

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
STAINLESS STEEL WIRE ROD) Investigation Nos.:
FROM ITALY, JAPAN, KOREA,) 731-TA-770-773 and 775
SPAIN AND TAIWAN) (Second Review)
)

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 FROM ITALY, JAPAN, KOREA,) (Second Review)
 SPAIN AND TAIWAN)

Thursday,
 April 8, 2010

Main Hearing Room
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:39 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable SHARA L.
 ARANOFF, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

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In Support of Continuation Antidumping Duty Orders:On behalf of the Domestic Industry:

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Business, Carpenter Technology Corporation
JERRY LEIBENSPERGER, Business Manager, Strategic
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MICHELE PHARAND, Business Manager, Wire and Strand
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PAUL MCGRATH, Vice President of Administration &
General Counsel, Universal Stainless & Alloy
Products, Inc.
PATRICK FEELEY, Vice President, Commercial, North
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JASON SHARP, Long Products Supervisor, North
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MICHAEL V. DOBSON, Esquire
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Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to Continuation of Antidumping Duty
Orders:

On behalf of Cogne Acciai Speciali S.p.A.:

WILLIAM SILVERMAN, Esquire
RICHARD FERRIN, Esquire
Hunton & Williams LLP
Washington, D.C.

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

2 (9:39 a.m.)

3 CHAIRMAN ARANOFF: Good morning. On behalf of the
 4 U.S. International Trade Commission I welcome you to this
 5 hearing on Investigation Nos. 731-TA-770-773 and 775 (Second
 6 Review) involving Stainless Steel Wire Rod From Italy,
 7 Japan, Korea, Spain and Taiwan.

8 The purpose of these five-year review
 9 investigations is to determine whether revocation of the
 10 antidumping duty orders covering stainless steel wire rod
 11 from Italy, Japan, Korea, Spain and Taiwan would be likely
 12 to lead to continuation or recurrence of material injury to
 13 an industry in the United States within a reasonably
 14 foreseeable time.

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

21 All witnesses must be sworn in by the Secretary
 22 before presenting testimony. I understand that parties are
 23 aware of the time allocations. Any questions regarding time
 24 allocations should be directed to the Secretary.

25 Speakers are reminded not to refer in their

1 remarks or answers to questions to business proprietary
2 information. Please speak clearly into the microphones and
3 state your name for the record for the benefit of the court
4 reporter.

5 Finally, if you will be submitting documents that
6 contain information you wish classified as business
7 confidential your requests should comply with Commission
8 Rule 201.6.

9 Madam Secretary, are there any preliminary
10 matters?

11 MS. ABBOTT: Madam Chairman, no preliminary
12 matters. I will note that all witnesses for today's hearing
13 have been sworn.

14 (Witnesses sworn.)

15 CHAIRMAN ARANOFF: Thank you. I want to thank the
16 parties in advance for your patience today. As you've
17 probably heard, there is piledriving going on in the
18 construction site across the street. It is periodically
19 very loud, very distracting, and it makes the building shake
20 as though there's an earthquake going on. So please don't
21 panic should that happen at some point during the day. We
22 will move along as best we can.

23 I should also add that although we have the air
24 conditioning on full blast in here I don't think we've quite
25 caught up with the last few days of heat, so if anyone feels

1 the need to remove your jacket, please feel free to do that.

2 With that, I believe we're ready to begin with
3 opening remarks.

4 MS. ABBOTT: Opening remarks in support of
5 continuation of orders will be by David A. Hartquist of
6 Kelley Drye and Warren.

7 MR. HARTQUIST: Good morning, Madam Chairman and
8 members of the Commission and staff. I am David A.
9 Hartquist of the law firm Kelley Drye and Warren appearing
10 today on behalf of the domestic stainless steel rod
11 producers.

12 The evidence before you we believe is compelling
13 in establishing that revocation of the stainless rod orders
14 against Italy, Japan, Korea and Taiwan would cause material
15 injury to continue or recur to the highly vulnerable
16 stainless steel wire rod industry. The domestic industry
17 does not believe that imports from Spain should be cumulated
18 with the other subject imports.

19 In the original investigation, the Commission
20 found that the subject imports surged into the U.S. market
21 by selling at dumped prices and undercutting U.S. producer
22 prices. The consequences were declines in domestic
23 production, shipments, employment and operating results.
24 These factors led to a Commission finding of material
25 injury.

1 Today, this industry is highly vulnerable to
2 injury from subject imports, and there's every reason to
3 believe that subject imports would indeed cause injury to
4 the U.S. industry. Subject producers have substantial
5 unused capacity. Each country is a significant exporter of
6 stainless rod. The U.S. market is attractive both due to
7 its openness and higher prices for stainless steel rod as
8 compared to other markets in the world.

9 In the absence of antidumping duties, subject
10 producers would be able to quickly increase exports to the
11 U.S. Import market share gains would occur by underselling
12 domestic prices. Price remains the key determinant of sales
13 in this market today.

14 Neither Cogne nor any of the Japanese producers
15 have ever requested an administrative review to prove that
16 they were not dumping stainless rod in the U.S. market.
17 POSCO's latest administrative review resulted in a
18 significantly higher margin than before the review.
19 Commerce has found that dumping is likely to continue by all
20 of the subject producers.

21 The limited pricing comparisons you have show that
22 the orders were effective in maintaining some price
23 discipline in the earlier part of the review period, but the
24 lack of comparisons during the latter part of the period
25 reflects POSCO's exit from the U.S. market because the

1 company was found to be dumping at a higher rate.

2 Although the price comparisons in this sunset
3 review show fewer instances of underselling than in the
4 original investigation, importers and purchasers have told
5 the Commission in questionnaire responses that they would
6 anticipate an increase in subject imports at low prices and
7 would attempt to increase purchases of these low-priced
8 products if revocation occurred.

9 Cogne has argued that North American Stainless,
10 NAS, is the price leader in this industry, but the
11 Commission's records show that purchasers have sought low-
12 priced stainless rod from nonsubject countries. As NAS
13 representatives will testify today, North American Stainless
14 has been forced to base its pricing policy on market prices
15 of its import competitors. Thus, NAS prices are a
16 reflection of competition it faces from imports rather than
17 price leadership in the U.S. market.

18 Given the continued price sensitive nature of the
19 market for stainless rod, the high levels of dumping
20 projected by Commerce to recur and statements from importers
21 and purchasers that lower priced imports from the subject
22 countries would resume if the orders are revoked, it is
23 likely that subject imports will once again penetrate the
24 U.S. market by underselling U.S. prices if the orders are
25 revoked. Therefore, we urge continuation of these orders.

1 Thank you.

2 MS. ABBOTT: Opening remarks in opposition to
3 continuation of orders will be by William Silverman of
4 Hunton Williams.

5 MR. SILVERMAN: Madam Chairman, this industry has
6 been seeking and receiving import relief for over 30 years.
7 Despite major beneficial changes in the domestic industry
8 and major changes in the conditions of competition since the
9 last sunset review, domestic companies again trot out the
10 same template of a standard argument, but these cookie
11 cutter arguments simply do not fit the facts in this review.

12 First, domestic producers have had various import
13 relief for over 30 years, and yet they continue to produce
14 and invest. In fact, NAS made a huge investment in a
15 greenfield plant in Kentucky which has dramatically
16 strengthened the domestic industry. Such a major investment
17 is a mark of a strong industry, not a weak industry.

18 Second, NAS has basically taken over the merchant
19 market due to its efficiency and low prices. NAS has pushed
20 Carpenter out. It has pushed out imports and made re-entry
21 by Italian and other subject imports next to impossible.

22 Third, changes in the economic indicators of the
23 domestic producers did not, is not and will not correlate
24 inversely with changes in import levels from Italy or
25 subject countries subject to imports generally. These

1 industries did fluctuate during the period of review, but
2 changes in subject imports were negligible. In fact,
3 subject imports were almost zero for most of the period.

4 Now, this is important under the statute because
5 it means that the causal link is not there. No matter how
6 many times the domestic producers today use the word
7 vulnerable, the statutory test is not met because the causal
8 link is missing. Repeated cookie cutter predictions of a
9 causal link do not displace the data on the record.

10 In addition to the impact of NAS, there is one
11 other new development. Apparently domestic producers now
12 want the order on Spain to be terminated. Apparently
13 imports from Spain, which cover three companies, will not
14 have an adverse price or volume impact on the domestic
15 producers. In the last review they took the opposite
16 position and said that there was injury and they requested
17 cumulation.

18 Note that the domestic companies complain in their
19 brief in this proceeding when foreign mills do not respond
20 to the Commission's questionnaire the Commission should draw
21 an adverse inference, but when Spanish companies do not
22 respond these same domestic companies apparently give the
23 three mills a free pass.

24 In other words, possible future imports from three
25 Spanish mills; well, that's just fine with the domestic

1 industry, but imports from one mill in Italy which did
2 cooperate with the Commission's questionnaires, then of
3 course there will be dire consequences.

4 Now, this special treatment for Spain makes no
5 sense. To the contrary, it is a transparent attempt by NAS
6 to give its sister company in Spain a competitive advantage
7 over imports from Italy and other subject countries.

8 In over 30 years of requesting relief, I recall no
9 such manipulation of a statute. In summary, the industry
10 may have set a record for years with import relief going
11 back over 30 years. This order in effect for 12 years is
12 obsolete and unsupportable given the dominant role of NAS.
13 The fact is this industry does not need further Title VII
14 relief. It already has the best protection from imports
15 from Italy and subject countries.

16 What is that protection? Not Title VII. Their
17 best protection is a large, strong, efficient, low priced
18 and aggressive new company whose low prices block imports
19 from Italy and subject imports. These orders are now
20 obsolete and unnecessary. That's why we have sunset
21 reviews. Enough is enough. Thank you.

22 MS. ABBOTT: The first panel in support of
23 continuation of antidumping duty orders should come forward
24 and please be seated.

25 CHAIRMAN ARANOFF: Good morning, Mr. Hartquist.

1 Please proceed whenever you're ready.

2 MR. HARTQUIST: Thank you, Madam Chairman. Let me
3 first make a brief comment about Mr. Silverman's opening
4 statement.

5 I appreciate Mr. Silverman reminding the
6 Commission of the number of cases over the years that this
7 industry has brought and won on unfair trade practices in
8 stainless rod. He is correct in his assertion, and there's
9 a reason for that and that is that the foreign producers
10 continue to commit unfair trade practices and get caught and
11 so these orders have continued over a period of time and the
12 practices continue today.

13 Let me introduce our witnesses if I may for the
14 record. To my left is Andrew Ziolkowski, Vice President Bar
15 & Coil Business, Carpenter Technology Corporation. On my
16 right is Patrick Feeley, Vice President, Commercial, for
17 North American Stainless; Ed Blot, Ed Blot and Associates;
18 and behind me -- I'll ask the witnesses just to raise their
19 hands.

20 Jerry Leibensperger, Business Manager, Strategic
21 Activities, Carpenter Technology Corporation; Michele
22 Pharand, Business Manager, Wire and Strand Products,
23 Carpenter Technology Corporation; Paul McGrath, Vice
24 President of Administration & General Counsel, Universal
25 Stainless & Alloy Products, Inc.;

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1 Jason Sharp, Long Products Supervisor, North
2 American Stainless; Brad Hudgens, Economist of Georgetown
3 Economic Services; and my colleagues Larry Lasoff of Kelley
4 Drye and Warren; Mary Staley, Kelley Drye and Warren; and
5 Michael Dobson of Kelley Drye.

6 And with that we'll proceed with our first
7 witness, Mr. Feeley.

8 MR. FEELEY: Good morning. My name is Pat Feeley,
9 and I am Vice President of Commercial Operations for North
10 American Stainless. I have been in the steel industry for
11 over 25 years, the past 15 years at North American
12 Stainless. While at NAS, I have been involved in sales and
13 marketing with substantial involvement in stainless rod
14 operations. It is a pleasure to appear before you today.

15 You may hear that North American Stainless is the
16 dominant factor in the marketplace. As the Commission is
17 aware, NAS began producing stainless rod with the opening of
18 our new state-of-the-art stainless long products rolling
19 mill in 2003 when orders were already in place.

20 We would not have undertaken such a major
21 investment in the United States if unfairly traded imports
22 were continuing to have such a devastating impact on prices.
23 Also, when we decided to start a new operation in the U.S.
24 our goal was not only to ensure that the facilities could be
25 fully utilized, but also to ensure that the capital

1 investments we made were reasonable.

2 My testimony this morning will address issues
3 relating to the conditions we face in competing for sales of
4 stainless rod and the likely injury NAS and other domestic
5 producers will suffer if orders on stainless rod are
6 revoked.

7 Let me begin with a discussion of the nature of
8 the product and its impact on the selling process.
9 Stainless rod is a commodity product that competes in the
10 U.S. market on the basis of price. Although we have
11 experienced significant fluctuations in our raw material
12 costs in recent years, nickel and other raw materials are
13 world traded commodities, and thus foreign producers' raw
14 material costs have been pretty much the same as ours.

15 Moreover, our customers tell us that the quality
16 of our product is no different than the imported product and
17 that it is completely interchangeable with the imports
18 subject to these orders. I am unaware of any U.S. producer
19 or even importer that has been unable to meet specifications
20 for the stainless rod. Therefore, our foreign competitors
21 are no different from us except when they engage in unfair
22 pricing practice.

23 We compete head-to-head with imports, and the make
24 or break decision of which producers to source from comes
25 down to price. Even a small difference in price results in

1 winning or losing a sale. I have read Cogne's prehearing
2 brief that NAS has been a price leader in the U.S. stainless
3 rod market.

4 I would like to set the record straight. Although
5 we produce a full range of stainless rod products, we
6 concentrate primarily on the 300 series commodity grades and
7 sell these products for a profit. As part of our business
8 model, we are constantly evaluating offshore pricing. When
9 faced with competition from our offshore competitors who
10 sell at lower prices, we then must evaluate whether to lower
11 our prices or simply lose the business. Therefore, our
12 prices are only reduced when we are forced to do so to
13 compete with lower priced imports.

14 In the face of the current economic downturn, we
15 at NAS have worked very hard to reduce our other costs and
16 to be an efficient producer of stainless rod. The orders
17 have allowed NAS to justify the sizeable capital investment
18 we have made in our stainless long products facility and
19 have given us the ability to make additional capital
20 improvements. If the orders are revoked, however, our
21 investments would be severely undermined, putting future
22 investment, production and employment at serious risk.

23 Given the large unused capacity to produce
24 stainless rod that exists in Italy, Japan, Korea and Taiwan,
25 it is reasonable to expect increased exports from these

1 countries if the orders are revoked since there will be
2 nothing to prevent the unrestricted imports from increasing
3 the U.S. market.

4 Even more troubling, the economic downturn that we
5 have suffered is affecting producers in the foreign
6 countries as well. As a result of that downturn, much of
7 the foreign producers' capacity is currently idled. Our
8 information would indicate that the producers in Italy,
9 Japan, Korea and Taiwan overall are operating at extremely
10 low capacity levels.

11 Producers in each of these countries, therefore,
12 are looking for an outlet to which they can sell a
13 substantial volume of capacity. The higher prices in the
14 United States compared to those in third country markets
15 makes the U.S. much more attractive to foreign producers.
16 The United States is one of the largest, most open and most
17 attractive markets to stainless rod suppliers in the world.

18 We also know that each of these countries has
19 remained a significant exporter of stainless rod worldwide,
20 even if they are not currently exporting to this market.
21 The domestic market continues to be highly price sensitive,
22 and our customers are constantly seeking low price supply
23 sources.

24 Given all of the unused capacity the producers
25 have available, if the orders are removed they will quickly

1 resume selling into this market on the basis of low price.
2 An influx of imports from Italy, Japan, Korea and Taiwan
3 into the U.S. market at unfair prices will have a serious,
4 negative consequence for our industry.

5 These dumped imports will undercut our price,
6 making it impossible for our products to compete and for NAS
7 to be profitable. The determination in prices that would be
8 caused by revocation of the orders would lead to the
9 worsening of our financial condition. Our production and
10 shipment levels would also suffer and decline.

11 In conclusion, NAS, like other domestic producers
12 here today, strongly depends on these orders to survive in
13 the highly competitive and price sensitive stainless wire
14 rod market. The continuation of these orders is therefore
15 critical to the future of the U.S. stainless rod industry,
16 and I urge you to continue these orders. Thank you.

17 MR. HARTQUIST: Thank you, Pat. We now turn to
18 Andy Ziolkowski.

19 MR. ZIOLKOWSKI: Good morning. My name is Andy
20 Ziolkowski, and I'm the Vice President of the Bar & Coil
21 Businesses for Carpenter Technology, a U.S. producer of
22 specialty metals and high performance materials. Our
23 headquarters are located in Reading, Pennsylvania, and we
24 have stainless rod production facilities both in Reading and
25 in Hartsfield, South Carolina. I have been with Carpenter

1 for over 20 years.

2 I'm here today because I believe the continuation
3 of dumping orders against Italy, Japan, Korea and Taiwan is
4 important for the long-term health of our company. The
5 steel industry is very capital intensive. As a result, we
6 are required to spread our fixed costs over a wide base of
7 product lines. Stainless rod is a critical element to
8 Carpenter's product lines by virtue of its high volume.
9 Certain production levels of stainless rod must be achieved
10 to sustain overall operations.

11 Carpenter produces a wide range of specialty rod
12 products in both commodity and specialty rod grades. We
13 make stainless rod products that compete with those produced
14 by all of the foreign producers that are part of the sunset
15 review, including Cogne, POSCO, Walsin, Daido and Napontin.

16 Carpenter has made substantial investments in our
17 operations to make us more efficient in the industry. These
18 investments include upgraded hot rolling and state-of-the-
19 art melting facilities. Although Carpenter has recently
20 focused on upgrading its product mix to more specialty
21 grades, we continue to produce the entire line of stainless
22 grades and wire products, including 304 grades and specialty
23 grades like the 400 series, 7Q7 and many others.

24 Without these orders, we would once again face
25 unfairly priced imports. This is a very chilling prospect

1 given the current economic environment that we are forced to
2 endure over the past two years. Because quality is a given
3 once a supplier has been certified to meet a customer's
4 specifications, all the foreign producers that are involved
5 in this sunset proceeding compete with Carpenter on the
6 basis of price.

7 Given the decline in the demand for stainless rod
8 in recent years, the U.S. market for this product has become
9 even more price competitive. I agree with Mr. Feeley's
10 testimony that even a small difference in price can mean the
11 result of winning or losing a sale.

12 Cogne and POSCO have made several claims in the
13 prehearing briefs as to why revocation of these orders would
14 not effectively negatively impact our industry. I would
15 like to address some of those claims this morning.

16 First, Cogne has argued that U.S. producers are
17 insulated from foreign competition for much of the market.
18 Our experience is exactly the opposite. Our customers
19 constantly use import pricing as a tool to negotiate lower
20 prices in the market. Carpenter competes directly with
21 imports, and price is the primary factor in our sales
22 negotiations. I understand that the Commission's record
23 confirms that this market is very price sensitive with
24 evidence of purchasers searching for low priced alternatives
25 in other countries.

1 Second, Cogne has made a number of claims that
2 since it has been out of the U.S. market for a number of
3 years it would take some time for it to
4 re-enter the U.S. stainless rod market. Cogne failed to
5 mention that it has a U.S. sales force in Ramsey, New
6 Jersey, that is currently supplying the U.S. market with a
7 number of stainless bar, tool steel and valve steel
8 products. We currently compete with Cogne in these markets.

9 Cogne has a strong U.S. customer base on a number
10 of stainless products, including stainless rod. Cogne could
11 easily and quickly enter the U.S. market if these orders
12 were to be revoked. In fact, as their website demonstrates,
13 Cogne is already advertising that it supplies a full range
14 of stainless rod products to the U.S. market.

15 Third, in the prehearing brief, Cogne said that it
16 will focus on European markets as opposed to exporting to
17 the U.S. It is my understanding, however, that Europe is
18 already saturated with more production, and there is demand
19 for stainless rod, forcing European producers to rely
20 heavily on export markets.

21 Furthermore, I believe that Cogne has substantial
22 unused capacity, given the current economic conditions.
23 Given Cogne's excess capacity, coupled with an already
24 saturated European market, Cogne is likely to shift material
25 to the U.S. if the orders are revoked.

1 I have also read that POSCO would not be
2 interested in the U.S. market because of a shift to the
3 Asian and European markets. However, POSCO is one of the
4 world's largest stainless rod producers with enormous volume
5 of capacity. The Asian and European markets are also
6 saturated with excess production. The public staff report
7 indicates that stainless rod producers in the U.S. would
8 seek from Italian, Korean, Japanese and Taiwanese producers
9 material if the orders were revoked in an attempt to gain
10 better prices.

11 I recognize that these orders have been in place
12 for a number of years and that their longevity might seem to
13 be sufficient reason to warrant revocation. The assessment,
14 however, would be unjustified for a number of reasons. The
15 domestic industry is currently confronting some difficult
16 business conditions.

17 As Mr. Blot will discuss in a few minutes, demand
18 for stainless rod has declined recently due to current
19 economic downturn. Prices for raw materials and energy have
20 fluctuated greatly during the past seven years, hampering
21 our ability to achieve optimal pricing. Given these
22 difficult conditions, now is not the time to permit unfairly
23 traded imports from Italy, Japan, Korea and Taiwan to resume
24 selling low-priced imports into the U.S. market.

25 While our U.S. mills still face very difficult

1 circumstances in the near future, we are competitive, and if
2 we are not forced to compete with dumped goods from the
3 countries under the order we will have the opportunity to
4 survive and prosper. Thank you for allowing me to address
5 you this morning.

6 MR. HARTQUIST: Thank you, Andy. Next is Paul
7 McGrath of Universal Stainless.

8 MR. McGRATH: Good morning, Madam Chairman and
9 members of the Commission. My name is Paul McGrath. I'm
10 Vice President of Administration, General Counsel and
11 Corporate Secretary to Universal Stainless & Alloy Products,
12 Inc. In total, I've spent more than 15 years of my career
13 in the stainless steel long products business.

14 Universal's subsidiary, Dunkirk Specialty Steel,
15 services the major segments of the stainless rod market. We
16 produce a product line to service these segments in various
17 grades and size ranges. Although most of the foreign
18 producers subject to these reviews are not currently
19 competing in the U.S. market because of the dumping orders,
20 our Dunkirk facility has competed directly with all of these
21 producers in the past.

22 These producers have competed with us on a price
23 basis, and we believe that revocation of the dumping orders
24 would result in a downward price spiral with obvious serious
25 consequences for our company in particular and the U.S.

1 industry as a whole.

2 I'm here today because our company knows that
3 these dumping orders have allowed us to keep our stainless
4 rod operations running. These orders have been of critical
5 importance in permitting us to maintain or increase
6 production and employment while also reinvesting in our
7 business. As Mr. Feeley and Mr. Ziolkowski have testified,
8 the stainless rod industry has suffered the effects of the
9 economic meltdown that began in late 2008 as the world
10 economy went into freefall.

11 The demand for stainless rod is directly related
12 to the automotive and construction sectors. As spending
13 declined in these sectors in late 2008 and further in 2009,
14 so did demand for stainless rod. The effect of the decline
15 in demand for stainless rod has led to a significant
16 deterioration of the conditions in our industry.

17 Our production, shipments, employment and
18 profitability all declined in 2009. As you can see from our
19 questionnaire response, Universal's performance was
20 substantially affected by this downturn. Lifting these
21 orders at this time would be devastating to my company.

22 I have read the brief that Cogne and POSCO have
23 filed in this case and would like to comment on their
24 argument that they would have no incentive to compete in the
25 U.S. market if the orders were revoked.

1 First, both of these companies have substantial
2 excess capacity to produce stainless steel. Second, without
3 orders in place they would want to export to the United
4 States because of the size and ease of access to this
5 market. We would almost certainly lose business to our
6 foreign competitors, who will re-enter this market by
7 underselling us, and the downward pricing pressure would
8 return.

9 If the orders are revoked, it is very likely that
10 the pricing discipline that currently exists in the market
11 would evaporate completely, and market prices would drop
12 even further. If this were to happen, U.S. production of
13 stainless rod would become difficult to justify, and
14 Universal would likely have to evaluate whether to continue
15 production of this product.

16 In summary, these orders remain vitally important
17 to Universal. Without the continuation of these orders, the
18 market will quickly return to the conditions that existed
19 before the orders were imposed, and our existing investment
20 and future investment would be in jeopardy.

21 We respectfully request that you continue these
22 orders so that we can continue our venture in this market.
23 Thank you for your attention.

24 MR. HARTQUIST: Thank you, Paul. Next is Mr. Ed
25 Blot.

1 MR. BLOT: Good morning, Madam Chairman, members
2 of the Commission and staff. My name is Edward Blot, and I
3 am president of Ed Blot and Associates. My company provides
4 consulting services to North American producers, service
5 centers and consumers of specialty metals. As a regular
6 part of these services, I provide market analysis and
7 forecasts concerning stainless products.

8 This morning I will address three topics
9 supporting the industry's position that the current orders
10 on stainless rod from the subject countries should not be
11 revoked. First, I will discuss the product that is the
12 subject of the sunset review. Second, I will present my
13 forecast for demand over the next few years.

14 Third, although none of the Japanese producers nor
15 the sole Taiwanese producer under order responded to the
16 questionnaire, I will give my views on why imports of
17 stainless rod from these countries will increase if the
18 orders are revoked. Lastly, I will comment on some
19 statements made by POSCO and Cogne in their prehearing
20 brief.

21 To understand the market for stainless rod and to
22 understand the effect that unfairly traded imports have on
23 the industry, it's important to have some basic familiarity
24 with the product itself. I would first like to emphasize
25 that stainless rod is an intermediate product. This feature

1 is very important.

2 As an intermediate product, stainless rod is a
3 commodity product produced as a loosely wound coil, making
4 it suitable for purchasers that require continuous feeding
5 of input material like the production of wire, cold-finished
6 bar, industrial fasteners, automotive hanger brackets and
7 screens.

8 Another important factor to consider is that the
9 production process for stainless rod is basically the same
10 worldwide. First, stainless steel is melted, refined and
11 either continuous cast into billets or rolled from cast
12 ingots into billets. Next, the billets are hot-rolled and
13 coiled, and, third, the coiled rod is finished, which
14 includes annealing and descaling.

15 In this industry, the purchaser determines the
16 particular size and grade of stainless rod based on the
17 application. General industry practice is for the
18 purchasers to place their order by grade, size, tolerance,
19 surface quality and, of course, quantity and to
20 specification.

21 Because these specifications must be set before
22 the production process begins and because the production
23 process is basically the same everywhere in the world, the
24 quality of the stainless rod is a given in this industry.
25 Either the product meets the purchaser's specifications or

1 it does not.

2 If the stainless rod is the grade and size
3 required by a purchaser then most any rod from any producer
4 can be used for the application, and price becomes the
5 number one or two factor in placing an order as identified
6 by 75 percent of the purchasers responding to the
7 questionnaire.

8 Now I would like to present my analysis of the
9 stainless rod market decline during the period of review and
10 more forecast for demand of commercial sales -- I repeat,
11 commercial sales -- of stainless rod over the next three
12 years. My independent market research indicates that
13 commercial sales of stainless rod declined about 54 percent
14 during the period of review. There are several reasons for
15 the decline in commercial sales of stainless rod during the
16 period of review.

17 First, the financial crisis substantially reduced
18 the demand for stainless rod products in all markets.
19 Second, imports of stainless wire continued to increase
20 since there were no orders on this product. Third,
21 manufacturers of downstream products such as drawn wire and
22 fasteners have relocated to lower cost countries.

23 Now, my anticipated forecast for demand of
24 commercial sales of stainless rod is a 24 percent increase
25 over the next three years. The key growth demand this year

1 will be inventory restocking not only by the purchasers of
2 stainless rod, but also by their customers and all of the
3 final assembly manufacturers of end products made from
4 stainless rod.

5 Also the automotive market, using products made
6 from stainless rod, will also see significant growth this
7 year as North American production increases about 25 percent
8 over 2009. All the other major markets consuming products
9 manufactured from stainless rod will see slow growth in 2010
10 with modest growth the next two years.

11 The third topic I want to address is the ability
12 of the producers in the subject countries to increase rod
13 imports if the orders are revoked. None of the Japanese
14 producers responded to the questionnaire on the first
15 review, but Sumitomo Electric Industries stated they did not
16 produce or export stainless rod during the second period of
17 review.

18 A company called Sumiden Wire in Dixon, Tennessee,
19 purchases stainless rod to manufacture wire for springs, as
20 well as other applications. The parent company of Sumiden
21 Wire is Sumitomo Electric Industries. Sumitomo America is a
22 trading company with 10 locations throughout the U.S.

23 Prior to the order, Daido Steel used Sumitomo as
24 one of the trading companies to supply stainless rod to
25 Sumiden Wire. Daido Steel was operating at about 65 percent

1 of capacity in stainless long products last year. They also
2 have a 61.47 percent duty on stainless bar, so if the order
3 against Japan is revoked it is highly likely that the Daido-
4 Sumitomo-Sumiden Wire relationship will influence the
5 direction of stainless rod purchases.

6 Walsin, the only Taiwanese producer under order,
7 did not respond to the questionnaire. However, they have
8 shown a definite interest in the U.S. market by being a
9 major exporter to this market of stainless bar, which is not
10 under order. Walsin is reported to be doubling its capacity
11 of stainless long products and will look to export stainless
12 rod to the U.S. market should the order be revoked.

13 In the prehearing brief, POSCO stated that their
14 stainless long products were operating at 83 percent of
15 capacity 2004 through the first half of 2008. They failed
16 to mention the low operating capacity since then.

17 It should also be mentioned that POSCO is the
18 major supplier of stainless rod to KOS Wire headquartered in
19 Korea, which is the largest stainless wire producer in the
20 world. In 2002, KOS Wire established a stainless wire
21 manufacturing plant in Norcross, Georgia. POSCO also
22 maintains a sales organization in Fort Lee, New Jersey.

23 Now, when the original investigation duty was
24 lowered to 1.67 percent in 2004 as a result of an
25 administrative review, POSCO increased their stainless rod

1 imports the next year. However, when subsequent reviews
2 increased the margins to first 9.06 percent and then again
3 to the current 28.44 percent, POSCO withdrew from this
4 market. Should the order against Korea be revoked, with
5 POSCO operating at less than capacity and with the KOS Wire
6 relationship there's no question but they will again ship
7 stainless rod into this market.

8 In their prehearing brief, Cogne states that they
9 would not have an interest in supplying stainless rod to
10 this market. However, during the period of review Cogne did
11 ship stainless rod to this market, has maintained a sales
12 office in Ramsey, New Jersey, and sells other products like
13 stainless bar, stainless valve steel and tool steel into the
14 U.S. market.

15 Cogne produces the same stainless rod products as
16 NAS, Carpenter and Universal. They had unused stainless
17 long product capacity last year and are adding new capacity.
18 Also, if Cogne had no interest in supplying stainless rod
19 into the U.S. market, then why did they approach Charter
20 Specialty Steel to convert their billets, which are not
21 under order, into stainless rod after the first review
22 resulted in continuation of the order at 11.25 percent duty?

23 Now to summarize my comments. Stainless rod is an
24 intermediate commodity product that is fungible and
25 generally substitutable between subject imports and domestic

1 producers where quality is a given and price is extremely
2 important. My forecast for stainless rod demand of
3 commercial sales has the market recovering beginning this
4 year due primarily to restocking of inventory and automotive
5 demand and with modest growth in all other major markets the
6 next two years.

7 All the subject countries have underutilized
8 capacity and some producers are increasing capacity. The
9 producers in Italy, Japan, Korea and Taiwan have the ability
10 to shift production to stainless rod, have maintained sales
11 of other products during the period of review or have ties
12 to U.S. purchasers of stainless rod to purchaser
13 relationships in their own countries.

14 Revoking the orders will deteriorate any of the
15 recent price improvement in the market because the subject
16 countries will want to export their excess capacity, taking
17 advantage of this increase in demand at the expense of the
18 domestic industry.

19 Keep in mind that even if a subject country
20 producer does not get the sale, its low price will be used
21 to negotiate low prices from other approved suppliers,
22 whether it be domestic or nonsubject countries. Thank you.

23 MR. HARTQUIST: Thank you, Ed. We now turn to
24 Brad Hudgens of the GES.

25 MR. HUDGENS: I am Brad Hudgens of Georgetown

1 Economic Services This morning I would like to summarize
2 the likely impact that revocation of the orders under this
3 review would have on the domestic industry producing
4 stainless rod. In terms of the likely volume of imports
5 that would likely enter the U.S. market if the orders are
6 revoked, the producers in Italy, Japan, Korea, and Taiwan
7 each have maintained substantial production capacity. Based
8 on the Commission's record, each of the subject countries
9 substantially increased capacity since the time that the
10 orders were imposed.

11 The Commission's record in these reviews indicates
12 that these producers have a substantial volume of unused
13 capacity. These producers are export oriented, and based on
14 past history they would use their excess capacity to export
15 to the United States. In fact, the Commission staff report
16 indicates the subject producers have the ability to respond
17 to changes in demand with substantial changes in quantity in
18 shipments to the U.S. market.

19 The actions of POSCO during this review clearly
20 demonstrate that the producer has an interest in the U.S.
21 market. Imports from Korea fluctuated based on the relative
22 duty rates. When POSCO received the lower rates through the
23 Commerce administrative review process, its imports
24 increased to the U.S. market. The reverse is true when the
25 duty rates increased. These trends clearly show that if the

1 orders were revoked imports from Korea would increase
2 significantly.

3 Both Cogne and POSCO have U.S. sales offices that
4 are currently supplying the U.S. market with a number of
5 stainless steel products. POSCO also has a close commercial
6 connection with KOS Wire, which is a major stainless wire
7 producer that has manufacturing facilities in Georgia. The
8 fact that both companies currently advertise stainless rod
9 availability to the U.S. market shows that they are
10 interested in the U.S. market and would enter the market if
11 the orders were revoked.

12 The U.S. market will not only be attracted to the
13 subject countries generally as an outlet for their excess
14 production, but the United States will also be an attractive
15 market because of relative pricing levels. Pricing data
16 based on foreign market research and U.S. producers'
17 questionnaires show that the prices for stainless rod are
18 higher in the United States than in both Europe and Asia.

19 The questionnaire responses of importers and
20 purchasers confirm that the United States is an attractive
21 market for the subject imports. These questionnaire
22 responses indicated that stainless rod customers would
23 likely increase their purchases from Italy, Japan, Korea and
24 Taiwan in the event of a revocation of the antidumping
25 orders.

1 These customers indicated that they would seek out
2 these imports because of "better pricing" and "more
3 competitive pricing." In fact, one predicted that these
4 imports would "drive down domestic producers' prices."
5 Thus, the subject imports would likely enter the U.S. market
6 at low and injurious prices as they did before the orders
7 were imposed.

8 In the original investigations, the Commission
9 found that the imports from the subject countries undersold
10 the U.S. product in the vast majority of price comparisons.
11 As Mr. Hartquist testified earlier, neither Cogne nor any of
12 the Japanese producers have ever requested an administrative
13 review to prove that they have not dumped stainless steel
14 rod in the U.S. market.

15 POSCO's latest administrative review resulted in a
16 significantly higher margin than before the review. Thus,
17 Commerce has found that dumping is likely to continue by all
18 of the subject producers.

19 The Commission's record presents few price
20 comparisons in this sunset review. The fact that the few
21 comparisons show more overselling than in the original
22 investigation demonstrates that the orders were effective in
23 maintaining some price discipline.

24 These price comparisons were primarily between the
25 U.S. and Korean product during the earlier part of the

1 period of review. The lack of comparisons during the latter
2 part of the review reflects POSCO's exit from the U.S.
3 market because the company was found to be dumping at a
4 higher rate.

5 Cogne argues that NAS is the price leader in this
6 industry, thereby driving the price of stainless rod and
7 forcing its competitors to meet its prices or leave the
8 market. This is not the case. As Mr. Feeley just
9 testified, NAS has been forced to lower prices to meet
10 import prices. NAS' pricing strategy has been in reaction
11 to the low-priced imports for nonsubject imports rather than
12 any reflection of price leadership.

13 Cogne's comparisons of unit cost between NAS and
14 the other U.S. producers does not take into consideration
15 differences in product mix. Cogne's comparisons of the 300
16 series commodity pricing data among the U.S. producers does
17 not consider, one, the lack of pricing data of nonsubject
18 producers that the domestic producers have to regularly
19 compete with in the marketplace and, two, the substantial
20 differences in volumes sold by each respective producer.

21 Mr. Feeley just testified that NAS is faced with
22 competition from offshore competitors who sell at lower
23 prices. In this sunset review, the Commission is presented
24 with an industry that is vulnerable to more severe injury if
25 the orders are revoked on imports from the subject

1 countries. Despite some improvement during the earlier part
2 of the period of review, the condition of the domestic
3 industry deteriorated rapidly in 2009 because of the recent
4 economic downturn.

5 The record in fact demonstrates the domestic
6 stainless rod industry is suffering its weakest performance
7 in decades and is extremely vulnerable to a recurrence of
8 material injury. If imports from Italy, Japan, Korea and
9 Taiwan are permitted to resume selling dumped, low-priced
10 imports once again the already fragile condition of this
11 industry will deteriorate even further. More employees will
12 be terminated, more equipment idled and financial losses
13 will be intensified.

14 To prevent recurrent injury from these imports to
15 this highly fragile industry, an affirmative determination
16 is warranted in this case. Thank you.

17 MR. HARTQUIST: Thank you, Brad. Mr. Lasoff will
18 conclude our direct testimony with a discussion of the
19 cumulation issue.

20 MR. LASOFF: Thank you. Good morning, Madam
21 Chairman, members of the Commission and staff. My name is
22 Larry Lasoff from the firm of Kelley Drye and Warren.

23 Madam Secretary, can I have a time check for where
24 we stand?

25 MS. ABBOTT: Thirty-eight minutes have expired.

1 MR. LASOFF: Thank you. I will conclude the
2 domestic industry's testimony this morning by addressing an
3 important legal issue, cumulation, and responding to Cogne's
4 arguments on this point. In reaching its decision here, the
5 Commission should exercise its discretion to cumulate
6 imports from Italy, Japan, Korea and Taiwan. We believe the
7 statutory factors are met and the conditions of competition
8 are such that cumulation is appropriate.

9 I would also like to note, as we noted in our
10 brief, we do not believe the statutory factors as
11 interpreted by the Court would warrant cumulation of Spain
12 with the other four countries, and we are not requesting
13 that Spain be cumulated with those four countries. With
14 respect to Mr. Silverman's comments in his opening remarks,
15 this is not an attempt to manipulate the law. This is a
16 recognition of the facts that are at play in this particular
17 situation.

18 The major primary Spanish producer is related to a
19 major U.S. producer, and on previous occasions the
20 Commission has denied cumulation not on the basis of the
21 statutory factors, but on the basis of the conditions of
22 competition, holding that it is very unlikely that that
23 producer would compete with a major affiliate in the U.S.
24 market.

25 That is the state of the Commission's practice in

1 the past, and that was recently upheld by the Court I
2 believe in 2008 in the Nucor case involving the cut-to-
3 length plate, so again this is not an attempt to manipulate.
4 This is merely a recognition of the current state of the
5 law.

6 Now, as we discussed in our brief, no reasonable
7 argument could be made that imports from Italy, Japan, Korea
8 and Taiwan would have no discernable adverse impact on the
9 U.S. industry if revocation occurred. In fact, the
10 statutory criteria supporting cumulation are stronger in
11 this review than in the prior review. Each of the countries
12 has maintained sizeable capacity and has significant excess
13 capacity to export stainless wire rod to the U.S. market.

14 Although a number of the subject producers did not
15 respond to the Commission's questionnaire, information on
16 the record of this review confirms its conclusions for all
17 four countries. Thus, the record before this Commission
18 shows both the ability and likelihood that imports from the
19 subject producers will increase in significant volume and
20 sell at low prices in the United States if the orders are
21 revoked.

22 In fact, several of the producers have actually
23 increased their capacity or have much higher levels of
24 unused capacity as compared with the original investigation
25 and the prior sunset review. This excess capacity gives

1 them the ability to export an even higher volume of
2 stainless rod to the U.S. market than previous levels.
3 There would also be an overlap in competition among imports
4 from all of these countries if revocation occurred.

5 You have heard a recurrent theme in our testimony
6 this morning that the stainless rod is a highly fungible
7 product that U.S. importers and purchasers agree is always
8 or frequently interchangeable regardless of source.
9 Stainless rod is generally sold directly to end users
10 whether by domestic producers or importers and competes for
11 the same customer accounts. The staff report also confirmed
12 that domestically produced and imported stainless rod is
13 sold nationwide.

14 With this review, the evidence on the record shows
15 that each of the statutory requirements for cumulation is
16 met, so the only issue that remains is to respond to Cogne's
17 argument that its imports should not be cumulated with
18 Walsin's, POSCO's or the Japanese imports.

19 First, as a commodity product, stainless rod
20 competes largely on the basis of price. Cogne argues that
21 its product would have no discernable impact because it has
22 no incentive to sell here. Cogne argues that prices in
23 Europe are higher than Asian and U.S. prices such that Cogne
24 contends that it would not abandon its new European
25 customers, yet the record in this case does not support

1 Cogne's claims.

2 Our brief provides a comparison of the pricing
3 data on the record, and these data show that U.S. prices are
4 higher than those in all other markets. Moreover, as a
5 general cumulation factor the staff report makes clear that
6 purchasers reported that no other factors differentiate
7 imports from the various source countries. All imports,
8 whether they are from Italy or from Japan, Taiwan or Korea,
9 compete on the basis of price.

10 Second, Cogne argues that the domestic industry is
11 insulated from import competition and thus imports from
12 Italy would have no discernable impact on the domestic
13 market. As you have heard today, however, U.S. producers do
14 not view themselves as being insulated from import
15 competition. They each have significant commercial
16 shipments that would be placed in jeopardy if the orders
17 were revoked.

18 In its third effort to distinguish itself from
19 Walsin, POSCO and the Japanese producers, Cogne argues that
20 its absence from the U.S. market would prevent it from re-
21 entering that market. Through its U.S. sales arm, however,
22 located in New Jersey, Cogne has continued to maintain a
23 strong presence in the U.S. market, selling a wide variety
24 of products, including stainless steel bar and tool steel.

25 For example, you've heard from Mr. Ziolkowski

1 today that Carpenter continues to face competition from
2 Cogne in these other markets, and there is no reason to
3 believe that this same sales force would not sell stainless
4 rod if the orders are revoked.

5 Fourth, Cogne argues that Italy, not really Cogne,
6 is distinguishable from other countries because Italy, again
7 not Cogne, is a net importer of stainless steel wire rod.
8 Again, this argument has no direct application to Cogne.

9 Imports of stainless rod include significant
10 volumes of imports by Schmolz & Bickenbach, formerly U-Tech,
11 to its affiliated Italian finishing mill, Bedini. Certainly
12 Cogne cannot seriously argue that Bedini would buy from
13 Cogne. Moreover, the data and records confirm that Cogne
14 itself is largely export oriented.

15 Fifth and relatedly, Cogne argues that it is not
16 export oriented. On this point the confidential data speak
17 for itself. Moreover, the market widely recognizes that
18 Cogne has significant excess capacity and that overall the
19 European market is saturated. With this being the case, any
20 producer, including Cogne, will look to open an available
21 market. If these orders are revoked, the United States will
22 become the most open and attractive market to Cogne.

23 In sum, the statutory factors that make cumulation
24 appropriate apply to Cogne to the same extent that they
25 apply to Walsin, POSCO and the Japanese producers. Thank

1 you.

2 That concludes the affirmative testimony of the
3 domestic industry. We are happy to answer any questions
4 that you may have.

5 CHAIRMAN ARANOFF: Thank you very much, and
6 welcome to everyone on this morning's panel. We appreciate
7 your taking time away from your businesses to be with us
8 here. Miraculously, we have made it through the direct
9 testimony without the loud banging noises, so that's a good
10 start. I should probably knock on wood now.

11 We're going to begin the questioning this morning
12 wither Commissioner Lane.

13 COMMISSIONER LANE: Good morning. I too welcome
14 you to this panel. I'd like to start first with the issue
15 of Spain. If I understand the prehearing brief and your
16 statements today, you do not want to cumulate Spain with the
17 other countries, and I'm assuming by that you also want the
18 order on Spain revoked. Is that correct, Mr. Hartquist?

19 MR. HARTQUIST: That is correct, Commissioner.

20 COMMISSIONER LANE: Okay. I would like for each
21 of the representatives from Carpenter, Universal and NAS
22 tell me also that they think that they would not be
23 experiencing any product from Spain if these orders were
24 revoked.

25 MR. ZIOLKOWSKI: On behalf of Carpenter, that is

1 in fact the case. In the markets we supply, we see very
2 little competition from Spain.

3 MR. FEELEY: I too would echo the same. We would
4 not expect imports from Spain.

5 COMMISSIONER LANE: And you represent NAS?

6 MR. FEELEY: Yes.

7 MR. McGRATH: On behalf of Universal, we agree
8 that we do not foresee the competition from Spain.

9 COMMISSIONER LANE: Okay. Now, as I understand it
10 in looking at the other four countries on the issue of
11 cumulation, we look at the capacity of the foreign country
12 producers, we look at the likelihood to look to the U.S. for
13 an attractive market if the orders were revoked, and we look
14 at their ability.

15 So let's start with the Spanish facilities. How
16 much unused capacity do they have? Do they have existing
17 distributorships or relationship in the United States so
18 that if the orders were revoked they could come back into
19 this market?

20 MR. HARTQUIST: Let me start, Commissioner Lane.
21 Number one, the largest producer in Spain is Roldan, R-O-L-
22 D-A-N, which is owned by the same company that owns North
23 American Stainless, Acerinox.

24 COMMISSIONER LANE: Okay.

25 MR. HARTQUIST: And as far as that company is

1 concerned, as Mr. Feeley has noted, they would not intend to
2 export to the United States because they have North American
3 Stainless here supplying this market.

4 In terms of capacity, you have on the record
5 confidential information with respect to Spanish capacity I
6 believe that we can't comment on in the hearing, but I would
7 ask Mr. Feeley, who is familiar with that market, to comment
8 on the other companies as well.

9 COMMISSIONER LANE: Okay. Now, let me clarify
10 this if I might. Did Roldan fill out the questionnaires
11 that were sent to them?

12 MR. HUDGENS: No, they did not.

13 COMMISSIONER LANE: Okay. Do you think it's
14 possible that in posthearing you could obtain the answers to
15 those questionnaires from Roldan?

16 MR. HARTQUIST: We can certainly look into that.

17 COMMISSIONER LANE: Okay. Okay. Finish the
18 answer that you were starting.

19 MR. LASOFF: Commissioner Lane, let me just sort
20 of reaffirm the point that I made in my affirmative
21 testimony that this is really a realistic recognition of the
22 law as it's been applied by the Commission in past
23 investigations where you have this unusual circumstance
24 where a dominant producer in a subject country has a related
25 party in a North American market.

1 When this case was first brought, NAS did not
2 exist, and in 2003 NAS, when it became a producer, we were
3 already into the first sunset review so it did not have a
4 presence at that particular time. Now we are in a situation
5 where NAS is a dominant, major U.S. producer and so we've
6 looked at it very dispassionately from the perspective of
7 past Commission decisions and where they've applied really
8 not so much the cumulation factors, but looked at the
9 conditions of competition.

10 And in those situations the Commission has
11 repeatedly said that it's very, very unlikely that a related
12 party would aggressively shift to the United States, and
13 that in fact circumstance was the basis for a Court case a
14 couple years ago, I think the Cut-To-Length Plate case, if I
15 recall.

16 COMMISSIONER LANE: Explain to me why Roldan would
17 not come to the United States if, as you said is true of the
18 other four countries, the producers in those countries will
19 find the U.S. a very attractive market and have excess
20 capacity?

21 I understand you're talking about the
22 relationship, but I would assume that all companies want to
23 make a profit and will go where the profit is. If Roldan
24 finds that it could ship to the United States at a better
25 price than NAS, wouldn't it do so?

1 MR. FEELEY: If I may? The answer is no, they
2 would not. In a sense, the investment originates from Spain
3 here at North American Stainless, and whether it's rod in
4 this instance or even flat products we do not elect to
5 compete with ourselves, and therefore there would be
6 interest on Roldan's part, capacity or not, to bring the
7 product here, mostly owing to the fact it's an investment of
8 theirs, let alone the excess capacity NAS now has. It would
9 not serve the company.

10 COMMISSIONER LANE: Can you describe the process
11 by which production, marketing and sales decisions are
12 reached both by NAS, Roldan and Acerinox?

13 MR. FEELEY: Yes. The decisions are completely
14 apart in a sense. While we have separate marketplaces, we
15 have in some cases customers that with a global footprint
16 require us to engage with our counterparts.

17 Nonetheless, those decisions are made completely
18 independent as it pertains to the localized market. While
19 there's collaboration, the independent decisions rest with
20 the commercial departments in the respective regions.

21 MS. STALEY: Commissioner Lane, if I might just
22 clarify a point on this? The industry is not affirmatively
23 requesting revocation of the Spanish order. As Mr. Lasoff
24 described, instead what we are saying is that we are not
25 asking the Commission to cumulate Spanish imports with the

1 imports from the other four countries.

2 So this is not a case where we're asking you to
3 revoke the order on Spain. We are just suggesting that you
4 shouldn't cumulate it because of the difference in the
5 conditions in that country, as opposed to the other four
6 countries.

7 COMMISSIONER LANE: Okay. Let me stick with you
8 for a minute then. What would prevent Alad and Sidenore
9 from coming into the United States if the orders were
10 revoked?

11 MS. STALEY: Well, as we've said, they are not
12 very large producers of stainless steel wire rods, so our
13 view is that as Roldan is the largest stainless steel wire
14 rod producer our decision in this respect was based
15 primarily on that, but again if the Commission decides in
16 its discretion to cumulate the Spanish imports we're not
17 objecting to that.

18 It was more a legal analysis based on prior
19 decisions in cases, as Mr. Lasoff had mentioned, in the
20 Forklift Truck case where the Commission undertook the
21 analysis of the relationship between the major producers in
22 the foreign countries and the relationships in the United
23 States.

24 COMMISSIONER LANE: Okay. So you're saying don't
25 cumulate, but we don't care if you revoke the order?

1 MS. STALEY: Right. Right. We're sort of
2 remaining neutral with respect to staying. Our clients
3 don't believe, as you've heard today, that those imports, if
4 they did come in, would have a discernable impact because of
5 the volume issues, but we're not asking you affirmatively to
6 revoke the Spanish order.

7 COMMISSIONER LANE: Okay. Mr. Feeley, does NAS
8 have an agreement with Roldan that Roldan will not come into
9 the United States?

10 MR. FEELEY: We have a cooperative spirit in a
11 sense. We have marketplaces that we can serve far easier in
12 localized regions, and it's an understanding perhaps more so
13 than an agreement.

14 COMMISSIONER LANE: Okay. Thank you. My time is
15 up with 23 seconds over.

16 COMMISSIONER OKUN: Commissioner Williamson?

17 COMMISSIONER WILLIAMSON: Thank you, Madam
18 Chairman. And I do want to express my appreciation to the
19 witnesses for their testimony this morning.

20 Just to finish up on the prior line of questioning
21 from Commissioner Lane, what information do we have
22 concerning the other two producers in Spain other than
23 what's in the staff report, which is proprietary?

24 MR. HARTQUIST: I don't think you have any
25 additional information beyond what's in the staff report.

1 MR. LASOFF: We've always been aware of them as
2 stainless bar producers and not stainless rod producers.

3 MR. HARTQUIST: Right.

4 MR. LASOFF: They may have the ability to produce
5 coils that are then converted into bar, but certainly in the
6 last 10, 15 years we have not seen them as stainless rod
7 producers. Prior to 2003 or 2004, Roldan was the only
8 significant exporters to the United States, and they have
9 subsequently stopped all exports to the United States.

10 COMMISSIONER WILLIAMSON: Okay. So you don't have
11 reports, any reports or anything that would help us --

12 MR. LASOFF: That's correct.

13 COMMISSIONER WILLIAMSON: -- substantiate that?

14 MR. LASOFF: That's correct.

15 COMMISSIONER WILLIAMSON: Okay. Thank you. Just
16 going back to the precedent which is cited, could you maybe
17 posthearing address the question just if you know it of the
18 information that we had compared to the information that we
19 have in this case when those precedents were established, to
20 the extent that you have that information?

21 MALE VOICE: Certainly.

22 COMMISSIONER WILLIAMSON: Thank you.

23 MR. HARTQUIST: Certainly. We'll be happy to.

24 COMMISSIONER WILLIAMSON: Thank you. On page 21
25 of your brief there is a table purporting to show that U.S.

1 market prices are higher than prices in other markets.
2 However, the source of the U.S. prices differ from the
3 sources of prices for the other markets. How can we be
4 confident that this is an apples to apples comparison?

5 MR. HUDGENS: You're correct. We had to use two
6 sources to get at this data. The source to the foreign
7 producers' data did not include U.S. pricing data, so what
8 these data that were from the foreign market research were
9 to be for overall stainless steel wire rod pricing.

10 We compared that to the commercial U.S. shipments
11 of the U.S. producers of a guide to what the overall pricing
12 would be in the United States, so it was our best attempt to
13 give you a comparative analysis on this.

14 COMMISSIONER WILLIAMSON: Okay. Anything
15 independent that would help us be confident that this is a
16 reasonable approach?

17 MR. HUDGENS: Carpenter has an anecdote that fits
18 in with this story as well.

19 COMMISSIONER WILLIAMSON: Okay.

20 MR. ZIOLKOWSKI: If I may, we'll just give an
21 industry view of what we experience. We are a global
22 company headquartered in the States. We are about \$1.5
23 billion to \$1.8 billion, depending on the economic
24 conditions. Our company provides a wide range of different
25 materials, and we are about 30 percent of our sales are

1 outside of the U.S.

2 And so let me just kind of narrow it down to the
3 subject matter. So 30 percent total company, but within the
4 wire products alone only 8 percent of our activity is
5 shipped outside of North America, and for the subject
6 products that we're talking about zero percent are exported.

7 So to give you some comparison, we have consistent
8 pricing practices for our products across all markets,
9 across all geographies, and that might give you some insight
10 into the different levels and different areas.

11 COMMISSIONER WILLIAMSON: Okay. Thank you for
12 that. If there's anything additional posthearing, I'd
13 appreciate it. Thank you.

14 Either now or posthearing could you discuss the
15 significant unit cost differences that exist among domestic
16 producers? Specifically, what accounts for these
17 differences and what do they mean for our analysis of the
18 conditions of the domestic industry?

19 MR. HUDGENS: We'll be happy to do that.

20 COMMISSIONER WILLIAMSON: Yes.

21 MR. HUDGENS: I mean, a broad answer to that has
22 to do with product mix. As we described in the testimonies,
23 NAS is more heavily concentrated in the 300 series commodity
24 grades, where the other two producers here on the panel,
25 their product mix is geared more toward a higher priced

1 specialty product so their unit cost would be higher than
2 NAS' by the nature of the product mix.

3 COMMISSIONER WILLIAMSON: Okay. And then I guess
4 you're talking about the market prices for those different -
5 -

6 MR. HUDGENS: But we also want to make clear that
7 even though their product mix is different, Carpenter and
8 Universal do compete in the commodity grades and NAS does
9 compete in the specialty grades. It's just that their
10 product mix is geared towards one or the other, and that has
11 influenced overall unit values and unit costs.

12 COMMISSIONER WILLIAMSON: Okay. Thank you. I
13 appreciate the additional information posthearing, the
14 analysis posthearing. Thank you.

15 Could you respond to the Cogne argument that
16 intraindustry competition is a main reason for difficulties
17 the U.S. industry has had over the period of review?

18 MR. HUDGENS: Could you repeat the question,
19 please?

20 COMMISSIONER WILLIAMSON: Okay. Cogne I think has
21 made the argument that the intraindustry competition among
22 the domestic producers is the main reason for any
23 difficulties that the U.S. industry has encountered during
24 this period of review.

25 MR. HUDGENS: Right.

1 COMMISSIONER WILLIAMSON: And so I'm asking you to
2 respond to that argument.

3 MR. HUDGENS: Okay. So I think the record clearly
4 states that all the domestic producers have had a rough year
5 in 2009. They're all vulnerable. They've all suffered
6 dramatic declines in production. They've suffered dramatic
7 declines in profitability. It's been consistent among all
8 of the producers. It does not hit just one type of producer
9 or those producers who are concentrating in certain product
10 mixes. It hit across the board.

11 And also what Cogne does not take into
12 consideration is in their reference to NAS as being the
13 cause of injury to the domestic industry has not focused in
14 on that NAS is forced to compete with the nonsubject
15 imports, and that competition is very intense in that
16 commodity 300 series.

17 They are competing day-to-day with the nonsubject
18 imports primarily with Taiwan and Italy, and in doing that
19 they have had to lower prices. That's part of the story
20 that's not in the Commission's record at this moment.

21 COMMISSIONER WILLIAMSON: Okay. So if there's
22 anything posthearing you can present to substantiate and
23 fill out the story?

24 MR. HUDGENS: Okay. Sure.

25 COMMISSIONER WILLIAMSON: Thank you. What is the

1 approximate share of the U.S. market that is set aside for
2 U.S. made stainless steel wire rod through DOD and other Buy
3 America requirements? Does anyone have an estimate of that?

4 MR. LASOFF: There is no specific setaside, and we
5 don't typically have those percentages because most of the
6 product that is used for DOD purposes usually passes through
7 a number of subcontractors up to the primary contractors.

8 As you know, the Department of Defense is required
9 to use American melted specialty metals in conjunction with
10 most weapons systems. In the case of stainless wire rod,
11 however, we're really not talking about a product that is
12 used significantly in defense applications. Perhaps in the
13 context of some fastener production, but other than that
14 we're talking about a very, very small percentage and it is
15 not a significant factor in the marketplace.

16 I noted that one purchase and made a reference to
17 DOD requirements, but in terms of the ability to satisfy
18 those requirements there is nothing that is not produced in
19 the United States that couldn't meet any of those
20 requirements.

21 COMMISSIONER WILLIAMSON: Okay. So you're saying
22 that basically most purchasers aren't bound by that
23 requirement to the U.S. sourcing?

24 MR. LASOFF: They are bound by it if they're
25 supplying -- their prime contractors may in a particular

1 case tell them that we want you to supply domestic products.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. LASOFF: But that rarely happens in the
4 context of stainless rod because you don't see stainless rod
5 being utilized in aerospace engines or weapons systems.

6 COMMISSIONER WILLIAMSON: Okay.

7 MR. LASOFF: Other products we might have
8 different views if we were talking about titanium or
9 superalloys, but certainly with respect to stainless wire
10 rod it is not a product that has significant defense
11 applications.

12 COMMISSIONER WILLIAMSON: Okay. Thank you. Mr.
13 Ziolkowski, did you want to add anything?

14 MR. ZIOLKOWSKI: Just to echo that comment. We
15 produce the full range of titanium and superalloys, and we
16 are involved in those markets. While I can't answer your
17 direct question with a percentage, I can tell you our
18 experience in the market, and certainly in those products we
19 see that. We see that requirement.

20 But in these products, and I think that's very key
21 to what Mr. Lasoff is saying, we don't see it for the
22 products covered under this review.

23 COMMISSIONER WILLIAMSON: Okay. Good. Okay.

24 Thank you for those answers. My time is up.

25 CHAIRMAN ARANOFF: Commissioner Pinkert?

1 COMMISSIONER PINKERT: Thank you, Madam Chairman,
2 and I thank all of you for being here today to help us to
3 understand what's likely to happen with this industry.

4 I want to begin with some questions for Mr. Feeley
5 in particular about NAS' performance. Leaving aside the
6 recession period, would you say that NAS' performance has
7 been robust in recent years?

8 MR. FEELEY: Indeed, the aggregate financial
9 performance, 2009, aside from that event we have been
10 profitable, most, if not all, of that owing to the flat-roll
11 side of our business, which is quite significant by
12 comparison to our long products.

13 COMMISSIONER PINKERT: But with respect to the
14 long products you would not say that it's been robust? Is
15 that correct?

16 MR. FEELEY: No, I wouldn't label it as robust at
17 all.

18 COMMISSIONER PINKERT: Now, in terms of the
19 company's financial performance does it have anything to do
20 with the sister company in Spain that we've talked a little
21 bit about today?

22 MR. FEELEY: No. We would attribute most of the
23 difficulty to lower apparent consumption rates, start up
24 costs and intense import competition, which at least from
25 our viewpoint is below market.

1 COMMISSIONER PINKERT: But on the upside of the
2 performance equation, has the sister company played any roll
3 in that?

4 MR. FEELEY: None. None whatsoever in the sense
5 we're a completely standalone operation and we report our
6 financials in that vein.

7 COMMISSIONER PINKERT: Thank you. One other
8 question specific to NAS. I listened very carefully to your
9 testimony earlier today, and I heard you talking about the
10 prices of the nonsubjects and the need to match or compete
11 with those prices of the nonsubject imports.

12 I'm wondering whether the implication of your
13 testimony is or is not that your prices are lower than the
14 subject import prices?

15 MR. SHARP: Commissioner, I am Jason Sharp, Long
16 Products Supervisor. To answer your question, over the
17 period of review the one thing I would add to that is that
18 the subject imports really aren't -- we don't see them in
19 the market in large part we think due to the orders.

20 COMMISSIONER PINKERT: If this is a question
21 that's better for the posthearing you could supplement in
22 the posthearing.

23 MALE VOICE: Yes.

24 COMMISSIONER PINKERT: Mr. Feeley, do you have
25 anything to add, or Mr. Hartquist?

1 MR. FEELEY: I would echo Mr. Sharp's comments at
2 this point.

3 MR. HARTQUIST: Yes. I agree, Commissioner. The
4 import volumes have been very low for the reasons that we've
5 discussed in our testimony, and the concern here is that if
6 the orders are revoked, given the conditions in the
7 marketplace, with a lot of import competition from nonimport
8 subjects for those countries to get back into this market
9 they're going to have to price very aggressively in order to
10 undercut not only the domestic producers, but the nonsubject
11 import competition that we have.

12 The concern is that given their behavior as shown
13 over the years they'll resume dumping in order to re-enter
14 this market.

15 COMMISSIONER PINKERT: Thank you. Now, Mr.
16 Hudgens, I think you responded to this in part in your
17 testimony, but I'm wondering if you can give a more complete
18 response to Cogne's argument that NAS' prices have made the
19 U.S. market unattractive to Cogne.

20 MR. HUDGENS: Yes. One thing that I'd point out
21 back referring to Mr. Williamson's first question regarding
22 the comparative pricing data. If you were to look and
23 compare the comparative pricing data of the subject
24 countries and compare that to each individual producer in
25 the United States, you would see that the pricing levels in

1 those countries are still lower than every single U.S.
2 producer's pricing data.

3 So it's clear the fact that the U.S. producers are
4 not able to establish export markets, export sales to those
5 subject countries and to other major Asian and European
6 sales that U.S. prices are higher than they are in those
7 respective countries, so even with NAS in the market U.S.
8 pricing is still attractive and still higher than it is in
9 Europe and in Asia.

10 COMMISSIONER PINKERT: Referring specifically to
11 the AUV data for Europe and for the United States, can we
12 use that AUV data to make the comparison that you're talking
13 about, or do the product mix issues become overwhelming?

14 MR. HUDGENS: Well, all of the data involve the
15 product mix issue. So even the data provided by the foreign
16 market researcher is not product specific, it's the pricing
17 data that's accumulated over the entire market, so that
18 theirs also involves the product mix issue. But I do think
19 it's telling that in 2009 if you were to look at each
20 individual producer's AUV data that was submitted by the
21 producers questionnaires and you compare that to the AUV
22 data of the subject countries, they're still higher than in
23 those subject countries.

24 So and there we've already mentioned that there is
25 some product mix issue among the various U.S. producers, but

1 if you're comparing the U.S. producers that produce more the
2 commodity market and you're still comparing that to a
3 country such as Italy that produces a product mix that is
4 very geared toward both the commodity and the specialty
5 grades, and you're still getting into U.S. producer priced
6 above that, it's telling that prices in the U.S. are higher
7 even with mass in the market.

8 COMMISSIONER PINKERT: Thank you. Now, Mr.
9 Hartquist, I believe you heard the opening statement this
10 morning from Mr. Silverman, and I'm particularly curious
11 about your view as to how he characterized the vulnerability
12 determination that we would make in the Sunset review. As I
13 understood the statement, there was concern that you had to
14 have a causation component to the vulnerability
15 determination. Could you respond to that, and in
16 particular, tell me, if I make a determination that this
17 industry is vulnerable to material injury from subject
18 imports, does that necessarily sort of subsume the rest of
19 the analysis that I would have to do in this case?

20 MR. HARTQUIST: Well, certainly I disagree with
21 Mr. Silverman's characterization of the statutory
22 requirements here. The argument here is that the industry
23 is vulnerable because of the economic conditions that it
24 faces today, a market that it faces today, the import
25 competition that it faces today, and what we believe would

1 be the case if the orders were revoked and these producers
2 were able to come back into the market.

3 There is a causation relationship because the
4 Commission must look at whether material injury would recur,
5 and therefore whether the producers, the subject producers
6 would contribute to that material injury, and our argument
7 is they have the capacity to do it, they've been here
8 before, it's been proven that they have caused material
9 injury to the domestic producers, and they're capable of
10 doing it again.

11 The fact that Posco and Cogne are participating in
12 this proceeding -- Cogne is represented here today, Posco
13 has admitted a statement to the Commission -- indicates that
14 they have an interest in these orders being revoked, and I
15 don't think they would participate if they did not want to
16 get back into this market under conditions of revocation.

17 COMMISSIONER PINKERT: But let me just try to
18 clarify this one point once again. When looking
19 specifically at the vulnerability determination, in your
20 view, is that a determination that's focused mainly on the
21 current state of the industry or is it focused on some
22 causal link issue or is it focused on potential future
23 states of the industry?

24 MR. HARTQUIST: These Sunset hearings, as the
25 Commission has recognized many times, are efforts to project

1 what may happen in the future depending upon conditions that
2 you see in the marketplace now and what's anticipated to
3 happen in the near future. So yes, it's a predictive kind
4 of analysis, and that's why we urge that in considering what
5 may happen here you look at past behavior and the ability of
6 these producers to ship to the United States in the future.
7 So they're tied together, and I take the statement that it's
8 a snapshot of the industry today and a projection of the
9 future, including the behavior of the respondent companies.

10 COMMISSIONER PINKERT: Thank you. Thank you,
11 Madam Chairman.

12 CHAIRMAN ARANOFF: Thank you. Mr. Ziolkowski, in
13 Cogne's brief, they make the argument that essentially North
14 American Stainless has run your company out of the U.S.
15 market. Is your company out of the U.S. market? What's
16 your current status?

17 MR. ZIOLKOWSKI: I saw that in the brief as well,
18 and it was news to me. We are in fact not out of the
19 market, and in fact have been in the market for a long time,
20 and our plans are to be in the market for a long future. I
21 think the essential element there is we compete with our
22 domestic competition based on different business models. So
23 there are many areas where we see, just pertaining to, let's
24 keep it to NAS and Carpenter, we see NAS in the marketplace,
25 and we certainly compete with them in certain product

1 segments, certain grades, and certain applications.

2 They have a business model that's based on the way
3 they go to market, how they price their materials, we do as
4 well. They are very different business models. They
5 provide for different cost structures and different
6 approaches to the market. So while I would say there is an
7 area of intersection in markets that we see each other,
8 there are also vast differences in our portfolios and our
9 approach to market where we don't compete at all and the
10 companies can be mutually exclusive in the market.

11 CHAIRMAN ARANOFF: Okay. I realize that we're
12 getting into, you know, company specific and so confidential
13 information, but for the posthearing, if you could just
14 elaborate on your company's production and sales
15 particularly in the merchant market over the whole period,
16 not just since the recession started, and in looking at that
17 trend, tell me what we have on the record that's going to
18 distinguish between things that are caused by intra-industry
19 competition within the U.S. industry versus the recession
20 versus nonsubject imports or maybe there are other things
21 going on as well. Because there's a very distinct trend in
22 the data, and what I don't understand is why. We've had
23 multiple explanations posed and I don't know how to choose
24 among them.

25 MR. HARTQUIST: We'll be happy to address that.

1 CHAIRMAN ARANOFF: Thank you very much. Let me
2 turn to Mr. Feeley and ask you, I understand that North
3 American Stainless announced a 5 percent price hike on
4 stainless steel wire rod in April 2010, and there is an
5 article in American Metal Market which said that NAS's
6 selling prices trail import prices by about 25 percent and
7 "there's room for them to go up." Can you tell me what is
8 behind the price increase and whether the announcement
9 suggests that North American Stainless is in fact exhibiting
10 price leadership in the U.S. market?

11 MR. FEELEY: Okay. To answer the first question,
12 our recent price announcement is much more supply driven
13 than demand driven, and as a result we're looking at our
14 costs and lack thereof profit, so we've been much more
15 motivated as of April to surrender to the higher supply cost
16 and therefore announce a price hike. So we'll leave it more
17 on the supply side motive. As far as -- I'm sorry, yeah,
18 the higher cost side of the equation.

19 CHAIRMAN ARANOFF: Is that a base price hike as
20 opposed to an increase in a monetary surcharge?

21 MR. FEELEY: It's a base price hike.

22 CHAIRMAN ARANOFF: Okay.

23 MR. FEELEY: And, I'm sorry, would you repeat the
24 second question?

25 CHAIRMAN ARANOFF: The extent to which this is

1 evidence of price leadership.

2 MR. FEELEY: Well, we certainly view our position
3 as the lead on the domestic soil, and we have to balance the
4 amount of import and the prices by which we compete versus
5 the profitability that we can hopefully reobtain and the
6 supply side economics of our business. As far as the
7 article that suggested that we have more room to grow, I'm
8 not sure what that article was necessarily implying, but we
9 look at our business each and every day with respect to the
10 amount of imports that have come in and steady demand that
11 will dictate whether we're able to raise or consider further
12 increases.

13 MR. BLOT: Could I add something to this? This is
14 Ed Blot, I'd like to add something about the American Metal
15 Market article.

16 CHAIRMAN ARANOFF: Sure.

17 MR. BLOT: First off, when I read it I chuckled a
18 lot for a lot of different reasons. Number one, the people
19 quoted in the American Metal Market were service centers,
20 and as you probably know from the staff report and certainly
21 the producers can testify very very little stainless rod
22 goes to service centers, so quite frankly they don't know
23 what they're talking about. I think they were probably
24 trying to talk about some of the other NAS products and
25 somehow trying to relate this thing here.

1 Some of them would like to get their names in
2 press or at least get their wording out there, and keep in
3 mind the American Metal Market is just reporting what they
4 hear, they don't really investigate the accuracy of stuff.
5 So the information is inaccurate, way inaccurate as far as
6 numbers they have. The people they talk to are not in the
7 rod business so they don't know what they're talking about.
8 So I did keep a copy of the American -- I like to keep
9 things up on my wall in my office of humorous things to read
10 from time to time.

11 CHAIRMAN ARANOFF: Thank you for that. In the
12 2006 review covering stainless steel wire rod from the
13 Brazil, France, and India, the Commission concluded that
14 only the most price competitive imports would be likely to
15 reenter the U.S. market in significant volumes, and
16 specifically noted North American Stainless's low cost
17 structure, focus on commodity grade rod, and ability to sell
18 at competitive prices. Does the experience with imports
19 from France and Brazil since the revocation of those orders
20 support or undermine that conclusion? Have we seen imports
21 from those countries significantly increase? Have they been
22 priced below domestic product?

23 MR. ZIOLKOWSKI: Madam Chairman, Andy Ziolkowski
24 from Carpenter. Yes, we do not see imports from those
25 countries in these subject commodities.

1 CHAIRMAN ARANOFF: Okay. You know, as I
2 mentioned, the Commission at that point was relying on some
3 characterizations that it made based on the record in 2006
4 on the cost advantages and pricing practices of North
5 American Stainless. Is there anything in the current record
6 to suggest that those facts have changed since the 2006
7 review?

8 MS. STALEY: If I might address at least the issue
9 with respect to the changes, as you know, the industry, we
10 have come into a free fall. We believe that, as we've
11 discussed, the economic conditions here make the industry
12 particularly vulnerable to any small increase in imports.
13 And I think that one of the things that we can also address
14 in the posthearing brief if you like is that in those
15 particular case now, because of the global economic
16 recession, we're seeing significant excess capacity in the
17 countries that are subject to this particular case.

18 And that in fact distinguishes this situation from
19 the situation that existed in 2006, and even in the
20 situation that existed five years ago. In this case now,
21 this significant excess capacity, this overhang, is
22 worldwide, and with the interest in trying to export that,
23 our view is that this situation is very much different, the
24 companies are differently situated than they were even three
25 years ago.

1 CHAIRMAN ARANOFF: Okay. Since my time is almost
2 up, I'll certainly ask you to elaborate posthearing on that,
3 but I'm looking at what I and some of my colleagues decided
4 in 2006 and trying to compare and contrast with the current
5 situation, and while I do understand that the recession has
6 had an effect on capacity utilization worldwide, we also
7 have Mr. Blot's testimony that demand is going to recover to
8 some extent over what we would characterize as the
9 reasonably foreseeable future, so please take that into
10 account in your answer. Thank you very much. I'll now turn
11 to Vice Chairman Pearson.

12 VICE CHAIRMAN PEARSON: Thank you, Madam Chairman.
13 Permit me to add my welcome to those of the other
14 Commissioners, it's good to have you here today. Following
15 up on what the Chairman was just discussing, you know, on
16 the confidential record we have data going back to 1995 for
17 apparent consumption of stainless steel wire rod in the U.S.
18 market, and without mentioning any specific numbers, it
19 would be safe to say that the trend generally shows a
20 decline in U.S. consumption of this product. Why is that?
21 What's going on in the marketplace that's in an overall
22 growing economy that's leading to an overall decline in
23 consumption of stainless steel wire rod?

24 MR. BLOT: Commissioner, this is Ed Blot. I'll
25 try to answer that, and I did cover a little bit of that in

1 my testimony. And I'm talking strictly now on the
2 commercial sales of rod, okay, so that's what is being
3 consumed by these purchasers. And you really had three
4 things going on during the period of review. We still had
5 some manufacturing of wire and finished parts going
6 offshore, so that market, the market is a function of the
7 purchaser's location -- if they move that location you're
8 going to lose some of that market during that period of
9 time.

10 Another significant fact was the orders that we
11 have on stainless rod from India, and of course they have a
12 very high margin, I think it's 48 and a half percent or
13 something like that. Now, what India did with those orders,
14 with the margins being so high, they started to ship in more
15 wire to really substitute for the stainless rod in terms of
16 offering a price that was almost the same as the rods. They
17 were basically just taking a pass on the rod and it became
18 cold drawn wire. They weren't doing anything illegal, they
19 were just finding a way to circumvent that.

20 So you have to really look at now the wire market,
21 which was going up, and some of that wire market, and
22 especially from case of India, was really rod application,
23 but India was under a high dumping number so therefore they
24 didn't ship that product in as rod, they moved into wire,
25 all right. So you have those two things occurring, plus I

1 think what you run into also is some of the other things
2 with regard to the recession, but that again is just the
3 last year and a half. So those probably are the three major
4 things that occurred during this period of review.

5 VICE CHAIRMAN PEARSON: Okay, so the example you
6 gave of India, is that one of the unintended consequences of
7 putting the order in place, that the domestic demand for the
8 product has shrunk because of this shifting in the
9 marketplace and importing the stainless steel wire itself?

10 MR. BLOT: Ed Blot again. I don't want to say
11 that the entire amount of wire coming in from India was
12 replacing that. If I understand your question correctly,
13 what I'm saying is that the consumption of rod went down,
14 the wire imports from India were growing, and some of that
15 growth from India wire was really customers who were buying
16 that product for redrawing down into wire sizes.

17 In other words they normally would have bought 5
18 and a half millimeter, which is sort of the common size for
19 the rod redrawers to produce, what they were bringing in is
20 maybe something like 5 millimeter or, you know, or maybe 4
21 and a half millimeter, that was really taking the same rod
22 from India and they were putting it through a die and
23 reducing it so they actually made it into wire by
24 definition, and shipping that in. And if the rod price was,
25 say, hypothetically, a dollar a pound, they were bringing

1 that product in at, you know, maybe a dollar a pound and it
2 was more economical for them to do that than it was to pay
3 the 48 and a half percent dumping duty.

4 VICE CHAIRMAN PEARSON: It's not unusual in these
5 cases that we have respondents representing the industries
6 that consume the product that we're talking about that will
7 say that, if the order goes into effect and raises the price
8 of that product in the United States that the users of the
9 product will lose ground competitively with producers in
10 other countries that don't have that same high cost
11 structure, and thus over time the consumption, the demand
12 for the subject product in the United States will tend to
13 fall because the users are losing out step by step to
14 foreign competitors. And I was just wondering whether
15 that's a way to understand what's going on with India here
16 in the example you gave?

17 MR. ZIOLKOWSKI: Mr. Vice Chairman, if I may kind
18 of amplify some of Ed's comments and give a different
19 perspective, just on the comment of, you know, the stainless
20 rod is a semi finished form, and you've really got to look
21 at the wire portion and the rod portion, and there can be
22 some substitution over time. And I think what he's
23 suggesting is just a shift, so the overall combination of
24 the two didn't change that significantly, but it's the
25 shifting of one product form to the other to circumvent some

1 of the activities going on. We'll make on your original
2 question though. As the apparent consumption has gone down,
3 it has made the market more competitive and really amplified
4 the reason that we need these duties to stay in place.

5 VICE CHAIRMAN PEARSON: Mr. Feeley, you had
6 something you wanted to add also?

7 MR. FEELEY: If I may, I think as far as the
8 migration with stainless, as you're probably aware, the
9 surcharge enters much of the component, both long and flat
10 products alike. So from that standpoint we've seen some
11 reengineering, perhaps to a lesser extent than what Ed has
12 explained, but some of that owing to surcharge volatility
13 and migration away from the stainless product perhaps as a
14 result.

15 VICE CHAIRMAN PEARSON: Okay, so anything that can
16 be made with a product other than stainless is being made
17 with something other than stainless, is that the way to
18 interpret it?

19 MR. FEELEY: There is other material alternatives.
20 So in other words, if the product were today stainless and
21 there were much volatility that surrounds that product given
22 the surcharge volatility, there may be some incentive per se
23 to look at alternative materials. And if I may, we also
24 look at materials perhaps that are less volatile in
25 surcharge but also carry far greater base price, perhaps not

1 the products we make but along the lines of titanium et
2 cetera, that are going to give far more life span to the
3 product than maybe what stainless may offer as well.

4 VICE CHAIRMAN PEARSON: Looking toward the future,
5 are you anticipating continued slow declines in demand for
6 stainless steel wire rod in the United States? I mean is it
7 reasonable for us to expect hard times for a number of years
8 yet?

9 MR. BLOT: I'll go back to my forecast. Again, we
10 came off of 2009, which was the lowest consumption of what I
11 call sales of rod, the lowest consumption levels that I've
12 seen in the 20 some years that I've been monitoring this
13 particular product. And so I do see, you know, growth. It
14 sounds like a significant amount of growth, the 24 percent,
15 and considering where we came from, it is. On the other
16 hand, if you look at it, it still will only be the second
17 lowest amount.

18 So it is moving in that right direction. There
19 still is growth in stainless steel in terms of parts that
20 are made of other materials and therefore growing. So you
21 have not only the markets themselves that are growing, but
22 you have within those markets where the corrosive
23 environment in combination with the strength you need to
24 have, you know, stainless steel.

25 In other words, take an automobile that is going

1 for, you know, 100,000 miles and ten years, we now look
2 under it and most of them have got the stainless steel
3 exhaust system. Some of them will have a carbon steel
4 bracket holding up the stainless steel exhaust system. I
5 think those manufacturers will probably in time have to
6 change to a stainless steel bracket. So you see the market
7 can grow from that particular standpoint, and that's part of
8 my analysis that I do when I take other people's forecast on
9 automotive. I don't do that, but I'll take other people's
10 forecasts and I look at what the amount of stainless is and
11 how that's growing that way.

12 VICE CHAIRMAN PEARSON: Okay.

13 MR. BLOT: But yeah, I think there will be growth
14 in terms of the various markets over the years.

15 VICE CHAIRMAN PEARSON: But when you're talking
16 about growth, are you talking about for stainless products
17 broadly or are you talking about stainless steel wire rod?

18 MR. BLOT: I'm talking about stainless steel wire
19 rod. Stainless steel wire rod is used to make those
20 brackets that hold up this exhaust system, in that example
21 I'm talking about.

22 VICE CHAIRMAN PEARSON: Okay, well perhaps for
23 purposes of the posthearing, if you could look at the
24 consumption figures throughout this period of review, and
25 then give us your estimate of, are we likely to see demand

1 growing to the level that it might have been in 2007 or
2 2006? Because I hear what you're saying, we all would
3 expect it to come up from the level that prevailed in 2009,
4 but is that going to represent just still a continued long
5 term down trend or are we going to actually reverse and see
6 some growth in this business?

7 MR. BLOT: Commissioner, in the posthearing brief
8 I'll be glad to give you my, again, consumption sales
9 numbers going through the period of review, I'll give it to
10 you from the standpoint of domestic shipments and imports
11 and mill exports each year, and plus each year of the next
12 three years, meaning 2010 through 2012, to give you that
13 consumption number. Again, the basic answer to your
14 question, it will not be back to the 2007 level by 2012, but
15 I'll give you the specifics.

16 VICE CHAIRMAN PEARSON: Okay, thank you very much.
17 My time is expired, Madam Chairman.

18 CHAIRMAN ARANOFF: Commissioner Okun.

19 COMMISSIONER OKUN: Thank you, Madam Chairman, and
20 I join my colleagues in welcoming all of you here today, I
21 appreciate all the responses and the information you've
22 provided thus far. I think, Mr. Blot, I'm going to stay
23 with you on the other side of the equation and ask you some
24 questions about global demand. And I know you talked about
25 what you see in the U.S., do you also have or make

1 projections about what's going on in the other markets in
2 the world?

3 MR. BLOT: As far as the production in the other
4 markets, I have very limited information on that. The basic
5 consulting service that we work with is here, you know, in
6 North America. I do occasionally get some information, but
7 it's not enough to say that this is the exact picture, and
8 so I would not want to try to present to you something that
9 I have not personally, you know, been involved with.

10 COMMISSIONER OKUN: Okay. And I also want to of
11 course know the industry very well, but is there a respected
12 industry source for global demand and production
13 consumptions that you would say would be a reliable source
14 to look at?

15 MR. BLOT: Probably the best source would be SMR,
16 Specialty Metals Research. And I think in some of the
17 previous hearings, and I don't know whether it was on
18 stainless rod or stainless bar and flat rolled, but some of
19 the reports coming out of their organization, you know, does
20 talk about what's going on globally. They usually divide it
21 by flat products and long products, so on long products
22 they're talking about, you know, bar as well as rod as well
23 as seamless tubular.

24 Last year they would report that that long
25 products market for all those things was down 17 percent in

1 2009 versus 2008, whereas the flat rolled sector of
2 stainless was only worldwide down maybe 1 or 2 percent. So
3 you have that, but that would be the best, you know, best
4 sourcing of documents that I would say from the world
5 standpoint, yes.

6 COMMISSIONER OKUN: Okay, I appreciate that. Then
7 let me, I wanted to come back, I need to start with you, Mr.
8 Hartquist, but the other producers and Mr. Blot might have
9 comments as well, which is, in looking forward in what would
10 happen -- you talked about the imports coming back into the
11 market, the subject imports coming back into the market --
12 one of the things you had said, Mr. Hartquist, in response
13 to an earlier question is that the subject imports would
14 have to price very aggressively, kind of this mark, and I
15 think the question was about the presence of India and the
16 nonsubject imports.

17 And so I wondered, in looking at the different
18 subject imports that we have before us from the different
19 countries and the information we have on the record about
20 pricing and other information, among the different
21 countries, do you think that a particular country is better
22 placed than others to be able to compete aggressively to
23 undercut nonsubject prices to reenter the market or do you
24 think they're all exactly the same?

25 MR. HARTQUIST: Well, I would say there are

1 variations among them. I think the thing that they have in
2 common is substantial capacity in this product. They also
3 have in common very clear records of being very export
4 oriented, they all ship a lot out of their own domestic
5 production, their own markets. So those two characteristics
6 I think are common among the producers. And beyond that, as
7 to their commercial practices in the market I would defer to
8 our witnesses from the industry in that respect.

9 COMMISSIONER OKUN: Okay. Mr. Feeley?

10 MR. FEELEY: Thank you. As far as Mr. Hartquist's
11 comment with capacity, certainly that capacity points itself
12 at least from a potential standpoint our direction. The
13 price relative to the global price also is somewhat
14 inviting, and I would also echo their past practice would
15 give us at least pause for concern that those type of events
16 may resume with more intensity.

17 COMMISSIONER OKUN: Other producers? Mr.
18 Ziolkowski?

19 MR. ZIOLKOWSKI: Yes, I would echo everybody's
20 comments but give a little bit different view because we do
21 see some of the subject countries and companies in other
22 product forms and are familiar with their behavior there as
23 well, particularly in the stainless bar side and the valve
24 steel side. So it is our belief that they have every intent
25 to go to past practices and come back into this market.

1 COMMISSIONER OKUN: Other comments? And, Mr.
2 Hudgens, when you respond, because I was going to go to you
3 next, if you could in responding also comment on whether you
4 think it makes a difference if, to the extent that the
5 argument from those who have responded have made an argument
6 that they have found other markets in the time when these
7 orders have been put in place and some of those markets, the
8 growing Asian markets, the European Union market, do you
9 think it makes a difference if they have found, while they
10 may remain export oriented, whether they are looking or
11 whether they're putting more product in Asia versus more
12 product in the European Union?

13 MR. HUDGENS: Yes. So the first point that was as
14 going to make is just a point that I made in my testimony
15 that when Posco did receive a low duty rate from the
16 Commerce Administrative Review, it did enter the market and
17 quite successfully and quite quickly, and as soon as it
18 received a higher rate of dumping from that Commerce
19 determination, it evaporated from the market with that rate.
20 So from that past experience, it's clear that if they were
21 to receive a zero rate, be revoked, that they would enter
22 the market quickly.

23 In terms of their both -- I mean the respondents
24 have argued that they've found other markets. They've
25 argued that they have shipped more to Europe. The record

1 shows that European production is higher than demand is,
2 therefore those European producers have to rely on export to
3 sell their production. The record also shows that some of
4 the producers have argued that they would ship to China
5 rather than ship to the U.S., but in each of those
6 circumstances the AUVs for the Chinese exports is much lower
7 than what the AUVs are to -- or the U.S. producers' AUVs in
8 the U.S.

9 It's very clear that pricing levels are much
10 higher in the U.S. than they are in China. The degree to
11 which those subject producers could sell in the United
12 States over China, they would. And also, the record shows
13 that Asia is also saturated with excess production. You've
14 got Posco as the largest producer in the world, for all of
15 the subject producers their shipments to their home market
16 is very small.

17 They have to rely heavily on export markets, some
18 of them export to their neighboring countries, but that does
19 not even account for, you know, near the production that
20 they do. And if the U.S. became free of any duties, it
21 would be completely open, and as we've indicated earlier,
22 the pricing levels here are good even with NAS in the
23 market, and they wouldn't be with interest.

24 COMMISSIONER OKUN: And, Mr. Hudgens, I'll just
25 continue with you but others can comment if they want, do

1 you think it matters in looking around the world where
2 produce so much ship, sometimes the U.S. is the biggest
3 market and therefore if this market opened it, you know, it
4 clearly has the most potential for product to come into. If
5 you're looking at a growing China market and a Chinese
6 market that was recovered from the global recession, at
7 least by some accounts and if you want to put other
8 information on the record, but by some accounts recovered
9 more quickly than the United States and is a very large
10 market for this product, do you think that makes a
11 difference if you're a producer in one of these subject
12 countries in deciding whether to come back into the U.S.
13 market, price aggressively to undercut what is a large
14 nonsubject presence, or ship to China?

15 MR. HUDGENS: Well, I would argue that China, that
16 most of the subject producers are attempting to ship to
17 China, so there is lots of competition in China already. So
18 I think that China is a very competitive market, as I
19 mentioned earlier, that all the data on the record suggests
20 that the pricing there is much lower than it is here in the
21 United States.

22 Also, Posco would be just by the nature of its
23 geographical proximity would be one to argue that they would
24 ship more to China than the U.S., but they have an affiliate
25 here in Georgia that it's the largest wire producer in the

1 world, they already have a commercial relationship, they
2 ship regularly to cost. So the incentive is for Posco to
3 ship to the U.S. based on those commercial relationships
4 alone. And China can only assume so much excess production
5 and excess capacity.

6 COMMISSIONER OKUN: Okay.

7 MS. STALEY: If I could also add to that, just
8 that it's important to remember that there are imports,
9 other imports from other producers from both Italy and from
10 Taiwan, and that those producers have, because they are not
11 subject to the dumping order, that they're still coming into
12 the United States. So they obviously find this market
13 attractive. And, you know, along the lines of the
14 revocation of past orders on France and Sweden, obviously
15 imports are down overall because of the economic conditions,
16 but what we saw with a country like Sweden, once that order
17 was revoked, before the free fall and the economic
18 conditions, there was an increase in imports from Sweden
19 once the orders had been revoked.

20 So this market is attractive for producers that
21 are no longer subject to an antidumping duty order, and it's
22 these other companies that have maintained an order on them,
23 Walsin has never been able to show that it can sell in this
24 market without dumping, Cogne has never been able to show
25 that it can sell in this market without dumping, but the

1 other producers when orders have been revoked have resumed
2 shipments into the U.S. market.

3 COMMISSIONER OKUN: Thank you. My red light's
4 come on, thank you.

5 CHAIRMAN ARANOFF: Commissioner Lane.

6 COMMISSIONER LANE: Thank you. In my first round
7 of questions, I think I enticed Mr. Hudgens to answer some
8 questions that I needed about the Spanish producers, and I
9 think Mr. Hartquist agreed and Mr. Feeley because he is the
10 company that is associated with it also agreed. And I had
11 some more questions along that line, specifically could you
12 tell me, and if you need to provide this posthearing that
13 would be fine, the production capacity of Brovi and the
14 other two Spanish companies Olara and Sidemore, and the end
15 of period inventories, and the domestic shipments, whether
16 or not they're divided into commercial shipments and into
17 internal consumption and transfers and what the percentage
18 of that might be. And the exports that these three
19 companies have, where are those exports going and the
20 percentage of the exports, into the United States, into the
21 E.U., into Asia, and other markets?

22 MR. HARTQUIST: I think some of that information
23 we will not be able to provide because it would be company
24 confidential information which would not be publicly
25 available, but we'll look into that and see what we can

1 provide. We'll do our best to respond to your questions,
2 Commissioner.

3 COMMISSIONER LANE: Okay, thank you. Now I had
4 some questions relating to the accounting treatment of
5 domestic producers' production related input costs, and
6 these are questions that maybe you can answer now or maybe
7 posthearing. Could you describe the energy costs that you
8 incur? For example, are the energy costs mostly natural
9 gas, electricity, or a combination of both?

10 MR. ZIOLKOWSKI: Sorry for the smile, I used to be
11 on the accounting side, so Brad and I have some history with
12 this as well. It depends on the level of production. For
13 these products most of the energy is included in the melting
14 side, and for these products that would be electricity.
15 There is some gas used in the annealing of the products, but
16 the overwhelming majority would be on the electric side for
17 our products.

18 COMMISSIONER LANE: Okay, and so the majority then
19 would be electricity as opposed to natural gas?

20 MR. ZIOLKOWSKI: That is correct.

21 COMMISSIONER LANE: Okay. Anyone else?

22 MR. FEELEY: I'd echo the same. The costs would
23 be, our cost structure and our analysis costing would fall
24 right in line.

25 COMMISSIONER LANE: Okay. Mr. McGrath?

1 MR. MCGRATH: Same for Universal.

2 COMMISSIONER LANE: Okay, thank you. I have seen
3 natural gas prices fluctuate from very high levels in excess
4 of \$10 per decatherm in 2007 and 8 to very low levels, below
5 \$3, and then moving up in late 2009 and back down in 2010.
6 The futures are currently priced at around \$4. Do you
7 consider \$4 as natural gas price attractive, and would
8 continuation of \$4 be attractive to you for that portion of
9 your production that uses natural gas?

10 MR. ZIOLKOWSKI: If I may, Commissioner Lane,
11 there is not a whole lot of natural gas consumption or gas
12 consumption in the manufacture of these products.

13 COMMISSIONER LANE: Okay.

14 MR. ZIOLKOWSKI: However, let me give you, without
15 speculating or giving you a perspective, we have a natural
16 gas surcharge, and that surcharge kicks in at around the \$6
17 range. So if you would use that as somewhat of a benchmark
18 or somewhat of a threshold in terms of your question, that
19 may be helpful.

20 COMMISSIONER LANE: Okay, and speaking of
21 surcharges, do you use surcharges for electricity and raw
22 materials surcharges?

23 MR. ZIOLKOWSKI: Most companies have a raw
24 material surcharge, of which an energy piece is either
25 embedded or individualized. For the most part, there are

1 few companies that do include an electric component in their
2 energy, they are mostly revolved around natural gas. So in
3 more gas intensive products, the energy surcharge at a
4 certain threshold level would kick in. These products do
5 not see much of that.

6 COMMISSIONER LANE: And is that true for other
7 companies?

8 MR. FEELEY: It is.

9 COMMISSIONER LANE: Okay, thank you. Could the
10 three of you describe the major components of other factory
11 costs in your cost of goods sold and indicate the percentage
12 of other factory costs that each major component represents?

13 MR. HARTQUIST: May we do that for the posthearing
14 brief, since it would involve confidential company
15 information?

16 COMMISSIONER LANE: Okay. An important factor in
17 the estimation of the impact on the domestic industry if it
18 loses volume is the level of fixed versus variable costs in
19 your expenses. I noticed what I considered to be unusual
20 responses in questionnaires with regard to whether direct
21 labor should be considered fixed or variable. Now, I
22 realize that there may have been some revised questionnaire
23 responses and I'm not sure what those responses were, but if
24 being 100 percent variable cost would mean that an expense
25 would vary directly with the percentage change in production

1 output, do you believe that direct labor should be
2 considered close to 100 percent variable?

3 MR. ZIOLKOWSKI: I will give you some cover on
4 your previous question without the confidential side. If
5 you look at the respondent's questionnaire, on the variable
6 component, it's raw materials and direct labor are broken
7 out. The other costs would include supplies, maintenance,
8 energy, and then whatever absorption of overhead burden. So
9 those are the major cost components. In the posthearing
10 brief we could give you the percentages and the relative
11 numbers. Now, for your direct question, could you
12 specifically state it again and I'll help you through this?

13 COMMISSIONER LANE: The 100 percent variable labor
14 costs.

15 MR. ZIOLKOWSKI: Thank you, sorry about that, I
16 was in between questions. In truth, most costs are semi
17 fixed or semi variable, and in most production, we talk
18 about the capital intensive nature of the absorption of
19 variable type costs. So they will behave differently over
20 time. Direct labor is a variable cost, but as a function of
21 production units that go across those units, they can behave
22 at times more fixed because of the level of units that are
23 being absorbed, you know, the level of cost that's being
24 absorbed into those units.

25 So in truth it is a variable type cost and should

1 go with the unit of production, but as a practical matter,
2 when you have shifts or crews, you know, a melt crew, it is
3 not as transferrable, if you will, to levels of production.
4 And that's something we struggle with all the time, this
5 step-like progression of our costs in this business is a
6 very big deal, and that's why products like this are so
7 important for us to fill up a step. I mean a lot of our
8 production discussions are all around crewing and manpower
9 capacity to fill that crewing, and a lot of times what
10 happens is you need to fill out that usable time, if you
11 will, with products like the subject matter products that we
12 have.

13 COMMISSIONER LANE: Okay. Can you tell me that
14 since I read in the staff report that some of the facilities
15 produce product other than the subject product today, are
16 you able to pull out the labor costs that are directly
17 related to the production of this product?

18 MR. ZIOLKOWSKI: As it relates to the
19 questionnaires, we have an allocation method that we do do
20 that, so they are specifically related to the subject matter
21 products that we're talking about.

22 COMMISSIONER LANE: And you feel pretty
23 comfortable with that allocation?

24 MR. ZIOLKOWSKI: For our company. I can't speak
25 for my peers, but that is the basis for our return on assets

1 and our financial reporting, it is the same process that we
2 used to complete the questionnaires, so I do feel very
3 comfortable.

4 COMMISSIONER LANE: Okay, and what about Mr.
5 Feeley and Mr. McGrath?

6 MR. MCGRATH: In regards to the universal with the
7 dramatic reduction in production that we've seen over the
8 last year and a half, the argument has swayed more towards
9 labor being a variable than a fixed. When things are steady
10 and it appears as though that number does not fluctuate
11 much, you know, the people that want to argue it as a fixed
12 cost, you know, have something in their favor, but certainly
13 in the past year we've looked at it differently.

14 When we're trying to separate this product out, so
15 much of the absorption of the fixed costs are allocated over
16 production rates. So when this product particularly is
17 seeing a decline in production, then of course more cost
18 gets allocated to other products. So it is difficult, and I
19 don't think it's an exact science, we haven't found that to
20 date, but we have tried to break out those costs and we can,
21 you know, go all the way back to the melting source and
22 break it out, but it's not always exact.

23 COMMISSIONER LANE: Okay, thank you. If I could
24 indulge Mr. Feeley answer that also please?

25 MR. FEELEY: Our response would be in line with my

1 two colleagues. We also categorize perhaps slightly
2 different in some respects, but in a macro level we also
3 categorize in similar fashion, and we could make most of
4 that available posthearing.

5 COMMISSIONER LANE: Okay, thank you. Thank you,
6 Madam Chair.

7 CHAIRMAN ARANOFF: Commissioner Williamson.

8 COMMISSIONER WILLIAMSON: Thank you, Madam
9 Chairman. Just a few more questions. Are there some end
10 uses that require a high value added stainless steel wire
11 rods and others that have a less stringent requirement? And
12 if so, what end uses have more stringent requirements and
13 which have less stringent ones? And have there been any
14 differences in demand trends regarding those different
15 market segments?

16 MR. ZIOLKOWSKI: Commissioner Williamson, I'll
17 start first because that pretty much is our business model
18 and looking for those niches. So yes, the answer to your
19 question is yes, most definitely. And I can answer them
20 more on market lines and applications. So medical and
21 aerospace, there are stainless rod medical and aerospace,
22 some are premium melted, so there is a hierarchy, if you
23 will, in the product portfolio of stainless rod. We have
24 proprietary products that we have developed that move out in
25 rod form that go into fastener applications, so obviously

1 those are tied to their underlying industries in terms of
2 medical or aerospace and are quite attractive.

3 COMMISSIONER WILLIAMSON: Okay. Any differences
4 in demand trend between those and say the more mundane
5 varieties of wire rod?

6 MR. ZIOLKOWSKI: Again, that's very much tied to -
7 - so when we look at, we break our activities for market
8 applications down to correlated industries, and for many of
9 the subject products it's general consumer, general
10 industrial, kind of general automotive trends. So it really
11 relates to where general industrial production is going,
12 which is in the low single digits. Automotive right now, a
13 little bit more attractive with inventory restocking, but in
14 the more specialty, medical and aerospace have more
15 attractive growth rates than the former.

16 COMMISSIONER WILLIAMSON: Thank you. Does anyone
17 else want to comment on that? Now, what about, are there
18 some applications for stainless steel wire rod that have
19 been less vulnerable to moving offshore, and if so what are
20 they, what are the forecasts for the demand for those in the
21 future? It maybe the same answer that you just gave, Mr.
22 Ziolkowski.

23 MR. ZIOLKOWSKI: If you'll indulge me, it was
24 pretty much the same answer, except that in certain
25 applications there is a level of difficulty involved with

1 the manufacturer. So whether there are T-pats or frozen
2 practices that would require something to stay local,
3 whether there are geographic concerns because localization
4 is a big deal, so where the end use production is so the
5 ancillary supporting infrastructure has to be there, so that
6 is a factor domestically as well as internationally. But
7 there is a complexity in certain parts, and not to be
8 disparaging to any geography but certain areas that are just
9 starting the productionalization of their infrastructure
10 find it more challenging for certain products than others,
11 those tend to stay in the U.S.

12 COMMISSIONER WILLIAMSON: Okay, thank you. Good.
13 Okay, thank you for those answers, and I have no further
14 questions.

15 CHAIRMAN ARANOFF: Commissioner Pinkert.

16 COMMISSIONER PINKERT: Thank you, Madam Chairman.
17 I just have a few additional questions. Now, strictly in
18 terms of market share, if these orders are revoked, would
19 you expect subject imports to replace current nonsubject
20 import market share? In other words, a kind of seesaw
21 effect?

22 MR. FEELEY: We would anticipate that event
23 occurring.

24 COMMISSIONER PINKERT: And perhaps for the
25 posthearing if you could do some analysis of the

1 relationship between nonsubject import and subject import
2 market share, that would be helpful in understanding that
3 answer. Now, turning to surcharges, was the domestic
4 industry successful in using surcharges to reduce the impact
5 of increased raw material costs over the review period?

6 MR. ZIOLKOWSKI: Commissioner Pinkert, I'll take a
7 shot at answering that. It really has to do with the
8 inflection of commodity prices over that time period. Our
9 surcharge practices even domestically are different from our
10 colleagues', and most of that has to do with timing, using
11 nickel as a proxy for surcharges in general. Different
12 regions have different practices. Those practices
13 exacerbate some of the situations that we're facing in terms
14 of their base pricing.

15 Europe tends to lag by a quarter typically, so
16 based on the trajectory of the pricing changes, that has a
17 different competitive implication. Asia tends to do things
18 more curiously, more net pricing, and it's a little bit hard
19 sometimes to determine what raw material component they have
20 in their pricing. You combine that with inventories and the
21 way that our international competitors have to compete, and
22 they have different cost structures in their material, and
23 sometimes that really adds to the volatility of the market.
24 So I would answer no to your direct question, just because
25 the differences and the nuances and the underlying factors.

1 COMMISSIONER PINKERT: Mr. Feeley?

2 MR. FEELEY: Not to back up, to backtrack, on the
3 prior question, I think there may have been a
4 misunderstanding slightly. And as far as with the seesaw of
5 the imports if the duties were lifted, where we would see
6 just a seesaw effect, from our standpoint I think it's more
7 so along the lines of it would be more of an influx, you
8 know, to add to, and so it would actually add to the problem
9 more so than just kind of spread it out equally.

10 MR. HARTQUIST: Yeah, I'd like to respond to that
11 a little further too. I think your question, Commissioner,
12 was, if the orders were revoked would the subject imports
13 replace nonsubject imports in the marketplace?

14 COMMISSIONER PINKERT: In terms of market share.

15 MR. HARTQUIST: In terms of market share. And
16 what I want to emphasize is, it's a dog fight in this market
17 between subject imports, nonsubject imports, and domestic
18 producers. And so if the implication of your question was
19 whether there would be essentially a loss of nonsubject
20 market share to be replaced by increases in subject market
21 share, certainly there would be some of that but also it
22 would affect the domestic producers because we're all
23 competing together in this market. So I didn't want to
24 leave any implication that it would be an offset only of
25 nonsubject imports. Quite the contrary.

1 COMMISSIONER PINKERT: Thank you.

2 MR. LASOFF: Commissioner Pinkert, I'd also add to
3 that, you're looking at it strictly from a volume
4 perspective, you'd also have to take into account the fact
5 that with this influx of subject imports, obviously the
6 aggressiveness and the competition would have a significant
7 price effect as well. So it's strictly -- not only looking
8 at it from volume perspective, but as this overhang of
9 capacity, this influx, you're going to see some very very
10 intense price competition as well between, you know, also
11 the subject and nonsubject imports and the domestic
12 producers. So I think it's a double impact and not simply
13 looking at it strictly from a volume perspective.

14 COMMISSIONER PINKERT: Thank you. And certainly
15 feel free to supplement any of that in the posthearing.
16 Back to the surcharge issue, I'm interested in success
17 during the review period in handling the raw material costs,
18 but also looking to the future whether there is a change in
19 the formulas or a change in the practices that might have an
20 impact on that. Mr. Feeley, do you wish to comment on it?

21 MR. FEELEY: I don't have anything to add on that.

22 COMMISSIONER PINKERT: Anybody else on the panel?

23 MR. BLOT: This is Ed Blot. I'm not quite sure I
24 fully understood your question. If you could repeat that
25 again maybe I can add something to this.

1 COMMISSIONER PINKERT: It had to do with the
2 ability to pass on increased raw material costs by means of
3 surcharges and whether or not that was able to be done
4 during the review period, but then I extended it and said,
5 looking to the future are the practices shifting and what
6 are we looking at in terms of the ability to pass on those
7 increased costs?

8 MR. BLOT: I've been in this industry too long,
9 I've been in this industry since surcharges got started back
10 in the '80s. Some people accused me of putting the first
11 surcharge tables together, and I guess I'm guilty of that.
12 The point is that those surcharge tables from each of the
13 mills is the thing that ends up not being negotiated. Base
14 prices can come up or come down, but the surcharges by the
15 different companies are in place, and the formulas that they
16 use in their calculations to get there are in place, and
17 they continue on.

18 I guess if a major practice in the production of
19 the product were to change, that could affect the yield
20 portion of the surcharge or the portion of the yield in that
21 that could affect that, but really it hasn't been changed.
22 So the formulas that each of these companies, and they can
23 get into more detail if they want, but the formulas that
24 they've used has been the same, you know, over, you know,
25 the last, well, last 25 years, whatever the math is, 20

1 years or so.

2 MR. HARTQUIST: Commissioner, we've had many
3 discussions with the Commission including with you about how
4 the surcharge mechanism operates in this industry, and I
5 just want to make sure that we don't give the wrong
6 impression as to how this works, because although different
7 companies in the United States and in other places in the
8 world impose surcharges based upon these volatile raw
9 materials that go into the cost of the product, what the
10 buyer's looking at is the end price, and they don't really
11 care whether you're changing your surcharge formula or
12 adjusting your base price.

13 The bottom line is, if he's charging \$1.10, I want
14 you to charge \$1.05 or I'm going to buy it from the other
15 guy. So it's the net price that really determines whether
16 the sale is going to succeed or not. And although
17 surcharges may be accepted by customers who realize that
18 these input materials are very volatile and go up and down,
19 they're going to make that buying decision based upon what
20 the net price is.

21 COMMISSIONER PINKERT: Thank you. If there aren't
22 any other comments on that issue, I thank you and I look
23 forward to the posthearing submission.

24 CHAIRMAN ARANOFF: A few more questions on
25 cumulation. First, with respect to Spain and then with

1 respect to Italy, I noted a number of my colleagues, in
2 particular Commissioner Lane, asked Mr. Feeley a number of
3 questions about how the decision would be made between North
4 American Stainless, the sister company in Spain, and the
5 parent company about imports in the U.S., but so far I've
6 found the answers ambiguous.

7 And if there's anything that the Commission has
8 learned from our recent litigation regarding the USWAR
9 missile companies, it's that if we're going to rely on these
10 corporate relationships we need to have much more specific
11 information on the record. So, Mr. Feeley, can you clarify
12 for me, who gets to decide in your corporate structure
13 whether product produced in Spain can be imported into the
14 United States? Is that the U.S. entity or the parent
15 company?

16 MR. FEELEY: The answer would be the localized
17 marketplace. So and to your specific question, we would not
18 permit or invite that type of activity. But again I must
19 reiterate that there's an understanding given the investment
20 that those in Spain would have no motive to bring the
21 product from Spain to this country given the amount of
22 capacity we have. Commercial would prevail, in a sense the
23 commercial decision would be made in the United States,
24 specific to your question, and I hop that clears any
25 ambiguity.

1 MR. HARTQUIST: Commissioner Aranoff, this is
2 getting into pretty confidential information about how
3 Acerinox and Roldan and NAS run their operations. May I ask
4 that we submit in the posthearing brief a further
5 explanation of how this relationship works among the
6 companies?

7 CHAIRMAN ARANOFF: That would be very helpful. I
8 know you are familiar, Mr. Hartquist, with the litigation to
9 which I am referring, where, you know, generalized
10 statements that if a company invests a lot in the United
11 States clearly they wouldn't have an economic interest in
12 then exporting from another affiliate here was basically
13 rejected by the Court as insufficient, so, you know, but we
14 need to have more, in particular very definitive statements
15 about the corporate policies and how the company sets its
16 priorities. So anything that you can add to the record on
17 that would be helpful.

18 MR. HARTQUIST: Understood, and we will do so.

19 CHAIRMAN ARANOFF: Okay. There was reference in
20 the testimony earlier today about Cogne approaching Charter
21 regarding conversion of billets to stainless steel wire rod
22 in the U.S. Can someone just tell me, when did that happen?

23 MR. BLOT: I was the one who made that comment. I
24 don't know that I have the exact date, but it was within the
25 first year of the last review being completed, it was during

1 that time frame. So in other words the first review was
2 over, the Commission made the decision to continue the
3 orders, and at that particular point, within the next twelve
4 months is when the discussions got going and got started,
5 according to what the people at Charter told me. I don't
6 have an exact date though for you, but it was in that first
7 year.

8 CHAIRMAN ARANOFF: Okay, so we're talking about
9 something that happened during the current review period?

10 MR. BLOT: Yes.

11 CHAIRMAN ARANOFF: Okay, but it did happen during
12 the current review period, the period that we're looking at
13 now?

14 MR. BLOT: Correct.

15 CHAIRMAN ARANOFF: Okay, thank you. I just wanted
16 to clarify because I couldn't tell whether you were
17 referring to something much further back in time. If
18 there's anything that either the domestic industry or Cogne
19 can add to the record posthearing on, you know, providing
20 further details of what happened there and what the
21 motivations might be, that would be appreciated. Let me
22 turn to cumulation with respect to Italy.

23 Cogne made a number of arguments about why the
24 Commission should exercise its discretion not to cumulate
25 imports from Italy with those from other countries, and in

1 particular the argument that Italy is the only subject
2 country that's a net importer of this product and that Italy
3 is somewhat unique in that its subject producer has a focus
4 on the European market whereas the other subject producers
5 don't really seem to be regionally focused and will export
6 wherever the opportunity arises. Is there anything you'd
7 like to say about why those might not be a sufficient basis
8 for this Commission to find differences in conditions
9 competition and decline to cumulate?

10 MS. STALEY: Madam Chairman, if I could address at
11 first the net importer question, and we can submit more
12 detailed information in our posthearing brief about what the
13 volume of imports are that are going into Italy, but the
14 largest country that is exporting into Italy is France, and
15 as Mr. Lasoff testified in that particular instance, the
16 Usutech company is exporting to its mill in Bedini, Bedini
17 mill in Italy that is producing bar. And as you may know
18 and also we had provided in our submission, the Italian bar
19 exports are very significant into the U.S., bar imports
20 coming into the U.S. are very significant.

21 So that's one of the reasons why there is this net
22 import, it has to do with other producers shipping to
23 affiliates in Italy, it really has nothing to do with
24 Cogne's domestic sales of wire rod. And our point was also
25 that if you look at Cogne's export data, this becomes more

1 apparent to. But we can elaborate on that on the details in
2 our posthearing brief, on the net importer. And then you
3 had another question on?

4 CHAIRMAN ARANOFF: Regional market, but that Cogne
5 focuses its market on European markets, which is something
6 the Commission has looked at in the past.

7 MS. STALEY: Yes.

8 CHAIRMAN ARANOFF: And we have compared that to,
9 you know, producers in other countries who tend to market
10 globally and, you know, shift around rather than having
11 established export customers. So that seems to be the line
12 of thought that Cogne is tapping into.

13 MS. STALEY: Okay, I think to answer that question
14 also, it has to do with that there are very many stainless
15 steel wire rod producers in Europe already, and they are
16 also experiencing those other producers as well. And our
17 position on that was that the European market is very
18 saturated right now, there are many many other stainless
19 steel wire rod producers in Europe, there's a lot of
20 overproduction, and also that again with the attractiveness
21 of the market, the pricing data that we have shows that the
22 U.S. remains the attractive market in terms of pricing. So
23 with Cogne's excess capacity, the question is, there isn't
24 the market there in Europe that we would have here in the
25 United States where our companies have not engaged in such

1 excess production and the same degree to which a company
2 like Cogne has where it has a significant excess capacity.

3 MR. HUDGENS: If I might also add that the record
4 shows that Cogne is not just focusing on the European
5 market. So I think we'll discuss that more in the brief,
6 but that they definitely are selling outside of Europe in
7 significant quantities.

8 CHAIRMAN ARANOFF: Okay. I understand that from
9 the record, although there is a fairly unique circumstance
10 going on there, but I'll wait to see what you write on that.
11 One final question, there has been discussion on the one
12 hand that certainly the European market and perhaps globally
13 there is more production capacity than there is demand for
14 this product, and yet there has also been testimony that
15 many of the producers in subject countries are adding
16 capacity. Does anybody want to try to reconcile that?

17 MR. HARTQUIST: I'm sorry, is your question why?
18 Why would they add capacity if there's already substantial
19 overcapacity?

20 CHAIRMAN ARANOFF: That's one interpretation of
21 the question, yeah.

22 MR. HARTQUIST: Okay.

23 MR. HUDGENS: Can I make another observation in
24 that if you look at the record it shows that the U.S.
25 producers had decreased capacity significantly over the

1 period of investigation in line with the demand and
2 consumption rates. So that's contrary to what the subject
3 producers have done, and in every case the subject producers
4 have increased capacity where the domestic producers have
5 decreased capacity over this same period.

6 CHAIRMAN ARANOFF: Right, and if this were a case
7 involving subsidies you might be able to make the argument
8 that, you know, other producers in other countries were
9 effectively getting paid to increase or keep their capacity
10 high for some policy reason, but that's not this case, so
11 we're sort of left with the assumption that people who
12 produce this product in other countries are not the rational
13 economic actors that U.S. producers are, and I don't find
14 that a satisfactory explanation for what's going on here.

15 MR. HUDGENS: Well, you know, another factor is
16 that they're very much more export oriented than the U.S.
17 producers, and, you know, virtually in all cases their home
18 markets make up a very small share of their total shipments.
19 And that's also something that's very different than the
20 U.S. industry.

21 CHAIRMAN ARANOFF: They're getting their forecasts
22 from someone other than Mr. Blot and they're a lot more
23 optimistic about the future. Okay, if there's anything that
24 you want to add on that posthearing I'd be happy to take a
25 look at it. But otherwise I want to thank you all for your

1 answers and turn to Vice Chairman Pearson.

2 VICE CHAIRMAN PEARSON: Thank you, Madam Chairman.
3 There have been a number of comments about the risks that
4 are posed to the domestic industry by the excess capacity
5 that exists in the subject countries assuming that the
6 orders would be revoked. But I'm curious, right now there's
7 a whole lot of excess capacity in the United States, and so
8 aren't the U.S. individual companies more at risk from the
9 excess capacity of your domestic competitors than you are
10 from any capacity that's far across the ocean? I mean the
11 foreign producer has to get it sold into the United States
12 and get it moved here, whereas the guys sitting at the table
13 here with you, all they have to do is, you know, write
14 another order and run the mill an hour longer and the
15 business is done.

16 MR. ZIOLKOWSKI: Mr. Vice Chairman, I think it's a
17 function of pricing practices and the manner in which people
18 compete. And back to Mr. Hudgen's questions, we have taken
19 some actions in terms of capacity, so while there is
20 overcapacity we have been appropriately pruning where
21 appropriate. But I think it gets down to the fundamental
22 competitive pricing that's in the market and the manner in
23 which you choose to approach that.

24 VICE CHAIRMAN PEARSON: Mr. Feeley?

25 MR. FEELEY: We too feel that the price is going

1 to dictate, and we also have taken or idled some capacity as
2 a result out of necessity. So I'd agree with my colleague,
3 our position is very much the same.

4 VICE CHAIRMAN PEARSON: Okay, at a time when there
5 is a meaningful amount of unused capacity in the United
6 States, what would happen in the marketplace such that a
7 domestic purchaser would go out and look for supply from
8 overseas rather than getting the stuff that's relatively
9 easy and close by? I mean what's going to happen to bring
10 that about? Because it's perfectly reasonable to assume
11 that before you would v some increase in imports in any
12 great amount that you would have a greater utilization of
13 the domestic capacity, and when things start to get a little
14 tight then the domestic users might go looking overseas.
15 Tell me why it wouldn't work that way in this case, Mr.
16 Ziolkowski?

17 MR. ZIOLKOWSKI: Mr. Vice Chairman, as I included
18 in my testimony, many of the attributes in terms of
19 differentiation don't exist for this product form. So it
20 boils down to a function of price. And I talked about the
21 polling of the respondents and their desire to seek lower
22 pricing in the event they had the availability to do so. So
23 as we have discussed pretty much universally, price is the
24 leading determinant of why they'd make that move.

25 VICE CHAIRMAN PEARSON: But that doesn't seem to

1 have significantly motivated the countries on which we
2 revoked the order in 2006.

3 MR. HUDGENS: I would just point out that the
4 purchaser questionnaires are very clear that they have
5 sought out and will seek out alternative sources that are
6 better pricing, more competitive pricing. And if you look
7 at each of those purchaser questionnaires, you see that as
8 the duty was put in place they reduced their purchases from
9 those countries and then went to nonsubject suppliers that
10 could provide them better pricing. So purchasers in this
11 market, in 2009 even in the recession, were seeking out
12 imports from the nonsubject producers because they were able
13 to obtain better pricing. It's in the questionnaire
14 responses.

15 MR. HARTQUIST: And it may well be, and I am
16 totally speculating here, Commissioner Pearson, that those
17 producers you referred to which have not increased their
18 activity in the United States concluded that this is just a
19 very tough market and they weren't going to be competitive
20 in this market. But we certainly see from the import data
21 and the pricing data that there are other countries that
22 believe they are very competitive here and they're in this
23 market fighting for every sale.

24 VICE CHAIRMAN PEARSON: Okay. But if you look at
25 the European countries that are involved in this, both are

1 in the euro zone. We've got the euro being stronger now
2 relative to the dollar, relative to what it was at the time
3 of our last review. Can they afford to price aggressively
4 into the United States with the dollar being relatively
5 weak?

6 MR. HARTQUIST: Well, as our witnesses have
7 testified, on other products, related products, stainless
8 steel products, we have seen Cogne very active in the U.S.
9 market. They certainly believe they can compete here under
10 current conditions, and the fact that they're represented
11 here seeking revocation indicates that they believe they can
12 do that if the orders are revoked in the future. So if they
13 didn't have an interest in this market and didn't think that
14 they could be competitive in this market, they wouldn't be
15 paying lawyer's fees to make a presentation to you today.

16 VICE CHAIRMAN PEARSON: Okay, well I have a hard
17 time holding it against respondents for actually showing up
18 because of course we strongly encourage them to do that so
19 that we can get a full record.

20 MR. HARTQUIST: I agree with that.

21 MR. LEIBENSPERGER: May I add one comment there
22 please, from Carpenter Technology. As far as with strength
23 of the euro, I think it's important to note that the biggest
24 cost structure in stainless wire rod is really raw
25 materials, nickel, ferrochrome, things like that. And they

1 are almost exclusively sold throughout the world in U.S.
2 dollars. So the fact that it can sell in the United States
3 in U.S. dollars is a big attractant for them, and it takes
4 away some of the euro-dollar exchange situation. Takes a
5 lot of it away actually.

6 VICE CHAIRMAN PEARSON: Okay. I think my last
7 question has to do with the point that's been made here a
8 couple times that companies could have sought administrative
9 reviews and chose not to. So we're critical of respondents
10 for showing up, we're critical of companies for not seeking
11 administrative reviews. What's it cost to do an
12 administrative review at the Department of Commerce?

13 I really don't know, but I assume you're talking
14 some significant amount of money, and having been in
15 commercial situations myself, you know, the question is, how
16 do I want to spend what limited money I have? Do I want to
17 roll the dice and spend it on attorneys or do I want to
18 spend it on renovating a machine, you know? What's it cost
19 to do an administrative review, Mr. Hartquist? Or in the
20 posthearing if it's too sensitive.

21 MR. HARTQUIST: Well, if I may direct that
22 question to respondent's lawyers, we think that their costs
23 are substantially higher than ours because of the amount of
24 work involved, so it's significant. You're talking about
25 likely hundreds of thousands of dollars per company to do an

1 administrative review.

2 MR. LASOFF: Commissioner Pearson, though, I think
3 the real question is not what the reviews would cost them
4 but do they have the capability to make the adjustments
5 required by the antidumping duty orders to eliminate those
6 margins? And I believe when you see a situation where a
7 respondent has elected not to pursue an administrative
8 review, they have made an internal determination that we do
9 not have the ability to compete in this particular market
10 without dumping their product, and I really think that's the
11 critical factor here when you look at decisions to make an
12 administrative review or not, not the legal cost.

13 VICE CHAIRMAN PEARSON: Yeah, well I could add a
14 slightly different perspective on that because it also can
15 involve, are they willing to spend the money to do the
16 accounting systems necessary -- Mr. Ziolkowski might want
17 to comment on this but -- to put in the accounting systems
18 necessary so that they know on every sale into the United
19 States whether the Department of Commerce is likely to
20 determine that it's being dumped? Okay, there is cost
21 associated with that. And then there's the other issue of
22 just do they have better business to do elsewhere? I think
23 it's not just a matter that you have stated -- I understand
24 what you're saying and why you're saying it -- I think your
25 answer was somewhat incomplete. And if there are any other

1 comments, please go ahead.

2 MR. LASOFF: Okay, but at the same time I would
3 then point out the two nonsubject producers who did elect to
4 make those adjustments and now are reaping the benefits of
5 that situation and are selling in this market. So it can be
6 done, and again, they make that choice. There are two ways
7 to go, there is to react to the law the way a foreign
8 producer that has been allegedly dumping should react to the
9 law, and that is to make the adjustments, or to continue to
10 stay out of the market and basically make a calculation, we
11 do not, you know, think we can achieve a zero margin for
12 example given our own costs, given our own market situation,
13 given our own analysis of that marketplace.

14 MS. STALEY: Also, Commissioner Pearson, I think
15 it's important to remember that Posco did participate in the
16 administrative review process. Posco has responded to the
17 Commission's questionnaire, and I believe you could ask them
18 how much money they had spent from their lawyers to prepare
19 for those administrative reviews. But I think what you're
20 going to find is that they were dumping at a low rate at
21 first but then they were dumping at a very much higher rate.
22 And you know, it's not like Commerce dips into a magic bag
23 and pulls out a rabbit of a dumping margin. I mean --

24 VICE CHAIRMAN PEARSON: We consider it a black box
25 rather than a magic bag, but that's okay.

1 MS. STALEY: Well, believe me, I can assure you --

2 COMMISSIONER PINKERT: That's the royal we, I
3 think.

4 MS. STALEY: That is not how the Commerce
5 Department works, and I would be happy to go through some
6 dumping calculations with you. But Posco underwent the
7 administrative review process, and we see what happened
8 there. And is there any reason to expect that a similarly
9 situated producer would have not, the same thing would not
10 have happened to them, that they were dumping at a low rate
11 for a while but their margin went way up.

12 So they did participate in the administrative
13 review process, and we see what happens. And we know that
14 the other producers are, you know, I think it's reasonable
15 to make a presumption that when you see that kind of
16 determined pricing practices that you're going to see it in
17 other respondents as well. And since most of my effort is
18 on the Commerce side, believe me, it's not just that dumping
19 margins come out of a hat, it's a very reasoned process and
20 many respondents undergo administrative reviews all the
21 time, and it is not some -- compared to the amount of duties
22 that companies paid, what they pay their lawyers is very
23 small percentage.

24 VICE CHAIRMAN PEARSON: Okay, well, Ms. Staley,
25 I'm well over my time, but thank you for your comments. I

1 take pains not to look behind Commerce's margins, that's why
2 to me it is a black box, but thank you all for your
3 responses. And, Madam Chairman, I have no further
4 questions.

5 CHAIRMAN ARANOFF: Commissioner Okun?

6 COMMISSIONER OKUN: Thank you. I actually think
7 all my issues have been covered, just a couple of things for
8 posthearing. One, I guess I would just reiterate from I
9 know the Chairman had already asked you to respond
10 posthearing on the differences that you would see in this
11 record versus the record we had before us in 2006 with
12 respect to conditions of competition, and so I'll be paying
13 close attention to that response.

14 I would ask as well in posthearing if you can take
15 a look at in the first review, Vice Chairman Pearson and I
16 exercised our discretion to cumulate different groups of
17 countries, and if you could just respond if you think there
18 have been changes that we should be looking at from that
19 first review in looking at the trends and any other
20 information that we based our cumulation decision on. And
21 with that, I want to thank all of you. I have no further
22 questions, Madam Chairman.

23 CHAIRMAN ARANOFF: Commissioner Lane?

24 COMMISSIONER LANE: I do have probably a full
25 round of questions. I'd like to focus first on the fact

1 that this product is hugely and totally consumed. And so I
2 would like, if you can, to generally discuss the methodology
3 that is used to value the internal consumption. And if you
4 can't do it in open session then perhaps you can do it in
5 posthearing. And what I would like to do is whether or not
6 your reported internal consumption is valued the same way
7 for your internal reporting purposes as it is for responding
8 to the Commission?

9 MR. HUDGENS: The internal consumption, net sales,
10 value, and their cost are based on an allocation, based on
11 the same ratio that was used to determine their commercial
12 sales. So they took ratios based on commercial sales and
13 the cost of those commercial sales and applied that to the
14 internal consumption quantity based on the Commission's
15 practice and their instructions, with the Commission
16 direction. The companies do not value their internal
17 consumption based on that commercial, and so -- and I'm
18 sorry, I misspoke when I talked about cost. I mean the
19 sales are based on commercial sales, the costs are actually
20 costs.

21 COMMISSIONER LANE: Okay, and is that true of
22 companies to the extent that you're familiar with how it's
23 priced?

24 MR. HARTQUIST: May we respond to that in the
25 brief individually as to each company?

1 COMMISSIONER LANE: Yes. A follow up question,
2 why is some stainless steel wire rod sold as stainless steel
3 wire rod rather than being turned into a downstream product
4 like stainless steel bar or stainless steel wire? In other
5 words, what factors determine whether the product that is
6 produced in your plant is sold commercially or consumed
7 internally?

8 MR. ZIOLKOWSKI: Commissioner Lane, I want to just
9 parse the question in my mind because I'm thinking of the
10 external market and the internal market. So the internal
11 market, we would choose as a company to put more value add
12 in, that would be more attractive to take this coiled
13 product into a bar form, into a wire form, and take the
14 advantage of value add and more profit presumably. So
15 commercially it's just different opportunities in the
16 marketplace, and there is a discreet market that gets a semi
17 finished product form, and they do that as well, that's
18 their whole business model, and Ed was referring to that
19 community, the redraw community or the straighten and cut
20 community, in terms of reprocessors, that's the external
21 model.

22 Internally, it has to do with capacities and
23 capabilities and the products we serve. So your primary,
24 oftentimes the primary capacities come in larger slugs, for
25 lack of a better description, than your finishing. So

1 you'll have imbalances, and it's the whole absorption kind
2 of concept that we've been discussing. But that motivates a
3 lot about how much product that is primarily produced that
4 goes to a different route in the end, if you will, into a
5 bar product, into a coiled, straighten and cut into a bar
6 product, or into rod or wire at that point.

7 COMMISSIONER LANE: Okay. And Mr. Feeley or Mr.
8 McGrath, do you have anything that you would add to that?

9 MR. FEELEY: I couldn't have said it any better,
10 that's exactly our process.

11 COMMISSIONER LANE: Mr. McGrath?

12 MR. MCGRATH: No, I agree, it's really the demand
13 that dictates, you know, where the opportunities are to sell
14 the product.

15 COMMISSIONER LANE: Okay, then I would like for
16 you to respond to Posco's argument on page 6 of its brief
17 that the domestic producers are largely insulated from any
18 competitive factors in the merchant market because of high
19 levels of internal consumption.

20 MR. HUDGENS: I would argue that it's actually the
21 opposite, because if you look at just the merchant shipments
22 then you're going to have import penetration significantly
23 higher than what's reported in the staff report. And when
24 you're looking at the day to day competitive nature of this
25 industry, that's really the essence of, these salesmen are

1 competing with imports and on a much higher level than
2 what's really indicated in the staff report, because when
3 they're selling these products on the commercial market,
4 imports are a huge factor, and if you looked at just the
5 commercial sales and the import penetration based on
6 commercial sales, you'll see that the import penetration is
7 quite dramatic.

8 COMMISSIONER LANE: Mr. Ziolkowski?

9 MR. ZIOLKOWSKI: Just to amplify Mr. Hudgen's
10 comments, again back to the absorption principle and this
11 imbalance in capacities, that is kind of contrary or
12 counterintuitive to the insulation argument because we don't
13 have a practical outlet for all of that capacity. Again,
14 that's why this is so important to us, because we couldn't
15 kick away all of that internal capacity with some of those
16 downstream avenues, we don't have the finishing capacity
17 matched up with the primary capacity. This is another
18 outlet for that material.

19 COMMISSIONER LANE: Okay, thank you. Now I would
20 like to come to another area of questions. You argue that
21 the revocation of the orders will result in negative volume
22 and price impacts for the domestic industry. Have you
23 provided any projections of the impact from the operating
24 income of the domestic industry if the subject imports
25 obtained a particular level of market share?

1 MR. HUDGENS: We can do that for our posthearing
2 brief.

3 COMMISSIONER LANE: Okay. And could you also
4 provide what it would look like if the imports reached the
5 same level as the original investigation

6 MR. HARTQUIST: Absolutely.

7 COMMISSIONER LANE: Okay, thank you. I think that
8 concludes all of my questions. Thank you all for your
9 answers.

10 CHAIRMAN ARANOFF: Are there any further questions
11 from Commissioners?

12 (No response.)

13 CHAIRMAN ARANOFF: Do the staff have questions for
14 this panel?

15 MR. CORKRAN: Douglas Corkran, Office of
16 Investigations. Thank you, Madam Chairman, staff has no
17 additional questions.

18 CHAIRMAN ARANOFF: Do counsel for respondents have
19 questions?

20 (No response.)

21 CHAIRMAN ARANOFF: Okay. We will then proceed to
22 take a lunch break, unless some of my colleagues object
23 we'll take a lunch break for an hour, and return at 1:30. I
24 need to remind everyone that this room is not secure, please
25 don't leave any confidential information in here or anything

1 of value that might not be here when you come back. Until
2 that time we will be in recess to return at 1:30.

3 (Whereupon, at 12:25 p.m., the proceedings were
4 recessed to reconvene at 1:30 p.m. this same day, Thursday,
5 April 8, 2010.)

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

(1:31 p.m.)

1
2
3 CHAIRMAN ARANOFF: Good afternoon and welcome back
4 to the continuation of this hearing. Welcome to the
5 afternoon panel. Madam Secretary, are there any preliminary
6 matters?

7 MS. ABBOTT: No, Madam Chairman.

8 CHAIRMAN ARANOFF: Then we can proceed with the
9 panel.

10 MR. FERRIN: Good afternoon, Madam Chairman and
11 Commissioners. I am Richard Ferrin. I'm with Hunton &
12 Williams representing Cogne. Appearing before the
13 Commission here, I feel a little bit like the character
14 played by Bill Murray in the 1993 movie Groundhog Day. In
15 the movie, Bill Murray plays a t.v. weatherman, who finds
16 himself living the same day over and over again. Each day,
17 he gets up and faces the same people. The interactions go
18 pretty badly for the first time that he lives groundhog day.
19 But each time that he relives a day, he changes something
20 slightly and he gets a somewhat different reaction from the
21 people around him. By the end of the day that he lives
22 groundhog day the first time, the day didn't go well at all.
23 But after reliving the day several times, the end result is
24 much better.

25 For me, what makes this case like the movie

1 Groundhog Day is that the domestic industry's story always
2 seems to be the same every time we come before the
3 Commission. The Commission examines an industry that is
4 losing money despite import protection of one sort or
5 another for 30 years. The domestic industry then always
6 denies that its poor performance despite protection shows
7 that there is no link between imports and the health of the
8 industry. Instead, the domestic industry says that its
9 continued poor performance shows just how vulnerable the
10 domestic industry is.

11 Now, my colleague, Bill Silverman, has been on the
12 opposite side of the room against the domestic stainless
13 steel wire rod industry longer than I have. But, I was here
14 in one of my first cases as a lawyer representing Cogne and
15 the producer in another subject country in the 1998
16 investigation that led to these dumping orders. Mr.
17 Silverman and I represented Cogne again in the first sunset
18 review in 2004. Then, there was a real sense of deja vu in
19 the original investigation in the first review and the
20 Commission voted affirmative both times. But this time
21 around instead of reliving the same case with the same
22 ending, I think the Commission has ample reason to look at
23 this industry differently because some key facts have
24 changed.

25 North American Stainless entered the U.S. market

1 in 2003. In the 2004 sunset review, we argued that the
2 entry of NAS into the U.S. market changed everything, that
3 the domestic industry now had a producer that could compete
4 and win against subject imports. We argued that NAS was a
5 price leader and that any price declines were attributable
6 to NAS. Two Commissioners, Commissioners Okun and Pearson
7 agreed with much of this analysis and concluded that
8 revocation of the antidumping orders against Italy and most,
9 if not all, of the subject countries would be unlikely to
10 lead to a continuation of recurrence of material injury to
11 the domestic industry. Four other Commissioners, including
12 Commissioner Lane, disagreed. The majority said that NAS
13 only entered the market at the end of the first review
14 period in late 2003 and the volume of rod from NAS was much
15 less than the volume of subject imports. The majority
16 stated that "while we recognize that NAS is likely to have
17 an effect on prices in the future, this does not mean that
18 subject imports will not also have a significant effect on
19 prices."

20 Now, the pre-hearing staff report in the second
21 review catalogs in detail what has happened since, from 2004
22 to 2009. NAS took over the market, as we predicted. The
23 evidence regarding the domestic producers prices and costs
24 are confidential, but the evidence is summarized in our pre-
25 hearing brief. The results are stunning. The public

1 version of the report states that a certain number of
2 purchasers described NAS as the price leader of the U.S.
3 market. The report does not mention other domestic
4 producers as the price leader. It does not mention any of
5 the producers from the subject countries as the price
6 leader. Indeed, the only complaint of import pricing from a
7 specific country was from a non-subject country.

8 Indeed, the volume of subject imports during the
9 POI was extremely small and what few pricing comparisons
10 could be made showed that the domestic product was lower
11 priced. There were only nine pricing comparisons for
12 subject imports in the pricing series data, eight for Korea
13 and one for Taiwan, and in all but one of those pricing
14 comparisons the subject imports oversold the domestic
15 product. The domestic producers may claim that this is
16 because subject imports could not compete without dumping,
17 but this misses the point. Subject imports cannot compete
18 against NAS period because of NAS's prices.

19 It is widely known that NAS drives out subject
20 imports, non-subject imports, and other domestic producers
21 who try to sell into the merchant market. The evidence that
22 imports simply cannot compete effectively with NAS in the
23 U.S. market is clear from the data; specifically, the chart
24 on page seven of our brief regarding U.S. producers' share
25 of apparent domestic consumption since 1995 and NAS

1 commercial sales as a share of the U.S. industry's total
2 commercial sales, which is shown in the pie charts on page
3 six of our brief. Then, you should look at the AUVs for the
4 four U.S. products on page eight of our brief. The limited
5 pricing series data on page nine provide further
6 confirmation.

7 Thus, revocation of the antidumping orders will
8 not have an adverse effect on NAS because NAS already
9 dominates the U.S. market by producing a good product at a
10 low price that imports cannot match. Subject imports cannot
11 compete dumping or no dumping. If, as the other side
12 claims, stainless steel wire rod is fungible and prices
13 determine everything, then why wouldn't the low NAS prices
14 set the bar for the U.S. market?

15 Carpenter has reacted to this competition from NAS
16 in the manner described on page 16 of our pre-hearing brief.
17 Another domestic producer is in a similar situation. Now, I
18 can't go into details because the data are confidential, but
19 the dominance of NAS in the U.S. market and its effect on
20 other domestic producers, as well as subject and non-subject
21 imports, show that revocation of the dumping orders are
22 likely to have little or no effect on the domestic industry
23 regardless of whether imports from all the countries
24 accumulated or imports from Italy are examined separately.
25 In other words, most of NAS's competitors are insulated from

1 subject imports through the same methods that they've used
2 to insulate themselves from competition from NAS.

3 I would like to now turn to the cumulation issue.
4 Just yesterday, the Court of Appeals confirmed in Nucor
5 Corporation v. United States, that the Commission may
6 decline to exercise its discretion to cumulate imports in a
7 sunset review even if the mandatory cumulation factors are
8 met if "there are likely differing conditions of competition
9 indicated that they would compete differently in the
10 domestic market."

11 Now, I would like to discuss several facts about
12 stainless steel wire rod from Italy that, taken together,
13 show that imports from Italy are likely to compete under
14 different conditions of competition in the U.S. market. One
15 of the differences relates to how imports from Italy
16 competed in the U.S. market in the original investigation in
17 1998. The other differences relate to the fact that Cogne
18 faces a much different situation in its home market and
19 nearby markets with those differences likely to result in
20 subject Italian imports competing differently in the U.S.
21 market than imports from the other subject countries.

22 For the cumulation issue, there are more public
23 data and so we have prepared a package of handouts to
24 illustrate several key points showing that imports from
25 Italy are different. Now, the first page in the handout, in

1 the handout package, shows that the volume of subject
2 imports generally increased over the original period of
3 investigation from 1995 to 1997 as to the volume of imports
4 from Korea and Spain. Now, the volume of imports from Japan
5 and Taiwan are confidential, but I invite the Commissioners
6 to examine the pattern there, as well. The volume of
7 imports from Italy, however, actually declined during the
8 original investigation. They declined. To the extent that
9 the Commission looks to the original investigation to
10 predict what would happen if the orders were revoked, this
11 tells you that Italian imports are different than imports
12 from the other subject countries and are less likely to
13 compete in the U.S. market in a manner that is injurious to
14 the domestic industry.

15 Now, please turn to the second page of the
16 handout. The second page shows the trade balance within
17 Italy. Commission staff collected data on the net trade
18 balance of stainless steel wire rod, imports in versus
19 exports out, of the 10 leading exporters. It shows that
20 Italy is a net importer of stainless steel wire rod, not a
21 net exporter. All of the other countries on that list are
22 net exporters, except for one country that is not subject to
23 this review and has never been the subject of a Title VII
24 investigation on stainless steel wire rod.

25 Now, the third chart puts into perspective the

1 openness of the Italian market for stainless steel wire rod.
2 The chart compares the volume of stainless steel wire rod
3 imports into the United States versus imports into Italy in
4 short tons. This comparison covers every year of the period
5 of review except 2009 because the data on imports into Italy
6 and into other foreign markets are not yet complete and,
7 therefore, not available to Commission staff. The data show
8 that 47,608 tons of rod were imported into the United States
9 in 2004 compared to 127,716 tons into Italy. In other
10 words, imports into Italy were almost two-and-a-half times
11 the amount of imports into the United States. In 2008,
12 total imports into the United States had decreased
13 dramatically, to 29,884 tons, while imports into Italy
14 decreased only modestly to 114,911 tons. That's almost four
15 times the amount of imports into the United States.

16 Table 4-8 of the public staff report lists the
17 imports from the other subject countries and none of their
18 import volumes were even remotely close to the volumes
19 coming into Italy. With such high levels of imports into
20 Italy, why would Cogne have an incentive to target the U.S.
21 market instead of regaining market share at home?

22 Now, this morning, the other side tried to
23 discount the level of imports into Italy by claiming that
24 most of it was from France destined for an affiliated bar
25 producer. I ask you to now turn to the next page of your

1 handout - actually, two pages over. Two pages over on the
2 handout is a table by Federacciai and this gives an actual
3 breakdown by country. And you'll notice that France is here
4 at the top. These are imports going into Italy from various
5 countries. And you'll notice, yeah, there are a lot of
6 imports coming in from France, but there's also a lot of
7 imports coming in from Spain and a lot of other countries.
8 And, in fact, the French imports are what appear to be
9 roughly 20 to 25 percent of imports coming in to Italy.

10 Now, if you can turn back one page here to the
11 table that says "Federacciai data on Italian market
12 consumption of stainless steel wire rod," this data is based
13 on the Federacciai data that I just showed you and the data
14 date back to 2006. And the 2009 data are not summarized in
15 this table that we've prepared because the 2009 data are
16 available only through October. Now, this table that we
17 have shows that the Italian producers supplied between
18 roughly 23 and 26 percent of Italian domestic consumption
19 during the period 2006 to 2008. Now, we've taken the
20 liberty of converting the tonnage from metric tons to short
21 tons, so that the Commission may compare the size of the
22 Italian market to the size of the U.S. market. The exact
23 U.S. apparent domestic consumption figures are confidential
24 and are found in the top line at page 17 of the confidential
25 staff report. We invite the Commission to compare the

1 relative size of the U.S. market to the Italian market and
2 then consider the assertion on page 15 of Carpenter's brief
3 that "as demand improves, the U.S. market will remain
4 attractive to subject producers because of the sheer size of
5 the stainless steel wire rod market in the United States and
6 the relatively higher pricing in comparison to other major
7 markets."

8 Now, we can't provide any charts that go into any
9 details comparing prices in the U.S. market to prices in the
10 Italian market and in Europe, but we will do so in our post-
11 hearing brief. Suffice it to say that we believe that the
12 numbers comparing pricing on page 21 of Carpenter's brief
13 are cherry picked and are otherwise unreliable. We agree
14 with the other side's testimony this morning that the AUV
15 comparisons, while not ideal, are unavoidable here because
16 of the scarcity of pricing series data. But, at least the
17 Commission should use directly collected data, not the
18 secondhand information that the other side uses.

19 Now, we will point out in our post-hearing brief,
20 we will point to other numbers in the staff report that tell
21 a very different picture regarding relative pricing. These
22 prices will show that the EU market prices are, in fact,
23 higher, not lower, than the U.S. market, certainly not lower
24 than the benchmark in the U.S. set by NAS.

25 Now, all of these points comparing the U.S. market

1 to the Italian market explain why if the orders were
2 revoked, imports from Italy are likely to compete
3 differently in the U.S. market than imports from other
4 subject countries, unlike the pattern the Commission sees in
5 the typical steel case and sees with the markets in the
6 subject countries in this case. In the case of Italy, we do
7 not have a small protected home market and an incentive to
8 export at low dumped prices in a larger, more open U.S.
9 market. To the contrary, Italian producers have every
10 incentive to focus their energies on the large open Italian
11 market and Europe, more generally, where prices are higher
12 and the market is much larger than the U.S. market.

13 Next, let's talk about export orientation. The
14 reason the Commission looks at the export orientation of
15 subject producers is to use this as an indicator, the
16 propensity of those producers to reenter the U.S. market and
17 resume shipping large quantities of subject merchandise if
18 the orders were revoked. The Commission should be careful
19 in how it applies this test in a situation where the subject
20 producer is a member of the EU and near several national
21 borders. The fact of the matter is that Cogne, the only
22 Italian producer subject to this order, is located in the
23 town of Aosta, in the extreme northwest corner of Italy.
24 This is the same valley in which Mont Blanc and the
25 Matterhorn are located and Mont Blanc can easily be seen

1 from the factory. As a matter of geography, Cogne's biggest
2 customers are nearby. In many cases, those nearby customers
3 are not in Italy, but are located closer than many of
4 Cogne's Italian customers. The fact that Cogne currently
5 ships wire rod to these nearby customers does not make it
6 more likely that Cogne will export to the United States if
7 the orders are revoked.

8 Carpenter says on page 24 of its brief that
9 Cogne's Specialty Steel USA advertises that it supplies a
10 full range of stainless steel wire rod to the U.S. market
11 and asserts that this shows that Cogne is interested in the
12 U.S. market and will enter the market if the order is
13 revoked. We checked with Cogne on this point and were
14 informed that the Cogne U.S.A. website was first established
15 on February 8th of this year and the web master simply
16 copied all of Cogne's products from the main Cogne corporate
17 website and switched the measurement toggle for metric to
18 English measurements. Now, in your packet here, this is
19 following the Federacciai sheet, you will be able to compare
20 the two pages from the Cogne U.S.A. website with the
21 corresponding two pages from the Cogne Acciai specialty
22 Italy website. You will they're identical with the
23 exception of the toggle switch changing between millimeters
24 and inches.

25 The last page of that packet is also very

1 interesting. It shows the contact information for the Cogne
2 U.S.A. sales force. There's a salesman for stainless steel
3 bars, tool steel, semi-finished products, and wire. Notably
4 absent from the Cogne U.S.A. website is any mention of its
5 stainless steel wire rod salesman. As you know, Cogne sold
6 zero pounds of stainless steel wire rod in the U.S. market
7 during the entire period of review. This morning, we heard
8 allegations to the contrary. But Commission staff have
9 investigated this and, in fact, none of the rod is coming
10 from Cogne. Cogne informs us that to the best of its
11 knowledge, it has not received any inquiries for stainless
12 steel wire rod in the U.S. market during that time. All of
13 this is consistent with Cogne's questionnaire response
14 regarding the likely effects of revocation. Cogne cannot
15 compete against NAS. It may be interested some day in
16 limited participation in the U.S. market in specialized
17 areas where NAS does not compete. But, as Cogne explained
18 in its questionnaire response, it would take Cogne two to
19 three years to reenter the U.S. market as an active
20 participant.

21 The other side also presents an exhibit in its
22 pre-hearing brief purporting to show lots of imports of
23 stainless steel bar from Cogne during 2008 and 2009.
24 Presumably the point is to suggest that Cogne can reenter
25 the U.S. market much more quickly than it claims. It turns

1 out that the vast majority of these entries, including all
2 of the 2008 entries and the early 2009 entries, consist of
3 imports that were never within the scope of the order on
4 stainless steel bar. Most of the entries consisted of
5 alloyed tool steel rather than stainless steel and some of
6 the imports were, in fact, semi-finished steel rather than
7 stainless steel bars. One of the imports listed was, in
8 fact, produced and imported from Cogne's bar making facility
9 in China, not Italy. Much of this is a parrot from a closer
10 review of the data in the Petitioner's own exhibit believe
11 it obtained a shipment-by-shipment analysis from Cogne,
12 which we will provide in the post-hearing brief.

13 There were a few entries of actual Italian
14 stainless steel bar produced by Cogne. However, the
15 combined quantity of these imports of stainless steel bar
16 total approximately 137 metric tons, significantly less than
17 the total in Petitioner's exhibit. All of these sales were
18 made to one customer, who asked Cogne to help it out of a
19 jam when Crucible went into bankruptcy and couldn't supply
20 this customer. The first of these imports arrived July 30,
21 2009, more than one-and-a-half years after the antidumping
22 duty order was revoked and as I've said, even this was an
23 unusual case and the volume was small. I'm sorry a Cogne
24 representative could not be here today, but we will provide
25 an affidavit and backup data. So, Cogne's experience with

1 attempting to reenter the stainless steel bar market
2 actually supports Cogne's position that it will take
3 considerable time to reenter the U.S. market.

4 The last point I'd like to touch on briefly is the
5 other side's odd last minute request to cumulate all the
6 countries except for Spain. In its response to the
7 Commission's notice of institution, Carpenter does not say
8 the Commission should treat Spanish imports differently.
9 However, in a footnote on the first page of their pre-
10 hearing brief, the other side says that it wants Spanish
11 imports decumulated, but there are no questionnaire
12 responses from Spanish producers. On page six of
13 Carpenter's brief, again in a footnote, Carpenter explains
14 that Spanish producer Roldan will participate in the U.S.
15 market through its affiliate NAS, rather than through
16 increased import volumes and that "does not believe that the
17 other Spanish producers, Olara and Sidmore, pose a threat
18 for an increase in import of stainless steel wire rod in the
19 foreseeable future." On what basis? This is something that
20 Commissioner Lane went to earlier this morning, what's the
21 basis for that statement. There are no questionnaire
22 responses. Even their affiliate Roldan didn't submit a
23 questionnaire response. The brief is entirely vague on that
24 point.

25 Moreover, there are no questionnaire responses

1 from any of the Spanish companies or any other evidence to
2 support their assertions about what any of these Spanish
3 producers will do if their orders are revoked. Indeed, even
4 NAS, the affiliate of one of the Spanish companies, never
5 responded to the Commission's notice of institution at the
6 beginning of this investigation and to this day has not
7 submitted an entry of appearance in this proceeding. The
8 only entry of appearance in this proceeding is on behalf of
9 Carpenter. If NAS is so anxious to decumulate Spanish
10 imports, why did it not persuade its affiliate to supply a
11 questionnaire response? Indeed, Carpenter blasts other
12 foreign mills for their failure to respond to the
13 Commission's questionnaire, but gives a pass to the three
14 non-responsive Spanish mills and asks the Commission to let
15 them out. The fact of the matter is that the other side is
16 trying to manipulate the statute.

17 This morning, counsel for the other side, Ms.
18 Staley, suggested that we look at imports from the excluded
19 Italian producer, Valbruna, and exclude a Taiwanese
20 producer, Yieh Hsing, as a proxy of what would happen with
21 subject imports if the orders were lifted. Well, we invite
22 the Commission to look at pages 1-6 and 1-7 of the pre-
23 hearing staff report for those companies and see what
24 happened over time to their market share.

25 Now, regarding the allegations you heard this

1 morning concerning Charter, we reach Cogne officials during
2 the lunch break and found out the following. Cogne did
3 indeed have talks with Charter in 2004. Charter asked Cogne
4 to produce billets for grades that they don't produce. Let
5 me repeat this, this was Charter asking Cogne. It was not
6 Cogne contacting Charter. It was Charter contacting Cogne
7 to produce billets for grades that Charter did not produce,
8 specifically XM-19 grade. So, we did so and, in fact, Cogne
9 did supply 110 tons of billets in 2004, 138 tons of billets
10 in 2005, and 22 tons of billets in 2006. That was probably
11 early 2006. Cogne did not ask Charter to convert this into
12 wire rod for Cogne. They simply supplied billets for a
13 grade that Charter didn't make. The last contact with
14 Charter was several years ago. So, these allegations are
15 simply baseless.

16 The industry today is much different than the
17 industry that appeared before the Commission in the 1970s,
18 1980s, 1990s, and the first half of this decade. The
19 domestic industry no longer needs import protection from
20 Title VII. It has something that it didn't have previously,
21 import protection resulting from an efficient, low-cost
22 producer, NAS. The results have been obvious in the trend
23 of the domestic industry share of apparent domestic
24 consumption through all phases of the economic cycle. Now
25 is the time to sunset the antidumping duty orders, if not

1 for all the countries, at least for Italy.

2 In summary, the Commission should not let
3 Carpenter get away with making the same pat arguments it has
4 made in all previous cases. The Commission must not ignore
5 the 800-pound gorilla in the room, NAS. Carpenter and the
6 two small U.S. producers have the best import protection
7 imaginable, they have NAS. NAS keeps subject imports out
8 because of its efficiency and low prices. With that market
9 efficiency and dominance, continued Title VII relief is
10 unnecessary. We don't need to relive this groundhog day
11 anymore.

12 This ends our affirmative presentation. We would
13 be glad to answer any questions that we can and provide
14 answers from our clients in the post-hearing brief.

15 CHAIRMAN ARANOFF: Thank you, very much, for that
16 presentation. We appreciate your being here today. We are
17 going to being questioning this afternoon with Commissioner
18 Williamson.

19 COMMISSIONER WILLIAMSON: Thank you, Madam
20 Chairman. I want to express my appreciation to the
21 witnesses for being here. My first question is, what is
22 Cogne's intention with regard to participation in the U.S.
23 market if the order is revoked in Italy? You've kind of
24 hinted at it, but go over it again, please.

25 MR. FERRIN: At some point in the future, they

1 would like to be in a position where if there was an
2 opportunity that came up to supply something specialized
3 that NAS wasn't involved with, they would like that
4 opportunity. We don't know when that will occur. That will
5 occur sometime in the future. But, we only get one of these
6 shots once every five years and so we're here today.

7 COMMISSIONER WILLIAMSON: Okay. I get the
8 impression - you said it might take you two years to get
9 back -- if you were to make a decision to try to get back in
10 the U.S., it would take two years. Why such a long time? I
11 didn't quite get the example that you -

12 MR. FERRIN: Well, this is -

13 COMMISSIONER WILLIAMSON: - mentioned with the
14 rod.

15 MR. FERRIN: I was going to suggest that you look
16 at our questionnaire response. Cogne foreign producer
17 questionnaire response lists several steps that Cogne would
18 have to do. Qualification is one of the steps. But, there
19 are actually a series of steps that Cogne would have to do,
20 to get back into the U.S. market and develop any sort of
21 customer base. And I, unfortunately, don't have that
22 questionnaire response right in front of me, but all of
23 those steps are detailed in the questionnaire response.

24 COMMISSIONER WILLIAMSON: Okay. I, also, got from
25 the answer the assumption that there is a certain niche

1 where you think you're going to be more competitive than -
2 or you could compete with NAS and we haven't had a lot of
3 discussion about that today as to what are the niche
4 markets, if that's the correct word to use.

5 MR. FERRIN: Well, unfortunately, we don't have a
6 representative here today from Cogne, but we don't have in
7 mind any particular grade. We don't have anything specific
8 in mind. As I said, this is the - the idea is that Cogne
9 gets this chance once every five years and so we're taking
10 advantage of that now to at least tell you why the import
11 protection should end. They don't have any particular plan
12 to supply any particular grade to the U.S. market. It may
13 just sort of depend on what happens. So, I'm sorry,
14 Commissioner Williamson, that I can't be more specific than
15 that about a particular grade. If you would like further
16 information in the post-hearing brief about what Cogne
17 produces, we would be glad to do so.

18 COMMISSIONER WILLIAMSON: Can you point to
19 examples in other markets that might be what you would
20 consider a model for what might happen in the U.S. market?

21 MR. FERRIN: We'll be glad to ask our client and -

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. FERRIN: - provide that in our post-hearing
24 brief.

25 COMMISSIONER WILLIAMSON: Thank you. Without

1 getting into the actual numbers, I get the impression that
2 stainless steel wire rod, demand for it in Italy is
3 different than from the U.S. and I wasn't sure why that was
4 and is this sort of Europe-wide?

5 MR. FERRIN: Well, it's a big market. There are a
6 lot of end users that are in that area. As you can see from
7 the numbers, the import levels are very large into Italy.
8 Yes, there are exports out of Italy, but the import levels
9 into Italy are quite large. And I think this has to do
10 largely - now, mind you, I am speculating here, but this is
11 largely because of the downstream products there, between
12 bar producers, wire drawers, et cetera, people that use wire
13 rod to make further downstream products. A number of them
14 may be located in Italy, for example, in the automotive
15 industry. If you would like further details on this, we
16 can, again, ask our client to provide further details on the
17 Italian market.

18 COMMISSIONER WILLIAMSON: I think it would be
19 helpful, since it would further substantiate this claim
20 that, you know, the European market is really where the
21 action is for Cogne. I understand about Aosta when we're
22 driving through there, so I know what you mean about how
23 close it is to Switzerland and France; I understand that.
24 But just to give an explanation of why is it that the
25 European market is so much more attractive than the U.S.

1 market.

2 MR. FERRIN: Well, I think, Mr. Williamson, that -
3 Commissioner Williamson, that would be answered in two
4 parts. One part would be the prices, the other part would
5 be the volume. The volume, we will - for both of these,
6 we'll find out why from our client. But the numbers are
7 very clear, as far as the import volume, and those numbers
8 are detailed in the handout that we provided from
9 Federacciai. And you can compare them yourself to the
10 import number - to the entire domestic consumption numbers
11 in the United States and it tells you the story. But as for
12 the reason why, we will provide that in our post-hearing
13 brief.

14 COMMISSIONER WILLIAMSON: Okay. That will be
15 helpful because it is striking and in a sense surprising
16 from what we normally assume. Putting aside the issue of
17 Italy, do you have any views on whether the Commission
18 should cumulate imports from Spain or imports from other
19 sources? What is your view on that? You've already given
20 us a hint.

21 MR. SILVERMAN: I just - let me put it this way,
22 it's a clever trick. It's a clever trick to ask that NAS's
23 sister company be exempted. But, I don't see any of the
24 statutory bases. They claim that they have this reference
25 to the played case, but it - what's Cogne's position on

1 decumulation of Spain? We'll give you a more concrete
2 answer. I mean, we were kind of shocked, actually, they
3 would try this because it's so transparent. But, we think
4 the criteria for separating Italy from the rest is solid and
5 that's why Italy should be treated separately.

6 COMMISSIONER WILLIAMSON: Okay.

7 MR. SILVERMAN: I mean, it's always great to see
8 domestic steel lawyers making these arguments that they've
9 always opposed about letting out foreign companies. I found
10 that quite entertaining.

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. SILVERMAN: That's just my entertainment,
13 sorry.

14 COMMISSIONER WILLIAMSON: We're here to entertain
15 you.

16 (Laughter.)

17 COMMISSIONER WILLIAMSON: Even now or in post-
18 hearing submission, please describe how the Commission
19 should evaluate the available capacity reported by Cogne in
20 2009, in assessing its potential for increasing exports to
21 the U.S. market.

22 MR. FERRIN: We will do so.

23 COMMISSIONER WILLIAMSON: Okay, thank you. What
24 about the competitors of other Italian producers of
25 stainless steel wire rod to get into the U.S.? I guess,

1 Valbruna, we know is there, but others?

2 MR. SILVERMAN: Is your question other non-subject
3 imports or subject imports or U.S. producers in the United
4 States?

5 COMMISSIONER WILLIAMSON: No, I'm talking about
6 Italian producers, I guess both subject and non-subject.

7 MR. SILVERMAN: To the best of our knowledge,
8 there are only two Italian producers that produce stainless
9 steel wire rod in the commercial market -

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. SILVERMAN: - for commercial sale and that's
12 Cogne and Valbruna.

13 COMMISSIONER WILLIAMSON: Okay. So, that's -

14 MR. SILVERMAN: That's it.

15 COMMISSIONER WILLIAMSON: That's the market for
16 everywhere?

17 MR. SILVERMAN: That's it.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. SILVERMAN: There is somebody else, who was
20 making something - there was another player at some point in
21 the past, but I think you would need to take a look at the
22 confidential record to find out more information about that
23 company.

24 COMMISSIONER WILLIAMSON: Okay, good. Those are
25 all the questions I have for right now. Thank you.

1 CHAIRMAN ARANOFF: Commissioner Pinkert?

2 COMMISSIONER PINKERT: Thank you, Madam Chairman,
3 and I thank both of you for coming here today to answer our
4 questions and give us your view of the case. I want to
5 begin with something that you didn't say, but I'm wondering
6 whether that was intentional or inadvertent. In your view,
7 does NAS enjoy lower costs than Cogne? And if you can't
8 answer that at the hearing, perhaps in the post-hearing
9 submission, you can address it.

10 MR. SILVERMAN: We'll address that in the
11 confidential post-hearing.

12 COMMISSIONER PINKERT: Thank you. Now, on this
13 next one, I think you might be able to answer it at the
14 hearing. Leaving aside the recession, would you
15 characterize NAS's performance with respect to the subject
16 product as robust, its financial performance with respect to
17 the subject product?

18 MR. FERRIN: Commissioner Pinkert, I think this is
19 all relative, but you can certainly compare for yourself,
20 and we have certainly compared it, NAS is - their operating
21 profits, operating results for each of the years they've
22 been in existence, and we've compared that to what the
23 results have been for the rest of the domestic industry, and
24 there's a limited amount that I can say in public, but
25 there's a big difference there.

1 COMMISSIONER PINKERT: And, again, this may be
2 something for the post-hearing, but is there a pattern over
3 time where the performance is either comparable or less than
4 the performance of other companies within the domestic
5 industry, but then you see a time frame where NAS begins to
6 predominant? Is that a fair characterization of the data or
7 -

8 MR. FERRIN: I think so; I think so, yes.

9 COMMISSIONER PINKERT: Okay. Now, turning to the
10 raw material surcharge issue that I asked questions about
11 this morning, are prices in Asia lower than in Europe or the
12 United States because Asia producers do not use raw material
13 surcharges?

14 MR. FERRIN: We will check with our client on that
15 and respond in the post-hearing brief. I'm not sure of the
16 answer why prices are lower in Asia, to tell you the truth.

17 COMMISSIONER PINKERT: Thank you. Now, in terms
18 of stainless steel bar - I'm not talking about the subject
19 project now -- but how much stainless steel bar is Cogne
20 currently exporting to the United States?

21 MR. FERRIN: Well, the answer that we got for 2009
22 was - I just hat that figure right here - 137 metric tons
23 for all of 2009 and that's it. I don't have 2010 figures.

24 COMMISSIONER PINKERT: And does that have any
25 bearing on the issue of Cogne's ability to export subject

1 product to the United States in the imminent future?

2 MR. FERRIN: Well, certainly, Cogne can produce a
3 product, but they've got to have a customer. And as
4 explained in the affirmative testimony, in the testimony we
5 gave, this situation was one particular customer that needed
6 last minute help because Crucible went into bankruptcy. So,
7 I think that would be more fairly characterized as one off
8 situation, as opposed to Cogne going out there and starting
9 to build and develop a client base, a customer base. So, if
10 we set aside that unusual situation, then, in fact, you've
11 got at least two years from the time that the dumping order
12 was lifted on single steel bar and Cogne still hadn't
13 developed any client base, any customer base in the U.S.

14 MR. SILVERMAN: I think that's an important point,
15 since this case is about predictions and what will companies
16 do. When the bar order was lifted, did Cogne do all the
17 terrible things that the domestic industry predicts it would
18 do with regard to rod? I mean, this, in a sense, is a
19 controlled group to test their prediction. The order is
20 gone and now we're going to flood the market, all those
21 words they used - wrong. Cogne didn't do it for lost of
22 reasons, but the point is they didn't do it. And that, I
23 think, is important when you hear them making predictions
24 about Cogne's commercial behavior going forward. We have
25 the bar example. They did not do what was predicted. So, I

1 would keep their predictions in proper perspective when they
2 make them because we have this example of the bar case - the
3 bar order, excuse me.

4 COMMISSIONER PINKERT: Thank you. Staying with
5 you, Mr. Silverman, I didn't want to mischaracterize your
6 statement this morning about the vulnerability issue, so I
7 wanted to give you a chance to explain. But, is it your
8 view that the vulnerability determination is not just a
9 state of the industry determination, but it has some sort of
10 a causation component to it or is that how we're supposed to
11 apply the vulnerability determination in the context of a
12 sunset review, as opposed to the determination, itself?

13 MR. SILVERMAN: What I meant to say was that
14 vulnerability is one thing, caused by reason of future of
15 imports is something else and that's basically it. In the
16 context of causation is the latter question. Somebody can
17 be vulnerable; but if we're having a causal impact now or in
18 the future, then the statutory standard hasn't been met.

19 COMMISSIONER PINKERT: And with that, I thank you
20 for being here today again and I look forward to the post-
21 hearing.

22 CHAIRMAN ARANOFF: Mr. Ferrin, you brought some
23 information in your direct testimony earlier on this issue
24 of whether it would be difficult for Cogne to reenter the
25 U.S. market and I appreciate all of the things that you had

1 in your exhibits there. As I understand it, you're
2 basically arguing that the marketing structure that Cogne
3 has set up here in the U.S. already is not really helpful
4 with respect to reentering the market for stainless steel
5 wire rod, wouldn't speed the process. And we have testimony
6 from the domestic producers saying of course it would speed
7 the process. They have a whole marketing architecture
8 already set up here in the U.S. and a website showing that
9 this is a product that they make, why wouldn't that speed
10 the process.

11 And so one of the things that would be helpful to
12 me in sorting this issue out on a factual basis is this. It
13 seems to me that maybe the key distinguishing point is
14 customers and you may have to answer this post-hearing, but
15 are there any U.S. customers to which Cogne sells other
16 products like stainless steel bar, stainless steel wire, or
17 tool steel or the other things that were listed on the U.S.
18 website, who are also purchasers of stainless steel wire
19 rod? Because if you're talking about an established
20 customer to whom you could sell an additional product, it
21 seems like that, in fact, might speed up the process because
22 there would be a relationship of trust established and some
23 of the parts of the qualification where they look at whether
24 you're a financially sound company and all of that might
25 already be satisfied, whereas if it's an entirely separate

1 customer set, maybe it's a different argument and more
2 supportive of the time frame that you're talking about. Is
3 that something you think you'll be able to supply?

4 MR. FERRIN: Yes, Chairman Aranoff.

5 CHAIRMAN ARANOFF: Okay. And if there is anything
6 else you could think of that I haven't thought of that would
7 back up that claim; otherwise, we kind of have a he said,
8 she said, where there's this U.S. structure that is either
9 useful or it's not. Okay. So, thank you for that.

10 There's been a reference in a number of points
11 today to the fact that the market in Europe is currently
12 oversupplied with stainless steel wire rod and that all of
13 the European producers in general and perhaps - I don't want
14 to speak to particular data with respect to Cogne, but given
15 the recession, everybody has excess capacity. Given the
16 fact that there are high fixed costs in this industry, why
17 wouldn't Cogne have an incentive to ship as much additional
18 product to the U.S. as it could right away, in order to fill
19 up any excess capacity?

20 MR. FERRIN: Well, Cogne would have an incentive
21 to sell first of all where they would be making the most
22 money and as we've explained before, that's not the United
23 States. And there is a certain point where the people that
24 are involved in the market and the people that make the
25 decisions of the company, just like any company, have to

1 make a decision on how low they're willing to go on price in
2 order to fill up the mill. And I think what you've seen
3 with a lot of steel companies, including Cogne, lately is
4 that they've decided instead of just shoving it out the door
5 at any price, that they would rather shut down the
6 production and wait for the prices to come back. I think
7 we've seen that in the steel industry a lot more over the
8 last several years than we ever used to see before.

9 CHAIRMAN ARANOFF: Okay. If there is anything
10 that you could provide us from the company that would
11 support that sort of business planning approach, I think
12 that would be helpful.

13 I think that underlying a lot of the testimony
14 that you've given us is that the reason that you don't see a
15 significant volume of imports from Cogne entering the U.S.
16 market in the reasonably foreseeable future if the order is
17 revoked is because with the exception of the possibility of
18 certain specialty products, you don't see Cogne as able to
19 compete on price with North American Stainless in the U.S.
20 market.

21 MR. FERRIN: Correct.

22 CHAIRMAN ARANOFF: Is there anything else that you
23 can provide to support that argument, that Cogne couldn't
24 make a profit competing with North American Stainless on
25 commodity grades in the U.S. market?

1 MR. FERRIN: Couldn't make a profit? We'll see
2 what we can come up with.

3 CHAIRMAN ARANOFF: Define it however you want, why
4 it wouldn't be a rational business decision for them to do
5 that.

6 MR. FERRIN: Chairman, one thing to bear in mind
7 with respect to this, we're certainly going to ask our
8 client to see what they can come up with, they may be
9 grasping a bit because remember, they've been out of this
10 market for a long time and they know in a very general sense
11 about what NAS has done in the U.S. market, but they don't
12 have the kind of really specific day-to-day pricing
13 information that a lot of these other participants would,
14 because they haven't been in the market for so many years.

15 CHAIRMAN ARANOFF: I understand that and I
16 appreciate that. I think what we're dealing with here is a
17 situation where we've got a number of producers in all the
18 subject countries, who have some amount of excess capacity.
19 We have an industry that traditionally has been associated
20 with having high fixed costs, where it makes sense to fill
21 up the mill to some extent; who have an incentive to ship
22 not just to the highest priced market, but to any market
23 that is going to make a contribution towards those fixed
24 costs. So, if you're looking at that pattern and you're
25 looking at any producer that doesn't currently have access

1 to the U.S. market and has some excess capacity, you're
2 going to say to yourself, why wouldn't they ship here and
3 make that contribution. So, I guess I'm just asking you to
4 help me build up the record on the other side of that, why
5 wouldn't they.

6 MR. FERRIN: Well, I mean, one possible proxy to
7 consider is - this was suggested by the other side - is look
8 at Valbruna and look what's happened with Valbruna lately.
9 And they haven't been - they had a very tiny CBD rate for a
10 while and they had no dumping at all. Now, I understand
11 that the Commission treats differently in that situation.
12 But, if you're grasping for an analogy, it would seem to me
13 that there would be the same incentives for Valbruna as it
14 would be for Italy and Valbruna hasn't taken over the U.S.
15 market.

16 CHAIRMAN ARANOFF: Okay. One last question, as I
17 wanted to clarify, you had given us a bunch of data relevant
18 to the net importer issue and the issue of what's going on
19 with imports from Igitech into Italy. And you pointed out
20 that imports from France were a quarter or less of total
21 imports of this product into Italy. I think the argument
22 that the domestic producers were making is that the imports
23 from Igitech account for a large share of the net imports,
24 the amount by which imports exceed exports in Italy. So, if
25 you could go back and take a look at the data and let us

1 know whether you agree with that assessment, that would be
2 helpful.

3 MR. FERRIN: We will take a look at that.

4 CHAIRMAN ARANOFF: Okay. With that, I think I
5 have exhausted my questions for now. Let me turn to Vice
6 Chairman Pearson.

7 VICE CHAIRMAN PEARSON: Thank you, Madam Chairman.
8 Welcome to the afternoon panel. I wish I could thank you
9 for flying in from Italy and bringing us this wonderful
10 weather, but that's probably not appropriate in this case.

11 At the risk of asking some of Commissioner Okun's
12 questions, let me stumble through some cumulation questions
13 because all is dangerous for me, especially as a lead off,
14 but she can clean it up here in a minute. I have full
15 confidence in Commissioner Okun. The approach that she and
16 I used to cumulation five years ago, is that still
17 reasonable or you can also comment on whether it was
18 reasonable at the time? But, does it give a template for us
19 to think about cumulation this time or have things changed
20 so much that it's no longer valid?

21 MR. FERRIN: Well, one thing worth considering is,
22 as I mentioned before, if we're going to look - if the
23 Commission is going to consider what happened in the
24 original investigation as a template for what would happen
25 if the orders were revoked, one difference is that imports

1 from Italy actually declined, whereas imports from the other
2 countries increased. And I believe you have the - yeah, you
3 do have the Korea number in front of you and from 1995 to
4 1997, there's a very different pattern there. So, if the
5 question is should imports from Italy be cumulated with
6 imports from Korea, I would think not, partially for that
7 reason and partially for the reason that the general pricing
8 levels are different. And, also, I can't speak about the
9 Korean market, itself, but I would be very surprised if you
10 had as much open competition in the Korean market as you do
11 in the Italian market, as far as imports in and exports out,
12 the flow back and forth of wire rod. And that's a
13 consideration, as well, that I think - that makes Italy
14 different than Korea.

15 VICE CHAIRMAN PEARSON: If we did choose to
16 cumulate Italy with Korea again, would you still be a basis
17 for a negative vote?

18 MR. FERRIN: Yes.

19 VICE CHAIRMAN PEARSON: Reasons being, because,
20 like you said, Korea is different in some respects than
21 Italy?

22 MR. FERRIN: Well, we haven't performed the
23 analysis that the Commission would by combining the data
24 from all the two of them. But, it's basically kind of a
25 zero plus zero still equals zero kind of situation. And

1 whether or not you cumulate Italy with Korea or you cumulate
2 everybody together, we think it still equals a negative
3 determination because of all the reasons that we talked
4 about, about NAS's role in this market. They're the ones
5 that ultimately are going to keep out imports.

6 VICE CHAIRMAN PEARSON: Okay. And that's true
7 even though we have no input from Japan and Taiwan and both
8 of those countries are substantial producers. You still
9 think you would be comfortable voting a negative on all
10 subject countries as a group?

11 MR. FERRIN: I think you can take a look at the
12 U.S. producers share of the domestic market through goods
13 times and bad, including through the terrible year of 2009,
14 and I think you have your answer right in front of you.

15 VICE CHAIRMAN PEARSON: Okay. Well, for purposes
16 of the post-hearing, if you could help us think through this
17 cumulation question somewhat carefully because we do have
18 the template that we used five years ago and if that's no
19 longer the correct way to think about it, we - I, at least,
20 really need to know what's different and why and how it
21 should be adjusted.

22 Earlier this morning, we spoke a little bit about
23 the relative strength of the euro versus the dollar compared
24 to five years ago. Is this an issue that we should be
25 thinking of when we look at the potential profitability of

1 moving SSWR from Italy to the United States or is it really
2 not an issue? The domestic industry encouraged me to think
3 of the pricing of many of the raw materials in dollars and
4 thus the value added in Italy would be not that great and so
5 the euro/dollar relationship wouldn't be that important, at
6 least that was my understanding of their representation.

7 MR. FERRIN: Well, you know, while I think it is
8 true the fact that if the imports - if these companies are
9 purchasing their imports in dollars -- and I don't know
10 about Cogne, quite frankly, much less any of the other
11 subject countries - but if they're purchasing their imports
12 in dollars opposed to euros, then that is true that that
13 means that their inputs are not - their input raw material
14 prices are not hurt by the appreciation of the euro; but,
15 nevertheless, doesn't mean that it is still much more
16 profitable to sell it in Europe than it would be into the
17 U.S., all things being equal, given the relative value of
18 the euro and the dollar.

19 VICE CHAIRMAN PEARSON: Okay. For purposes in the
20 post-hearing, perhaps you could check with Cogne and see
21 whether that change in currency relationships over the five
22 years has any influence on how they would think about the
23 possibility of selling into the United States. And,
24 certainly, since they sell other products, they would know
25 something about this from those related product minds.

1 MR. FERRIN: We will do so.

2 VICE CHAIRMAN PEARSON: And then as part of that,
3 perhaps you could try to determine how much of Cogne's costs
4 of making stainless steel wire rod is actually domestic
5 value added and are they obtaining their molybdenum from
6 within the Euro zone, their ferrous input? All of their
7 other factory costs, I'm sure, would be a domestic cost. I
8 don't have a sense of what share of their costs would be
9 considered domestic versus a world priced input that might
10 be obtained in dollars.

11 MR. FERRIN: When you say "domestic," you mean
12 within -

13 VICE CHAIRMAN PEARSON: Domestic within the EU;
14 yes, domestic within Italy and the Euro zone. Does that
15 make sense?

16 MR. FERRIN: Yes, it does and we'll do that.

17 VICE CHAIRMAN PEARSON: Okay. Would you have
18 anything to say about the cost of seeking an administrative
19 review at Commerce? Is that something that is potentially a
20 viable approach for Cogne?

21 MR. SILVERMAN: You know, I re-read the transcript
22 from five years ago. You asked that question then.

23 VICE CHAIRMAN PEARSON: I had forgotten that. I
24 did not go back and read the transcript.

25 MR. SILVERMAN: I'm not suggesting you go back and

1 read it, but the costs of responding to an administrative
2 review is certainly my mortgage payments, my tuition
3 payments, and those kinds of things. But the real cost of
4 an administrative review is much bigger than that and it has
5 to do with organizing a system to monitor home market prices
6 and costs. And every time a freight rate changes for home
7 market truck, you have to put it into the system, in order
8 to determine whether an individual sale or a sale in a
9 particular month would be dumped. It's a very complicated
10 price and cost monitoring system. And what you say to
11 people in these cases is do you want to change the way you
12 do business in your home market, in order to maintain a
13 trickle of sales to the United States.

14 When we're dealing with Canadian companies, where
15 a substantial portion of their business is here, and I've
16 been before you a number of times on steel cases where you
17 have Canadian companies, that's one balance. But when
18 you're dealing with people from other countries far away and
19 you say to them, oh, you've got to completely change how you
20 deal with home market trucking companies and you've got to
21 completely change the way you account for costs because
22 sometimes the Department of Commerce does it by an annual
23 basis, sometimes they do it on a quarterly basis, and I can
24 go on for an hour with the kinds of things that cause major,
25 major stomach acids in foreign companies when they try to

1 comply with the law. And to comply with the law, by the
2 way, doesn't have to do with what you sell to the United
3 States. I mean, you hear the other side talk about this and
4 they say dumping is just selling, you know. You can be
5 caught dumping if the home market trucking rates change.
6 You can erase a dumping margin or cause a dumping margin.
7 If you sell a product delivered in that country and the
8 freight rate changes, you've got to adjust everything really
9 quickly.

10 So, it's a very complicated kind of thing and it
11 is an enormous non-tariff barrier to comply. If you're a
12 Canadian steel company or a Canadian widget company, there's
13 no question about it, you do it. But if the U.S. is not
14 your principle market, it's not just paying Silverman's
15 mortgage and his law firm's bills, it's much bigger than
16 that. It has to do with how you organize your accounting
17 and how you deal with your home market customers. So, that
18 may be more than you wanted to hear. But, I would be glad
19 to talk to you about it -

20 VICE CHAIRMAN PEARSON: I wouldn't encourage you
21 to go on for hours and hours, if you suggested it.

22 MR. FERRIN: Commissioner Pearson, if I could just
23 add one point about this, is that it's also difficult for us
24 to put a figure on it because it also depends upon the
25 client. Some clients have more sophisticated accounting

1 systems than others. Some clients have many more affiliates
2 than others. And on these Commerce Department cases, you've
3 got to - heaven forbid if any of - if you have affiliates
4 that are involved in the production or sale of this product
5 or you get an upstream input from them, then you're talking
6 about multiplying by several times the cost of going through
7 one of these things. We've certainly had that before, where
8 we had clients that had - got all of their inputs from
9 affiliated parent companies. We've had clients where they
10 sell a good chunk in their home market to affiliated
11 downstream companies. You have to then go to all of those
12 companies, as well. And so, it really is all across the
13 board. It depends upon the accounting systems; depends upon
14 how diligence the client is as far as they're doing the
15 work, as opposed to our doing the work; and it depends upon
16 their corporate structure.

17 MR. SILVERMAN: The key point is, it's not what
18 you heard this morning, that is people in foreign countries
19 are not going through reviews and that means they're evil
20 dumpers. That's an oversimplification and it's terribly
21 misleading.

22 VICE CHAIRMAN PEARSON: Okay. I'm well over my
23 time. For purposes of the post-hearing, if you could
24 explain without too many paragraphs why it might be a
25 rational business decision for Cogne not to seek an

1 administrative review, that would be helpful. You kind of
2 implied that earlier, saying that you get this one shot
3 every five years, coming in to do it this way. But, there
4 had to be some thought process that went in to how to
5 approach this and the fact that you are here now and Cogne
6 hasn't been there seeking reviews at Commerce, help us
7 understand that a little better. And, also, in that, if you
8 could address the question of whether indeed Cogne needs to
9 sell something into the United States, in order to go
10 through an administrative review, and whether that condition
11 has been met, that would be helpful.

12 MR. FERRIN: That I can answer right of the top of
13 my head.

14 MR. SILVERMAN: I think he wants to finish.

15 MR. FERRIN: Okay.

16 VICE CHAIRMAN PEARSON: Well, I really am way over
17 my time. Madam Chairman, thank you for your indulgence and
18 I'll pass.

19 CHAIRMAN ARANOFF: Commissioner Okun.

20 COMMISSIONER OKUN: Thank you, Madam Chair and
21 welcome. This morning, Mr. Blot testified about his
22 forecast for demand in the U.S. market in the reasonably
23 foreseeable future. With respect to the markets for Cogne,
24 does Cogne produce internal forecasts or reply on someone
25 like Mr. Blot to determine what demand is like in their

1 principle markets; and if so, can you make that available to
2 the Commission?

3 MR. FERRIN: We'll check with Cogne and provide
4 that in our post-hearing brief.

5 COMMISSIONER OKUN: Okay, and I think again, in
6 all the principle markets, if there's any additional
7 information -- I mean, as you know, in the staff report,
8 we've collected some information provided by the Korean
9 respondent with respect to global demand.

10 If there's anything that your client has, either
11 supportive of those forecasts or different or more so that
12 we can evaluate, I'd appreciate getting that for post-
13 hearing, as well.

14 MR. FERRIN: We will do so.

15 COMMISSIONER OKUN: Okay, and then I'll just turn
16 briefly back on the cumulation question. Just to say in
17 responding to Vice Chairman Pearson, I mean, I think in the
18 first review, you know, any time we're approaching
19 cumulation, we're looking at many different things.

20 I mean, you, Mr. Ferrin, have focused on what
21 happened, what the trend was in the original investigation.
22 For purposes of the review, I mean, we look at capacity
23 utilization rates -- a number of different things, the five
24 year review tracks out for what the Vice Chairman and I
25 wrote.

1 If you can go through all of those and distinguish
2 Italy, vis-a-vis the other countries, and what's changed
3 since we made that decision -- if you can pay particular
4 attention to all those details, I would appreciate it.

5 And with respect to Spain, because the Vice
6 Chairman and I also did not include Spain -- we cumulated
7 Spain and Sweden, which is no longer here -- we did
8 reference the relationship at that point between NAS and
9 Roldan. But I do acknowledge, I think the questions that
10 came from Commissioners, about more information about the
11 NAS relationship, and I know that is not something that you
12 can control.

13 But I guess, Mr. Silverman, I shouldn't
14 characterize. But I think about the domestic industry; and
15 the fact is, we have had several cases where we have
16 examined corporate relationships, and the Federal Circuit
17 has spoken to it.

18 So I think the fact that you have a corporate
19 relationship that exists here, you know, I think that if
20 you're saying that Spain should be cumulated with these
21 other countries, you should address that more thoroughly, as
22 well as the other factors that the Vice Chairman and I
23 looked at, in deciding that Spain should not have been
24 cumulated in the first review.

25 MR. SILVERMAN: We will do so.

1 COMMISSIONER OKUN: Okay, I appreciate that. Can
2 you talk -- and I think you may have responded a little bit
3 on some of the other responses -- with respect to product
4 mix; whether your product mix is different in the different
5 countries that Cogne exports to, both in the European Union
6 and in other markets. Are they selling different things in
7 different markets?

8 MR. SILVERMAN: We'll check on that and get back
9 to you.

10 COMMISSIONER OKUN: Okay, and then you've touched
11 on this, I think, at little bit as well, which is how the
12 Commission should evaluate the presence of significant non-
13 subject imports in this market. I think you've focused on
14 NAS's presence as a price leader. We had a discussion this
15 morning with the Petitioners, as well, of the presence of
16 non-subject imports and principally India.

17 In your view, what does that mean for the
18 likelihood of increased imports from Italy, if the order
19 were revoked?

20 MR. SILVERMAN: Well, we said before that NAS,
21 with its aggressive low prices, is the best protection or
22 the strongest limit on imports from Italy coming back in.

23 But as they pointed out and as you've pointed out,
24 if non-subject imports are cheaper than NAS, it's two
25 hurdles. It's two hurdles that Cogne must face, if it later

1 decides to enter the U.S. market; and it's even less likely
2 that they will re-enter. Because you have not only NAS as
3 the powerful low price leader; you have non-subject imports
4 from various countries -- it's true that they're cheaper,
5 then that's a second hurdle.

6 COMMISSIONER OKUN: Okay, and I'm sure this will
7 probably be something you'd need to do post-hearing. But
8 one of the things that strikes me, when I'm looking at this
9 record and trying to figure out what NAS's role is in the
10 market and what it means for the rest of the domestic
11 industry, vis-a-via what role non-subject imports might be
12 playing -- is there anything that you can comment on post-
13 hearing about what the different changes in market share,
14 shipments, the other information that's available,
15 confidential information that's available with respect to
16 the various players in the domestic industry; and give me
17 your thoughts on whether that is more likely a result of
18 NAS's role in the U.S. market or non-subjects?

19 Again, I know it may not be a yes/no question; but
20 just in helping me analyze the record of what's going on in
21 the domestic industry, and what's likely to happen if there
22 were not an order in place. I'd find that helpful, as well.

23 MR. SILVERMAN: Yes.

24 COMMISSIONER OKUN: And then, you know, whenever
25 we have one of these wire rod cases, we always talk about

1 the metal margins. That's important here.

2 Is there anything that you see over the period of
3 review that we should pay particular attention to in trying
4 to understand, you know, what this market will look at in
5 the reasonably foreseeable future? We have the forecasts
6 for what demand might look like. We've got some forecasts
7 on raw material.

8 But is there anything that your clients have or
9 any information with respect to, you know, how folks are
10 going to make money in the reasonably foreseeable future;
11 how we should evaluate the metal margin?

12 MR. FERRIN: We'll ask for more details on this.
13 But there's a couple of things that have already been
14 pointed out. First are all the recent price increases that
15 were noted. I wasn't sure if that was by you or one of the
16 other Commissioners that mentioned that.

17 If you look at the metal margins there that were
18 calculated by staff in the past, I think you'll find
19 something that shows some pretty significant differences
20 among the various members of the domestic industry. And I
21 can't really say more than that, because it's confidential.
22 But I think that's very significant. We did touch on that
23 in our pre-hearing brief. As far going forward in the
24 future though, we will check with our client and see what
25 their forecasts are.

1 COMMISSIONER OKUN: Okay, and you had mentioned
2 the prices increases, which were raised earlier with the
3 domestic industry. Their response, as I recall, was that
4 these were supply driven or demand driven increases, more
5 with respect to what was going on, on the cost side or the
6 demand side.

7 If there's anything further you want to say on
8 that for post-hearing, I'd appreciate seeing that, as well.

9 MR. FERRIN: We will do so.

10 COMMISSIONER OKUN: Okay, and with that, Madam
11 Chairman, I don't have any further questions at this time.

12 CHAIRMAN ARANOFF: Commissioner Lane?

13 COMMISSIONER LANE: The problem with being the
14 last questioner is, lots of questions have already been
15 asked. So I will start off, Mr. Ferrin, with telling you
16 that I have not seen Groundhog Day. So I guess maybe I had
17 better go ahead and rent the movie before we have the vote
18 on this case, so I'll know what you're talking about.

19 (Laughter.)

20 COMMISSIONER LANE: I promise I will do that.

21 MR. FERRIN: It's a great movie. We may want to
22 put the DVD on the record.

23 (Laughter.)

24 COMMISSIONER LANE: In one of your exhibits that
25 you presented today, it's talking about you converted metric

1 tons into short tons. And you showed the Italian producers
2 shipments for domestic consumption, and you cited that also
3 includes internal consumption. So could you break down
4 those numbers between commercial and internal consumption?

5 MR. FERRIN: I will check with our client. But I
6 don't believe that it is broken down that way by the
7 association. If they do have separate data on commercial
8 shipments versus internal shipments, we will get that from
9 them.

10 COMMISSIONER LANE: Okay, thank you; now as I
11 understand it, you will admit that Cogne does have unused
12 capacity.

13 MR. FERRIN: Yes.

14 COMMISSIONER LANE: And your argument is that
15 there are more attractive markets than the U.S. market for
16 that unused capacity.

17 MR. FERRIN: Yes.

18 COMMISSIONER LANE: But you also have stated that
19 Cogne continues to have a presence in the United States for
20 other products.

21 MR. FERRIN: That is correct.

22 COMMISSIONER LANE: Now that we're in this
23 recession, should we view the period of reasonably
24 foreseeable future as longer than we normally would, because
25 of the presence of the recession; or should we just treat

1 this the same as we normally would -- I mean, the period of
2 time for the reasonably foreseeable future?

3 MR. FERRIN: I don't see any reason for extending
4 the period any longer. How long is reasonably foreseeable
5 future depends upon your ability to predict for the future.
6 And it would seem to me that when you have a situation right
7 now with the recession and a lot of turmoil going on in the
8 United States' economy generally; if anything, that shortens
9 the reasonably foreseeable future.

10 Because the ability to predict what's going to
11 happen two to three years from now is arguably more
12 difficult than it was to predict two to three years out in
13 the future, say, three or four years ago.

14 COMMISSIONER LANE: Okay, but as I understand your
15 testimony, if the orders were revoked, Cogne would want to
16 come back into this market. It's just a matter of when.

17 MR. SILVERMAN: I think they want the opportunity
18 to come back in the market in a modest way in niches as they
19 come up in the future. In fact, this is what the Cogne
20 official testified to five years ago.

21 But there's no specific product, no specific
22 customer, no specific quantity. So we have to wait another
23 five years; and if the market changed over time, and some of
24 these niche areas became attractive, they don't have to wait
25 for the five year period to re-apply.

1 COMMISSIONER LANE: Okay, thank you; and with
2 that, I don't have any other questions, and thank you.

3 CHAIRMAN ARANOFF: Commissioner Williamson?

4 COMMISSIONER WILLIAMSON: Thank you, Madam
5 Chairman.

6 I have just one question, and it goes to this
7 question. You say you don't know what the products are.
8 But you talk about niches; which seems to say that you must
9 have some idea, or at least Cogne has some idea, about how
10 it can compete in the U.S. market.

11 And I guess it also gets to the question that some
12 of the U.S. producers, like Carpenter, who may be looking
13 for certain types of products where they think they can be
14 competitive. So Commissioner Okun, you said you were going
15 to check with her about, I think, the exports and
16 production.

17 It also might be useful if there's anything you
18 can put on the record about this question of how might they
19 compete in the U.S. market. If they are niches, what are
20 they; are there ways of describing? How valid is this idea
21 that there are sort of niche markets or there are certain
22 categories where they are competitive as opposed to, shall
23 we say, the mass market of the general high volume product?

24 Because I don't think we have a real handle on
25 that; and there are many other cases where it has come up

1 that, yes, the U.S. producers, they're trying to push this
2 into this segment and this is the only place we're
3 competitive.

4 But I don't really have the sense, and it may only
5 be a matter of comparing how Cognac sells in the Italian
6 market or the European market. Is there any basis for
7 drawing any conclusions from that?

8 So that's another point that's kind of hard to
9 answer at this point. But I think it would be worth
10 addressing in post-hearing, if this is the argument you're
11 making about how they might participate in the U.S. market
12 in the future, if the orders were lifted.

13 MR. FERRIN: Commissioner Williamson, we'll try to
14 get you that information in the post-hearing brief.

15 COMMISSIONER WILLIAMSON: Okay, thank you; I don't
16 have any further questions, thank you.

17 CHAIRMAN ARANOFF: Are there any further questions
18 from Commissioners?

19 (No response.)

20 CHAIRMAN ARANOFF: Do the staff have question for
21 this panel?

22 MR. CORCORAN: Douglas Corcoran, Office of
23 Investigations -- thank you Madam Chairman. Staff has no
24 additional questions.

25 CHAIRMAN ARANOFF: Do the domestic producers have

1 any questions for this panel?

2 MR. HARTQUIST: No questions, Madam Chairman.

3 CHAIRMAN ARANOFF: Well, thank you very much, Mr.
4 Ferrin and Mr. Silverman, for your testimony this afternoon.

5 Let me see what we have left on time. Those in
6 support of continuation of the orders have 15 minutes
7 remaining from direct presentation, plus five minutes
8 closing, for a total of 20 minutes. Those in opposition to
9 continuation have 34 minutes of direct time, plus five
10 minutes closing, for 39 total minutes.

11 As is our normal practice, we like to combine
12 those and have you use as much of that time as you need for
13 a combined rebuttal and closing, unless there's any
14 objection.

15 MR. FERRIN: We have no objection.

16 CHAIRMAN ARANOFF: Then we can get read to
17 proceed. So Mr. Silverman and Mr. Ferrin, we'll ask you to
18 take your seats further back; and we'll be ready for the
19 supporters of continuation to begin rebuttal.

20 MR. HARTQUIST: Thank you, Madam Chairman. I
21 won't take the full 20 minutes. I'll take about five
22 minutes and be through.

23 I would like to clarify our position with respect
24 to Spain, which Mr. Silverman has characterized as unusual.
25 Our position is a very simple one. That is that the

1 cumulation factors that the Commission looks at are not
2 present with respect to Spain. We believe that the facts
3 don't support cumulation with Spain, and we're stepping up
4 to the plate and saying that's our conclusion.

5 The reason is particularly because the largest
6 Spanish producer, which is Roldan, is affiliated with North
7 American Stainless. They've made a huge investment in the
8 United States. They want to compete in this market from the
9 United States. And I think that's very clear from the
10 performance of both companies, since North American
11 Stainless started to produce stainless rod a few years ago.

12 But we're not asking the Commission to revoke the
13 order against Spain. We're not asking the Commission to
14 continue the order against Spain. We're telling you how we
15 see the position from a legal point of view; and we're
16 really neutral on the issue. And we'll comment further on
17 this in our brief.

18 Now I'd like to talk a little bit about Cogne.
19 It's interesting, when you Google Cogne's website, that the
20 first product that shows up on their list is stainless steel
21 wire rod. They have a very intense interest in this
22 product, and in selling this product wherever they can sell
23 it.

24 I noted the arguments that it would take Cogne a
25 couple of years to ramp-up to be able to sell here. They

1 pointed out that they have salesmen that are selling related
2 products in this market right now. They understand rod, as
3 well. They know where the customers are for rod in the
4 United States. They've been in this market before.

5 But it's kind of interesting, if they're saying it
6 would take them awhile to get re-qualified and be able to
7 really re-enter this market; that when Crucible Steel went
8 into bankruptcy last May, it took Cogne 10 weeks to make
9 deliveries into this market -- 10 weeks; not two years, on a
10 product that Crucible was qualified to make and that Cogne
11 was qualified to make.

12 There are also stainless steel rod distributors
13 here that are ready, willing, and able to take on imported
14 products. I would mention several: Crod Oraban, Precision
15 Metal Services, Summit Steel. I'm sure all would be happy
16 to distribute for Cogne, if they decided that they didn't
17 want to do it through their domestic sales force.

18 A comment on pricing -- Andy Ziolkowski commented
19 that Carpenter sells its products globally. They have sales
20 forces in Europe, in China, in Singapore. And they use the
21 same pricing for their export sales as they do for their
22 domestic sales essentially, and they get no orders to sell
23 into those markets.

24 That's a further indication, I think, that this
25 market is more attractive because of the pricing situation

1 in the United States right now.

2 In terms of what would happen if the orders were
3 revoked, it's just kind of interesting to look at the
4 behavior of other foreign producers, when they got out from
5 under an order through the administrative review process, or
6 through revocation of orders.

7 Valbruna and Yieh Hsing, when excluded from the
8 order, increased their exports to the United States. When
9 the Swedish stainless steel wire rod of many years ago was
10 revoked, Vegersta, the Swedish producer, jumped right back
11 in and increased their exports to the United States.

12 When the French order was revoked, Ugitech
13 increased their imports in the United States. And the
14 Brazilian producer had begun to switch basically to bar
15 production. They increased their exports of bar as a result
16 of the reduction in their dumping margin.

17 So the point I'm trying to make is that there are
18 plenty of examples that we think are relevant here of
19 foreign producers' behavior after an order is revoked, or a
20 dumping margin is reduced.

21 It's also worth noting that virtually all imports
22 -- not just stainless rod -- yes, for rod; but virtually all
23 imports dropped substantially in 2009 because of market
24 conditions. And as a general rule, once excluded from an
25 order, foreign producers increased their exports into the

1 United States.

2 We will pursue this further in the brief, as we
3 were asked, and discuss in more detail our views about other
4 factors that have changed since 2006; that they warrant
5 continuation of these orders.

6 That concludes our summary and rebuttal, and we
7 thank you very much for your time and attention today.

8 CHAIRMAN ARANOFF: Thank you very much; whenever
9 you're ready.

10 MR. SILVERMAN: In all my years coming before the
11 Commission, I never had this much time at the end. This is
12 a shocking thing. I remember steel cases when I've had one
13 minute for the direct presentation.

14 I want to start off by saying I apologize for the
15 reference to Groundhog Day. I never saw that movie, either.
16 And I protested that we include that; and Mr. Ferrin said,
17 well, you're the only person I know who hasn't seen that
18 movie.

19 (Laughter.)

20 MR. SILVERMAN: So whatever is in the movie, I
21 hope it does help in solving the issues here.

22 It's always hard to follow Mr. Hartquist, because
23 he's well organized and very persuasive. I'm going to jump
24 around a little bit, and this is a different approach.

25 Anyway, in his last point about making

1 predictions,
2 he said when the French order was lifted, the French
3 increased. If you'll look at the numbers, they're
4 increasing before the order was taken out. But the fact is,
5 what the French did, or the Swedes did, doesn't tell you
6 what Cogne will do.

7 If you want to know about the reliability of their
8 predictions, then look at the experience of Cogne with
9 respect to bar, when the bar order evaporated. Did they do
10 all those terrible things by air freighting the bars over
11 here and doing quick increases in market share? The answer
12 is, Cogne did not do that. That's a more reliable predictor
13 of Cogne's commercial behavior than somewhere in France, or
14 Brazil, and Taiwan.

15 Now I think the question here by the Commission
16 was quite helpful today. Because I think you caught the
17 domestic industry on a couple major points. And this goes
18 back to the idea of a convenient cookie cutter versus
19 looking at the data.

20 Questions were asked about the reliability of
21 their placing table; and I think they admitted that, well,
22 you know, we had different sources, and AUVs are not all
23 that reliable. Well, if you go back and read the transcript
24 from the last proceeding, Commissioner Copeland and I think
25 Commissioner Okun asked questions along the same lines.

1 That is to say, where did you get this data; why did you do
2 it that way?

3 Now on Charter, we raised an issue in the morning
4 about a sale of semi-finished product to Charter. And that
5 was puzzling because, number one, Charter inquired at Cogne;
6 not the reverse.

7 So what does Cogne do? When an American producer
8 of stainless steel wire rod needs help -- did it do
9 something to injure Charter, or did it do something to help
10 Charter? The answer -- they did something to help Charter,
11 by providing a particular type of billet that they couldn't
12 make themselves.

13 So it's kind of odd that they would use that as an
14 example of the impending injurious behavior of Cogne, when
15 Cogne responded to a request from an American producer for
16 semi-finished to help Charter.

17 Now one of the key points in their presentation,
18 they had it in their briefs and I think they repeated this
19 morning, is that NAS claims somehow that its investment was
20 conditioned upon the orders. I don't know where that is in
21 the record. And I find it hard to believe that a major
22 company could make a major investment, based on future votes
23 of the Commission. I'm not an investment banker or an
24 investor. But it would surprise me greatly if that's how it
25 went.

1 And in the last hearing five years ago,
2 Commissioner Copeland asked the following question. I'm
3 reading from the transcript of May 18th, 2004 in the last
4 sunset review. Commissioner Copeland was asking a
5 representative of Charter, because Charter had recently
6 entered the market. And he said, "Are you saying that you
7 made these investments based on the gamble of how this case
8 will turn out? Were you speculative at that time?"

9 He's not here. But that was a damn good question.
10 Do people really make investments based on an ITC vote three
11 years later; or, in this case, eight years later? I think
12 that's stretching things a little bit, if they're trying to
13 persuade you that but for the vote in this case, they never
14 would have made that investment in Kentucky; that it was
15 conditioned, in some way, on orders against these several
16 countries.

17 I don't think it's accurate, and I know of nothing
18 in the record to support that. It's a nice idea, because
19 they want to persuade you that the whole investment was
20 based on these orders; and therefore, if you take them away,
21 an investment will evaporate.

22 It's just not true to say that. At least, I don't
23 know anything in the record that supports that, going back
24 to Commissioner Copeland's use of the word "gamble". Did
25 you gamble on an ITC vote in the future?

1 If they did, then let them give you their
2 investment papers and their board minutes and their
3 consultants's reports to show that NAS made a massive
4 investment to compete in this market, based on the ITC vote
5 coming up regarding these orders or any other orders. But
6 the orders in this case are what are legally germane; not
7 the general proposition about fair trade.

8 They're proposing to you to use that as part of
9 your decision making; and unless they have documentary proof
10 that that's really what was in their mind when they made the
11 decision, it's just misleading.

12 There was some confusion in the discussions today,
13 and when you go back and read the transcript, between the
14 use of the term "imports", "subject imports", and "non-
15 subject imports". I think that what's important here is the
16 potential impact of subject imports; not the potential
17 impact from non-subject imports or imports as a whole. It's
18 confusing, when people testify to that effect; and I'm sure
19 you'll be careful not to be misled.

20 There were some questions about Carpenter's
21 insulation from import competition. What we meant by that
22 is, since Carpenter has downstream production of wire
23 internally, they have, let's say, a ready-made customer.
24 Subject imports are not likely to be selling stainless steel
25 wire rod to Carpenter's own wire drawing operation.

1 In the past, if you go back and read the testimony
2 from earlier cases, the wire drawers have said that that
3 always bothered them; that Carpenter, on the one hand, was
4 selling them rod, and on the other hand, their subsidiary or
5 their regular company was also selling the finished wire.

6 So going back, there was some confusion this
7 morning about insulated from competition. What we meant by
8 that is that Carpenter is less susceptible to import
9 pressures, because it has a captive internal consumption.

10 There were questions this morning, too, about
11 capacity utilization in the domestic industry. Let's assume
12 there were no imports from subject countries. Would there
13 be no downward pressure on prices if the domestic industry
14 is operating at less than full capacity? I would think so.
15 I would think so. If these companies are all operating at
16 less than full capacity, they're going to push the prices
17 down.

18 But most important is that NAS
19 has dominated this market, and has taken increasing shares
20 of the commercial market by reason of their strength, their
21 efficiency, and their prices.

22 So what do they respond? Well, they're really not
23 doing that. They're really just responding to some non-
24 subject imports. Well, that doesn't change the picture,
25 which is they are pushing the prices down. If they're not
the leader and they're just equalling the imports of non-

1 subject, it's not causation by reason of subject imports
2 that they're worried about.

3 And as we pointed out, the best protection they
4 could have is not a Title 7 remedy, not a 201 remedy, not a
5 VRA. Of all the things they've done and asked for since
6 1976, the best they have is their own efficiency, their own
7 strengths; and that's what NAS brings to the table.

8 I've been doing steel cases since 1976. It's hard
9 to believe. But I've never been a case where you had this
10 development of a new company coming in and dominating the
11 market; pushing out the other domestic producers and pushing
12 out imports. And that makes this case different.

13 So we may have scored on Ripley's Believe It or
14 Not by having 30 some years of relief; but enough is enough.
15 And NAS is why you should terminate the case; thank you.

16 CHAIRMAN ARANOFF: Thank you again to everyone who
17 participated in today's hearing. The noise level was much
18 lower than I was anticipating from the outside, so that's
19 good news.

20 Post-hearing briefs, statements responsive to
21 questions, requests to the Commission, and corrections to
22 the transcript must be filed by filed by April 19th, 2010.
23 Closing of record and final release of data to parties will
24 take place on May 7th, 2010, and final comments are due on
25 May 11, 2010.

1 With that, I don't believe we have any further
2 business, and the hearing is adjourned.

3 (Whereupon, at 3:08 p.m., the hearing was
4 adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Stainless Steel Wire Rod
INVESTIGATION NOS.: 731-TA-770-773 and 775 (Second Review)
HEARING DATE: April 8, 2010
LOCATION: Wasington, 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: April 8, 2010

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Gheorghiu
Signature of Court Reporter