's
9 necessarily the case in relation to the time series
10 that we were discussing earlier, but it seems to make
11 sense.

12 COMMISSIONER WILLIAMSON: The picture's more
13 complicated than it first appears. Thank you very
14 much. I have no further questions.

15 CHAIRMAN PEARSON: Commissioner Pinkert?

16 COMMISSIONER PINKERT: I think I have just
17 one additional question, first for Ms. Bilz and then
18 perhaps for the rest of the panel. How did the entry
19 of North American Stainless into the market affect the
20 level of competition in the US market, and any other
21 major changes at that time would also be relevant.
22 Ms. Bilz?

23 MS. BILZ: Could you repeat the question
24 again?

25 COMMISSIONER PINKERT: Yes, how did NAS's

1 entry into the US market affect the level of
2 competition, and any other changes that might have
3 occurred in the US market at that time.

4 MS. BILZ: I think maybe it would be a
5 better question for the other producers to answer than
6 myself.

7 COMMISSIONER PINKERT: Mr. Lasoff?
8 Mr. Simmons?

9 MR. LASOFF: We'd like to address that in
10 the post-hearing brief. I'd rather than have each
11 producer specifically state what he sees the
12 relationship between NAS and their own competition.

13 COMMISSIONER PINKERT: Thank you. That
14 would be appreciated, and with that, I thank the
15 panel.

16 CHAIRMAN PEARSON: I have no further
17 questions.

18 Madame Vice Chairman, did you have more?

19 Any further questions from the dais?

20 Mr. Deyman, do members of the staff have
21 questions for this panel?

22 MR. DEYMAN: George Deyman, Office of
23 Investigations. The staff has no questions that can
24 be answered here. However, I would like the domestic
25 producers and the foreign producers to, in their post-

1 hearing briefs, clarify the capacity information that
2 they gave us in their questionnaire responses. That
3 is, is the capacity information you gave us the
4 melting capacity, the rolling capacity and/or the
5 finishing capacity?

6 And in fact, actually, what we would like
7 you to provide in the post-hearing brief is your
8 melting capacity broken down, allocated by subject and
9 non-subject product, your rolling capacity, and then
10 your finishing capacity, all allocated, with the basis
11 for your allocation, for each year and period for
12 which we requested data in the questionnaires. If you
13 could do that, that would be very helpful.

14 Do you think that's possible?

15 MR. HARTQUIST: I think the answer is yes
16 unless I hear dissents from my clients.

17 MR. DEYMAN: All right. The staff has no
18 further questions. Thank you.

19 CHAIRMAN PEARSON: Does counsel for the
20 Respondents have any questions for this panel?

21 MR. LARUSSA: Not at this time, Mr.
22 Chairman.

23 CHAIRMAN PEARSON: Okay. Then it's
24 lunchtime. Let's see. Be mindful that the room is
25 not secure, so please take your personal belongings

1 with you. Before actually adjourning, let me thank
2 this panel for your contributions here this morning,
3 even those of you who have done this before. It's
4 always a learning experience, and I appreciate your
5 efforts.

6 Let's see. I think that we should come back
7 at 2:15. Any objections to that? Seeing none, we
8 stand in recess until 2:15.

9 (Whereupon, at 1:19 p.m., the hearing in the
10 above-entitled matter was recessed, to reconvene at
11 2:15 p.m. this same day, Tuesday, November 6, 2007.)

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1 first panel we have here is basically the economic
2 panel, to give you an overview of what Mr. Hartquist
3 accurately calls the Halcyon days of the domestic
4 industry.

5 And I would say before we get to the
6 economists who know more than I that I'd like to give
7 a quick overview. I'll be followed by Dr. Crandall,
8 Robert Crandall of Brookings, and that will be
9 followed by Bruce Malashevich, the President and CEO
10 of Economic Consulting Services. If you just take a
11 look at my first panel here, I'd like to say a couple
12 of things.

13 First, due to a confluence of events, there
14 couldn't be a better case for sunsetting an order.
15 There are several things that have happened that
16 really I don't think you've even seen much of, and the
17 first is the condition of the US industry. I have in
18 front of me these yellow pages that I have had
19 hermetically sealed, and been guarding all day so
20 nobody can see them, the staff report in this matter,
21 and I just cannot believe that anything I heard today
22 has anything to do with the findings of the staff
23 report over the last several years, and we'd like to
24 go over those.

25 First, this is a new domestic industry. I

1 heard something today to the effect that the domestic
2 industry is not a new industry. Well, it is a new
3 industry. When you first investigated this matter
4 five years ago, NAS did not exist as far as stainless
5 bar is concerned, and now in two or three short years
6 -- you can see the numbers. I can't say them, but you
7 can see the share of the market that NAS has taken
8 over, and as in Wire Rod -- NAS is taking over the
9 commodity grades and is there already, and as in Wire
10 Rod, most likely, in the future, they will be taking
11 over the rest of the grades.

12 But more than that, the entire industry is
13 profitable right now. All you have to do is look at
14 the stock prices of the publicly traded companies, and
15 what you will see is companies -- and Dr. Crandall
16 will point this out in a minute -- companies that are
17 going gangbusters. I wish I had invested in these
18 companies years ago. They are doing very well. And
19 we also heard a lot of talk about the last couple of
20 quarters.

21 Well, the quarterly reports for these public
22 companies came out in the last few days, and guess
23 what? They were shining examples of US companies that
24 are doing very well in a very powerful global market.
25 Prices, prices have increased dramatically. This is

1 unprecedented. I know there has been a lot of talk
2 about recent decreases, especially given the price of
3 nickel, but I think if you take a look at the data in
4 the report, and Dr. Crandall will also talk about the
5 last couple of quarters, you'll basically see that
6 prices have never been where they have been, and
7 that's not just talking about increases produced by
8 the price of nickel alloy.

9 That is increases in the base price, and
10 there are charts in Dr. Crandall's report that you
11 have that basically show this. Would there be slow-
12 down? I don't think so. I mean, first of all, there
13 has been a lot of talk of recession, but the latest
14 GDP figures are 3.9 percent. I think that's pretty
15 good. Global demand is strong and increasing. China
16 is not about to fall apart.

17 China is growing at significant rates, and
18 if you take a look at the consumption figures and
19 demand figures in China on stainless steel bar, it's
20 not just the general economy. It translates right
21 into the sector that we are talking about here.
22 Production capacity is fully utilized. You can take a
23 look at the data in the staff report, and I'm glad,
24 actually, the staff asked that question at the end of
25 the first presentation, because there really is no

1 room for any more capacity, for any more -- there's no
2 excess capacity right now because if there were excess
3 capacity, the prices in the market wouldn't be so
4 high.

5 Domestic shipments. Domestic shipments have
6 increased by 30 percent. There is no denying that,
7 and one important thing, and I just don't quite
8 understand these figures that were thrown out today,
9 domestic market share is way up. The talk about the
10 surge in imports is actually a misnomer. The import
11 market share is substantially down from where it was
12 in the beginning of this proceeding, substantially
13 down. Take a look at Table 1.1, the confidential
14 data, you'll see that.

15 Imports have increased, yes, in terms of raw
16 numbers over the last few years, and the question of
17 why that happened, well, it's fairly straightforward.
18 Imports increased because demand increased. There was
19 great demand increase. Imports did not increase any
20 more than demand increased across the board. Next
21 slide.

22 Why is this such a strange confluence of
23 event? Because basically subject imports are
24 irrelevant. If you take a look at the companies here
25 that were excluded by the Section 129 proceeding, what

1 you'll basically find out is that some of the biggest
2 companies in the world are no longer in the order.
3 Valbruna, there is a chart by Marcus Moll (ph) in the
4 staff report, and you can take a look at the biggest
5 companies in the world, and among those are Ugitech,
6 no longer in the order.

7 Among those are Valbruna, no longer in the
8 order. Among those is Rotachai (ph), no longer in the
9 order, and you have a list of other companies there
10 that are not in the order. Next point. The last
11 point I'd like to make before turning it over to the
12 people who do understand economics is that there is
13 one more factor. Across the world right now in steel,
14 companies are making decisions to invest regionally
15 for local production and distribution.

16 You saw that in the carbon sector. You've
17 seen it in the stainless sector as well. Some of the
18 major companies in the world who were exporters to the
19 United States have now made major investments in the
20 United States. Ugitech, which is out of the France
21 order now, but is still, for some very strange reason,
22 and I'll explain later, subject to the Italian order,
23 Ugitech just made an investment in a bar facility in
24 Batavia, Illinois, a \$10,000,000 investment, it will
25 be ramping it up to 10,000 tons of production, and

1 it's made strategic business decisions to cut back its
2 imports in bar.

3 So you've got this confluence of events, and
4 we'll talk about it later, but it's very hard to see,
5 and we'll get, when we get to France and Italy and
6 Germany and the specific countries, it's very hard to
7 see how the remaining imports could have any impact on
8 price and volume in the US market and could have
9 anything to do with continuing or recurring injury.
10 I'll turn it over to Mr. Crandall.

11 MR. CRANDALL: Now that Mr. LaRussa has said
12 everything I was going to say, I can be brief. I have
13 testimony, written testimony I have submitted, which I
14 am not going to read, given the short space of time I
15 have, but I am going to go over the exhibits, which
16 are at the end of this testimony and they are very
17 similar to the exhibits that were in my report, or
18 many of the exhibits, public exhibits in my report,
19 which was appended to the Ugitech brief.

20 If you could start with No. 1. Well, first
21 of all, just to retrace what has happened to
22 consumption, and clearly there was a downturn after
23 2000. There was an economic downturn in the United
24 States which was actually not quite that deep for the
25 overall economy, and then recovery since 2003, and any

1 discussion about the steel industry that looks back
2 beyond 2003 is missing the fact that there has been a
3 huge turn in the world steel industry since that time.

4 Asset values have gone up. Prices have gone
5 up. Demand has been incredibly strong and continues
6 to be strong throughout the world, and that is
7 certainly true of the stainless steel bar products as
8 well. And this is just a chart that just shows you
9 what has happened to imports. If you can remember
10 what the last chart looks like, imports have not
11 increased as much as consumption, particularly in
12 recent years.

13 They have sort of flattened out recently,
14 and if you look at subject imports, and there is a lot
15 of bracketing and APO of subject imports in Table 1.1.
16 I won't refer to it explicitly, but if you look at
17 subject imports, they have not come back anywhere near
18 the levels they were at in 1998 to 2000, and that's
19 the influence, I believe, of the exchange rates.
20 Exchange rates have had an effect upon imports.

21 Imports haven't disappeared altogether.
22 It's not a zero-one game where if the exchange rate
23 goes up 10 percent, imports rise or double or triple,
24 or if the value of the dollar goes down 10 percent or
25 40 percent, they disappear entirely. In fact, subject

1 imports are 25, 30, 35 percent below where they were,
2 as a share of domestic consumption, where they were
3 back in 2000, and I think it's heavily due to the
4 exchange rate.

5 If you go to the next slide, this shows what
6 happened to exports. Somehow there was a matter of
7 silence on this point this point. There was no talk
8 about how the domestic industry is exporting
9 substantially. In fact, because they have become more
10 efficient, because there has been an entry of a big,
11 new efficient player, NAS, and because of exchange
12 rates, exports have soared from US producers, and this
13 has contributed substantially to their economic
14 health.

15 The next chart shows you what has happened
16 to the value of the dollar. This is the Euro-dollar
17 exchange rate, not the trade-weighted value of the
18 exchange rate. Mr. LaRussa and I are up here talking
19 about the European companies. And you can see that
20 there was some recovery in the dollar there in 2005
21 until early 2006, and since then, there has been a
22 substantial decline in the value of the dollar.

23 You would expect both imports and prices to
24 respond with a lag to change in the exchange rates.
25 Those Americans who live near the Canadian border

1 today see a huge influx of Canadians coming to shop
2 because the prices in Canada have not yet responded
3 fully to the change in exchange rates. They will, but
4 they haven't yet, and I think that's also true given
5 the tremendous decline and the recent decline in the
6 value of the dollar.

7 You will have a response in terms of prices
8 and in terms of imports with a lag, and you will see
9 that taking place over the next, I don't know, 12, 18
10 months. The next chart shows you what has happened to
11 prices. This is from *Purchasing* magazine for
12 stainless steel bar prices, and it's no surprise there
13 has been a substantial increase since 2003 and
14 particularly in the last year or so.

15 Some of that was obviously caused by a sharp
16 bid up in demand and speculative bidding up of nickel
17 prices, and those prices subsequently fell and are
18 apparently beginning to recover again, but what this
19 shows is, at least through July of '07, prices were
20 extremely strong, and we'll talk a little bit more
21 about the effects of the change in nickel prices on
22 overall prices and returns to the steel companies, the
23 stainless steel companies, in a minute.

24 This is straight from the staff report.
25 It's public information because there are enough

1 Petitioners submitting data, and this shows you how
2 the unit value has gone up, at the top line, and we
3 all know that, and especially all the way into the
4 first half of 2007, which is the last period in the
5 analysis in the staff report. It also shows what
6 happened to unit raw material costs, and it shows what
7 happened to the margin over materials cost.

8 The margin over material cost has increased
9 tremendously since just 2004, from 2004 to the first
10 half of 2007, over \$1000 a ton. Now, there may have
11 been some decline in that, or will be in the second
12 half of 2007, but I didn't hear any prediction today
13 that we're going to go back to 2004, 2005 levels.
14 Now, there is one part of the world that is very much
15 forward-looking, and that's the stock market, and what
16 you see here is, starting in 2003, the prices of the
17 two publicly traded US companies producing stainless
18 steel bar, namely Universal Stainless Dunkirk and
19 Carpenter, the price of their stock going up
20 enormously.

21 This is standardized to 100 for January
22 2000. You see the prices went down somewhat through
23 2002 and early 2003 and then turned around, and you
24 see a substantial increase, a five-fold increase from
25 2000. Now, there has been some volatility in the

1 stock market this year, and it even shows there for
2 the Universal stock price through July of '07. This
3 comes from my report, which I submitted with the
4 Ugitech brief. If you were to update this now, what
5 you would see is that throughout 2007, there was this
6 downturn in the price of stocks of Universal and
7 subsequently also for Carpenter, but that downturn has
8 been erased by an upturn, and in fact, Carpenter's
9 stock price, as of a couple days ago, was about 40
10 percent above where it was in January of 2007.

11 So if there has been correction in prices,
12 some downward pressure on margins, no one thinks that
13 it's of a long-lasting nature, and no one has pushed
14 the stock prices down because they anticipate
15 substantial downward pressure on margins from these
16 companies in the foreseeable future. And the
17 financial information, which was submitted to the
18 Commission and is also public information, I reproduce
19 here.

20 I think this is something like Table 3.3, or
21 something like that. Let's see. Oh, I'm sorry, 3.9.
22 And here you see just a continuous increase in net
23 income since 2003 for the reporting producers, all the
24 way through the first half of 2007. Now, today we
25 heard that there has been some correction. There has

1 been downward pressure on prices in the second half of
2 2007.

3 Well, we're only just barely into the fourth
4 quarter, but we do have results for the third quarter,
5 and Mr. LaRussa referred to them. Universal reported
6 two weeks ago and I think Carpenter reported six days
7 ago. You can look at those reports. They are easily
8 available at the websites of the company. They are
9 available through the Securities and Exchange
10 Commission Forms 10-Q, but if you look inside those
11 reports, there is not much downward pressure on
12 income.

13 Income continues to go up, and even in the
14 specialty steel divisions, it's not down very much,
15 and in fact, demand seems to be continuing to be
16 rather strong. For instance, the Carpenter report
17 says the medical market sales have increased 16
18 percent from the same quarter the previous year.
19 Sales to the industrial market were up 14 percent, and
20 sales to the aerospace market were up 9 percent.

21 That's from their quarterly report, their
22 most recent quarterly report just six days ago. The
23 climate seems to change as you come from Pennsylvania
24 to Washington. Let me go to the next. This is simply
25 a chart I put in my report and in my testimony because

1 it's very difficult to get worldwide numbers on this
2 business. This is from the International Stainless
3 Steel Forum, a group of international stainless steel
4 producers, and this is their estimates of demand by
5 area.

6 So unfortunately they combine Europe and
7 Africa, but I think you can assume that most of that
8 Europe, given the GDPs of the two regions, and you can
9 see that there has been continued growth and there is
10 expected to be continued growth through 2010. Now, it
11 is true that the Americas are not growing as rapidly
12 as Asia, but there is no prediction here of any
13 downturn, and demand, which has been extremely strong,
14 seems to be getting at least slightly stronger over
15 time.

16 Now, let me refer back to what Mr. LaRussa
17 said about GDP. First of all, there was discussion
18 this morning about the deep recession of 2001, 2003.
19 It certainly hit the steel industry and the stainless
20 steel industry more than the rest of the economy, but
21 it was a mild recession by historical experiences. We
22 have not had a deep recession in the United States
23 since 1982, and we have a Federal Reserve which is
24 moving very quickly to respond to problems as they
25 emerge, and surprisingly, despite the volatility in

1 the financial markets, the volatility which has led to
2 a further rise in the equities of the two stainless
3 producers involved in this proceeding, last quarter's
4 GDP appeared to grow at about 3.8 percent, and I think
5 the preliminary indication -- that is the second
6 quarter.

7 The preliminary indication on the third
8 quarter is about 3.9 percent. Now, that is rather
9 strong growth given that we haven't had any downturn
10 since back in 2000 and 2001. Let me conclude by just
11 showing you what the IMF sees in terms of world
12 economic growth, and I do this every time I testify
13 here just to reassure the Commission that no one
14 foresees much of a downturn coming into their future.

15 This is for the overall world GDP, and you
16 can see the economic growth continues for, they
17 predict, through to 2008, averaging 2004 to 2008 about
18 5 percent a year. That is incredible growth by
19 historical proportions, and that explains a lot about
20 why steel demand is so strong around the world and
21 stainless steel demand is so strong around the world,
22 and why prices are so high relative to historical
23 experience.

24 And then let me finally just conclude by
25 saying, every time I come to one of these hearings,

1 there is some discussion about how China cannot
2 maintain its level of economic growth. Well, it
3 started at a very low level of GDP per capita when
4 they moved away from planned socialism, communist
5 society to more open markets, and you can see there
6 that since 2003 they have averaged about 10 percent a
7 year, and you can see that the IMF is forecasting only
8 a very slight decline for 2008.

9 Let me assure you, a country that's getting
10 9 and a half, 9.8 percent growth in a year is doing
11 extremely well, and particularly if it's been doing it
12 now for five or six years. So there is no prospect
13 that I can see right now of a world downturn. The US,
14 despite the volatility in the residential housing
15 market, seems to be doing rather well. The stainless
16 producers have reported very strong earnings in the
17 third quarter of this year.

18 This industry has been transformed and I
19 don't think it's likely to be injured at all by the
20 small amount of subject imports that would be released
21 from these orders if the orders were revoked. Thank
22 you.

23 MR. MALASHEVICH: Good afternoon, Mr.
24 Chairman and members of the Commission. I am Bruce
25 Malashevich, and I would like to begin by saying I

1 concur fully with Dr. Crandall's testimony that you
2 have just heard. The objective of my testimony is to
3 expand on a few of those points, and I would like to
4 begin by taking your memory back to this morning's
5 question and answers with respect to the outlook for
6 US demand for stainless steel bar.

7 It was the subject of considerable
8 discussion, and a lot of that discussion focused on
9 Mr. Blot's forecast of essentially no net change in
10 the current rate of demand for the next year and a
11 half or so. That discussion was very interesting, but
12 essentially missed what I believe was the major point,
13 and that is, if you can look back at Dr. Crandall's
14 Exhibit 1, that exhibit uses the prehearing report,
15 and you'll see that demand in 2006 and 2007 exceeded
16 demand in 2000.

17 That is very, very significant because this
18 is a highly cyclical industry, as the Commission well
19 knows, and the year 2000 was peak demand for the last
20 cycle. So we are not yet at the end of the current
21 cycle, and demand today is already exceeding demand
22 for the last cycle. So one reason why I emphasize
23 that is that even a continuation, assuming no net
24 change in apparent consumption for the next several
25 years, we're talking about a very, very good year in

1 2006 and 2007 in particular.

2 So, that's why you see the domestic industry
3 expanding total production capacity by 50 percent,
4 going to the POR. That's why you see a major new
5 greenfield entrance into the US industry during the
6 POR. It's reminiscent of when I first moved to
7 Washington more than 30 years ago, a very senior
8 member of the administration then in power said,
9 Bruce, when it comes to Washington, watch what we do,
10 not what we say.

11 So I encourage you to look at the statistics
12 on what the domestic industry has actually done and
13 how it is now doing and shows no sign of weakening as
14 getting to the true measure of exactly how strong this
15 industry is today.

16 Another point I'd like to make is on subject
17 profitability. I think most people in the room would
18 agree, the levels of the last few years in particular
19 have been quite healthy by any reasonable standard,
20 but those percentages are actually understated of the
21 industry's true financial health.

22 The Commission generally looks at operating
23 income as a percent of net sales. There's nothing
24 wrong with that. However, rarely has the Commission
25 seen an industry whose prices and raw material costs

1 have gone up as rapidly as in this case. So you're
2 taking a numerator of operating income and comparing
3 it to an escalating denominator of net sales.

4 No lesser authority than the CEO of
5 Carpenter Technology made exactly this point in the
6 10K for the year ending July 31, 2007. She said that
7 you need to look at our profitability, our being
8 Carpenter Technology, in light of the fact that the
9 ratios in relation to sales are depressed, owing to
10 the pass-through of rapidly escalating raw material
11 costs.

12 But as a result of that dynamic, I would
13 encourage the Commission to place greater weight on
14 other indicators of profitability. For example, you
15 have return on assets before you in the prehearing
16 report. You also could take a look at cashflow
17 generated relative to depreciation. I think you'll
18 find in both cases an even more robust picture of
19 health in the domestic industry than is indicated by
20 measurement of the return relative to sales.

21 Also bear in mind that unlike in the
22 original investigation, the Commission did not take
23 into account in this case profitability of downstream
24 operations of U.S. producers that also have captive
25 distribution. I participated in the original

1 investigation in this case, and it was pointed out in
2 great detail how the distribution operations
3 affiliated to the U.S. users do not just stock and
4 sell product. Production, value-added operations
5 occur there too, so the domestic industry's
6 profitability is understated. That's all for now.
7 Thank you.

8 MR. LARUSSA: Mr. Chairman, we would like to
9 turn to the next panel if you don't mind, who are also
10 sitting here and focus on Italy and France. And we
11 put those slides up. I will very quickly make a quick
12 overview comment. If you take a look at the original
13 investigation from Italy and France, those were the
14 companies that were investigated. Bedini had a de
15 minimis margin and was out. That's what's left.

16 And basically in Italy and France, what I
17 said before about subject imports is compounded. What
18 we're going to hear right now is about the companies
19 that are left, and I'm going to leave that to my
20 colleagues on the panel, but I'd just like to make one
21 or two quick points.

22 One is, on France, if you take a look at
23 page 7 of our brief right at the bottom, you can
24 basically see the amount of capacity in France that
25 Ugitech accounts for, and you'll basically see with

1 Ugitech out of the order, which it is now, out of the
2 French order, there basically is nothing left. I
3 think it's important to take a look at that.

4 Secondly, on the Italian order, Ugitech is
5 subject to the Italian order, but Ugitech, and this is
6 really something that never should have happened,
7 Ugitech has no facilities in Italy other than Bedini,
8 which is out of the order. The material that was
9 included in the original antidumping order was
10 basically French stainless steel wire rod that was
11 toll-processed by Bedini in Italy and then sold to the
12 United States. There's no more of that. There was
13 very little of it to begin with. It never should have
14 been part of the order.

15 What we're going to do now is if you take a
16 look at the next slide, yes, basically this is the
17 same argument for everybody. You can see it from our
18 brief. Basically Italy and France focus on the
19 European Union. There's a lot of discussion today
20 about whether Europe should be considered one market
21 or not. But clearly, whether you consider France the
22 market or Europe the market, they're shipping within
23 the European Union. They're not shipping to the
24 United States.

25 Next. And again, demand in Europe, as Dr.

1 Crandall said, is very strong.

2 Next. All right. I'd now like to turn it
3 over to Mr. Daniele Cereda from Ugitech, and what I'd
4 like him to do is take a look at those companies that
5 have been named by the domestic industry as those huge
6 companies that are waiting in the wings in Italy and
7 France to descend on the U.S. market, and I think what
8 you'll find is that in fact they are not so. Mr.
9 Cereda.

10 MR. CEREDA: Daniele Cereda, Ugitech. Thank
11 you, Mr. Commissioner, for allowing me on this panel
12 today. I'll try to shed some more light on the
13 presence of the French and Italian companies involved
14 in this case, starting with France.

15 We've got Ascometal. Ascometal has been
16 many times brought into question today. Well, we
17 don't Ascometal in Europe as being a producer of
18 stainless steel. They're into carbon. They are a
19 carbon alloy producer. They have a very limited
20 capacity as far as stainless steel is concerned, with
21 only two grades produced in the Martin Sedic (ph)
22 area. So we don't see really Ascometal as being a
23 stainless steel producer of any size.

24 Aubert et Duval is even worse. I mean, they
25 only deal really with high-end nickel alloys.

1 Personally I don't see why they should be moving into
2 producing stainless steel, which is a lower margin
3 product. Again, they do not produce stainless steel
4 today.

5 Bonpertuis, they don't have their own
6 melting facilities. They are a converter. They are a
7 hot rolling profiling company dealing with, as I say,
8 profiles and shapes out of raw material from somebody
9 else.

10 As far as Italy is concerned, we have a
11 panel of other companies which are not involved in
12 this case. One of them is Acciaierie Bertoli Safau.
13 They belong to a larger group who is normally
14 manufacturing stainless steel mill plants as such, the
15 nearly group. There is more carbon alloy for the
16 user. They are out of the scope of this panel today.

17 Sama Inox is a converter. They don't have
18 their own melting facilities. They convert steel from
19 other makers, wire rod from other makers. They do
20 both stainless steel and what we call free-machining
21 steel in proportions, and they have a capacity which
22 we estimate at less than 5,000 tons per year, limited
23 to stainless steel products.

24 Zorzetto, again, they are a privately owned
25 company like many of these around. Typical of the

1 Italian industry, there is a family owning this
2 business. They have less than 48 people employed at
3 Zorzetto. Again, they convert wire rod based on
4 somebody else's production. They have the typical
5 field of activity between Italy, Germany and maybe
6 France today.

7 None of these companies really post any
8 traditional attitude to do any export beyond the
9 alliance of the European community. They simply don't
10 have the size or the mentality to do so.

11 Idallfand, we heard a lot about Idallfand
12 today. We consider that to be a small operation.
13 Again, that's 20,000 tons of stainless steel forged,
14 because these are forged bars. And they're based in
15 northern Italy, again, a privately owned company.

16 And then Cogne. They don't have a
17 distribution anymore here in this continent at all.
18 We hear mixed messages regarding Cogne. Somebody says
19 they are facing a very difficult period. Somebody is
20 saying, well, no they're investing. We heard that
21 today. The bottom line is it is very difficult to
22 draw any kind of real attitude out of the strategy of
23 Cogne what goes on the European market or what
24 pertains to the exports to the U.S. market.

25 Beyond that, I mean, there is really no

1 other company involved in Italy or France that could
2 even think about exporting into this country. Thank
3 you.

4 MR. LARUSSA: Thank you. Now Mr. O'Donnell,
5 who is the member of the board of Ugitech USA and has
6 many, many years of experience in the market.

7 MR. O'DONNELL: Good afternoon, Mr. Chairman
8 and members of the Commission. My name is Dan
9 O'Donnell. I am a board member of Ugitech USA, a
10 subsidiary of Ugitech SA and the exclusive distributor
11 for all Ugitech products sold in the United States. I
12 have been with Ugitech USA since June of 1990 when the
13 company was created in the United States and have
14 worked in the specialty steel industry since 1968.

15 Ugitech USA is not, never has nor ever will
16 be in business to increase our U.S. market share of
17 low-priced or low value-added products, nor are we
18 focused on volume. We are in business to make a
19 profit by selling the highest profit product possible,
20 and that product is certainly not what we consider to
21 be commodity grade bar.

22 This has always been true for us but never
23 more so than today. Unlike five years ago, today we
24 compete in a U.S. market increasingly dominated by one
25 low-cost, low-price producer. That domestic producer,

1 North American Stainless, has made it impossible for
2 Ugitech and I'm sure other domestic producers to
3 compete in many segments of the market.

4 In addition and perhaps more importantly
5 since the investigation, Ugitech has made a direct
6 investment in the U.S. stainless steel bar industry.
7 In June of 2007, we completed the first phase of our
8 investment in the Greenfield stainless steel bar
9 facility in Batavia, Illinois. Output at this mill is
10 expected to be around 10,000 tons by the year 2012.
11 As production increases, we have already scheduled
12 correspondent decreases in import volumes from our
13 mills in France and Italy.

14 I would like to take a few moments this
15 morning to talk about some of the changes in the U.S.
16 market in the last five years that have led to our
17 investment. Changes in the market: U.S. demand for
18 stainless steel bar is unprecedented and forecasted to
19 continue. As a result, the U.S. market for stainless
20 long products has been able to undergo a fundamental
21 restructuring. As I said, North American Stainless is
22 well on its way to dominating the market and is
23 setting the price. Its aggressive pricing practices
24 mean that there is little room left in the market for
25 other U.S. producers and even less for Ugitech. We

1 cannot and will not compete head to head with NAS.

2 This trend directly leads to our business
3 model for the U.S. market. As you can see by what we
4 put on the record but cannot discuss publicly,
5 Ugitech's product mix is not concentrated in the
6 products that make up the vast majority of the U.S.
7 market. We have always sold high-end specialty
8 products almost exclusively to end users who
9 manufacture precision machine parts where the quality
10 and reliability of the product is critical.

11 The majority of our sales are in two
12 proprietary product lines, SMQ and Ugima XL, a
13 patented product. These products offer superior
14 tolerances, consistency and surface quality.

15 In conclusion, I could not leave here
16 without noting the irony of appearing before this body
17 in light of the decisions of the Commerce Department
18 earlier this year in the Section 129 proceedings.
19 Ugitech is no longer subject to the antidumping order
20 on stainless steel bar from France. In fact, the
21 Commerce Department ruled that except for the use of
22 the discredited practice of zeroing, Ugitech never
23 should have been found to be dumping in the first
24 place.

25 This squares with the Commerce Department's

1 original ruling in the Italian bar case that Bedini,
2 our Italian finishing operation, was also not dumping.
3 And for that matter, the only reason our French mill
4 is still subject to the Italian antidumping order is
5 because the Commerce Department wouldn't calculate a
6 dumping rate for the toll-processed material Ugitech
7 was shipping from Italy. This material was
8 manufactured under the same economics as the nontoll-
9 processed material and also reflected a de minimis
10 dumping margin.

11 So, in many ways, this entire exercise has
12 been a fiction from the beginning. It strains
13 credulity that the U.S. industry would ask you to
14 continue this fiction for another five years. In my
15 view, these orders have already been in place for five
16 years too many. Thank you.

17 MR. LARUSSA: Thank you. Mr. Chairman,
18 before I turn it over to the next panel, I just want
19 to say that if you take a look at this, you'll
20 basically see there is nothing left in Italy and
21 France. There are a few small companies. They were
22 mischaracterized this morning, and that's why we had
23 Mr. Cereda speak to them. Thank you.

24 MR. DAVIS: Thank you, Mr. Chairman. I am
25 Mark Davis. Turning to the panel for the United

1 Kingdom, I represent Corus Engineering Steels, which
2 is the largest producer of stainless steel bar in the
3 U.K., and Corus was the original Respondent in the
4 investigation by the Department of Commerce that
5 established the dumping margin and the order that's
6 now under consideration.

7 As the staff report clearly shows and as
8 Corus's Exhibit 1 also makes clear from our prehearing
9 brief, Corus is by far the largest producer and
10 exporter of stainless steel bar from the U.K., and the
11 exclusion of Corus radically changes the potential
12 impact of subject imports from the U.K.

13 Corus has continued to participate actively
14 in this sunset review because it believes that the
15 zeroing decision shows that at least as to the U.K.,
16 the order should never have been issued and should now
17 be allowed to expire.

18 Two quick points. First of all, the
19 Petitioners have made much of the supposed low
20 capacity utilization, and there has been other
21 discussion of that today. Just speaking for Corus, I
22 can say that their understanding is a
23 misunderstanding.

24 The fact is that stainless steel bar is a
25 coproduct that is produced on facilities that also

1 produce nonsubject products, and the supposed unused
2 capacity is only theoretical. It doesn't represent
3 any actual idle facilities. Rather, those facilities
4 are fully employed producing other nonsubject
5 products. And I think this will all become clear when
6 we provide the information requested by the staff on
7 capacity and capacity utilization.

8 But I think it's important to make clear
9 that this coproduct fact does not suggest that the
10 Europeans are poised to shift all of their production
11 to stainless steel bar in case of revocation. A case
12 in point is Corus. Corus was removed from the order
13 in April but didn't suddenly stop selling or producing
14 everything but stainless steel bar. It hasn't
15 produced a stainless steel bar only strategy, and it
16 would be ludicrous for it or any other company to do
17 so. The point is that the European facilities are
18 fully employed, are not sitting idle, and any
19 suggestion to the contrary is inaccurate.

20 And finally, on the point of the issue
21 raised by Commissioner Pinkert of discernible adverse
22 impact, the specifics of course are subject to
23 protective order, but I refer you to Exhibit 3 of
24 Corus's prehearing brief, which makes clear that after
25 excluding Corus, the remaining subject producers in

1 the U.K. really are absolutely minuscule in terms of
2 the import share of consumption in the U.S. Even
3 taken at their most generous, the figures that are
4 reported on our table, Exhibit 3, make it clear that
5 there is really nothing left of U.K. imports.

6 And we understand and we agree that of
7 course that the no discernible impact standard is not
8 merely a numerical figure. It's not just a
9 negligibility standard. But there are plenty of other
10 nonnumerical market factors which we discussed in the
11 brief and which the other U.K. producers have
12 discussed that confirm the lack of impact by U.K.
13 imports. Corus believes that if ever a country's
14 exports met the no discernible adverse impact
15 standard, the imports of stainless steel bar from the
16 United Kingdom meet the standard in this case. Thank
17 you.

18 MR. SIERCK: My name is Sandy Sierck. I
19 represent one of the two minuscule producers in the
20 U.K. That's Sandvik Bioline, which focuses on the
21 medical bar market. The other relevant producer of
22 subject imports from the U.K. is Empire, which is a
23 niche product producer focusing on the oil and gas
24 market. As it's known in the U.K., they used to be a
25 fairly broad-based, big volume producer, but they've

1 gotten rid of all of that equipment and are staying in
2 the niche product area.

3 The remaining two companies really, as Mark
4 has highlighted, are extremely minor participants
5 relative to Corus and certainly relative to U.S.
6 consumption. As a result, there really is going to be
7 no discernible adverse impact on the U.S. industry if
8 the U.K. order were revoked.

9 Further on that point, I'd like to focus on
10 what I believe is a significant error in Petitioner's
11 prehearing brief and in their remarks today.

12 Petitioners in fact have exaggerated the number of
13 U.K. producers of "subject" stainless steel bar that
14 are or would likely be active in the U.S. market.

15 For example, in their prehearing brief,
16 Petitioners listed a company that was liquidated five
17 years ago. In addition, they listed another company
18 that is simply the former name of my client, Sandvik
19 Bioline.

20 And more significantly, this morning they
21 focused a lot on Langley Alloys. As far as I'm able
22 to discern through the U.K. Steel Association, the
23 relevant trade association, which Langley is not a
24 member of, Langley is primarily a service center and
25 may have its own forging bar operations, but so far as

1 we can discern, Langley Alloys has no stainless steel
2 bar rolling facilities. In that event, Langley Alloys
3 is not selling "subject merchandise" in the United
4 States. They may be buying Stainless Steel bar from
5 someone else, but ironically, if they were producing
6 their own stainless steel bar, they would be subject
7 to the new extremely high all others rate of 83.85
8 percent that went into effect April 23 of this year.
9 We're going to address this further in our posthearing
10 brief.

11 I just say in conclusion that the crucial
12 facts here are really not in dispute. The staff
13 report confirms that the U.S. industry is in great
14 economic shape. The staff report and confirming
15 evidence presented, indicated today show conclusively
16 that if the U.K. were revoked, subject imports from
17 the U.K. would not jeopardize the U.S. industry's
18 unprecedented prosperity. Thank you.

19 MR. MONTALBINE: Mark Montalbine on behalf
20 of the German industry. The record shows that we have
21 essentially full coverage of the German industry with
22 each of the significant producers filing questionnaire
23 responses. So this is not a situation where the
24 Commission has to guess about what the German industry
25 will do or try to figure out if there are any new

1 entrants. But you see quite clearly from the
2 questionnaire responses that the German companies are
3 all operating at essentially full capacity and are all
4 primarily shipping within the European Union.

5 Now, in the original investigation, the
6 Department of Commerce looked at four German
7 companies. The first one, Einsal, has now been
8 excluded from the antidumping duty order. The next
9 two, EWK and KEP, are no longer in existence. These
10 two companies were bought out by Schmolz + Bickenbach.
11 They were placed under new management. They were
12 modernized, and this new company now operates under
13 the name DEW, Deutsche Edelstahlwerke.

14 Like the other German companies, you see
15 that DEW is operating at full capacity and primarily
16 serves the EU market. The small amount of shipments
17 that they make outside of that market and namely to
18 the United States are limited to aerospace and oil and
19 gas industry.

20 The last of these companies, the last of the
21 four companies, is BGH, and today you heard Mr. Blot
22 give some hearsay statements about BGH from some
23 unnamed contact of his who is not here to testify
24 today or to be sworn in. I would submit that these
25 statements have absolutely no evidentiary weight

1 before the Commission. And the whole idea that BGH is
2 somehow waiting in the wings to start shipping all
3 these other types of commodity products when the
4 orders go away just is not substantiated by the facts.

5 BGH even before the orders has always
6 shipped oil field products. You might remember from
7 the original investigation there was a large like
8 product discussion about oil field equipment steel.
9 That was pushed forward by BGH. And when you look at
10 the original report, you'll see that that's what BGH
11 has always focused in. They had a related importer in
12 the Houston area. Their contacts were in Houston.
13 When you look at the Customs data, throughout the
14 whole period, these imports are going through Houston.
15 This is all oil field product.

16 Also, we have one of BGH's largest U.S.
17 customers here represented by Mr. Benditz, and he will
18 be able to tell you that BGH is to his knowledge
19 operating at full capacity. They have extraordinarily
20 long lead times and delivery problems with getting him
21 the product he needs. So this is not a situation
22 where BGH has this capacity and they're waiting in the
23 wings ready to come in to the U.S. market.

24 To my right, I have Ms. Plenkers from
25 Schmolz + Bickenbach USA in Chicago. And Schmolz +

1 Bickenbach USA is the sales representative for Einsal
2 and for DEW, and she'll be able to tell you about
3 those companies and their activities in the United
4 States.

5 To her right is Mr. Todd Sewell, and he is
6 with the distributor, Specialty Steel Supply, based in
7 Houston, and they serve the oil and gas industry. And
8 he'll be able to tell you about why he needs a certain
9 supply of imported products for merchandise that he's
10 not able to readily get in the United States.

11 And to his right is Mr. Benditz, who's also
12 from Houston and is with the distributor, Continental
13 Alloys and Services. And he'll be able to also tell
14 you about that industry. So I turn it over to Ms.
15 Plenkers.

16 MS. PLENKERS: Good afternoon. My name is
17 Ulla Plenkers. I'm Senior Vice President of Mill
18 Direct Services at Schmolz + Bickenbach USA. We are
19 located in the Chicago area, as Mark already said, and
20 are in the business of importing specialty steel
21 products, including stainless steel bar. We do not
22 carry inventory but facilitate sales on a back-to-back
23 basis between our European suppliers --

24 CHAIRMAN PEARSON: Ms. Plenkers?

25 MS. PLENKERS: Yes, sir?

1 CHAIRMAN PEARSON: Could you please hold the
2 microphone just a little bit closer?

3 MS. PLENKERS: Even closer?

4 CHAIRMAN PEARSON: Thank you.

5 MS. PLENKERS: Okay. Do you want me to
6 start from the beginning?

7 CHAIRMAN PEARSON: No. I think we're okay
8 just continuing where you are. Thanks.

9 MS. PLENKERS: Okay. We do not carry
10 inventory but facilitate sales on a back-to-back basis
11 between our European suppliers and customers in North
12 America. While Deutsche Edelstahlwerke is our main
13 supplier, we are also the exclusive representative for
14 Walzwerke Einsal. For the record, I would like to add
15 that I have over 35 years of experience in selling
16 specialty steel product, most of which was gathered in
17 the United States.

18 Deutsche Edelstahlwerke's strength lies in
19 long length and heat-treated bar, which is why we made
20 the decision a few years back to focus the limited
21 capacity available to us in the United States on
22 special end-use markets rather than commodity
23 products.

24 About 80 percent of Deutsche
25 Edelstahlwerke's U.S. sales of stainless steel bar are

1 to the energy sector, for example, for use in the
2 construction of oil and gas exploration equipment.
3 For the most part, this merchandise is imported
4 through the port of Houston. Demand in the energy
5 sector is very strong and with the high price of oil,
6 we expect the strength in demand to continue. Another
7 important market for our long length bar is propeller
8 shafting for the Marine industry.

9 Deutsche Edelstahlwerke is operating at full
10 capacity and we have been on allocation for several
11 years. We also face significantly long lead times.
12 If I were to place an order with Deutsche
13 Edelstahwerke today for rolled and heat-treated bar, I
14 could not expect it to be shipped from the German mill
15 until April 2008 at the very earliest. For forged
16 bar, the X mill shipping date would not be until
17 December and actually also into 2009 depending on the
18 cross-section.

19 Regarding our sales of stainless flat and
20 square bars from Walzwerke Einsal, it can be said that
21 since Einsal was excluded from the antidumping duty
22 order in April of this year, orders for shipments to
23 the United States have not increased. Instead, Einsal
24 continues to concentrate on high-priced specialty
25 products where there is little or no domestic supply.

1 Given these circumstances, revocation of the
2 antidumping duty order against Germany would not lead
3 to any significant increase in our imports or a change
4 in our focus on the energy sector and other specialty
5 products. I thank you for giving me the opportunity
6 to testify and would be happy to answer any questions
7 later.

8 MR. SEWELL: Good afternoon. My name is
9 Todd Sewell, and I'm President of Specialty Steel
10 Supply in Houston, Texas. We are a large distributor
11 of stainless steel round bar and offer various in-
12 house services such as bar-turning and seamless
13 grinding for the custom pump shafts. One of the main
14 industries we serve is oil and gas, and we expect the
15 demand for the stainless bar in this sector to
16 continue to increase for hopefully three to five
17 years.

18 Just last month, Shell/Motiva announced a
19 new grassroots refining facility in the Port Arthur
20 area, which is in the Houston area, to be one of the
21 largest refining facilities in the United States and
22 also in the world.

23 We buy predominantly domestic material, but
24 it is important for us to have diversified and
25 reliable supply of bar. There are certain products

1 that we cannot get from the U.S. sources such as large
2 diameter long bar. Most U.S. producers are just
3 physically unable to produce long bar. For example, a
4 producer's heat treating bed, heat treating furnace
5 and/or a kneeling bed may simply be too short. Long
6 bar is an important product in the oil and gas
7 industry and also the boating industry where it is
8 used in propeller shaft manufacturing.

9 For these specialty applications, we turn to
10 imports, especially from Germany from Schmolz +
11 Bickenbach. But even then we have to plan very well
12 because of long delivery and lead times. If I order
13 something today, unlike Ulla's April, we would see it
14 in June from Schmolz + Bickenbach.

15 Accordingly, as far as our business is
16 concerned, we do not believe that revocation of the
17 antidumping order against Germany would injure the
18 U.S. producers. German imports simply fill a niche
19 where U.S. supply is not sufficient. I thank you for
20 the opportunity to testify.

21 MR. BENDITZ: Good afternoon. My name is
22 Dan Benditz. I'm CEO of Continental Alloys and
23 Services in Houston, Texas. We are a large
24 distributor of 420 stainless steel pipe tube and bar
25 as well as a machine manufacturer of Downhole Tools.

1 Ninety-nine percent of our business is to the energy
2 sector, and with the rise in the price of oil, we have
3 seen a strong increase in demand for stainless steel
4 bar products such as 420 modified.

5 A simple review of the rate count
6 information published on the Baker Hughes confirms the
7 major new investments being made in oil and gas
8 exploration. The demand for 420 modified stainless
9 steel bar by the energy sector could not be met by the
10 domestic productions.

11 Four twenty modified is very different from
12 series 300 commodity stainless steel. Three hundred
13 series is an austitetic (ph) steel having at least 8
14 percent nickel and cannot be heat-treated to meet the
15 physical requirements of 420 modified.

16 Four twenty modified is a Martin Sedic (ph)
17 steel and has less than 2 percent nickel and must be
18 heat-treated to give it the necessary physical
19 properties. It is this heat-treating that makes 420
20 modified so difficult to produce. Improper heat
21 treating can cause the bar to crack or corrode under
22 use, causing potentially catastrophic consequences in
23 the oil and gas industry.

24 Because of these exacting standards, 420
25 modified can only be used in a project if the producer

1 is approved by the oil industry engineering firms,
2 such as Schlumberger, Baker Hughes, Weatherford and
3 Halliburton. To my knowledge, none of the Petitioners
4 are certified by these engineering firms to produce
5 420 modified.

6 This means that for this product, we must
7 buy imports from companies such as BGH in Germany and
8 Corus in the U.K. that are approved by the engineering
9 firms. Both of these companies have excellent
10 quality. They, however, are both operating at full
11 capacity, and we face long delivery times. We would
12 buy domestically as much as possible, but for certain
13 applications, we must have access to certain high-
14 quality imports. We therefore do not believe that
15 revocation of the antidumping duty order against
16 Germany would injure U.S producers as far as the
17 energy sector products are concerned.

18 To restrict imports of these products would
19 only serve to drive the downstream processing and
20 manufacturing of these products offshore to countries
21 where the supply of bar is not restricted. Thank you
22 for giving me the opportunity to testify.

23 MR. MONTALBINE: That would conclude our
24 presentation. Thank you.

25 CHAIRMAN PEARSON: Well, permit me to extend

1 my thanks and appreciation to all panelists for being
2 with us today, for undertaking travel, for being so
3 patient. And finally now at a little after 3:00, we
4 get to ask you some questions, and that will begin
5 this afternoon with Commissioner Okun.

6 COMMISSIONER OKUN: Thank you, Mr. Chairman.
7 And I join the Chairman in thanking all of you for
8 being here with us and your willingness to answer our
9 questions this afternoon.

10 Let me start perhaps with you, Ms. Plenkers
11 and Mr. Montalbine. Anything you can add posthearing
12 with respect to the German industry as a whole would
13 be helpful. As you know, we have new foreign producer
14 questionnaire tables and they're proprietary, so Ms.
15 Plenkers is not going to have seen them, so I
16 understand that.

17 But my question would be, Ms. Plenkers, if
18 you could talk about whether you've seen any change in
19 inventories in Germany and then also if that relates
20 at all to -- we talked this morning with the domestic
21 producers about the kind of phenomenon, I don't think
22 we can call it a phenomenon, the fact that destocking
23 goes on, and I wanted to know whether you can talk
24 about whether that may be going on in Europe as well,
25 if you have information about that.

1 MS. PLENKERS: No, I don't, because my
2 business is here in the United States, yes.

3 COMMISSIONER OKUN: Is here. I thought you
4 might say that.

5 MS. PLENKERS: Yes.

6 COMMISSIONER OKUN: Okay. Mr. Montalbine,
7 is there anything you can add just publicly or any
8 information you might have? Well, other producers
9 might have it about Europe in general, whether we also
10 see anything in the cycle indicating that they're
11 going through the same period in the business cycle.

12 MR. MONTALBINE: No, I don't, but we could
13 certainly address that in posthearing briefs.

14 COMMISSIONER OKUN: Okay. That would be
15 helpful. And I don't know, Mr. Benditz or Mr. Sewell,
16 given the type of product you're getting whether you
17 have any comments on where you see the U.S. business
18 cycle generally for these products and then whether
19 you can comment at all on the destocking and what's
20 going in the last half of '07, which we spent a lot of
21 time on with the domestic producers this morning. Is
22 that anything you could speak to?

23 MR. BENDITZ: As far as the energy industry
24 goes, the energy industry is very healthy, and we're
25 not seeing a dropoff as the rest of the industry. I

1 can't speak for 300 series stainless. I can only
2 speak for the energy sector. And our Q3 was a 13
3 percent growth over last year, so our expectations
4 moving forward with the high price of oil and gas
5 would be continuous exploration. So the need for us
6 for 420 modified stainless, expectation for next year
7 is an increase, not a decrease or destocking.

8 COMMISSIONER OKUN: Okay. Mr. Sewell,
9 anything from you?

10 MR. SEWELL: We're seeing the same thing.
11 This year our growth is going to come in somewhere
12 around ALI's, around 32 percent up over last year.
13 We're a relatively new company. Our best month in our
14 company's history was last month. We do not see in
15 the near future any slowdown of the oil and gas
16 industry at least for the next three to five years.

17 COMMISSIONER OKUN: Okay. Perhaps the
18 representatives from Ugitech, could you comment on
19 what you might have observed in the U.S. market? In
20 particular, I guess I'm interested in the most recent
21 data since that's what we focused on with the
22 producers this morning.

23 MR. O'DONNELL: Yes. For Ugitech USA, you
24 know, we are a distributor selling to end users. You
25 know, for us, we're looking at destocking somewhat,

1 which we think should be completed by December as a
2 result of, you know, the fall in nickel pricing and
3 some customers building inventory or buying material
4 in anticipation of lower pricing, also anticipation of
5 the nickel turning around and moving back up to be a
6 little more steady, as it is right now.

7 COMMISSIONER OKUN: Okay. Then this next
8 question might be best for Mr. Malashevich or maybe
9 Mr. Crandall and some of the information you've seen
10 as well, which is Mr. Kerwin this morning had
11 indicated that to the extent the staff has collected
12 pricing series for the EU that he would advise us not
13 to place much weight on those series about relative
14 prices in the different subject countries versus the
15 United States and Asian markets because of the
16 differences in the level of trade at which those
17 prices appear. Is that something you could comment on
18 here or could look into for posthearing submission?
19 And I see Mr. Montalbine also has his hand up, so, Mr.
20 Malashevich, first to you and then Mr. Montalbine.

21 MR. MALASHEVICH: Out of consideration for
22 the PO nature of the data, I think it's best to
23 address it posthearing if I may.

24 COMMISSIONER OKUN: Okay. Mr. Montalbine?

25 MR. MONTALBINE: We do dispute Mr. Kerwin's

1 statement that we accept that there is a large
2 difference in the level of trade. If you look at page
3 10 of our brief, Footnote 40, there's some
4 confidential information from DEW where they say that
5 distributors do play a large part in their European
6 shipments. So I think that it is a factual question
7 that hasn't been resolved in the Petitioner's favor.

8 And also I might note that that publication
9 where the information comes from, they also don't
10 state that their prices have any problem based on
11 that. I think it's just really a guess or an
12 assumption or an unfounded supposition on behalf of
13 Petitioners.

14 COMMISSIONER OKUN: Okay. I appreciate
15 that, and I will look forward to seeing your further
16 comments in posthearing briefs.

17 Then let's see. Mr. LaRussa, I think I'll
18 put this question to you, and again, I realize that
19 the information, revised information, is BPI, but if
20 we were looking at the revised tables with respect to
21 France's reported subject production, capacity
22 production and shipments, I would like you to comment
23 in posthearing for me if I'm looking at the years 2005
24 and 2006 in particular at capacity and production and
25 then trying to square that with the capacity

1 utilization figures presented for the industry.

2 I'm trying to understand what's going on
3 with those numbers, and I don't know if there's
4 anything you can say in a public setting that might
5 help me evaluate that.

6 MR. LARUSSA: You'd like to know the
7 relationship between capacity utilization numbers?

8 COMMISSIONER OKUN: Well, the capacity
9 utilization numbers as they relate to what I see in
10 the table if I'm looking at the capacity and
11 production changes from year to year. And I don't
12 know if I can say anything more than that and not
13 reveal anything.

14 MR. LARUSSA: Sure.

15 COMMISSIONER OKUN: But there seem to be
16 changes there, and I'm trying to figure out if they
17 square with the rest of the data.

18 MR. LARUSSA: Okay. Right.

19 COMMISSIONER OKUN: And again, there may be
20 some problems with the data, and I understand that
21 we're still trying to work some of that out.

22 MR. LARUSSA: No, I understand your
23 question, and I think given the proprietary nature of
24 all of this, we'll do that on the posthearing brief.

25 COMMISSIONER OKUN: Okay. Then let me turn

1 again to the representatives for Ugitech just so I'm
2 sure that I understand what we're looking at in the
3 data when we're looking at the what were then subject
4 product on the channels of distribution for U.S.
5 shipments during the period of review. If you could
6 help me understand during this period that we're
7 looking at, again, the period of review, whether the
8 channels of distribution have changed and if so, if
9 you could tell me the reasons why.

10 MR. O'DONNELL: Ugitech USA since its
11 creation in 1990 has always been the exclusive
12 distributor for all Ugitech products and Bedini
13 products in the United States. So, you know, that
14 channel of distributing those products to end-use
15 customers in the U.S. has not changed. Does that
16 answer your question?

17 COMMISSIONER OKUN: Okay. So, Mr. LaRussa,
18 so if you could also take a look at the tables, in
19 particular Table 2-1, and help me again understand if
20 there are any changes that we should be aware of in
21 looking at the data and whether that impacts the
22 analysis of what the likely volume would be and what
23 kind of channels of distribution it would turn in.

24 MR. LARUSSA: I see. Going to the staff
25 report and talking about the numbers, I would say that

1 it's very significant. We made this point in our
2 brief, and I think maybe Mr. O'Donnell can actually
3 talk to it too, which is that we sell to end users. I
4 mean, we are different then in terms of channels of
5 distribution than many, many other companies, and
6 maybe you just want to say one thing about that, Dan?

7 MR. O'DONNELL: I mean, again, you know, in
8 our business, the Ugitech product that we get from
9 France and Bedini, our sales to end users are in
10 excess of 90 percent. We don't sell a lot to other
11 distributors in the U.S.

12 COMMISSIONER OKUN: Okay. And then let's
13 see. In questioning the Petitioner's panel this
14 morning, there was a good deal of discussion about
15 trying to understand demand going forward, and I know,
16 Mr. Crandall, you've submitted information both today
17 and in the brief, but I wondered if you could also try
18 for posthearing to break out the end uses for which
19 this product goes to see what the demand projections
20 are, because again, I think while we have the general
21 demand forecast, it's helpful in trying to figure out
22 where we are in the business cycle here to understand
23 for the different end uses for the particular product
24 whether we see or should anticipate any changes in the
25 U.S. market or globally, and I think that would be

1 helpful.

2 MR. CRANDALL: Well, I perhaps could provide
3 you with some information on what the forecasts are
4 for those various market segments in general, not how
5 much stainless they're going to use. That ought to be
6 the province of either the Ugitech representative or
7 Mr. Blot, who's going to give you that.

8 COMMISSIONER OKUN: And hopefully we will
9 see that. I just want to make sure that we have the
10 fullest record possible. And with that, my red
11 light's come on. I'll have a chance to come back.
12 Thank you.

13 CHAIRMAN PEARSON: Commissioner Lane.

14 COMMISSIONER LANE: Thank you. And thank
15 you for being here this afternoon. In looking at the
16 data in these review investigations, I'm especially
17 interested in the consistent increase of subject
18 import volumes into the United States market since
19 2003. What market conditions have permitted subject
20 imports to increase so significantly in recent years,
21 especially in light of the orders?

22 MR. CRANDALL: Well, clearly it's the
23 turnaround in consumption, and the market has
24 strengthened. As I showed you, and it's in your own
25 statistics, apparent consumption has rebounded very

1 strongly after two or three years of declines to, as
2 Mr. Malashevich pointed out, exceed the level at the
3 peak of the previous cycle.

4 As I also pointed out, though they have
5 increased, they haven't increased to the shares that
6 they had achieved back in the last cycle, and I think
7 that is very much due to the exchange rates. The
8 exchange rates have had an effect. Just because
9 exchange rates rise doesn't mean to say that imports
10 flatten out or go to zero. They will respond to
11 changes in demand just like every other aspect of the
12 market will.

13 COMMISSIONER LANE: Okay. Thank you. Now I
14 have some questions for the German producers. In your
15 prehearing brief, you argue that your stainless steel
16 bar shipments to the United States market are
17 concentrated in the energy sector and that demand for
18 stainless steel bar in the energy sector will continue
19 to increase given continued high oil prices and
20 related investment in oil exploration and refining.

21 Even if subject producers from Germany are
22 currently focused on the energy sector of the U.S.
23 market, what would keep them from shifting to
24 production of a different type of subject stainless
25 steel bar if such a shift would be profitable?

1 MR. MONTALBINE: Well, first of all, I think
2 that was going to be my answer to your last question
3 is that there are certain products in the U.S. market
4 that aren't supplied sufficiently. You heard Mr.
5 Sewell and Mr. Benditz talk about two specific oil
6 field products. So I think as far as Germany is
7 concerned, that's why German imports remain in the
8 market after the orders and you see BGH shipping and
9 basically eliminating their dumping margin.

10 Now the reason why there's not going to be
11 product shifting is that these companies are at full
12 capacity. You heard Mr. Benditz say that BGH is
13 having trouble shipping the 420 modified that he needs
14 on time. So this is not a situation where there is a
15 lot of unused capacity and the German producers are
16 sitting there figuring out how to fill their order
17 books. It's the exact opposite. They have full order
18 books and they're trying to figure out how to meet
19 their delivery commitments.

20 Also, you have the history of BGH that even
21 before the orders, they were doing oil field products.
22 That's what they do. They have ties in Houston. And
23 also the Customs data supports that, that 70 percent
24 of all German imports even before the orders were
25 going through the port of Houston, and that's all

1 energy business.

2 COMMISSIONER LANE: Okay. Let's follow
3 through on your capacity statement. The domestic
4 interested parties have stated that the subject
5 European firms have excess capacity and that
6 additional investments are being made that will result
7 in further additional capacity. Do you agree with
8 that statement?

9 MR. MONTALBINE: We have submitted full
10 questionnaires for all the German producers, and when
11 German producers have made investments, they have
12 listed that. And certainly certain German producers
13 have made investments. BGH bought a new forging
14 machine, things like that. DEW modernized certain
15 parts of their facility, and that's totally listed in
16 the questionnaire responses and does show indeed a
17 capacity increase. We're not trying to hide any of
18 that.

19 But even with those additions, even with
20 those investments, these mills are operating at full
21 capacity, and the best information is not some
22 theoretical statement I make or some attorney for the
23 Petitioners, but talk to customers like Mr. Benditz or
24 Mr. Sewell or Ms. Plenkers that have been on
25 allocation for several years, that these are the

1 people that really know day to day that there actually
2 are capacity restrictions.

3 COMMISSIONER LANE: Okay. Thank you. Now I
4 have a question relating to the Corus prehearing
5 brief, which identifies three companies and said that
6 the Commission should place little weight on their
7 profit reports, calling their accounting practices
8 into question. On page 16 of the brief, it states
9 that "More straightforward accounting would reveal an
10 industry that is even healthier than it would appear
11 from the remarkably strong profitability data in the
12 staff report."

13 Can you please explain without going into
14 BPI information what improper accounting methods are
15 being used?

16 MR. DAVIS: Sure. Actually this is a
17 question that Mr. Malashevich previously alluded to,
18 and that is the fact that the profitability is being
19 understated by the fact that there's the shift not
20 taking into account the pass-through of raw material
21 costs. Maybe I'll have Mr. Malashevich further
22 explain if there's more that can be said.

23 MR. MALASHEVICH: Commissioner Lane, this
24 was touched on briefly by my direct testimony earlier
25 today. A couple things that are not at all

1 transparent in the profit and loss that was submitted
2 by the domestic industry. To take one, if you were to
3 pick up the staff report from the original
4 investigation, you will find that profitability was
5 gathered on two different bases, one excluding and one
6 including downstream production operations at
7 affiliated service centers.

8 For some reason, the second approach, that
9 is, profitability including downstream operations, was
10 not surveyed during the course of this proceeding.

11 Also, as you might imagine, because a
12 substantial percentage of domestic industry shipments
13 go through affiliated service centers or other means
14 of distribution, the issue of how the market value was
15 calculated for purposes of reporting profitability at
16 least to me was not transparent, and that gave me some
17 cause for believing in general that the profitability,
18 as healthy as it already has shown in the prehearing
19 report, in fact masks an even higher level of
20 profitability if these shortcomings I guess might call
21 them were corrected.

22 COMMISSIONER LANE: Okay. Thank you. Is
23 the subject product currently being sold in the United
24 States market the same type of stainless steel bar
25 that permeated the market in the original

1 investigation?

2 MR. CRANDALL: I'm not an industry
3 representative, so I'm not someone who's got his feet
4 in the market, but one major thing has happened since
5 the original investigation, and that is one of the
6 largest stainless producers in the world has built a
7 very large and expanding facility in Ghent, Kentucky,
8 North American Stainless, and as you heard this
9 morning, they're targeting a narrow range of commodity
10 grade products.

11 My guess is given what I showed in my
12 analysis in my report appended to the Ugitech brief,
13 as to their position on prices relative to importers
14 and other domestic producers, the importers have
15 shifted their product mix very strongly away from such
16 products, and I think you heard from them that they're
17 producing specialty niche products for the most part
18 for sale in the United States, but I'd let them answer
19 that.

20 COMMISSIONER LANE: Okay. I guess no one
21 else cares to answer that, so, Mr. Chairman, I'll wait
22 until my next round.

23 CHAIRMAN PEARSON: Commissioner Williamson.

24 COMMISSIONER WILLIAMSON: Thank you, Mr.
25 Chairman. I too want to welcome the witnesses and

1 thank them for their testimony.

2 A question on exchange rate. We have heard
3 arguments that basically the strength of the euro
4 versus the dollar makes it more difficult for European
5 producers to compete in the U.S. However, subject
6 imports increased substantially between 2006 and
7 interim 2007 while the euro was strengthening.

8 And we also heard testimony this morning
9 that basically the European producers with a stronger
10 euro can buy their raw material at a cheaper price,
11 and so I was wondering what evidence do we have that
12 the exchange rate or not is an impediment to competing
13 in the U.S. market, and do you agree with the analysis
14 this morning?

15 MR. CRANDALL: I'll just take a first crack
16 at that. As I mentioned, sure, imports have increased
17 as the market has strengthened here, but they have not
18 increased anywhere near the levels they were at back
19 in the 1998-2000 expansion.

20 Secondly, you heard from some of my
21 colleagues on the panel here that the importers are
22 targeting the energy markets. Clearly those markets
23 are extremely strong. The demand for equipment to
24 explore and develop oil wells now and gas wells with
25 the price of oil heading towards \$100 a barrel is

1 incredible. So that undoubtedly is fueling the
2 demand.

3 So, all other things equal, there is no
4 doubt that in my mind, the exchange rates have had
5 their effect, but not everything else is equal. If we
6 were at \$30 for the price of oil, per barrel of oil, I
7 think you might see a somewhat different pattern of
8 imports.

9 MR. MONTALBINE: Mark Montalbine here.

10 COMMISSIONER WILLIAMSON: Yes.

11 MR. MONTALBINE: I think you also have to
12 look at the value and not just the volume because the
13 exchange rate also causes the unit values to rise, and
14 that's exactly what you've been seeing. The unit
15 values of imports have risen considerably.

16 And the question that Commissioner Pinkert
17 had earlier this morning about dumping duties and
18 dumping rates, I think the only producer that's
19 consistently done administrative reviews has been BGH.
20 And despite the change in exchange rates, you see that
21 BGH's dumping rate has consistently been well under 1
22 percent throughout the time. So that shows that
23 they're adjusting their prices and also the price data
24 that you've seen on the record shows an upward trend.
25 So I think it's important not just to focus on

1 quantity but also the unit values in that respect.

2 COMMISSIONER WILLIAMSON: Okay. What about
3 the price trends in Europe's product? Are they
4 following a similar pattern as here in euro terms?
5 Does anyone know?

6 MR. CEREDA: Yes. I think I can testify
7 that in Europe, today we see a situation where since
8 the drop of the nickel over this couple months at the
9 end of August, we have seen relative to the
10 distribution market, which accounts for the best part
11 of the sales material into the European market, we
12 have seen a wait-and-see attitude from the
13 distributors in Europe.

14 Now, with the nickel stabilizing at the
15 levels it has been reaching for the past month or so
16 like \$32,000 per ton, we see also that, you know, this
17 wait-and-see attitude is now rapidly recovering and
18 prices are making to stabilization. So I don't see
19 that prices are being taken aside from the reduction
20 on the oil surcharge, which is due to the fallen
21 nickel. These prices have not been really affected by
22 any of the movement.

23 COMMISSIONER WILLIAMSON: But if you take
24 looking over the whole period since 2000, have they
25 also followed an upward trend as in the United States?

1 MR. CEREDA: No. They've been pretty stable
2 over the past few years in terms of base prices I
3 mean.

4 MR. CRANDALL: Let me point out that Mr.
5 Cereda is undoubtedly thinking of prices in terms of
6 euros. If you convert those to dollars, they've gone
7 up rather strongly. They've stayed constant than
8 euros.

9 COMMISSIONER WILLIAMSON: But their inputs I
10 guess have been going down if they're buying the
11 inputs in dollars, correct?

12 MR. CRANDALL: That may be the case, but he
13 said that the prices are relatively stable. And if
14 the dollar is depreciating 25, 30, 40 percent, that
15 means in dollar terms, those prices have gone up
16 rather substantially.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. MONTALBINE: And in Germany, we've seen
19 increases of prices basically tracking the same sort
20 of trend you've seen in the United States, and I think
21 that's also borne out by the data that's in the staff
22 report.

23 COMMISSIONER WILLIAMSON: Thank you. I
24 think, Mr. Benditz, you testified to the question of
25 whether or not the U.S. firms were certified to sell

1 your product, and I guess you mentioned -- I've
2 forgotten the name now. SM47 or 4470. Now are U.S.
3 manufacturers certified to sell other grades of
4 stainless steel to the energy industry?

5 MR. BENDITZ: Sure.

6 COMMISSIONER WILLIAMSON: Okay.

7 MR. BENDITZ: There's 410. There's 300
8 series. There's quite a few other grades of
9 stainless. If you take a look that are available for
10 us specifically, none of the Petitioners make 420
11 modified to any of the engineered specifications.

12 COMMISSIONER WILLIAMSON: In terms of
13 demand, how important is 420 compared to some of the
14 other grades?

15 MR. BENDITZ: It's crucial. To drill
16 offshore in a carbon dioxide environment, 420 is the
17 grade of steel of choice, and you cannot substitute it
18 for a multitude of reasons because of the corrosive
19 barrier that it offers. You can substitute it for
20 other grades that will not last as long, which
21 therefore then the well itself when it's in operation
22 will have to be shut in. Those downhole tools will
23 have to be replaced. So you will have exorbitant oil
24 prices if you have to constantly shut in an operating
25 oil well to then repair it to then put it back into

1 production.

2 COMMISSIONER WILLIAMSON: But in terms of
3 volume of the --

4 MR. BENDITZ: No. In volume, it's a very
5 niche product volume-wise for us, and in the United
6 States, it represents about four to five thousand
7 metric tons a year.

8 COMMISSIONER WILLIAMSON: Thank you. Mr.
9 O'Donnell, what are the plans for Ugitech U.S.
10 production, I think you've talked about the new plant.
11 In your prehearing brief you give a forecast of U.S.
12 production by 2012. Is this within a reasonable,
13 foreseeable period of time?

14 MR. O'DONNELL: We've been before this
15 Commission a number of times; you know you go back to
16 when it was Ugine Savoir, now Ugitech, what our intent
17 has always been in the U.S. and it's been to sell the
18 company's proprietary grades of steel, some of these
19 are trademarked and patented and even in the 201 they
20 were excluded because the domestics could not produce
21 these grades.

22 The idea of a plant is something that we've
23 spoken about for years, first drawing was six or seven
24 years ago and it's to be able to bring this technology
25 and the service that comes with it closer to the

1 American customers. Also at the same time our
2 intention is fully as we ramp up the plant and
3 continue to produce more domestically then we would
4 correspondingly reduce our imports also. The only
5 product we would continue probably to import would be
6 hexagonal and square bar from Bedini in Italy.

7 COMMISSIONER WILLIAMSON: Mr. LaRussa?

8 MR. LARUSSA: Yes, I just would like to add
9 to that. Beyond the investment all of the potential
10 imports that are declining for Ugitech over the next
11 several years, all of them are non-subject at this
12 point. As I said, Ugitech is now out of the French
13 order as a result of Section 129. Bedini, their
14 Italian producer has always been out of the order.
15 So, it's all non-subject and they've made this
16 investment because it just makes sense to produce
17 locally and transfer your technology there.

18 COMMISSIONER WILLIAMSON: Thank you. I was
19 just wondering though -- you said that almost all of
20 your sales are to end users -- does that mean you sort
21 of serve as the same thing as a distributor?

22 MR. O'DONNELL: We are a distributor. Until
23 this plant in Batavia we produced no product in the
24 United States. Probably 95 percent of the product
25 we've sold through our company has come from our

1 parent in France, Ugitech, and/or Bedini in Italy.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

3 Thank you, Mr. Chairman.

4 CHAIRMAN PEARSON: Commissioner Pinkert.

5 COMMISSIONER PINKERT: Thank you, Mr.

6 Chairman. I'd like to join my colleagues in welcoming
7 all of you, including former colleagues to testify
8 here today and I'd like to begin with Dr. Crandall and
9 perhaps a couple of theoretical questions.

10 First of all concerning recession; I believe
11 you testified as to expected growth rates in the
12 foreseeable future and I'm wondering is there a
13 distinction in your mind between an expected value and
14 a probability that might be associated with recession
15 and if so can you give us some insight into what the
16 current thinking is about those probabilities?

17 DR. CRANDALL: Well, what I testified about
18 was -- I just gave you some numbers from a trade
19 association projecting growth out through 2010. As to
20 the domestic economy and the probability of recession,
21 I'm clearly not a macroeconomist if you look at my CV,
22 but there is no doubt that the volatility,
23 particularly in the housing markets and in the
24 financial markets over this last summer, increase the
25 probability of a recession. But when the Bureau of

1 Economic Analysis came out with the 3.9 percent
2 advanced indication of growth in the third quarter, it
3 suggested that perhaps the housing downturn was not
4 leading to an overall recession at this point.

5 No one can be sure, but the willingness of
6 the Federal Reserve to respond very quickly to
7 indications of turmoil in the financial markets would
8 seem to greatly reduce the probability of a recession
9 as we look out. Now I don't know what my colleagues
10 in the forecasting profession are now saying, but I'm
11 sure there are a few of them who say there's still a
12 possibility of a downturn in 2008. But keep in mind
13 these recessions that we have had, particularly the
14 last two, have been very, very mild compared to
15 historical recessions of '58, '74-'75, 1982. The '90-
16 '91, 2000, 2001 recessions were very, very mild and
17 very short lived.

18 COMMISSIONER PINKERT: Do you know if the
19 IMF data that you presented might include somewhere in
20 an appendix or in a footnote, probabilities associated
21 with recession?

22 DR. CRANDALL: All those data that you saw
23 up there I put together myself so I actually read the
24 IMF outlook; it's available on IMF.org and their
25 economic outlook I think comes out twice a year and

1 there's a set of appendices. No, I don't think they
2 put probabilities on things. They might actually give
3 you standard errors of the estimate of historical
4 numbers but they only estimate out a year or two and
5 they're point estimates. I don't think they give you
6 probabilities, but I could be wrong on that. I have
7 looked through those data and it's a very big
8 appendix.

9 COMMISSIONER PINKERT: Well, any additional
10 information that you could supply in the posthearing
11 on that issue would be appreciated.

12 Now, another pretty tough issue to get one's
13 hands on is the relationship between the declining
14 exchange rate and the oil prices that we've heard a
15 lot about today. I know that there's a school of
16 thought, often reflected in media accounts, that the
17 declining exchange rate is driving the oil price up.
18 Is that your view, do you have a view that there's
19 two-way causation on that issue or is it even more
20 complicated than that?

21 DR. CRANDALL: You and I quite naturally
22 think of the price of things in dollars and there is
23 no doubt that we perceive a bigger runup in the price
24 of oil than our friends across the border in Canada
25 do, or our friends in Europe do. There's no doubt the

1 dollar price of oil has risen far more than the euro
2 price of oil or the Canadian dollar price of oil or
3 the yen price of oil. So that's just sort of
4 arithmetic but even if you adjust for changes in the
5 value of the currency, you and I can probably remember
6 back when we were talking about, well, what happens if
7 the price of oil gets to \$50 a barrel. Even if we go
8 back five years to the value of the dollar then the
9 price of oil is way above \$50 right now.

10 So the price of oil is high as measured by
11 any currency but particularly high as measured in the
12 U.S. currency.

13 COMMISSIONER PINKERT: Thank you. Now
14 turning to Mr. LaRussa -- I think this morning we
15 heard some testimony in the opening statement from Mr.
16 Montalbaine about small amount of potential imports, I
17 believe he's referring to all of the European
18 countries, but with particular focus on France for the
19 moment -- do you have an estimate of what the imports
20 would be or could be from France in the event that the
21 order would be revoked?

22 Perhaps you could do that posthearing if
23 it's proprietary.

24 MR. LARUSSA: I won't use anything
25 proprietary but I would say this: There were only two

1 French companies that were discussed and I will
2 address it in the posthearing brief -- one is Ugitech
3 and Ugitech, again that's why I asked you to look at
4 page 7 of Ugitech's brief, at the very bottom; maybe
5 three lines up, because it's a compelling number.

6 What you'll see there -- Ugitech on the
7 Marcus Mull presentation which is in your staff report
8 -- is named as the largest producer of stainless long
9 products in the world -- Ugitech is basically almost
10 all a French production; Ugitech is out of the order.
11 I just want to say this as logically as possible,
12 Ugitech's out of the order as a result of the Section
13 129, never should have been in in the first place.
14 Ugitech can not possibly, in the future, ship subject
15 imports to the United States.

16 That's the first thing. The other thing is
17 ASCOmetal which was discussed -- now there's also the
18 other very small companies, but let's take ASCO --
19 ASCO basically makes a certain type of product, they
20 are a carbon alloy producer, not a stainless producer.
21 They have some stainless capacity. If you take a look
22 at what that capacity is and what they're shipping
23 out, they can only ship one or two types of products.
24 Basically they can't ship any more to the United
25 States because they're limited. It's not as though

1 they're a huge company that's got this huge stainless
2 capacity.

3 They are a company that has carbon and
4 alloy, which is non-subject capacity and they have the
5 ability to make these two products. They basically
6 can't ship any more to the United States and
7 basically, as you found out from what Mr. Cereda said,
8 the other companies are irrelevant, so my answer is
9 this: No, you're not going to get any subject imports
10 out of France.

11 Finally, and I think it it's very important,
12 a lot of these companies went out of the order, not
13 just since April, but Bedini, an Italian company, has
14 been out of the order for five years, and I don't
15 think you see astronomical increases from those
16 companies. Why? Because the European market is a
17 compellingly good market right now and right in their
18 backyard.

19 So my answer is zero; you're not going to
20 see any increase. It's almost a mathematical formula
21 because of the type of capacity that ASCO has.

22 COMMISSIONER PINKERT: Given what you said
23 about the revocations under Section 129, can you give
24 us a little bit of insight into why Ugitech is here
25 before the Commission today urging revocation of the

1 orders?

2 MR. LARUSSA: Of course Ugitech and Shearman
3 & Sterling and I always like to do the right thing,
4 and the right thing is to get rid of these orders, but
5 beyond that there's a couple of reasons. I'll be
6 quite frank and not beat around the bush. One is this
7 very odd situation where Ugitech is subject to the
8 Italian order. Let me explain that. Ugitech is a
9 French company, Ugitech does not have any kind of
10 melting, rolling capacity or anything else in France;
11 there is in Italy. There is an Ugitech related
12 company named Bedini in Italy which is out of the
13 order.

14 In its wisdom, when the Commerce Department
15 did this order, I don't know if you were there, but I
16 certainly wasn't --

17 COMMISSIONER PINKERT: You weren't there --

18 MR. LARUSSA: I would never have done this,
19 if I knew about it, but what happened in that
20 situation was there was a small amount of material of
21 wire rod that was being shipped by Ugitech, a French
22 company, to Italy. That wire rod was toll processed
23 by Bedini, very small amount. So basically,
24 theoretically under toll processing ownership will
25 stay with Ugitech. Ugitech then shipped it to the

1 United States. Under theories of substantial
2 transformation, that's no longer French wire rod, it's
3 Italian bar.

4 So what happened in its wisdom the Commerce
5 Department came out with two different rates: one for
6 Bedini, which is the shipper of Italian product, and
7 one for Ugitech which basically had some wire rod that
8 was transformed by Bedini. So, first of all, we've
9 got to get that out of there. Secondly, even though
10 we won this case, the 129, it is on appeal and you
11 never know and we just want to put it to bed right
12 now.

13 COMMISSIONER PINKERT: Thank you. Thank
14 you, Mr. Chairman.

15 CHAIRMAN PEARSON: Mr. Sewell, let me begin
16 with you and some of the other purchasers can
17 participate also.

18 Could you be a bit more specific about the
19 types of applications in the oil and gas industry that
20 stainless steel bar would be used for.

21 MR. SEWELL: What we see is the shafts we
22 make to drive pumps that go into all applications in
23 the field, there's downhole rotor and stator
24 development; it's hard for me to explain how all that
25 works but there's a tremendous amount of machining

1 applications that go into make the actual equipment to
2 get the oil out of the ground.

3 There's grades of material that are used to
4 make gears; there's all kinds of avenues that material
5 are using in the market.

6 CHAIRMAN PEARSON: Given the potential
7 corrosiveness and the cost of failure in a lot of
8 those applications, I can certainly understand why a
9 lot of stainless steel would be used.

10 Can you comment on what items have only been
11 available or are only available from foreign producers
12 versus what types of stainless steel bar items can be
13 obtained domestically for use in oil.

14 MR. SEWELL: For us, our predominant grade
15 of use is 17.4 and we have a lot of applications that
16 the diameter and the length requirements in our market
17 was unobtainable until Valbruna came on the scene two
18 or three years ago to make certain lengths, and even
19 over and above that Schmolz & Bickenbach make
20 diameters bigger and longer than Valbruna here
21 domestically so we try to purchase our needs in that
22 area from Schmolz & Bickenbach.

23 It's not easy to purchase from Schmolz &
24 Bickenbach; you have to have a long range vision out
25 there, because if you place an order today we would

1 see it June of '08. So it's not a pain free purchase.

2 CHAIRMAN PEARSON: It's kind of like reverse
3 marketing, where you have to take them out to dinner
4 and beg -- will they sell you something? How many
5 rounds of golf does it take to get steel from --

6 I don't want to push into any area that
7 might be business confidential, so don't answer if you
8 shouldn't, but I'm curious -- of the stainless steel
9 bar that you buy for oil applications, what percentage
10 of it is coming from overseas versus coming from
11 domestic producers because you probably do buy
12 domestically if it's available?

13 MR. SEWELL: Our purchases are currently a
14 little over 80 percent domestically, so we buy
15 predominantly domestic material when we can. Right
16 now Schmolz & Bickenbach is our only import bar
17 supplier. We purchase the one specific product from
18 them that we need to have and we don't purchase
19 elsewhere at this point in time.

20 CHAIRMAN PEARSON: Has the 80/20 ratio been
21 somewhat constant over this period of review?

22 MR. SEWELL: I'd have to look back and see.
23 We have bought more in the past from overseas -- no
24 real reason. Valbruna coming on the scene in the
25 United States was really a help to us as a company,

1 longer bar and bigger diameters.

2 CHAIRMAN PEARSON: And the investment that
3 Ugitech is making now in Illinois -- will that provide
4 a type of product that's useful to you in the oil
5 business?

6 MR. SEWELL: It will have no bearing for us
7 whatsoever. We are not anywhere in that realm of
8 product line, the commodity grades 304, 303 and we
9 participate very little in that market.

10 CHAIRMAN PEARSON: Mr. Benditz, do you have
11 any comments based on the market as you see it?

12 MR. BENDITZ: I think it's the same as what
13 Mr. Sewell said, that the general commodity, the 300
14 series stainless, the 304, 316s are not product lines
15 that we participate in. We're in the down hole tool
16 side of the business and in a complex offshore oil
17 well there's over 1000 different tools that go into
18 that well. Primarily most of the business, obviously,
19 is tube and all the bar that we buy ends up being made
20 into a tube at some particular point no matter what
21 component, because you can't get any oil or gas out of
22 a bar, so it has to be drilled. So the majority of
23 our products that we sell are tube form from the
24 originator of the mills and the bar that we end up
25 buying is ending up being manufactured into down hole

1 tools.

2 Either we do it for our customers or we will
3 supply it in some value add service to a raw
4 particular piece where they wind up manufacturing it.

5 CHAIRMAN PEARSON: And what percentage of
6 the stainless steel bar that you purchase would be
7 from the United States versus from overseas suppliers?

8 MR. BENDITZ: Once again, presently there is
9 no one in the United States making 420 modified
10 stainless steel bar to any of the energy service
11 groups engineered specification. They make 410, but
12 we do not deal in 410 as any particular stocking
13 level, and they make a lot of other stainless grades
14 but not to the 420 modified.

15 CHAIRMAN PEARSON: So your business really
16 is very heavily focused on the 420 modified?

17 MR. BENDITZ: Well, for this particular
18 conference it is, but we also supply carbon alloy
19 nickel grades; we supply a full range of products for
20 the energy industry. For dealing in stainless bar,
21 the area for us is 420 modified.

22 CHAIRMAN PEARSON: Okay, thank you. Mr.
23 O'Donnell?

24 MR. O'DONNELL: Yes, since we're on the
25 record here, I would just like to respond. Since I've

1 known Mr. Sewell through another life, I would like to
2 comment that Ugitech is not in commodity grades 304,
3 303 either.

4 CHAIRMAN PEARSON: Yes, I kind of wondered
5 whether that was worth touching on, so thank you for
6 doing that.

7 Ms. Plenkens, do you have an estimate of the
8 percentage of the Schmolz & Bickenbach product that is
9 going into the energy sector; imported into the United
10 States and then for use in energy compared to for
11 other uses?

12 MS. PLENKERS: Only as far as subject?

13 CHAIRMAN PEARSON: Yes.

14 MS. PLENKERS: As far as stainless bars are
15 concerned -- about 80 percent goes into the energy
16 sector.

17 CHAIRMAN PEARSON: About 80.

18 MS. PLENKERS: Eighty. 8-0.

19 CHAIRMAN PEARSON: Then the other uses would
20 include things like the propeller shafts?

21 MS. PLENKERS: The propeller shafting, a
22 little bit of other specialty products. Aerospace, if
23 you would like to know.

24 CHAIRMAN PEARSON: Okay. With the previous
25 panel and already now this afternoon, there has been

1 some discussion about the relatively steady volume of
2 imports of subject product over the POR. Yes, it went
3 down a bit and the middle came back a bit and the
4 numbers are business confidential so we won't discuss
5 them more than that, but to what extent is there an
6 argument that it's the demand for these specialty
7 products that we've just been talking about that has
8 caused the volume of subject imports to be somewhat
9 stable over the period of review?

10 MR. MONTALBINE: I think that's the answer
11 especially from Germany because you can track it with
12 BGH. BGH has had a steady presence in the market and
13 has eliminated dumping and that's because they're
14 serving this area where these people can't go anywhere
15 else and if you're going to keep the production of the
16 downstream products in the U.S., you need the bar.
17 The only other alternative would be to move those jobs
18 off seas, move the processing overseas. But they need
19 it if they're going to produce it here.

20 MR. MALASHEVICH: I would go
21 a little step further, Mr. Chairman. If you were to
22 just casually look at the pricing data gathered by the
23 Commission in connection with this investigation, as
24 you can imagine the products specified are largely
25 high-volume commodity products. However, the volumes

1 reported by the individual Respondents are tiny and in
2 many cases there was no value at all. The product was
3 simply not sold during a particular period. So that's
4 kind of the mirror image of what the domestic industry
5 is producing. Very largely they're in the commodity
6 part of the market and for the most part, Respondents
7 today, still subject to the order, are not.

8 CHAIRMAN PEARSON: Thank you very much.
9 Madame Vice-Chairman?

10 VICE-CHAIRMAN ARANOFF: Thank you, Mr.
11 Chairman. Thank you to all of the panel for being
12 with us this afternoon.

13 Mr. Sewell and Mr. Benditz, let me start
14 with you since you're the only distributors that we
15 have here with us today -- this has, I think, been an
16 unusual hearing compared to other steel product
17 reviews that we've been doing the last few years.
18 Normally we have a whole bunch of distributors who
19 turn up and tell us that they're on allocation, that
20 there's a shortage of domestic supply, that you can't
21 get this product and they absolutely have to have
22 access to imported sources.

23 With the exception of these few very
24 specialized grades, I haven't heard that today, so I
25 want to ask you and then for a broader picture, maybe

1 ask the economists on the panel -- is there in general
2 any shortage of supply or has there been during the
3 period of review as we've seen this big runup in
4 prices? Any shortage of supply for any particular
5 grades of this product?

6 MR. SEWELL: We've not seen shortages, I
7 mean as far as the domestic lead times jumped out
8 earlier in the year pretty far, unusually longer lead
9 times, and still some products are out there, but as
10 far as a shortage, we've not seen on our behalf.

11 MR. BENDITZ: For us there has been -- if
12 you're looking back over the point of the review, '03,
13 '04, '05, '06 -- for this particular product line we
14 were on allocation by BGH, by Corus, Foroni, who's not
15 on this, as far as one of the outed mills, but all of
16 the product lines that we were carrying for the energy
17 industry over the last four years -- I don't think
18 that anybody could say that they could get enough
19 steel to handle the demand.

20 Specifically for this particular hearing,
21 the 420 modified -- we were never able to get enough
22 and today we are still -- BGH, they probably don't
23 like to hear this, but they are still four months
24 behind promised delivery dates, so we are still not
25 able to get and replenish our stocks as appropriately.

1 VICE-CHAIRMAN ARANOFF: Mr. Malashevich, Dr.
2 Crandall, does the fact that, with the exception of
3 some very specialized grades, there haven't been any
4 shortages in the market, which I think is kind of
5 unusual compared to what's been going on in other
6 parts of the U.S. steel market. Does that tend to
7 support the domestic industry's argument that they
8 really are operating at relatively low levels of
9 capacity utilization and there's plenty of capacity
10 out there?

11 MR. MALASHEVICH: I don't think it supports
12 domestic industry's argument for a couple of reasons.
13 One is we do have NAS installing and building from
14 scratch an entirely new mill, probably the first one
15 in the United States in 40 years and they are, as you
16 probably know, if not the largest, one of the three or
17 four largest producers of stainless in the world.

18 So it's hard for me to imagine that they
19 didn't think long and hard about the ability of the
20 U.S. market to absorb the additional capacity,
21 otherwise they wouldn't have built it. Also
22 Respondents generally have submitted a number of
23 public articles and cited the recent 10Ks, recent 10Qs
24 of the two publicly traded U.S. producers, who, in
25 various ways, describe the market. One was

1 interviewed by the American Metal Market just weeks
2 ago -- I think it was a senior executive from
3 Carpenter -- specifically talking about the market for
4 stainless steel bar and characterizing it, if I can
5 remember correctly, as "red hot."

6 I don't think you'd find senior executives
7 talking in that kind of language if the industry in
8 fact was operating at 50 percent of capacity. The
9 amount of evidence out there saying that if there are
10 no shortages, that there is a tight supply/ demand
11 balance and that would completely contradict the image
12 of the industry portrayed this morning.

13 DR. CRANDALL: I think also there's a
14 difference in this business and the flat-rolled carbon
15 galvanized business in which a large share of the
16 production is sold on longer term contracts to very
17 large companies; automobile assemblers and so forth.
18 Therefore when demand suddenly rises these steel
19 companies have to satisfy their longer term
20 obligations to their existing customers and may put
21 people on allocation.

22 This is more of a spot market, things sold
23 through distributors, and the way in which these
24 shortages get rationalized very quickly is the price
25 goes up. I mean if you look at those numbers and the

1 financial reports of the companies that I put up there
2 just a little while ago, the profit margins have risen
3 from \$400 a ton back in 2005, to something like \$870 a
4 ton, if I do the arithmetic quickly here, in early
5 2007. You have a huge runup in profit margins as
6 they've raised the price to clear the market.

7 That tells you a lot when those margins are
8 that high it tells you the competitive impulses of
9 people with excess capacity are not important here
10 because they don't have any excess capacity or they'd
11 be bidding those margins down.

12 VICE-CHAIRMAN ARANOFF: Okay, Mr. LaRussa,
13 you wanted to add something?

14 MR. LARUSSA: Real quickly. Mr. Cereda was
15 telling me at dinner last night that long lead times
16 are the norm now and he may want to make one comment
17 about that.

18 MR. CEREDA: Current lead times from Ugitech
19 would be today well into January next year whereby
20 from Bedini we're really talking about almost April
21 now for most of the size range.

22 VICE-CHAIRMAN ARANOFF: Is that for delivery
23 to the U.S. or within Europe?

24 MR. CEREDA: Generally speaking deliveries
25 to everywhere; we don't make a distinction between

1 deliveries to the U.S. or -- generally speaking on the
2 trade today we are stretched with our capacities and
3 that's where we are with our lead times, and these are
4 longer compared to the standard lead times which would
5 be around seven weeks, eight weeks maximum.

6 VICE-CHAIRMAN ARANOFF: Thank you. Let me
7 change gears a little bit and direct a question to Mr.
8 Montalbine. This question I'm asking particularly
9 with respect to the German producers because it's the
10 country where most of the capacity isn't part of the
11 companies that have been revoked, so we're looking at
12 more capacity. One of the arguments that you made was
13 that the German producers have full order books and we
14 do obviously have questionnaire responses that have
15 the capacity utilization data, but generally in these
16 reviews when people have made the argument to us that
17 they have full order books and that they're not going
18 to abandon their existing customers in order to shift
19 volume to the U.S. we usually ask if there's anything
20 that you can do to document that.

21 Normally we ask for contracts, this isn't a
22 long term contract type of business, but one of the
23 things people have sometimes been able to supply is,
24 is you've been providing relatively stable volumes to
25 particular customers, sometimes people can give us

1 customer lists and tonnages over several years that
2 tend to show us that there are these stable customer
3 relationships and that's in contrast to perhaps other
4 cases where you see the countries -- for example, that
5 product is being exported to shifting every year and
6 then we might not view that as evidence of stable
7 customer relationships.

8 So if there's anything along those lines
9 that you think that the German companies can provide,
10 I think that would be very helpful.

11 MR. MONTALBINE: We will certainly provide
12 that and I think some of the best evidence you've
13 already heard from Mr. Benditz and the fact that BGH
14 is already four months over promised delivery dates
15 which already are out a year or more, so that's hands
16 on experience in the market that they are so tight
17 they can't ship.

18 VICE-CHAIRMAN ARANOFF: Okay, I appreciate
19 that. Also with respect to product shifting, we have
20 companies obviously that can produce other products
21 and have allocated some of their capacity to this
22 product, make other products -- if you could indicate
23 to us with respect to those other products, whether
24 they are nickel alloys and other non subject products
25 that tend to be higher value or whether any of them

1 are stainless steel wire rod.

2 MR. MONTALBINE: Yes, we can address that in
3 a posthearing brief, but Ms. Plenkens also has some
4 knowledge about DEW and other products that they
5 produce, or the other main product if you'd like to
6 hear that.

7 VICE-CHAIRMAN ARANOFF: Yes, please go
8 ahead.

9 MS. PLENKERS: Okay, DEW's main products
10 really is tool steel, it's mainly a tool steel company
11 who also produces stainless and engineering steels.
12 But the focus is on tool steel -- actually the mill
13 and especially the continuous caster, to the best of
14 my knowledge, has been built to accommodate tool
15 steel. It's a vertical caster, so tool steel is the
16 focus product.

17 Also I have to say that the margins in tool
18 steel are much more attractive than in any other
19 product, so if given a choice the mill would produce
20 tool steel.

21 VICE-CHAIRMAN ARANOFF: Okay, if we could
22 have the same kind of information for the other German
23 producers, it would be helpful to know if the other
24 products that they're producing tend to be higher
25 value products or whether there is any wire rod

1 involved which can sometimes but not always be a lower
2 value product.

3 MR. MONTALBINE: Okay, we'll do that.

4 VICE-CHAIRMAN ARANOFF: Thank you very much.
5 Thank you, Mr. Chairman.

6 CHAIRMAN PEARSON: Commissioner Okun?

7 COMMISSIONER OKUN: Thank you, Mr. Chairman,
8 and Mr. LaRussa, I wanted to go back -- I did not
9 realize when I was asking you the question about the
10 tables, these revised tables, that the supplemental
11 tables had not actually been circulated to parties, so
12 my question I think will be more clear when you've
13 actually seen what I was talking about, and I
14 apologize that I did not realize that.

15 MR. LARUSSA: Well, it was very articulate
16 anyway.

17 COMMISSIONER OKUN: But it will even make
18 sense when you see tables, so start with that. Then
19 let's see -- Dr. Crandall, I wanted to ask you a
20 question that I was curious just in terms of looking
21 forward in the reasonably foreseeable future, whether
22 you think that the European demand outlook will be
23 different from the United States outlook. At least
24 one the Carpenters representatives had said that for
25 them in the same end use they see the European market

1 and the U.S. market similar in terms of its aerospace
2 demand is where it is.

3 I was curious whether you see any disconnect
4 in the different regions of the world looking forward
5 or do you think it's more consistent with the IMF
6 tables that you showed where things looked pretty good
7 across the regions?

8 DR. CRANDALL: Well, one thing that has
9 happened is the German and French economies seem to be
10 doing better, particularly the German economy than
11 they had been doing. They had been lagging behind us
12 in economic growth. Of course the EU market has
13 gotten to be much bigger than the U.S. market and it's
14 growing by accession of states; it's gone from EU15 to
15 EU27. But if you want to ask specifically about what
16 the outlook for the European market for stainless
17 steel bars, the only thing I have are statistics which
18 are put out by a group of foreign producers which
19 include a number of the people that Mr. Cereda works
20 for, so he would be more expert on that than I.

21 COMMISSIONER OKUN: Okay. Mr. Cereda, is
22 there anything you could add on that just in terms of
23 demand in the European market for these products
24 versus demand in the United States looking forward?

25 MR. CEREDA: The demand in Europe remains

1 pretty stable and pretty stable at the high levels,
2 anyway we have in the oil industry concentrated in
3 northern Europe, we have a strong automotive industry
4 as well which is actually doing better than the
5 American ones, but understand that the industry is
6 very global so they have parts going all over the
7 world and the same to the Americans.

8 So, generally speaking I would say that the
9 European industry is into a healthy period throughout
10 the range of products that we sell and in this respect
11 I see the same lines as the American one.

12 COMMISSIONER OKUN: Okay, I appreciate those
13 comments. Now this is probably for Mr. LaRussa and
14 Mr. Montalbine which is: when I read your briefs and
15 again I think this is how I would write them if I were
16 getting paid as well; I would say you leave Korea
17 hanging out there to dry -- do what you will with them
18 but we're taking no position, but I guess I wanted you
19 to comment -- if one were not to cumulate Korea as you
20 had advocated with the other countries, do you think
21 Korea volume price impact is sufficient for the
22 Commission to retain an order if they were treated by
23 themselves.

24 MR. LARUSSA: I would say first of all I
25 think the best course and the right course here would

1 be to eliminate the order for everybody because I've
2 looked all through the staff report and so has Dr.
3 Crandall and the economic data is compelling about how
4 the industry is doing. Having said that there
5 certainly are when you're talking about decumulation a
6 number of reasons why the European companies in this
7 case are much different. So if you wanted to make a
8 decumulation argument we've made it throughout the
9 brief and all of the decumulation arguments are either
10 specific to a country or European specific.

11 There certainly is a big difference between
12 the way these companies operate. Most of all in the
13 European market obviously countries like Korea operate
14 much differently in their markets in terms of whom
15 they sell to and what the alternatives might be than
16 the European companies do. And I've long said it and
17 I've been at a number of these hearings now with
18 European companies that given the value of the
19 dollar/euro relationship and the strength of the
20 European market, the proximity of it, the lower costs
21 in terms of freight and everything else, and the fact
22 that if you're really going to look to another market,
23 you're going to look to Asia which our companies do.

24 If you ask our companies where they're
25 looking to it's not the United States they made a

1 direct investment here it's to Europe and to Asia.
2 You have a very clear distinction between the European
3 companies and Korea.

4 Having said all that, the decision is up to
5 you, but I have to say, it strikes me that it strains
6 credulity as my colleague down the aisle said before,
7 that this domestic industry would be in here given how
8 well they've done over the last several years given
9 the price of stainless steel bar, and also given the
10 tremendous growth -- not just the United States, but
11 globally and China's continuous growth, it's
12 impossible to see how they could think that anybody,
13 any kind of subject imports would be responsible for
14 continually recurring injury.

15 So that's my answer.

16 COMMISSIONER OKUN: Would other counsel care
17 to comment on that?

18 MR. MONTALBINE: I agree with that. I don't
19 really have anything to add. I think the U.S. side is
20 very well documented and a healthy U.S. industry, the
21 European side is also very well documented. The only
22 problem is Korea hasn't participated to the same level
23 as the other Respondents but that certainly shouldn't
24 cut against the Respondents who did and I'm also
25 sympathetic with the U.S. industry that it shouldn't

1 cut against them either.

2 So I think the best way to solve it is to
3 really take a look at the differences and conditions
4 of competition and make a separate decision on Korea.

5 COMMISSIONER OKUN: Okay. Then the legal
6 for counsel as well, and the same one that I put to
7 Mr. Hartquist and that is, Mr. Montalbine, in your
8 opening remarks you talked about the unique nature of
9 this case and focused on the fact that a number of
10 formerly subject producers are now out of the order
11 and I wanted to have you both for posthearing but if
12 you could add anything today, discuss how you think
13 the Commission should take that into account in its
14 analysis.

15 Should the non-subjects -- when we're
16 analyzing volume price and impact -- should we be
17 looking at two sets of non-subjects, the formerly
18 subject producers and then the other non-subjects, or
19 do you think it just continues to be -- we will have
20 the data on the subject producers that are still
21 subject, we'll have non-subject data and we perform
22 our analysis as we have in other cases.

23 MR. MONTALBINE: Yes, if I could address
24 that -- I would turn back to the original
25 investigation and say what would you have done in the

1 original investigation if Commerce had done their
2 investigation properly without the zeroing because
3 that's exactly what's happened here. Commerce has
4 basically redone their original investigation and had
5 that been done in a timely manner when you could have
6 considered it, you would have done to these other six
7 companies exactly what you did to Bedini. And what
8 you did to Bedini was take them completely out of your
9 numbers. They did not come in the analysis at all and
10 that is your normal way of handling these situations
11 and I think that's exactly what you need to do here.

12 They are not subject countries, they are not
13 subject imports, they should be totally taken out and
14 when you do that, you see that what's left over is
15 minimal, especially in comparison to what happened
16 before and the current consumption in this market.

17 MR. LARUSSA: Could I just add to that? I
18 agree with everything he just said but then if you
19 take that analysis and you look at what's left in
20 terms of subject imports and you apply it to an
21 analysis going forward as to price and volume effects,
22 it's impossible I think economically to say that the
23 limited number of remaining subject imports could have
24 a price and volume impact that could lead to
25 continuation, recurrence of material injury.

1 COMMISSIONER OKUN: Okay. Any other
2 information that you want to put in your posthearing I
3 will look at that as well as I try to figure out which
4 set of tables we are looking at in which part of the
5 analysis.

6 Mr. Chairman, I don't think I have any other
7 questions right at this moment. Thank you.

8 CHAIRMAN PEARSON: Commissioner Lane.

9 COMMISSIONER LANE: And I just have two
10 questions, I think. The domestic interested parties
11 state on page 17 of their prehearing brief that
12 revocation of the orders, especially coupled with the
13 fact that China is rapidly developing an indigenous
14 stainless steel bar industry means that export volumes
15 of stainless steel bar that had been flowing to China
16 will rapidly be redirected to the United States
17 market.

18 Do you agree with that assessment? Yes, Mr.
19 LaRussa, start with you.

20 MR. LARUSSA: Sure I'll start. No, I
21 disagree. First of all I think the figures I've seen
22 is that the demand in China is growing faster than the
23 capacity. Secondly, my client does not ship very much
24 at all to China. And third, I've heard this before,
25 there's this convoluted reasoning that China's going

1 to start shipping elsewhere and elsewhere will start
2 shipping to the United States.

3 I think really what will happen is at some
4 point maybe China would ship to the United States and
5 then I think that the domestic industry should bring a
6 dumping order against China. But that would have
7 absolutely nothing to do with subject imports from
8 these countries.

9 MR. MONTALBINE: I agree with that and none
10 of the German producers ship any meaningful amounts to
11 China and this is my third review in three years and I
12 hear this indirect China argument every time and I've
13 never seen it actually pan out. It never
14 materializes.

15 COMMISSIONER LANE: Okay, anybody else want
16 to make a comment?

17 MR. MALASHEVICH: The only thing I would
18 add, Commissioner, is if you were to look at the
19 published data on trade in this product with respect
20 to China it's just not at all significant to the
21 producers concerned here. Whatever merit the Chinese
22 link, if you will, might have in other cases, it
23 certainly does not in this case based on the facts.
24 There's just not enough there to divert.

25 COMMISSIONER LANE: Okay, thank you. To

1 what extent did last year's anti-dumping reviews on
2 stainless steel bar from Brazil, India, Japan, and
3 Spain affect your prices and volumes negotiated in
4 contracts for this year and beyond?

5 MR. O'DONNELL: Answering for Ugitech USA,
6 it had no effect.

7 COMMISSIONER LANE: Anybody else care to
8 answer that?

9 MS. PLENKERS: I agree with that, it had no
10 effect at all.

11 COMMISSIONER LANE: Okay, thank you. Mr.
12 Chairman, that's all I have. I want to thank this
13 panel for your answers this afternoon.

14 CHAIRMAN PEARSON: Commissioner Williamson.

15 COMMISSIONER WILLIAMSON: Thank you, Mr.
16 Chairman. Just a few other questions. Mr. Sierck, I
17 wonder if you could give us some information about the
18 sales of Sandvik for medical stainless steel in the
19 U.S. market. Some of this may have to be posthearing,
20 the size and importance. And in looking at the
21 reviews we notice there are particularly high rates;
22 I'm wondering what are you doing in the U.S. market at
23 this time.

24 MR. SIERCK: Until April 23 of this year,
25 Sandvik Bioline was subject to the all other rate for

1 the UK, which was the same as the Corus rate prior to
2 the zeroing determination. That rate was 4.48
3 percent. Sandvik Bioline was not investigated by
4 Commerce in the initial review, but we played an
5 active role in the ITC final injury hearing dealing
6 with some like product issues.

7 The point being Sandvik Bioline was willing
8 and able to essentially pay the 4.48 anti-dumping duty
9 as a condition of continuing to meet its long term
10 relationships with U.S. medical bar suppliers. But
11 everything changed, through no fault of Sandvik
12 Bioline's in the Section 129 determination. The most
13 astonishing thing that I've seen come out of the
14 Commerce Department in a long time. When Corus went
15 to zero there were no companies that were subject an
16 anti-dumping rate, so Commerce had the discretion,
17 though I believe not unlimited discretion, to conjure
18 up some other mechanism to come up with a new all
19 others rate.

20 COMMISSIONER WILLIAMSON: I'm sorry. We
21 have your testimony here and I understand that, but
22 I'm really more concerned about your role in the U.S.
23 market in terms of supplying the medical market and --

24 MR. SIERCK: Well, I think the answer is if
25 the order were revoked on the UK as it should be,

1 Sandvik will continue, as we've said in our prehearing
2 brief, to serve its niche product medical bar
3 customers in the U.S. If the order is not revoked and
4 was subject to the 88 percent margins, why then that's
5 a major impediment. In the Section 201 investigations
6 and then later on in the process where companies could
7 get exclusions, some of Sandvik Bioline's medical bar
8 was excluded; 17 different specific medical profiles
9 sold to a company called Synthes were excluded from
10 the scope of the then 12 percent temporary safeguards
11 duties.

12 Is that responsive to your question?

13 COMMISSIONER WILLIAMSON: Yes, and thank
14 you, I appreciate that. Maybe for posthearing you
15 could give us some idea about this medical bar market;
16 how significant a supplier are you, how significant
17 are the domestic producers? Just so we can get --

18 MR. SIERCK: Sure, we did say in our
19 prehearing brief, all of which is public record
20 material, that we estimate Sandvik Bioline's
21 participation in the U.S. market for medical bar to be
22 in the one to three million dollar a year range.

23 COMMISSIONER WILLIAMSON: Thank you.
24 Whatever additional information you can give about the
25 size of the overall market -- there was some testimony

1 on that this morning about the U.S. producers and
2 their interests in supplying that market.

3 MR. SIERCK: Thank you.

4 COMMISSIONER WILLIAMSON: Thank you. Going
5 back to Korea and cumulation, maybe some additional
6 information on how you see the European producers
7 different from Korea in this area, particularly what
8 types of products. Are they producing more commodity
9 products than the European producers or not? Not in
10 England, maybe comparing what the Korean producers are
11 supplying versus the -- or would supply if the orders
12 were not in place.

13 MR. SIERCK: I'll ask Sandvik Bioline if
14 they're aware of Koreans being a presence in the U.S.
15 medical bar market, but other than that I have nothing
16 to say.

17 COMMISSIONER WILLIAMSON: Mr. Montalbine?

18 MR. MONTALBINE: Yes, I also don't have any
19 knowledge that the Koreans supplied to the oil and gas
20 industry. Maybe Mr. Benditz could talk about whether
21 there are any Korean imports supplying that industry.

22 MR. BENDITZ: Not that we know of, not
23 presently.

24 COMMISSIONER WILLIAMSON: Thank you. No
25 further questions, Mr. Chairman.

1 CHAIRMAN PEARSON: Yes, where are we? Ah,
2 thank you. Commissioner Pinkert.

3 COMMISSIONER PINKERT: Thank you, Mr.
4 Chairman. Turning to the industry people on the
5 panel, in your view, how difficult would it be to
6 switch from production of stainless steel wire rod to
7 production of the subject merchandise?

8 MR. O'DONNELL: Well, perhaps it's two
9 different things. I mean, the subject merchandise is
10 stainless steel bar in a variety of grades and sizes
11 for Ugitech USA. A large percentage of the product
12 that we sell in the United States is made from rod.

13 Ugitech, their bar production, probably
14 three-quarters of their production is in bar products.
15 Perhaps half of the production is in rod, with half of
16 that going towards making bar. But we really are not
17 in diameters of bar mainly larger than three inches,
18 and everything that's being discussed behind us here
19 basically is three inches and larger.

20 MR. LARUSSA: I think Mr. Cereda can answer
21 this, too. I think, basically, they are at full
22 capacity, and that wire rod is being used already to
23 make bar. There is really nothing to switch here.

24 MR. CEREDA: Excuse me. I agree. Wire rod
25 is a different product line from bars, but whatever is

1 produced as wire rod, a good amount of that comes in
2 bars. You have to have an agreement to do bars, and
3 throughout the production line, from the steel mill to
4 the rolling mill down to the finishing shops, the
5 turning benches and so on, they are all into capacity
6 today, working at capacity.

7 So I don't think you can move more wire rod
8 into bars or, conversely, I don't understand why.

9 MR. MONTALBINE: I would make one small
10 point for the Germans. A large perfect German
11 capacity is forging capacity, and, obviously, you
12 can't make wire rod through forging.

13 COMMISSIONER PINKERT: Staying with you, Mr.
14 Montalbine, I note that, on pages 22 and 23 of your
15 brief, you cite that forging capacity as an argument
16 for why German producers cannot economically produce
17 the commodity products in this subject merchandise.
18 Are you saying that the German producers do not
19 compete against domestic producers in the U.S. market
20 in the subject merchandise?

21 MR. MONTALBINE: What I was trying to point
22 out is that capacity, the forging capacity, won't be
23 for commodity grades and small diameters. That's for
24 larger diameters, different types of products that you
25 need to forge rather than roll.

1 So when you're looking at what would happen
2 if the orders went away, you have to also keep any eye
3 on not just capacity but what type of capacity it is,
4 and that this forging capacity is not going to compete
5 with small-diameter, commodity products in the U.S.
6 It's just not designed at all to do that.

7 COMMISSIONER PINKERT: Thank you. Turning
8 back to the industry people on the panel, if anybody
9 can comment, publicly or in the post-hearing
10 submission, on how the entry of NAS into the U.S.
11 market affected competition in the U.S. market, I
12 would greatly appreciate it. Is there anything that
13 could be said publicly, at this time, on that issue?

14 MR. LARUSSA: I did do a little analysis of
15 different domestic producers' prices, in this case,
16 through distributors, against the Italians. It was
17 impossible to have such a comparison with the French,
18 given the data and the product lines chosen by the
19 Commission staff.

20 We've talked about this before, that it's
21 clear to us that the Italians are not the price
22 leaders, and I think, if you look at that analysis,
23 you'll see the effect of NAS on both the other
24 domestic producers and the Italian industry.

25 I can't talk about it any more because it's

1 obviously confidential data.

2 COMMISSIONER PINKERT: Mr. LaRussa?

3 MR. LARUSSA: No. I don't want to go over
4 that line with confidential data. In my head, it was
5 getting close to it, so I'll save it.

6 COMMISSIONER PINKERT: With that I conclude
7 my questions, and I thank the panel once again.

8 CHAIRMAN PEARSON: A question for the
9 purchasers of European product: What effect, if any,
10 have the antidumping duties had on your purchases of
11 stainless steel bar? For those of you who were in the
12 marketplace prior to when they went into effect, did
13 the antidumping duties influence your business?

14 MR. BENDITZ: It raised the prices. Beside
15 that, the industry itself drove the need to a point
16 where the allocations came about, and we were being
17 allocated just like everybody else. It was simply a
18 cause and effect, but I don't think that the extra
19 duties caused us not to be able to receive materials.
20 It was simply the nature of the industry that caused
21 the mills themselves to go at capacity, or go to
22 capacity.

23 MR. SEWELL: We saw some minor effect, but,
24 for the most part, we were predominantly, over the
25 last three to four years, we've been in domestic

1 purchasing mode, and we've seen very little effect on
2 it. Of course, you know, as mentioned earlier, we
3 don't play in the realm of the commodity grades of
4 steel, so if we were in that area, in that realm, I'm
5 sure it would have affected us greatly.

6 CHAIRMAN PEARSON: Mr. Montalbine?

7 MR. MONTALBINE: If I could make a quick
8 comment. You can't underestimate the administrative
9 costs of going through the process of an
10 administrative review and also the uncertainty.
11 Uncertainty is like the worst thing for business, and
12 the problem with administrative reviews is we
13 participated in three for BGH, and each time the
14 Department of Commerce changed their methodology in
15 key areas, so that brings uncertainty into the whole
16 process.

17 So the importers don't really know until the
18 years later what the actual duties are and all of
19 that. So that's, I think, really where the rub is,
20 from a business standpoint, just the uncertainty,
21 whereas, with the 201, you knew what it was, what the
22 duties were, and you could factor them in, and that's
23 what was paid. So I think that's the main problem
24 with the antidumping orders.

25 CHAIRMAN PEARSON: Okay. But as a practical

1 matter, are you saying that the demand for certain
2 items that you couldn't source in the United States
3 was sufficiently strong that you imported product to
4 meet those needs, basically regardless of the price.
5 The price went up, but that price did not quell the
6 demand or make it go away.

7 MR. SEWELL: No. It didn't affect us at
8 all. We were always purchasing product from Schmolz +
9 Bickenbach, and it didn't affect us, one way or
10 the other.

11 CHAIRMAN PEARSON: Okay. How about the same
12 question, in terms of the increasing value of the euro
13 against the dollar? Did you see that have some effect
14 on your business? Not a lot, obviously.

15 MR. BENDITZ: It was used as a surcharge
16 tool by the foreign steel mills, as was energy
17 logistics, scrap, chrome moly, nickel, and, of course,
18 exchange rate.

19 CHAIRMAN PEARSON: But, once again, that was
20 a cost that was passed through to the final customer
21 because there were not alternative products, or, at
22 some level, did you see some substitution of other
23 products for these items you had been importing from
24 Germany?

25 MR. BENDITZ: For our unique applications,

1 it was passed through.

2 CHAIRMAN PEARSON: Ms. Plenkers?

3 MS. PLENKERS: Our base prices have
4 definitely increased with the currency, so that has
5 been trending with the currency. As far as the alloy
6 surcharges are concerned, we follow the U.S. market,
7 but the base prices have been reflecting the weakening
8 U.S. dollar.

9 CHAIRMAN PEARSON: Okay. Despite all of
10 this, people come to you, and they still want to buy.

11 MS. PLENKERS: That's correct. Actually, I
12 could sell more than I do, if I weren't on allocation.

13 CHAIRMAN PEARSON: Okay. Thank you.

14 Mr. Montalbine, I'm not sure whether we have
15 this on the record, but I would be interested to have
16 some sense of what quantity of shipments from your
17 clients has come in over the period of review that has
18 been product of these specialty types that we're
19 talking about that really can't be procured reasonably
20 in the United States.

21 I note that, on Table 4-9 in the staff
22 report, we have what I believe is publicly available
23 information from the Global Trade Atlas giving
24 quantities for each year of subject product coming in
25 from Germany. Are you able to give me some idea of

1 what fraction of those tonnages would be the specialty
2 products?

3 MR. MONTALBINE: I think the best evidence
4 in the prehearing staff report is the customs data,
5 split up by ports. When you look at that, 70 percent
6 of German imports over the whole period are going
7 through Houston, and that is this energy product. So
8 I think that's the best indicator right now in the
9 status report.

10 CHAIRMAN PEARSON: Okay. But for purposes
11 of the post-hearing, if you have a chance to discuss
12 this in more detail with your clients, you might be
13 able to provide further elaboration. Is that correct?

14 MR. MONTALBINE: Yes. Certainly, for BGH,
15 because they have participated in reviews for most
16 periods, I think that information would be not too
17 hard to produce.

18 CHAIRMAN PEARSON: Okay. Please do so, and
19 I'll look forward to seeing it.

20 Do European producers of stainless steel bar
21 view their home markets to be basically the countries
22 in which their plants are located, or do they see the
23 home market as the entire EU? Mr. Cereda?

24 MR. CEREDA: Today, certainly for Ugitech,
25 the home market is the orders of the extended European

1 Union, definitely. We don't mean Italy, France, or
2 Germany anymore, and I guess that's the same for the
3 other European producers.

4 CHAIRMAN PEARSON: Is that particularly true
5 within the euro zone, or does it apply to the entire
6 27-member community?

7 MR. CEREDA: Today, it would apply to the
8 whole European community, even outside the euro zone.
9 The euro zone is just a fraction of the European
10 Union.

11 CHAIRMAN PEARSON: The transaction costs of
12 moving from the euro zone to a non-euro zone country;
13 that's not significant. That's just a normal part of
14 doing business, and it's simple and straightforward.

15 MR. CEREDA: Yes. It is simple and
16 straightforward, and I would say that mostly the euro
17 is used as an exchange currency when we sell to even
18 non-euro boundaries.

19 CHAIRMAN PEARSON: Okay. Mr. O'Donnell, I
20 don't know whether you're able to say this in public,
21 and, if not, respond later, but I'm curious. You have
22 the new plant at Batavia. If I understand correctly,
23 it doesn't have a melt shop. Can you provide some
24 information about where the input will be coming from?
25 Is that something you're able to source in the United

1 States, or will that be coming from overseas?

2 MR. O'DONNELL: Both. We will source some
3 product in the United States, and the patented or
4 proprietary grade of Ugema, we will bring from our
5 parent company. But the idea behind the plant is to
6 manufacture bar using rod from both our parent company
7 and domestically.

8 We could put it on post-hearing brief, but
9 we've spoken to a domestic company.

10 CHAIRMAN PEARSON: Okay. That's fine. I
11 was just curious because whenever you build a plant
12 that is dependent on some major input, the question
13 is, where does the input come from?

14 MR. O'DONNELL: Again, quite candidly, it's
15 one of the reasons that we were very pleased to, you
16 know, win the sunset review on the rod, and during
17 that, our testimony was that even if we were out of
18 the order, the market would not see, for market
19 consumption, an increase of stainless steel rod from
20 France because what we intend to do, frankly, is most
21 of the rod we use internally will come from our parent
22 company.

23 CHAIRMAN PEARSON: Okay. Thank you.

24 Mr. Malashevich, my last question for you.
25 You made a comment earlier about the difficulty of

1 interpreting the ratio of operating income-to-sales
2 due to changes in both the numerator and denominator,
3 something along those lines. What I'm wanting to make
4 sure, were you saying basically that if both the
5 numerator and denominator go up a lot, that the ratio
6 may not change much, but that producers end up earning
7 a lot more money?

8 MR. MALASHEVICH: No. My point was a bit
9 different from that.

10 CHAIRMAN PEARSON: Okay. Then I didn't
11 understand you.]

12 MR. MALASHEVICH: Okay. Basically, you
13 already see, in the staff report, the sharp upward
14 trend in dollar operating income and absolute dollars
15 and as a percentage of sales. But as Carpenter
16 Technology's CEO pointed out in their 10-K for the
17 year ending July '07, looking at the ratio of income-
18 to-sales really understates profitability because the
19 sales values per ton were increasing so rapidly during
20 this period that we've been talking about.

21 So you have a situation where the
22 denominator is going up so rapidly and changes so much
23 over time, you need to focus on other measures of
24 profitability, those measures being, among others, the
25 absolutely change, in millions of dollars per year, or

1 by substituting for sales a more static, more stable
2 measure for purposes of comparison that can be assets,
3 what the Commission has surveyed, and the numbers are
4 in the report, and it could also look at, as we did --
5 it's quite a powerful comparison of operating income-
6 to-depreciation, reported by the domestic industry.

7 In many cases, as I'm sure you're aware, the
8 domestic industry comes and argues, Well, we're not
9 even making sufficient income to replace the capital
10 we're expending in a particular year through the
11 accounting measure of depreciation.

12 Well, this is a case very dramatically
13 different from that, and because of the inflation in
14 raw materials costs and through the pass-through
15 mechanism of the surcharges, sales are just too
16 dynamic a measure against which to assess the level of
17 underlying profitability.

18 MR. CRANDALL: If I may, very quickly, Mr.
19 Chairman, to put some flesh on the bones of what Mr.
20 Malashevich just said, if you compare 2005 with 2007,
21 and these are roughly done in my head here, the profit
22 margin is running from about 10 percent to 14 percent.
23 That suggests a 40-percent increase, which is a
24 healthy increase, but the profits per ton went up from
25 around 400 to 870, more than doubled. So the

1 profitability of the company, for any given capacity,
2 has gone up enormously in that period. It's more than
3 doubled. It hasn't gone up just 40 percent.

4 So looking at profit margins as a percentage
5 of sales, where the sales are going up because of the
6 raw material costs, understates the growth in
7 profitability.

8 CHAIRMAN PEARSON: Okay. Thank you for
9 that, and thank you to my colleagues for bearing with
10 me with the red light on. Madam Vice Chairman?

11 VICE CHAIRMAN ARANOFF: Thank you, Mr.
12 Chairman.

13 Mr. O'Donnell and Mr. Cereda, let me just
14 finish -- follow up a little bit on the questions that
15 you've been asked about Ugitech's investment in
16 production in the United States.

17 Can you tell us, either now or in your post-
18 hearing submission, what all of the grades and types
19 of the product are that you plan to produce in the
20 U.S. facility?

21 MR. O'DONNELL: We'll tell you in our post-
22 hearing brief.

23 VICE CHAIRMAN ARANOFF: Okay. A sense of
24 the magnitude, distribution of those.

25 MR. O'DONNELL: Yes. As we said earlier, I

1 mean, by 2012, we're looking at 10,000 tons. The U.S.
2 market capacity, our information, is about 300,000
3 tons.

4 VICE CHAIRMAN ARANOFF: Okay. If you could
5 tell us, at the same time, the extent to which those
6 are the same grades that are produced in the French
7 and Italian facilities and whether your plan is to
8 rationalize production such that some grades are
9 produced here and some in Europe or whether you plan
10 to completely duplicate so that you're producing for
11 the U.S. market here the same grades you produce in
12 Europe.

13 MR. O'DONNELL: That's basically because, I
14 think, in the testimony that was on the record, one of
15 the comments we made was that, with the addition of
16 this plant, it would give us the ability to produce,
17 here in the States, two of the more technical grades
18 which we import from France and Italy from Ugitech and
19 Bedini. We would make them here in the United States,
20 consequently decreasing the need to import them from
21 said companies in the future.

22 VICE CHAIRMAN ARANOFF: Okay. As currently
23 conceived, there is no plan to install melting
24 capacity here in the U.S.

25 MR. O'DONNELL: I don't think so. That's a

1 lot of money.

2 VICE CHAIRMAN ARANOFF: Okay. All right.
3 One last thing, which Commissioner Okun usually asks,
4 but if the company has internal business plans that it
5 used to justify the U.S. investment, that you would be
6 able to submit to us so we could see what you were
7 thinking about the U.S. market when the investment
8 plan was made, that would be very helpful.

9 MR. O'DONNELL: Okay. We do have a business
10 plan.

11 VICE CHAIRMAN ARANOFF: Thanks.

12 MR. LARUSSA: We also have a business plan
13 that shows that we have a plan to cut down on imports
14 from France and Italy during the same period, so we'll
15 submit that.

16 VICE CHAIRMAN ARANOFF: Okay. I'm
17 particularly interested, obviously, in something that
18 was used in advance of making the investment, what the
19 company was thinking when about the U.S. market when
20 it made the investment. Thanks.

21 Mr. Sierck, let me follow up little bit with
22 you. Since you've proposed to Commerce that this
23 particular product, SAF-2507, be excluded, is it
24 possible for you to supply to us, in your post-hearing
25 brief, the quantities and values of this particular

1 product that were exported by the company to the U.S.
2 for 2001 through 2006 and the interim periods?

3 MR. SIERCK: Yes, I can, and I should add,
4 as you're probably aware, the Petitioners have agreed
5 to the exclusion request, and I believe they have
6 characterized it as involving only a very modest
7 volume of product, but I will provide more details in
8 the brief.

9 VICE CHAIRMAN ARANOFF: Okay. Mainly, we
10 need the actual numbers so that our staff can back
11 those out of the subject import volumes.

12 MR. SIERCK: Certainly.

13 VICE CHAIRMAN ARANOFF: Thanks very much.

14 Also, Mr. Montalbine, I wanted follow up
15 with you. Commerce just instituted, late in October,
16 a new shipper review for a German firm called -- I'm
17 going to mispronounce this -- Flonschenwerk. Is that
18 a new producer in Germany, and is there anything that
19 you can tell us about that company?

20 MR. MONTALBINE: Yes. I was very surprised
21 when I saw that in the Federal Register because I had
22 never heard of them before and have been working with
23 this industry for a very long time. I did get
24 information on them.

25 First of all, Flonschenwerk -- "flonschen"

1 means flanges in German, so they are basically not a
2 stainless bar producer. They produce flanges, I
3 guess, shapes, and they did apparently ship one
4 shipment to the United States, and if you look at the
5 Department of Commerce file, which I got the request
6 for the new shipper review, we can submit that with
7 our post-hearing brief, but it's only 83 kilograms of
8 product, and they certified that they have never
9 shipped to the United States before. So I think it
10 basically is an odd sort of shipment and a product
11 that they don't normally produce. But we can submit
12 that with our post-hearing brief.

13 VICE CHAIRMAN ARANOFF: Okay. Thanks.
14 Anything that you can provide to enlighten us on that
15 will be helpful. Thanks.

16 This is a question that's directed to all of
17 the European producers in general. You know, the
18 Commission has, sometimes in these reviews, as you've
19 pointed out to us in your briefs, treated exports made
20 by European producers within the EU as a different
21 category of exports than exports made outside the
22 European community and viewed them as, depending on
23 the facts of the case, sometimes less liable to be
24 diverted into the U.S. market in the event of
25 revocation than exports to other countries.

1 But we have also sometimes tried to look at,
2 that kind of concentric circle idea, at exports to the
3 all-other-country category, depending on where they
4 are going.

5 So, for all of you, and maybe some of you
6 have put this in your questionnaire responses, if you
7 could tell us, with respect to exports that are going
8 to countries outside of the EU and that are falling
9 into our all-other-country category -- they are not
10 going to Asia or the other specific places we asked --
11 the extent to which those are going to European
12 countries that are not in the EU or other countries
13 that are geographically close that might fall into
14 that same kind of regional argument versus exports
15 that are going to Australia or somewhere else that
16 would fall into the all-other, that would be helpful
17 to know.

18 MR. MONTALBINE: We will address that in the
19 post-hearing, but you'll see that they were bordering
20 on the EU, Norway, Switzerland, Turkey, Russia, those
21 sorts of countries.

22 MR. LARUSSA: The same for Ugitech. That's
23 in our brief, and, actually, it was alluded to in our
24 testimony, and we will make it as specific as you
25 need.

1 VICE CHAIRMAN ARANOFF: Okay. Obviously,
2 for Ugitech, it's less important because we're not
3 really talking about subject product, but for the
4 other producers who are still in, it could be
5 important. So thank you very much for that.

6 One last question for Mr. Cereda. We don't
7 have Cogne here today, which is a shame, but you did
8 express some familiarity with what the company is
9 doing in your direct testimony earlier this afternoon,
10 and you mentioned some things about their relationship
11 with the U.S. market, and I wanted to ask you if there
12 is any way that you can elaborate on that. I don't
13 want to phrase the question because I've seen the
14 bracketed information, and you haven't, so anything
15 you tell me, I know didn't come from confidential
16 information.

17 What can you tell me about the way that they
18 are doing business in the U.S. market?

19 MR. CEREDA: Actually, not a great deal
20 today. Cogne, as I said, is a bit of a difficult
21 exercise to source out for everyone, including the
22 Italians. It's difficult to find out how they do
23 business in Italy as well, so it's a bit difficult
24 for me today to answer.

25 As I say, they are going through a period of

1 changes within their own organization as well, and, as
2 such, I would prefer today not to elaborate any more
3 on Cogne and maybe leave it for the post-hearing
4 brief.

5 VICE CHAIRMAN ARANOFF: Okay. Fair enough.

6 MR. CEREDA: Thank you.

7 VICE CHAIRMAN ARANOFF: All right. I think
8 that that was my last question, so I will say thank
9 you very much to the panel for all of your answers.
10 Thank you, Mr. Chairman.

11 CHAIRMAN PEARSON: Commissioner Okun?

12 COMMISSIONER OKUN: The vice chairman
13 covered the business plan, so I will look forward to
14 having a company submit a business plan that they have
15 prepared before they made the investment, and, with
16 that, I don't have any other questions but want to
17 thank you for all of those answers, and I'll look
18 forward to seeing the post-hearing briefs.

19 CHAIRMAN PEARSON: Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: No further
21 questions, and I thank the panel also.

22 CHAIRMAN PEARSON: Are there any further
23 questions from the dais? Commissioner Pinkert? No?
24 Okay.

25 Well, please accept my thanks for all of

1 your answers to the Commission, and now we will turn
2 to staff and see whether members of the staff have any
3 questions for this panel.

4 MR. DEYMAN: I'm George Deyman, Office of
5 Investigations. The staff has no questions.

6 CHAIRMAN PEARSON: Does counsel for the
7 domestic industry have questions for this panel?

8 That does pretty well wrap it up. So, once
9 again, great appreciation for your indulgence and
10 patience in dealing with us today. It takes a lot of
11 time and energy to participate in these proceedings.
12 I think we understand that. Always, it helps. If
13 you're not here, we don't have a record, so thanks a
14 lot.

15 Let's see. People are, no doubt, wondering
16 about the time allocations that are remaining. You
17 know, we don't complain if people leave time that's
18 not used, and we're in a real close contest here
19 today, guys. The domestic industry has six minutes
20 left from direct questions and five for closing, so a
21 total of 11 minutes, and they are just a bit ahead
22 because the Respondents have five minutes left from
23 direct and five for closing, so a total of 10.

24 So, right now, the domestic industry is
25 leading. It's been a long day.

1 This panel may be excused, and we will
2 proceed to closing.

3 Mr. Hartquist, how do you wish to proceed?
4 Do you want to have 11 minutes straight, or do you
5 want it broken up in one way or another?

6 MR. HARTQUIST: Eleven minutes straight
7 would be convenient, and I'm ready to go right now.

8 CHAIRMAN PEARSON: Okay. Excellent. Just
9 give a couple of minutes here for us to shift around,
10 and we'll proceed. Thank you, all.

11 (Pause.)

12 CHAIRMAN PEARSON: Since you get to stand
13 up, we thought we would, too.

14 MR. HARTQUIST: Fair enough.

15 (Pause.)

16 CHAIRMAN PEARSON: Mr. Hartquist, please
17 proceed.

18 MR. HARTQUIST: Thank you, Mr. Chairman.
19 Let me start with just a comment about the impact of
20 the antidumping case. It was good to hear the buyers
21 of foreign materials testify this afternoon that they
22 willingly paid the antidumping duties and that they
23 were not precluded from obtaining the material that
24 they wanted to buy. That's the way the antidumping
25 law is supposed to work, and apparently it did work,

1 at least with respect to these folks in this case.

2 Mr. Sierck made some comments about
3 Sandvik's movement from a four-percent duty to an 84-
4 percent duty through no fault of its own. I would
5 remind Mr. Sierck advise the Commission that Sandvik
6 actually had a request for an administrative review
7 that it had filed in the proceeding and decided to
8 withdraw that request, and the result of their
9 nonparticipation was moving to an 84-percent duty.

10 I would also like to make a general comment
11 in response to an argument that was made by
12 Respondents' counsel that the 129 cases, and without
13 zeroing, there would have been no duties applied, no
14 orders applied, to a number of producers in the
15 original investigation.

16 Not necessarily true because if zeroing had
17 not been applied, a targeted dumping methodology,
18 which is now being experimented with by the Commerce
19 Department, might well have been used, and, as a
20 matter of fact, this is an approach that the Europeans
21 use essentially to achieve very similar results in
22 their investigations to what the United States does
23 with the zeroing methodology.

24 As you may know, this isn't really relevant
25 to today's case, but this whole zeroing issue is a

1 subject of intense negotiations in the Doha Round
2 Rules Negotiations. The United States government has
3 said it's a bottom-line issue in terms of any kind of
4 a deal in Doha. So there is going to be more to be
5 said about zeroing, and also there is continuing
6 litigation on the issue.

7 Mr. Sewell, of Specialty Steel Supply,
8 indicated that he was having difficulty getting long
9 bar products from U.S. producers. They are here with
10 their order books and ready to go on, for example, oil
11 patch bar up to 28 inches long. That is certainly
12 produced in the United States.

13 Other testimony about, especially, Steel
14 Supply. Outokumpu produces long-length bars up to 24-
15 inch, and those are available to be purchased.

16 There was testimony about Itallfand's
17 involvement in forged bar and their small capacity.
18 Actually, their capacity would represent virtually all
19 of the demand for that product in the United States.
20 They could supply virtually all of the demand for
21 forged bar in the United States, based upon their
22 capacity.

23 Mr. Benditz, of Continental Alloys,
24 indicated that U.S. producers don't produce the 420
25 modified product that was being discussed at some

1 length. The folks from Crucible, Electralloy, and
2 Valbruna Slater are there ready to take orders on 420
3 modified. They do produce this product.

4 Also, just a general comment that Mr.
5 McGarry reminded me of. The CEO of Carpenter has been
6 quoted a number of times about her press statement
7 that the energy market business is red hot. That does
8 not apply to stainless steel bar. The material that
9 Carpenter provides in the energy market does not fall
10 within the scope of this case, I think, virtually
11 totally, maybe some small amount. But it's basically
12 nonsubject material, and the market certainly is red
13 hot for that material.

14 Mr. Sierck also commented about Langley
15 Alloys, a British producer, and I think he expressed
16 skepticism that they are a producer of the product. I
17 happen to have a printout from their Web site of just
18 a couple of days ago. "We stock a full range of our
19 own alloys. We make super-duplex stainless steels.
20 Langley Alloys has expertise in metallurgy and the
21 production knowledge to purchase specialist alloys in
22 all forms, from bars to other products." Their Web
23 site indicates they make at least five alloys that are
24 subject to this order.

25 So they are there, and they are selling, and

1 they are definitely a producer of the product, as the
2 Commerce Department has also found.

3 The focus of our comments today, and in our
4 brief, has basically been on foreign producers that
5 remain subject to the orders, and we agree with the
6 Respondents that the Commission should focus your
7 attention not on the companies that have been excluded
8 but on those that remain subject to the orders.

9 We know that you have received information
10 from foreign producers that have been excluded from
11 the order, but if they can demonstrate that they are
12 properly excluded, then companies like Ugitech and
13 Corus would not be part of this investigation.

14 We urge the Commission and the staff, then,
15 to focus attention on the foreign producers that
16 remain subject to the orders. We've been working with
17 the staff to address some data errors in the staff
18 report and to ensure that we can all receive the
19 relevant proprietary information to have the same
20 database to look at.

21 Our goal has been to analyze the data for
22 the producers that are subject to the orders, in terms
23 of their capacity, their production, and,
24 particularly, their pricing practices.

25 I mentioned earlier that there are over 20

1 European stainless producers that are subject to the
2 orders. They are in somewhat different postures in
3 the market, but virtually all of them are subject to
4 very significant antidumping duties. Some are large
5 companies and some are smaller companies. Cogne has
6 been dealt with. They are a very substantial
7 producer, and they are subject to a dumping duty of 33
8 percent and a countervailing duty of 13 percent.

9 The all-other rate for the Italian
10 producers, like Itallfand, is seven percent, a
11 significant margin.

12 Schmolz + Bickenbach have substantial
13 stainless capacity, and its imports from various
14 factories in Europe are currently subject to dumping
15 duties from 10 to 30 percent.

16 Ascometal and Sandvik have significant
17 production facilities to make steel and could shift
18 production into the higher-value-added stainless
19 production operations if the dumping orders were
20 lifted. Again, they are subject to pretty high rates
21 of duty. Ascometal is subject to a rate of 36 percent
22 and Sandvik, 84 percent.

23 Aubert et Duval, in France, has been subject
24 to a 72-percent antidumping duty since the inception
25 of these orders, and they specialize in valve steel,

1 which is definitely a covered product under this case.

2 Impar, the U.K. producer, has a dumping duty
3 of 35 percent.

4 Clearly, when viewed as a whole, these
5 companies could easily ship significant volumes of
6 product to the United States, but most of them are
7 subject to significant duties that inhibit them from
8 doing so. Yet if the orders are lifted, this pricing
9 discipline that has caused restraint in the
10 marketplace would be eliminated, and the injury that
11 the industry experienced only five years ago would
12 return.

13 These antidumping and countervailing duty
14 orders remain important and very relevant to this
15 industry, and we respectfully urge that you vote to
16 continue these orders in effect.

17 On behalf of myself and my team and our
18 clients, we appreciate your attention today. Thank
19 you.

20 CHAIRMAN PEARSON: Thank you, Mr. Hartquist.

21 Mr. LaRussa, how do you wish to proceed?

22 MR. LARUSSA: I'll just talk for a while,
23 and I don't think I'll go nearly that long, so we'll
24 have a few minutes left over. Is that okay?

25 CHAIRMAN PEARSON: You might end up winning

1 at the end if you have some time?

2 MR. LARUSSA: I think. There were some new
3 things said in there that I have to respond to.

4 CHAIRMAN PEARSON: Please go ahead.

5 MR. LARUSSA: First of all, on this whole
6 idea of dumping margins, this is disingenuous
7 throughout the day, I have to say. These were not
8 calculated dumping margins. The margins that are
9 left, for example, the last margin that we just heard
10 on Ascometal basically is an all-others rate that was
11 recalculated by the Commerce Department as a result of
12 the Section 129 proceeding.

13 There has never been an actual price-to-
14 price comparison for these companies. If you look
15 throughout this order, for the companies that are
16 left, either they are companies that didn't take part
17 in the beginning and got a dumping calculation, which
18 would be the available rate, or there are companies
19 that, for their size of for whatever other reason, got
20 the all-others rate in the beginning and never changed
21 it. But it's not as though you've got these huge
22 dumping margins that were calculated dumping margins,
23 and people are actually selling at a 33-percent
24 difference, absolutely not. So I needed to start with
25 that.

1 In the bigger picture, there was some
2 discussion today about what's happened in the last
3 year since the last sunset review. Well, what's
4 happened is you did not find a vulnerable industry, as
5 Commissioner Aranoff noted at the time. You did
6 express some concerns in the public decision, one of
7 which was you weren't so sure how strong the price
8 increases were, how lasting they would be.

9 What's happened over the last year is the
10 prices have remained strong. There was a nickel blip,
11 but they have remained strong. The companies have
12 done exceedingly well. Demand has, if anything,
13 become better, and the whole global market has gotten
14 better.

15 So you have a situation where, a year ago,
16 you said, You're not vulnerable, but, you know, we've
17 got some concerns. Those concerns did not come to
18 pass. In fact, the industry has gotten stronger.

19 So I think, actually, a lot has changed.
20 What's changed is that you had, and I can't,
21 obviously, use the data, but you had a certain period
22 where the industry did fantastically, and now you have
23 a much longer period of sustained profitability. So
24 there were a lot of differences.

25 One thing I would like to also note is that

1 I don't know that the domestic industry ever argued
2 with our point that demand is not decreasing. I heard
3 Ed Blot talk about perhaps demand would not be as
4 robust this year as it has been. I could be wrong,
5 the way I heard it, but it seems to me that we've had
6 very strong growth, and we've still got growth, and
7 that's happening globally, as well as the U.S. market.

8 I think, also, the testimony I heard today
9 about investments that were made show the fact that
10 the domestic industry is kind of proud of how well
11 they have done in the investments that they have made.

12 So it gets back to our original point as to
13 why we're here. The first point we made was that the
14 domestic industry has never been stronger. There were
15 a lot of questions today about NAS, and I hope that
16 you can take a look very closely at what NAS has done
17 to this market in three years.

18 I think they are the Colorado Rockies of the
19 stainless bar industry. The Rockies basically came
20 and won 21 ut of 22 games out of nowhere. No one ever
21 thought about it, that they would ever be there, and
22 suddenly they are in the World Series. Unfortunately,
23 they lost to the Boston Red Sox. Being a New Yorker,
24 it didn't make me happy.

25 I have to say that NAS came into the market,

1 and basically the increase, which I can't give you
2 here, but you know what it is, the increase in three
3 years is astronomical. Nobody does that. Not even
4 the Rockies do that.

5 So you can't say there is anything but an
6 impact, a huge impact, on the market. The price
7 comparison we're talking about that Dr. Crandall has
8 put in his analysis, I think, is compelling. It also
9 shows, when you're putting all of these companies
10 together, NAS has a huge impact of where other
11 companies, including domestic companies, are selling
12 their product. It's a little vague, but it's as much
13 as I can give you without delving into that kind of
14 record.

15 Third, the investments are incredible that
16 this industry has made in the U.S. market, and I know
17 that the NAS investment is a long-term one that
18 includes stainless products, including stainless rod,
19 but it's over a billion dollars, and all of these
20 other companies have made great investments, including
21 our company, Ugitech, which made its own investment.

22 I just can't imagine. I'm not an investor
23 in steel companies, but I can't imagine that anybody
24 would take seriously that you did this because you had
25 a dumping order in place that had minuscule margins on

1 some companies, most of which were taken away by the
2 Section 129's. So it seems a little strange to me.

3 Fourth point: Maybe I'm missing something
4 here, but this thought that the European companies,
5 who have this extremely strong market which is growing
6 all of the time -- Eastern Europe is strong -- Eastern
7 Europe has to the auto industry -- there are all sorts
8 of end users all over Europe in this expanding market
9 who are doing great -- that, for some reason, the
10 European companies would be thinking, I'm just
11 waiting, waiting for this two-percent margin to go
12 away in the U.S. market, and, boom, I'm going to get
13 away from this huge market, growing market, in the
14 European Union. I'm going to forget China, and I'm
15 going to come to the United States.

16 That's not the truth, and what you've heard
17 from Ugitech and from the German companies is that
18 they have longstanding companies they deal with. They
19 sell niche-types of products. It's basically an
20 historically consistent level. There is a need for
21 it, and that's kind of what it is.

22 Next point: I keep talking about this
23 Section 129, and I just hope, from a common sense
24 standpoint, from the economic standpoint, which I've
25 been talking to Dr. Crandall about for a while, and

1 from the legal standpoint, if there are no subject
2 imports left, there is nothing to protect against.

3 Basically, you've got a situation where, in
4 a lot of these countries, you have next-to-no capacity
5 left. In France, you have next-to-no capacity left
6 that could be sent to the United States, and, again,
7 look at page 7 of our brief on that.

8 In Italy, the major companies are out of the
9 market, so you've got that one situation.

10 Then you've got what's left. Well, what's
11 left is, you've heard from the Germans that they make
12 a type of product that basically is needed. You've
13 heard from customers that there is demand for it, that
14 it's a niche type of product, and that basically it's
15 a small part of the U.S. market.

16 I would say that I'm very glad that Mr.
17 Cereda joined us today because, if you look at this
18 list, some of these companies have been around, but
19 some of them, you could have gotten out of phone book.
20 They are very tiny companies, these Italian and French
21 companies that were listed as these companies that are
22 waiting to get into the U.S. market.

23 I wanted to say something about Ascometal.
24 I wish they had been here. They are not, but we've
25 done some research into what they do. The products

1 that they make -- again, Ascometal is a carbon-alloy
2 producer. It is not a stainless producer. It makes
3 two grades. Those grades are 410 and 420. If you
4 take those entire grades, according to my contacts,
5 which may not be different than Mr. Blot's, but my
6 contacts in the industry, we're talking about five,
7 six, seven percent total of the market.

8 Now, I guess if they took all of their
9 capacity, and they shipped it there, they could have a
10 minuscule impact on that, but, basically, they don't
11 have the capacity to make any more, and they only make
12 two products. So it's basically insignificant.

13 On the investment -- I want to close with
14 one or two more points -- on the investment by the
15 U.S. industry, again, I would just ask you to look at
16 the size of the investment and think about what
17 rational company would have made those investments,
18 had it just been based upon a dumping order.

19 Admittedly, today, we heard a lot of
20 testimony, in fact, that they are not high.

21 Finally, prices. There was a lot of talk
22 about prices today, but what was lost, I think, in
23 that was that basically, even if prices fell somewhat,
24 after the adjustment for the materials cost, they
25 would still yield larger margins per ton compared with

1 2004, 2005, just a few years ago.

2 So, basically, what you're talking about is
3 it's like the stock market where you buy stock at 20,
4 and it goes up to 120, and then you get mad because it
5 goes down to 115. Well, the truth is, you've made a
6 lot of money in the meantime.

7 Finally, I just want to take a look at maybe
8 what the theory is of the domestic industry here and
9 then close up.

10 They are doing great. If you even look at
11 parts of their brief, they will tell you how great
12 they are doing, and they will also tell you what kinds
13 of investments they have made in this market. I don't
14 think anybody can take them seriously that they
15 wouldn't have made investments, so they won't make any
16 more investments.

17 What they are really saying is, We kind of
18 like this way. We don't really like the competition,
19 and we don't want the competition, even though half of
20 the firms are out, and most of the product is out. We
21 don't want them. We don't want to have to compete
22 with any companies at all.

23 I would say two things to that. First of
24 all, that's not what the dumping law is about or the
25 statute is about. The statute is about whether

1 subject imports, which, again, in many countries, are
2 basically down to zero, whether subject imports will
3 lead to continuation or recurrence of material injury,
4 and that's really the standard that I think we need to
5 be looking at here, not whether they like it a
6 different way.

7 So there is no reason for this order. It
8 really should end, and I do thank you for all of the
9 time you've taken today and would just say that it's
10 good to see some of my old colleagues from the
11 Commerce Department again, and it's always good to be
12 at the Commission. Thank you.

13 CHAIRMAN PEARSON: Thank you, Mr. LaRussa.

14 The closing statement. In accordance with
15 Title VII of the Tariff Act of 1930, post-hearing
16 briefs, statements responsive to questions and
17 requests of the Commission, and corrections to the
18 transcript must be filed by November 15, 2007.
19 Closing of the record and final release of data to
20 parties are due December 14, 2007, and final comments,
21 on December 18. This hearing is adjourned.

22 (Whereupon, at 5:22 p.m., the hearing in the
23 above-entitled matter was concluded.)

24 //

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Stainless Steel Bar from France

INVESTIGATION NOs: 701-TA-413, 731-TA-913-916-918
(Review)

HEARING DATE: November 6, 2007

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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: October 6, 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
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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).

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Signature of Court Reporter