

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
CIRCULAR WELDED CARBON-) Investigation Nos.:
QUALITY STEEL PIPE FROM INDIA,) 701-TA-482-485
OMAN, UNITED ARAB EMIRATES,) 731-TA-1191-1194
AND VIETNAM) (Preliminary)

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 AND VIETNAM)

Wednesday,
 November 16, 2011

Room 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The preliminary conference commenced, pursuant to notice, at 9:32 a.m., before the Commissioners of the United States International Trade Commission, the Catherine DeFilippo, Director of Investigations, presiding.

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SCOTT YOUNG, Key Account Manager,
Allied Tube and Conduit

DAVID SEEGER, President,
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MARK MAGNO, Vice President of Marketing,
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PUSHKAR NATU, Director
Zenith (USA) Inc.

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P R O C E E D I N G S

(9:32 a.m.)

MS. DEFILIPPO: Good morning and welcome to the U.S. International Trade Commission's conference in connection with the preliminary phase of antidumping duty and countervailing duty Investigation No. 701-TA-482-485 and 731-TA-1191-1195 concerning imports of Circular Welded Carbon-Quality Steel Pipe from India, Oman, United Arab Emirates, and Vietnam.

My name is Catherine DeFilippo. I am the Director of the Office of Investigations and I will preside at this conference. Among those present from the Commission staff are: from my far right Douglas Corkran, the Supervisory Investigator; Keysha Martinez, the Investigator; Carl von Schritztz, Attorney/Advisor; Geoffrey Carlson, Attorney/Advisor; Clark Workman, the Economist; David Boyland, the Auditor; and Normal VanToai, our Industry Analyst.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or in responding to questions for the

1 benefit of the court reporter.

2 Finally, speakers will not be sworn in but
3 are reminded of the applicability of 18 U.S.C. 1001
4 with regard to false or misleading statements, and to
5 the fact that the record of this proceeding may be
6 subject to court reviews if there is an appeal.

7 Any questions? Hearing none we will proceed
8 with the opening statements. Welcome, Mr. Kaplan.
9 Please begin your opening statement when you are
10 ready.

11 MR. KAPLAN: Thank you, Ms. DeFilippo and
12 members of the Commission staff. My name is Gilbert
13 Kaplan with King & Spalding speaking today on behalf
14 of Petitioners.

15 This case is about the injury caused by
16 unfairly traded imports from India, Oman, the UAE, and
17 Vietnam on an already weakened domestic pipe industry.
18 These governments provide significant countervailable
19 subsidies that benefit both the production and export
20 of circular welded pipe to the United States.
21 Moreover, regardless of the level of subsidies these
22 imports are gaining sales in the U.S. market through
23 significant dumping and underselling of domestic
24 producer prices.

25 USCWP producers are among the world's most

1 efficient. They have access to ample supplies of hot-
2 rolled steel from some of the most efficient steel
3 mills in the world, and benefit from significant
4 economies of scale and a first-class workforce. Even
5 with these advantages, however, they cannot compete
6 with dumped and subsidized merchandise.

7 As the Commission is well aware from
8 previous investigations, CWP is a commodity product.
9 U.S. produced CWP and subject product are made to the
10 same ASTM and other specifications. This high degree
11 of fungibility means that dumped and subsidized
12 imports are easily able to grab market share by
13 underselling U.S. producers.

14 As U.S. industry executives will testify
15 today, subject imports and domestically-produced CWP
16 are sold in the same channels of distribution, through
17 distributors and through big box retailers. In trying
18 to build their businesses, U.S. producers are
19 continuously confronted with offers of cheap product
20 from the subject countries.

21 Applying the statutory criteria of volume of
22 imports, negative price effects and adverse impact it
23 is clear that this industry is materially injured.
24 First, the volume of imports.

25 As shown in the petitions, imports from

1 subject countries have increased absolutely and as a
2 share of domestic consumption. Cumulated subject
3 imports increased from 142,000 tons in 2008 to 176,000
4 tons in 2010, an increase of 34,000 tons or nearly 24
5 percent. Imports from subject countries have
6 accelerated in the first half of this year from 86,000
7 tons in the first six months of 2010 to 110,000 tons
8 in the first six months of 2011, an increase of 29
9 percent.

10 It is important to note that these increases
11 have occurred during a period when domestic demand has
12 not recovered from the recession of 2008, which has
13 left the domestic industry particularly vulnerable to
14 price underselling by imports. Subject imports have
15 also increased their share of domestic consumption.

16 We believe that the information gathered
17 during this investigation will also demonstrate that
18 there is significant price underselling by subject
19 imports as well as price suppression and price
20 depression. As Mr. Magno and Mr. Young will describe
21 in a minute in more detail, U.S. producers cannot gain
22 traction at large retailers and frequently lose sales
23 at distributors as a result of underselling by subject
24 imports.

25 Moreover, U.S. companies have attempted to

1 introduce price increases in order to cover increasing
2 input costs but they have been unsuccessful in getting
3 these increases to stick as a result of the ample
4 supply of low-priced subject imports.

5 With respect to adverse impact, our
6 witnesses will describe the industry they have
7 experienced as a result of unfairly traded subject
8 imports. As documented in our petition, the domestic
9 industry has seen declines in product, shipments,
10 employment, and capacity utilization. With respect to
11 the domestic industry's financial performance, U.S.
12 producers experience reduced revenues, unit values,
13 and operating margins.

14 Although we believe that this is a clear
15 case of present material injury, we also believe that
16 the evidence will show that a threat of continuing
17 injury is real and imminent. Rapidly increasing
18 imports, large margins of underselling, the
19 establishment of new pipe-making facilities, and
20 enormous unused pipe capacity in subject countries as
21 well as government subsidization of subject producers
22 and their exports to the United States ensure the
23 dumped and subsidized imports will grab an ever-larger
24 share.

25 Thank you very much. We urge you not to let

1 that happen. We appreciate the work you have done so
2 far and we look forward to working with you during the
3 course of these investigations. Thank you.

4 MS. DEFILIPPO: Thank you, Mr. Kaplan. We
5 will now turn to opening statement from Respondents.
6 Mr. Cameron, welcome. When you are ready please
7 proceed with your opening statement.

8 MR. CAMERON: Sorry, close quarters.

9 My name is Don Cameron of Troutman Sanders.
10 We are appearing on behalf of Prime Metal Corporation
11 and Universal Tube and Plastic Industries of the UAE.
12 I appreciate the time to make this presentation. I
13 will tell you that, unlike Mr. Kaplan, I don't look
14 forward to actual working with you at the conclusion
15 of this part of the investigation, but I guess we will
16 have to find out.

17 Look, just to try to put this case into a
18 little bit of context. As of 2010, the following
19 sources are under antidumping orders: Brazil, China,
20 India, Korea, Mexico, Taiwan, Thailand, and Turkey.
21 Excluding India, these sources accounted for 214,000
22 metric tons, and 32 percent of the imports of subject
23 merchandise in 2010, and it's not as if these are
24 recent antidumping order as this Commission is well
25 aware. Imports from Taiwan have been under order, I

1 believe, since the mid-1980s, and the others, with the
2 exception of China, since the end of the VRAs in the
3 1990s.

4 In China, the application of antidumping and
5 CDD duties the Chinese removed 600,000 metric tons
6 from the market between 2007 and 2008, 600,000 tons,
7 and that has not been replaced in the market by any
8 imports. The reality is that import relief for this
9 industry regarding some of these sources has become
10 almost a semi-permanent condition of competition in
11 this industry, so I'm glad that they are extremely
12 efficient. I think they are very good companies, but
13 the reality is they do exist and have existed in a
14 protected market for 20 to 30 years.

15 Canada alone, which is not covered by orders
16 and not subject to investigation, accounted for
17 225,000 metric tons in 2010, and 34 percent of
18 standard pipe imports, while total cumulated subject
19 imports were only 160,000 metric tons. That's smaller
20 than imports from countries already under dumping
21 orders and just over a quarter of the volume of the
22 Chinese imports that were removed from the market.

23 If Petitioners claim that its subject
24 imports from the UAE, Oman, India, and Vietnam that
25 are injuring or threatening injury to this industry,

1 so what's really going on here?

2 What's going on here is the economy. It's
3 the economy and nonresidential construction pure and
4 simple, and this isn't a big secret to anybody. The
5 issue for them is whether or not they can use the
6 economic conditions as a way to further protect the
7 market from essentially for small suppliers. Imports
8 from subject countries are not the issue. Moreover,
9 since recovering from a terrible year in 2009 that was
10 directly caused by the recession and the decline in
11 nonresidential construction, demand has increased
12 somewhat and this industry has actually performed
13 relatively well given the current economic conditions,
14 and there is no evidence of a causal relationship
15 between subject imports and improving conditions in
16 this industry.

17 Thank you, and we look forward to working
18 with you.

19 MS. DEFILIPPO: Thank you, Mr. Cameron.

20 We will now move to the presentation of
21 those in support of imposition of antidumping and
22 countervailing duty orders. Mr. Schagrin and your
23 panel of witnesses will proceed to the table, please
24 feel free to begin when you are ready.

25 MR. CAMERON: Sorry, I know you don't want

1 to be identified as me.

2 MR. SCHAGRIN: Good morning, Ms. DeFilippo.
3 We will begin our presentation this morning with David
4 Seeger, President of the JMC Steel Group. Mr. Seeger.

5 MR. SEEGER: Good morning, Ms. DeFilippo.
6 sorry, I am been stumbling with that all morning, and
7 members of the Commission staff. My name is David
8 Seeger. I am the president of JMC Steel Group. JMC
9 Steel group is the parent company of Atlas Tube, which
10 is the largest producer of rectangular and round
11 structural pipe and tube in the United States. Also
12 the parent of Wheatland Tube, which is the largest
13 producer of standard pipe or subject circular welded
14 pipe in the U.S. I have been in the pipe and tube
15 industry 33 years, and I am accompanied by Mr. Magno,
16 our Vice President of Marketing for Wheatland Tube.

17 JMC Steel Group is the successor company of
18 the John Manelly Company, a company founded in the
19 1870s in Wheatland, Pennsylvania, and over the past 20
20 years Wheatland and JMC purchased a number of other
21 producers of subject CWP, including Omega Steel Pipe,
22 Copper Weld Tube, Sawhill Tube, and Sharon Tube.
23 Unfortunately due to the massive influx of Chinese
24 pipe in the middle of the last decade we shutdown
25 facilities in Little Rock, Arkansas, Houston, Texas,

1 and two facilities in Sharon, Pennsylvania.

2 Due to unfair foreign competition, we
3 shutdown some very efficient facilities and
4 permanently laid off workers that could have been
5 operating the mills efficiently, serving a U.S.
6 marketplace. Imports from these four countries --
7 India, Oman, United Arab Emirates, and Vietnam --
8 began increasing after our victory against the Chinese
9 and have achieved significant market penetration.

10 Today, the JMC Steel Group makes the subject
11 CWP pipe at a continuous weld mill in Wheatland,
12 Pennsylvania, as well as electric resistant weld mills
13 operating in Warren, Ohio, Chicago, Illinois, and
14 Blightville, Arkansas. We manufacture a full range of
15 black and galvanized plain end and threatened and
16 coupled A-53 pipe, the primary pipe grade utilized in
17 the plumbing and HVAC industries, as well as black and
18 galvanized sprinkler pipe, galvanized fence pipe, and
19 tube and round A-500 products. We believe that no
20 other U.S. company or any company in the world
21 manufactures and distributes as broad a range of
22 subject circular welded pipe in the United States.

23 Most of the subject CWP products are used in
24 nonresidential construction, with a smaller portion
25 being used in residential construction, and the

1 products may also be used in industrial applications.
2 Everyone is aware how poorly the construction markets
3 have been performing since the recession of 2008.
4 While these markets have probably bottomed out, they
5 certainly have not started to recover as other
6 industries have such as the auto industry, which does
7 not use circular welded pipe.

8 As has been the case in the last several
9 years, steel pricing was very volatile during 2011.
10 In late 2010 and early 2011 steel prices rose by
11 nearly 50 percent. Given that our mills convert flat-
12 rolled steel into welded pipe we must try to pass
13 along these steel cost increases to our pipe
14 customers. We attempted to do this through a number
15 of announced price increases through the early part of
16 2011. Unfortunately, we only achieved half of our
17 announced price increases while we paid virtually all
18 of the steel companies announced increases.

19 In the middle of 2011 steel prices reversed
20 course and fell significantly as did our pipe prices.
21 In late summer and early fall steel companies again
22 began announcing steel price hikes. We announced
23 identical pipe price increases. However, while we
24 wound up paying roughly half of the announced steel
25 cost increases we achieved virtually no pipe price

1 increases.

2 Time and again the marketing people like Mr.
3 Magno and others within our company and the marketing
4 team reported to me that our customers were buying
5 imported pipe, much of it from the subject countries,
6 at low prices and they could not achieve our announced
7 price increases. As a result of losing market share
8 and failing to pass along our cost increases in 2011
9 has had a very negative impact on our profit margins
10 as well as on our employment.

11 We very much value our employees and think
12 we have an extremely well trained, team-oriented,
13 highly productive workforce at each of our pipe mills.
14 In our single largest type facility in Wheatland we
15 just entered into a new five-year contract with our
16 local USW.

17 Our company and our workers must have relief
18 from unfairly traded circular welded pipe in order to
19 remain a viable company. It is very doubtful that we
20 will get any demand improvement in the construction
21 sector in the next two years. Given the massive
22 overcapacity in these countries, without relief we
23 will see continued import surges. This will cause us
24 to shutdown more facilities and lay off more workers.

25 On behalf of JMC Steel and our workers I ask

1 that you make an affirmative injury determination.

2 Thank you.

3 MR. SCHAGRIN: We will now continue with Mr.
4 Kurasz.

5 MR. KURASZ: Good morning, Ms. DeFilippo and
6 members of the Commission staff. I am Ed Kurasz,
7 President of the Allied Tube and Conduit, Division of
8 Alcor International. I am accompanied today by Scott
9 Young, Sales Manager in our fence division, and I have
10 been in the pipe and tube industry for 20 years.

11 Allied in based in Harville, Illinois, where
12 our company was founded in 1957. For several years
13 our parent company, Tiko International, which
14 purchased Allied in 1987, tried to sell our business.
15 A manufacturing intensive business that faced
16 worldwide massive overcapacity in our product lines
17 clearly was not thought to fit into a public traded
18 company increasingly focused on service businesses
19 such as security and fire protection. At the end of
20 last year a private equity company, Clayton Doubler
21 and Rice purchased 51 percent of our business. We now
22 have new management.

23 We have a number of URW pipe mills in
24 Hareville, Illinois, Morrisville, Pennsylvania,
25 Philadelphia, Pennsylvania, and Phoenix, Arizona, that

1 produce the subject products. In 2008, we permanently
2 shutdown our Pine Bluff, Arkansas, facility which we
3 purchased 10 years earlier at a substantial rate. We
4 also temporarily stopped all pipe production at our
5 Phoenix, Arizona, facility, but restarted that
6 operation later in 2009 after receiving relief from
7 unfairly traded Chinese imports.

8 However, we are now operating that plant
9 only as a one shift operation and its continued
10 operation is in jeopardy as the West Coast market for
11 fence and sprinkler product produced there is being
12 inundated with the subject imports at extremely low
13 prices.

14 In 2009, we purchased out of Bankruptcy
15 Court a plant in Morrisville, Pennsylvania, just west
16 of Philadelphia that produced ASTM A-53 pipe as well
17 as A-500 structural tubing. We entered this segment
18 of the circular welded pipe market having previously
19 concentrated our efforts on fence pipe and tubing and
20 sprinkler pipe products. The Morrisville,
21 Pennsylvania, plant had hydrostatic testing equipment
22 which is necessary to comply with the A-53, grade B
23 specification, and we can also made grade A products
24 that don't require in-line ediker and testing.

25 While business models normally teach that

1 it's good to broaden your product lines so you can
2 spread the same corporate overhead in fixed expenses
3 over more sales, getting into the A-53 market at a
4 time when all of these new import sources are flooding
5 the market was a large risk. It remains to be seen
6 how we will pay off.

7 Overall demand for circular welded products
8 that Allied makes has shown steady recovery since the
9 big recession in late 2008 to 2009. Our problem has
10 definitely been that the subject imports are
11 increasing at rates much faster than the recovery and
12 demand, and that is hurting volume.

13 As Mr. Seeger already testified, the fact
14 that these imports arrive at prices less than our
15 selling prices in the market also has a depressing
16 effect on prices. As president of a division that
17 serves a nationwide market through plants located
18 throughout the country, East Coast, Midwest, West
19 Coast, the single biggest issue that I face every day
20 with the top management of our company is whether we
21 should keep a plant open at a loss, trying to obtain
22 volume at a low price to compete with imports, or stop
23 production at a plant and take the severance losses
24 and the losses of depreciating equipment that is not
25 producing anything.

1 It is one thing to face those issues because
2 of a recession, it's another thing to face those
3 issues because of unfairly traded imports. We have
4 chosen to fight rather than throw in the towel. I am
5 truly convinced that our company still has great
6 manufacturing facilities and employees. We can be a
7 very successful company if the unfair trade laws are
8 enforced. Without obtaining relief from unfairly
9 traded imports we will be forced to sever more
10 employees, close more plants, and eventually one of
11 the most innovative pipe and tube companies in the
12 world may cease to exist.

13 Therefore on behalf of Allied and it's
14 employees I ask that you make affirmative
15 determinations. Thank you.

16 MR. SCHAGRIN: Thank you, Mr. Kurasz. Mr.
17 Magno.

18 MR. MAGNO: Good morning, Ms. DeFilippo and
19 members of the Commission staff. My name is Mark
20 Magno. I am Vice President of Marketing and Sales of
21 Wheatland Tool Company, a division of JMC Steel Group.
22 I have been in the pipe industry for 28 years and have
23 spent my entire career in sales for Wheatland.

24 At Wheatland we are the largest U.S.
25 producer of A-53 pipe products. We make these

1 products in size ranging from quarter inch to eight
2 inches OD, and we make both black and galvanized pipe.
3 We also do our own threading and coupling of A-53 pipe
4 and produce our own coupling to attach to A-53 pipe.
5 In addition, Wheatland produces fence pipe and tube
6 and sprinkler pipe. I'm going to focus my testimony
7 on the ASTM A-53 segment of the market in the United
8 States.

9 ASTM A-53 products are the commodity bedrock
10 welded pipe product used in the plumbing and HVAC
11 systems of nonresidential buildings and multi-unit
12 residential construction. There has been a well-
13 established distribution network for these products
14 throughout the United States which has not changed
15 very much through my career.

16 The largest U.S. distributor by far is
17 Ferguson Enterprises, and then there are a number of
18 other large wholesalers such as McJumkin, H.D. Supply,
19 Kelly Pipe and Wilson. These chains of wholesalers
20 have supplied depots, set up where they stock all of
21 the pipe sizes, fittings, hangars, struts that either
22 local plumbing mechanical contractors or HVAC
23 companies would need to buy to install systems inside
24 the building during new construction or to make
25 repairs. They have traditionally stocked both

1 imported and domestic products, and I have personally
2 seen somewhere between a half a dozen and a dozen
3 domestic competitors go out of business as the share
4 of imports has increased at these distribution
5 companies.

6 When I call on these companies they do not
7 say to me, hey, Mark, I have an offer from Zenith at a
8 thousand dollars per ton for galvanized A-53 pipe, or
9 I have Vietnamese product, or I have UAE product.
10 They just say, I can get import A-53 at X price and if
11 you want to take 10 truckloads next month instead of
12 two you need to lower your price by 80, 100 or 200 per
13 ton. That's the main reason why we're not able to
14 provide the ITC with specific lost sales allegations
15 in the formula that you would like and that has been
16 the case in virtually all of the pipe cases I've
17 participated in over the years.

18 The only thing that has changed over the
19 last 25 years besides seeing a lot of domestic
20 competitors fall by the wayside is the growth of the
21 big box hardware stores. There is no doubt that Home
22 Depot and Lowe's have become significant competitors
23 for the traditional pipe valve and fittings
24 distributors. This is an additional problem for
25 Wheatland because it just doesn't seem that these big

1 box retailers have any interest in buying domestic A-
2 53 product. This is not a service issue. We have
3 trucks leaving Wheatland with conduit, with bar codes
4 for Home Depot distribution centers. We could do the
5 same thing with A-53 pipe, but I can't come close to
6 the import A-53 prices that Home Depot gets. I do not
7 believe Home Depot, even given their size, is buying
8 directly from foreign mills. Instead of buying
9 directly from Wheatland, they buy their import A-53
10 pipe through a supply intermediary such as Kessler
11 Industries, which I believe brings in the pipe and
12 then puts on bar codes and distributes the pipe to
13 Home Depot stocking locations.

14 So, the foreign pipe mills have to be
15 selling at even cheaper dumped and subsidized prices
16 from their mills thousands and thousands of miles away
17 so that after these goods are unloaded at U.S. ports
18 they can be handled and marked up by a middle man and
19 delivered at prices significantly cheaper than ours.
20 The reason for this is unfair trading.

21 ASTM A-53 pipe is the ultimate commodity.
22 Everyone makes it to the same specification and every
23 plumber and every HVAC company can use the same A-53
24 pipe regardless of where it's manufactured. As I
25 mentioned previously, I have seen a lot of competitors

1 making this product go out of business, and I have
2 seen our company shutdown a lot of mills. I don't
3 want to see us to have to shutdown more mills, which
4 is what will happen without relief from this unfairly
5 traded pipe. Thank you very much.

6 MR. SCHAGRIN: Thank you, Mr. Magno. Mr.
7 Young.

8 MR. YOUNG: Good morning, Ms. DeFilippo and
9 members of the Commission staff. My name is Scott
10 Young. I am a sales manager with Allied Tube and
11 Conduit. I have been in the pipe and tube industry
12 for 17 years.

13 Allied has been a leader in the U.S.
14 industry for fence tubing ever since the founding of
15 the company patented in-line galvanizing in the late
16 1950s. Prior to that all galvanized fence pipe had to
17 have the zinc applied by dipping them in a hot dip
18 zinc bath. In-line galvanizing enabled us to apply
19 zinc faster without the additional labor of handling
20 the product again after it came off the weld mills,
21 and also allowed us to apply a more uniform and
22 lighter zinc coating.

23 We make our fence tubing in mills that have
24 in-line galvanizing capabilities in Philadelphia,
25 Chicago and Phoenix, thus we are able to cover the

1 entire U.S. and deliver to the market with inexpensive
2 grade.

3 As Mr. Magno in his discussion of the A-53
4 distribution market noted, there is also both a
5 national and regional distribution network for fence
6 tubing by fence distributors who combine fence tubes
7 with wire mesh to make a fence system. The major
8 national fencing distributions are Master Halco,
9 Merchant Metals and Stevens Pipe. In addition, there
10 are strong regional players such as Long Fence and
11 Sonco on the East Coast, and American Fence in the
12 Southwest.

13 These fencing distributors buy both domestic
14 and imported product. The dumped and subsidized
15 import prices are used to beat down our prices. I
16 think virtually all of our major fence tube customers
17 right now are buying from Zenith in India as well as
18 from producers in the other subject countries. This
19 displaces our volume causing us to cutback on shifts
20 and hours at our mills as well as pushing down our
21 prices and margins.

22 Because fence tubing is always galvanized
23 the main costs are steel and zinc. Zinc is a publicly
24 traded metal on the London Metal Exchange and I
25 believe virtually everyone in the world must pay the

1 same price, plus any additional freight expenses.

2 Steel is different.

3 Allied, like our competitors at Wheatland,
4 we are one of the largest buyers of flat-rolled steel
5 in North America. We should be able to buy steel as
6 well as anyone, and I think that we do. However, our
7 foreign competitors are probably eager to buy the
8 massive quantities available on the world market of
9 Chinese dumped and subsidized steel, which we do not
10 buy. This is why our industry-wide trade association,
11 the CPTI, had been urging the administration to take
12 WTO action against Chinese government support for its
13 steel industry.

14 There is one more similarity between the
15 fence market and the A-53 market which I should point
16 out. A plumber may go to Home Depot to buy A-53 pipe
17 and you as a do-it-yourselfer or a small fence
18 contractor also can go to the garden section of Home
19 Depot, buy fence pipe, buy fence mesh, and install
20 your own fence around your property.

21 Before we did our case against China, a
22 Chicago importer called Midwest Air Technologies had
23 the contract with Home Depot to supply them with
24 Chinese fence tubing at super cheap prices throughout
25 the United States. After the China case, this company

1 replaced the Chinese fence tubing with fence tubing
2 from Vietnam. We have not been able to sell virtually
3 any fence tubing to Home Depot even though our company
4 like Wheatland does regularly ship them electrical
5 conduit. I don't blame Home Depot for trying to buy
6 unfairly traded imports and make bigger profit
7 margins. Obviously our only hope of having a fighting
8 chance in Allied's fence business is to get the
9 appropriate unfair trade duties imposed on the imports
10 from these four countries.

11 For that reason I urge you to make an
12 affirmative preliminary injury determination. Thank
13 you.

14 MR. SCHAGRIN: Thank you, Mr. Young. I
15 would like to turn things over now to Mr. Vaughn.

16 MR. VAUGHN: Stephen Vaughn representing
17 U.S. Steel. I would like to introduce the next
18 witness, Mr. Jeffrey Johnson of U.S. Steel.

19 MR. JOHNSON: Good morning. I am Jeff
20 Johnson, Director of Standard and Line Pipe, North
21 America, for United States Steel Corporation. I have
22 13 years of experience selling tubular products and
23 have been in my current position since 2010.

24 Because of my responsibility for overseeing
25 sales of our standard and line pipe throughout the

1 United States I am very familiar with market
2 conditions for the subject product. This morning I
3 would like to give you three reasons why the
4 Commission should grant relief in this case.

5 First, this case involves a product where
6 domestic producers must compete directly with imports
7 on the basis of price. Welded standard pipe is a
8 commodity product generally made to common and well-
9 known specifications. It is sold for the most part to
10 highly sophisticated distributors, many of whom stock
11 both U.S. and imported goods, and it is used primarily
12 in construction jobs and other large projects by end
13 users who are very sensitive to costs.

14 Under these circumstances I can assure you
15 that purchasers are extremely focused on price, and
16 that domestic producers will inevitably lose sales to
17 dumped and subsidized imports that undersell American
18 pipe.

19 Second, demand for welded standard pipe has
20 been hit hard by the global economic crisis and
21 especially by the drastic reduction in construction
22 activity that we have seen in this country. One of
23 the primary uses for welded standard pipe is in
24 construction and as everyone knows the U.S.
25 construction market has been depressed for the last

1 several years. New housing starts have been and
2 continue to be extremely depressed. Nonresidential
3 construction is not much better.

4 In September, the F.W. Dodge Index, a widely
5 used measure of nonresidential construction activity,
6 came in at 89. That's a very low number. The base
7 number for the index is 100, and that represents the
8 level of nonresidential construction seen in 2000,
9 more than a decade ago.

10 The Architectural Billings Index, which
11 provides a leading indicator of future nonresidential
12 construction activity, is at levels that suggest that
13 we may see further contraction in the days ahead.

14 Under these circumstances one would expect
15 imports to decline from 2008 levels, and that is what
16 happened with nonsubject imports, but through the
17 first six months of this year subject imports were on
18 pace to reach almost 221,000 tons, which would be an
19 increase of over 55 percent from 2008 levels. This
20 fact alone shows that subject producers are not
21 responding to market forces but are simply shipping as
22 much pipe as possible to the United States.

23 And finally, trade relief would give U.S.
24 Steel an opportunity to sell more welded standard
25 pipe, an opportunity we very much want. For the first

1 five months of this year, our facility in Bellville,
2 Texas, was shutdown and it is still not running at
3 full capacity. We have also had unused capacity at
4 our facility in Mckeesport, Pennsylvania, and we are
5 in the process of upgrading that facility to make it
6 more productive.

7 So, we have strong incentives to make and
8 sell more of the subject product, but prices for this
9 product are so low that most of the time we simply
10 cannot justify making it. Furthermore, this situation
11 will not improve so long as dumped and subsidized
12 imports keep pouring into the United States.

13 For all of these reasons we urge the
14 Commission to find that subject imports are both a
15 cause and a threat of material injury to domestic
16 producers. Thank you very much for your time.

17 MR. SCHAGRIN: Thank you very much, Mr.
18 Johnson, and we are very pleased to be joined by Linda
19 Andros, a representative of the USW, which is the
20 union that has workers at most of the plants producing
21 this product. Ms. Andros.

22 MS. ANDROS: Good morning. Thank you for
23 the opportunity to appear today. My name is Linda
24 Andros and I am the Legislative Counsel for the United
25 Steel, Paper and Forestry, Rubber, Manufacturing,

1 Energy, Allied Industrial, and Service Workers
2 International Union, called the United Steel Workers
3 for short.

4 The United Steel Workers is the largest
5 industrial union in North America, and we represent
6 workers across really a broad swatch of this country's
7 manufacturing sector, including in the industry
8 producing circular welded pipe which is at issue here.

9 As the Commission knows and as you well
10 know, the United Steel Workers has been in the
11 forefront on the battle against unfairly traded
12 imports for many, many years, and our members have
13 really taken a lot of burden on the impact of unfairly
14 traded practices by foreign competitors and countries.
15 We take it in the form of straight layoffs, closed
16 factories, reduced hours, reduced benefits which
17 injures not only our workers but our families, our
18 communities, so we have lived this for the last two
19 decades.

20 This case, of course, is very important to
21 our members as is every case that we engage in.
22 United Steel Workers here represents most of the
23 workers in this industry, including workers at Allied
24 Tube and Conduit, California Steel Industries, Levitt
25 Tube Company, Tanarus USA Maverick Tube, TMK Ipsco,

1 Tex Tube, United States Steel, and Wheatland Tube
2 Company.

3 However, our interest in this case goes even
4 beyond the specific members we have working for these
5 pipe companies. More flat steel are produced in the
6 United States actually is consumed in the production
7 of welded pipe than in any other end product, so the
8 imports of the subject merchandise traded unfairly is
9 a really significant ripple effect on our members
10 working in other parts of the steel producing sector.

11 The subject merchandise is made from
12 foreign, often Chinese-produced hot-rolled steel, and
13 of course our members make hot-rolled steel in the
14 United States. So when domestic pipe producers lose
15 market share to foreign producers that results in a
16 loss of sales also for our U.S. hot-roll producers and
17 that impacts our workers in that particular sector.
18 This means thousands of our steel workers are affected
19 obviously along with their families, the communities
20 that depend on the steel jobs for their prosperity.

21 In particular, the USW is concerned at this
22 high level of unemployment that we have had over the
23 last three years and it doesn't look like it's in
24 decline at all. It's important for us to partake in
25 these cases and right alongside management, as we

1 always do and we are doing in this case when we see in
2 particular the flood of Chinese imports that threaten
3 the demise of our industry back in 2007.

4 At that time working with the industry we
5 were successful in those antidumping and
6 countervailing duty cases where duties were imposed in
7 2008. At that time, you know, our members fully
8 expected that once we got back to normal economic
9 conditions in the country that the mills would be able
10 to operate at higher rates and workers would be able
11 to return to their jobs, and jobs wouldn't be lost any
12 further.

13 And while the Chinese orders have been
14 effective because imports have slowed considerably
15 from China, unfortunately we know see that imports are
16 coming in from other countries, the countries
17 obviously at issue here today, and they had not
18 previously been significant suppliers to our market
19 but then obviously as has been said to you today as
20 the numbers show they have started to ship in
21 quantities of this product at very low prices.

22 In particular, Indian imports have also
23 increased since one of the largest producers that
24 wasn't covered by the previous Indian order is now
25 free and has been taking advantage of that

1 opportunity.

2 So, these increases have occurred despite
3 continued demand here in the United States, and we
4 have yet really to recover from the recession, as I
5 mentioned, and that's been since 2008, so imports from
6 these countries we don't think are increasing because
7 of an increase in market demand, it's because they are
8 getting various benefits from their government and
9 taking the opportunity to, you know, develop market
10 share in the U.S. once China has been forced to play
11 on a level playing field here, so we don't think that
12 the industry can really be expected to compete with
13 companies that receive benefits from their governments
14 but get government-directed development plans and
15 funded by subsidies from their governments. So we
16 think that's what is really promoting the increase
17 that you have seen from these imports.

18 Our members have made tremendous sacrifices
19 over the years to stay competitive. We have given up
20 pay increases, we have had fewer shifts, we make
21 concessions on benefits, on wages, et cetera, and we
22 always work with management as we are here as a team
23 to try to make the industry even more competitive, and
24 more efficient. We do that all the time because we
25 are well aware of all the competition that this market

1 presents. For example, as was mentioned, we just
2 entered into a five year contract with Wheatland, and
3 we appreciate that.

4 So, I guess you would say we have always
5 taken this team approach to dealing with unfair trade
6 because obviously we are very mindful if our industry
7 doesn't succeed we don't succeed, so it's always been
8 a team effort in all the cases that we're involved in.

9 I would just end with saying that, you know,
10 the United Steel Workers, we are a very highly
11 talented and dedicated workforce and in particular
12 producing circular welded pipe. I am proud always to
13 come and represent thousands of workers in this
14 industry and any industry that we are involved in a
15 case in.

16 The workforce reductions that this
17 particular industry and our workers have been
18 experiencing, including the closure of Wheatland II
19 back in 2009, in Sharon, Pennsylvania, those are
20 devastating for our workers. It's simply devastating,
21 especially in this environment, and obviously the
22 families in the broader communities, and to all of our
23 members we see that.

24 So, we trust that the Commission, after you
25 always do, taking a hard look and reviewing the impact

1 of these unfairly traded imports on our industry and
2 our jobs will render an affirmative preliminary
3 determination, and I thank you for your time.

4 MR. SCHAGRIN: Thank you, Ms. Andros. Ms.
5 Byers.

6 MS. BYERS: Thank you, Mr. Schagrin.

7 Good morning, Ms. DeFilippo and members of
8 the staff. My name is Bonnie Byers. I am with King &
9 Spalding appearing today on behalf of Petitioners. I
10 would like to spend a few minutes now on the issue of
11 threat.

12 As the industry witnesses have testified
13 today subject imports are currently causing material
14 injury to the domestic industry. In addition,
15 information related to the threat factors shows that
16 U.S. producers of CWP are also threatened with
17 additional material injury that is both real an
18 eminent. As a threshold matter, subject imports meet
19 the requirements for cumulation since they are
20 fungible, are sold through the same channels of
21 distribution for the same end uses, and compete in the
22 same geographical markets as the domestic like
23 product. Moreover, there are no conditions of
24 competition that differentiate subject imports from
25 one country from those from another. Thus the

1 Commission should exercise its discretion to cumulate
2 subject imports for purposes of any threat analysis.

3 With respect to the statutory factors, I
4 would first note that the trend in subject imports
5 indicates continuation of rapidly increasing imports
6 notwithstanding a depressed demand environment.
7 Increased imports are virtually certain given growing
8 production capacity and an increasing level of excess
9 capacity to produce CWP in the subject countries. As
10 documented in the petition, production capacity of
11 subject product has expanded significantly in the last
12 couple of years in all four countries.

13 In India, for example, APL Apollo, one of
14 the top three welded pipe producers in India,
15 increased its pipe capacity from 80,000 tons per year
16 in 2007 to 490,000 tons per year in 2010, an increase
17 of over 600 percent. In Oman, a brand new producer,
18 Gulf International Pipe Industry, began to ship in
19 2010 from its brand new facility with a capacity to
20 produce 250,000 metric tons of pipe per year.

21 In the UAE, Universal Pipe opened a new
22 steel pipe facility in July of last year with a
23 capacity of 120,000 metric tons per year, more than
24 doubling its capacity. And in Vietnam, Hofat
25 Industries, the largest producer of galvanized pipe in

1 Vietnam, added a 60,000 ton mill to its operations.
2 This new capacity is coming on line at a time when
3 there is already huge amounts of unused capacity in
4 all four of these countries.

5 Industry reports indicate that producers in
6 these countries are operating at capacity utilization
7 rates well below 50 percent. With demand flat down in
8 their own markets, there is no other outlet for this
9 production but the export market, and in fact
10 producers in all four of these countries are already
11 highly export-oriented with well established sales
12 channels in the U.S. market.

13 Second, the volume of imports of CWP from
14 subject countries has increased significantly and
15 rapidly, especially during the first half of this year
16 when subject imports grew from 135,000 tons to 173,000
17 tons or by about 28 percent. Actually that's in the
18 first nine months of the year. This is all the more
19 dramatic given that apparent consumption in the U.S.
20 is declining. The rates of increases and the volume
21 and market penetration of imports indicate a very
22 strong likelihood of substantially increased subject
23 imports in the near future.

24 Third, subject imports are entering the
25 United States at prices that have had an d are likely

1 to continue to have in the future a significant
2 depressing effect on domestic prices and are likely to
3 increase demand for further imports. With numerous
4 pipe producers competing for sales in the U.S. market
5 the only way that subject imports can gain sales is by
6 underselling.

7 Fourth, we have alleged 64 different
8 subsidies to subject CWP producers. The types of
9 subsidies alleged are the sort that enabled subject
10 producers to expand their CWP production
11 significantly. Moreover, many of the subsidies
12 alleged are prohibited export subsidies.

13 Finally, the current demand situation in the
14 United States is still incredibly sluggish with no
15 upturn forecast for several years, particularly in the
16 critical residential and nonresidential construction
17 sectors. The depressed demand environment leaves the
18 domestic industry vulnerable to future injury from
19 subject imports. Thank you very much.

20 MR. SCHAGRIN: Thank you, Ms. Byers, and
21 thank you, Ms. DeFilippo. Before turning over to the
22 Commission staff questions, I would like to wrap
23 things up a little bit after all of the witness
24 testimony to put these cases really in the context of
25 what has been the Commission and myself and this

1 industry saying producers in the industry, like
2 Wheatland Allied, on this same product since 1982.

3 Mr. Cameron tried to put it in context in
4 his opening. He called it an industry that had
5 received semi-permanent trade relief, and argued that
6 the industry doesn't deserve any more relief. I think
7 the fact that the Commission had dealt with this
8 product as often as it has, in over 20 cases in the
9 past 30 years, really puts it in the context of the
10 fact that CWP is such a commodity pipe product that
11 virtually every mill in the world can use, that there
12 are, as was explained to you, trading companies who
13 will bring these products to the U.S. and distributors
14 who will always look for a cheaper import price even
15 if it's unfairly traded instead of purchasing a
16 domestic product.

17 In fact, going back to 1982, in cases
18 against Korea and Taiwan, that's when I first met Mr.
19 Cameron, he was actually the counsel for the Koreans
20 in 1982, and those were my first cases, and may have
21 been among his first cases after he left the general
22 counsel's office at the ITC where he was well trained
23 and has since used that training to ably represent
24 respondents. I received no such training. I'm not
25 even sure in '82 I knew what I was doing when I was

1 hired to bring those cases, and they had only modest
2 success; fairly low margins. Mr. Cameron was even
3 better at the Department of Commerce than he was at
4 the ITC, and so imports kept increasing even after we
5 did those first cases, even though the Commission went
6 affirmative.

7 And then President Reagan decided in 1984,
8 in spite of a negative determination on oil pipe and
9 two products by the Commission in a 201 case that
10 along with a number of trade actions he took in the
11 mid-eighties, including auto quotas, machine tool
12 quotas, semiconductor agreement, that he would do a
13 VRA program for all steel products, including pipe and
14 tube in late 1984. And so quotas were negotiated with
15 many major suppliers including Korea, Japan, the EU,
16 Brazil and many others.

17 But, of course, that wasn't the end of the
18 problem because in the mid-eighties, much like at the
19 present time, there were already lots of trading
20 companies, as Mr. Magno and Mr. Young testified, they
21 are basically the same distributors of these products
22 today were in existence then, and they didn't want to
23 buy domestic products at higher prices. They wanted
24 to buy the next new import supply source at the next
25 dumped price. And so we brought new cases in the mid-

1 eighties after the VRA program went into effect
2 against new suppliers like Turkey, and Thailand, and
3 India. Very often their market shares were very
4 small. They always argued we haven't even replaced
5 all of the tons brought down by the VRAs, it was
6 almost word for word what Mr. Cameron argued in his
7 opening.

8 This Commission, obviously a different set
9 of Commissioners three decades ago, only Don and I
10 have been sentenced to like 40 or 45 year terms at the
11 Commission. Commissioners only have to do nine, which
12 could be 12, or 13 or 15, but still not 40 or 50. The
13 Commission said we're not buying those arguments.
14 Yes, these new unfairly traded imports may be less
15 than the import reduction of the VRAs, but they are
16 unfairly traded and they are injuring the U.S.
17 industry.

18 Now we move the clock forward a few decades,
19 and get to 2011, the second decade of the Twenty-first
20 Century, and we really have a parallel pattern that we
21 had back then. So you can replace the VRA still
22 program on steel products with just China. China has
23 become the 600 pound gorilla of the world's steel
24 industry. More than half of the entire still capacity
25 of the world is in China. More than half of the pipe

1 and tube capacity of the world is in China.

2 And so now in steel product after steel
3 product, for that matter in manufactured product after
4 manufactured products, U.S. industries are coming to
5 the Department of Commerce and the International Trade
6 Commission and saying give us relief from these
7 massive imports from China, and you're working very
8 hard in all these China cases as are we, and arguments
9 made by attorneys like Mr. Cameron who is also
10 involved in the China case here, I have my copy of the
11 China case, you know, we are not persuasive except as
12 the issues like critical circumstances.

13 I don't believe that this Commission has put
14 in all of its hard work in China cases so that workers
15 in Oman, and Vietnam, and India, and the Emirates
16 should be beneficiaries of your hard work, the hard
17 work put in by the domestic industry at both the
18 Department of Commerce and the ITC to gain relief from
19 China.

20 But we are seeing the same thing happen. We
21 are seeing that after you displace these unfairly
22 traded tons from China you're getting these new
23 suppliers coming into the U.S. market. You know, in
24 the Commission's China report at pages 41 and 42 there
25 is a list of all the importers. I suspect that you're

1 going to find that many of the importers in the China
2 case are also importers in this case. They just
3 switch sources. They keep the same U.S. customers,
4 these major national distributors of pipe valves and
5 fittings or of fence and sprinkler products, and they
6 say we used to sell you Chinese, now we'll sell you
7 Indian, Omani, Vietnamese, Emirate products at dumped
8 prices, below the domestic industry's prices.

9 And so what happened? We've had very, very
10 slow growth in demand coming out of this horrible
11 recession. We've got 16.5 percent underemployment in
12 this country, and instead of the benefits of the China
13 cases going to American workers who so desperately
14 need it they are going to new suppliers.

15 Now, if those new suppliers were trading
16 fairly, I would say welcome to America. I mean,
17 that's the kind of open system we have. We're going
18 to demonstrate to the Department of Commerce that
19 these products are subsidized and they are dumped. We
20 are going to demonstrate at this Commission that there
21 is underselling, that there is price depression, that
22 there is injury.

23 There may be only 200,000 tons in 2011.
24 They have risen at probably five to 10 times the rate
25 of increase in demand so they are building market

1 share every day, but as you heard from Ms. Byers they
2 have tremendous overcapacity. They are putting new
3 mills in. They believed, at least in Oman and the
4 UAE, that construction was going to take off forever.
5 You know, Dubai would have more skyscrapers than the
6 rest of the world. Well, that came crashing down.

7 So, they have all got excess capacity.
8 There is all these trading companies, they all want to
9 sell their products here, and they don't mind selling
10 them at dumped and subsidized prices which undersell
11 the U.S. industry.

12 So, as I say, this Commission, I think,
13 unfortunately for you and I know it always scares
14 Commission staff and Commissioners to hear, well, this
15 is the beginning of the next wave, but it's true. I
16 mean, in product after product people rushing in to
17 replace the Chinese, and I think you're going to see a
18 lot of cases, and this Commission is going to have to
19 decide did you do all the work in the China cases to
20 benefit new suppliers and foreign workers or did you
21 do it to benefit U.S. workers?

22 You are still going to look at the cases
23 just the way you always do, on the facts of each case,
24 but the China issue is going to be an issue in every
25 single one of these cases. You're going to have the

1 domestic industry saying, look, we brought the China
2 case to benefit us, and now new suppliers are coming
3 in and dumping and they are taking advantage of it,
4 and you're going to hear the lawyers for all the new
5 suppliers saying, well, the Chinese had 600,000 tons,
6 we only have 200,000 tons, what's the problem? You
7 know, isn't the industry net 400?

8 Of course, we will talk during this
9 proceeding about the fact that we probably had the
10 consumption levels at six or seven hundred thousand
11 tons higher than today when the Chinese were bringing
12 in 600,000 tons.

13 So neither Mr. Cameron or I can come up here
14 and be like Mr. Leitheiser and Mr. Greenwald and tell
15 you what the Way and Means and Finance Committees
16 really meant when they were writing these statutes in
17 1974 and '79. We're from a much younger generation,
18 but at least I know, and I believe Mr. Cameron
19 recognizes, we know what this Commission did under a
20 similar set of situations in the mid-eighties after
21 the steel VRA program went into effect, and I believe
22 very strongly that American workers and American
23 companies believe that this Commission should address
24 the post-China relief cases in the same way; that the
25 benefits should go to the U.S. industry and U.S.

1 workers and any fairly traded imports that come into
2 the market. The benefit should not go to new unfairly
3 traded imports.

4 So, we believe that when you carefully
5 review the record of this case that this Commission
6 will make findings that there is present injury to
7 this industry or find a threat of real and eminent
8 injury. With that, that closes the domestic
9 industry's presentation. We would welcome your
10 questions.

11 MS. DeFILIPPO: Thank you very much, Mr.
12 Schagrín, and thank you to the panel. In particular
13 I'd like to thank the industry witnesses that have
14 taken time out of their I'm sure very busy schedule,
15 and traveled here. It's always very helpful to have
16 your knowledge, and you available for the questions
17 I'm sure staff has. So I very much appreciate it.

18 With that, we will turn to the beginning of
19 our staff questions. And I will turn to Ms. Martínez
20 first.

21 MS. MARTINEZ: Good morning. Okay. So, Mr.
22 Schagrín alluded to this. As far as the effect of the
23 Chinese order, is the only reason that subject imports
24 increased, was that in response to the order on China?
25 Is that the only reason? Or are there other factors

1 to be considered?

2 MR. SCHAGRIN: Well, I think it's pretty
3 clear that the imports from these countries have
4 increased because they're offering the lowest prices
5 in the U.S. market. And that's why U.S. customers are
6 buying from them.

7 They probably weren't able to offer a price
8 as low as the Chinese when the Chinese were in the
9 market, and that's probably one of the reasons that
10 their imports increased.

11 I think it is important to note that relief
12 from imports from China came during 2008, and before
13 the recession. I think you'll see when you look at
14 data for this industry that in 2008, the only year
15 when you had both normal consumption levels and
16 reduced imports from China, there was immediate
17 benefit to the domestic industry. Which there hadn't
18 been prior to 2008, even though there was strong
19 consumption.

20 So essentially, the Chinese ruined the good
21 part of the cycle for the domestic industry; and once
22 imports from China declined because of the imposition
23 of duties, the industry could benefit from the strong
24 demand.

25 Of course, after 2008 we had the great

1 recession. And so now Mr. Cameron wants to blame
2 everything that's happened to the domestic industry on
3 the recession and its aftermath.

4 There's only one major problem with that.
5 While demand has been weak and is only recovering very
6 slowly, these imports are pouring in. If demand in
7 the United States is so weak, and there's so much
8 excess U.S. capacity, mills that were shut down, other
9 mills operating at relatively low capacity utilization
10 rates, the U.S. industry could have easily supplied
11 the entire demand during this weakened demand period.

12 But these imports are now pouring in and
13 growing market share, in the face of a weak demand.
14 So they are exacerbating. Certainly our position
15 today won't be that the reduction in demand had no
16 impact on the U.S. industry; it has, it's simple
17 economics. Economics is about supply and demand and
18 its effect on prices.

19 But when you have weakened demand, you
20 shouldn't have a big surge of imports. And so they
21 have certainly exacerbated the injury that would
22 otherwise, or the poor performances that would have
23 otherwise existed in the weak-demand environment.

24 MS. MARTINEZ: Thank you. Now, looking at
25 the import trends, sort of a related question. You

1 mentioned of course, we see the demand, the sharp
2 decline in 2009. And there's a recovery in 2010. Do
3 you think that is, corresponds to the demand trends in
4 the U.S. that, you know, in terms of the recession?
5 And maybe there's a recovery in the construction
6 market, a slight recovery of that? What are your
7 views?

8 MR. SCHAGRIN: I'll let people in the
9 industry answer that, as to your forecast. But I
10 think most people would agree that we got out of the
11 depths of '09, but it's really slow; and now it is
12 flattening. And I think that for people in the
13 industry, and given the various forecasts that they
14 get, the forecast is pretty flat.

15 Mr. Seeger? Mr. Magno?

16 MR. SEEGER: Yes, in consideration to your
17 question, there was a recovery. 2009 was a bloodbath.
18 Everybody liquidated their inventory, the prices were
19 dropping so fast that they just wanted to get out from
20 any exposure.

21 So in 2010, even though non-residential
22 construction had not picked up, it was still
23 decreasing, we did see a recovery because people
24 bought some inventory, and financial situations
25 stabilized. So you did see a little uptick in 2010.

1 But in 2011, non-residential construction
2 continued to contract. I think I mentioned in my
3 remarks that we feel it's bottomed out, but it has not
4 recovered. If you look at the advance, the
5 architectural billing index, which is about a nine-
6 month lead time of what's coming down the road, you
7 know, they're still below the 50 point, which tells
8 you there is no growth for at least the next nine
9 months. Most of the pundits say the next year or two.

10 MR. MAGNO: Mark Magno with Wheatland Tube.
11 I wanted to make a comment about construction
12 activity, particularly about Washington, D.C. versus
13 the rest of the areas that we visit.

14 Generally I'll fly by an airplane to visit
15 our customers, because we're doing it around the
16 country. And I'm sure I'd be much more comfortable in
17 an aisle seat to give this stout body of mine a little
18 bit more room, but I jam myself on the window.
19 Because what we like to do is, when we're traveling,
20 is when we're landing, we're looking for the overhead
21 cranes. That's construction activity. It's good for
22 our customers' business, which is good for us.

23 And in our travels, we have seen very little
24 construction, large overhead cranes, because there has
25 been really a devoid of construction activity. And

1 exasperated as well by the decrease, significant
2 decrease in government spending that's happening even
3 more recently.

4 However, when, in my very brief time here in
5 Washington this time, and I love coming to Washington,
6 I have seen more construction cranes in Washington,
7 D.C. than I think collectively in nine months. So
8 what happens inside the Beltway is not typical of what
9 we're seeing around the country; and in particular, in
10 a lot of the small communities that our mills operate.

11 MS. MARTINEZ: Thank you.

12 MR. VAUGHN: Stephen Vaughn for US Steel. I
13 just wanted to make a comment sort of on the way I
14 think you ought to be looking at these demand-type
15 issues. And I understand that's going to be one of
16 the points here, and I appreciate Roger's reference to
17 Mr. Lighthizer in his testimony in the past.

18 And I think one of the points that's been
19 made with respect to the injury standard is, is that
20 you are supposed to look at the industry in the
21 context of the demands situation, in the cycle of
22 where it is in the business cycle.

23 And so here, I think what the testimony is
24 showing is that yes, there has been this sort of
25 downturn in demand; but that has been worsened and

1 exacerbated by what you're seeing in terms of the
2 imports. And to me, at least, one of the striking
3 facts in this case is that while there is a downturn
4 in demand -- I think there is almost unanimous
5 testimony imports, I mean demand is well below 2008
6 levels -- subject imports are actually significantly
7 higher than they were in 2008.

8 So I think that's sort of the context in
9 which you're going to want to consider these facts.
10 And I think that goes to your question about is this
11 just something that's tracking demand. And to us, at
12 least, I think if you look at the evidence, you'll see
13 that it is not.

14 MS. MARTINEZ: Thank you. Anyone else have
15 anything to add? Okay. Okay, thank you.

16 Moving on to a couple of data-related
17 matters. I apologize if I'm a bit all over the map;
18 please bear with me.

19 Do you believe that official import
20 statistics accurately represent U.S. imports? And
21 that's what the Commission should be using?

22 MR. SCHAGRIN: As to the subject countries,
23 yes. As to most of the non-subject countries, yes.
24 As to Canada, no. And this Commission has on a number
25 of occasions in the past, including in the recent

1 China case just I guess three years ago, used
2 Statistics Canada data for exports.

3 And the reason for that is there is a very
4 significant part of the market for the Canadian
5 industry, and also for the U.S. industry shipping up
6 to Canada, which is what would be referred to as off-
7 the-welder circular mechanical products. So these are
8 mechanical tubing products which are not cold-drawn or
9 drawn over mandrel, which have their own separate HTS
10 items which are not included in this group.

11 But they are just circular welded mechanical
12 pipe. And there's a tremendous amount of trade from
13 Canada into the U.S. industry producing auto and truck
14 parts.

15 And so in the past, as we did in the
16 petition, we have modified the Canadian import data,
17 and adjusted it using Statistics Canada data. Because
18 the Canadian statistics break out standard and
19 mechanical separately. And so we've utilized that.

20 And we will, we gave you the data in the
21 petition. In our post-conference brief we'll also
22 give you the raw Statistics Canada reports for the
23 staff's use.

24 MS. MARTINEZ: That will be very helpful,
25 thank you. Moving on to focus on the U.S. industry.

1 Do you believe that we have all the major players?
2 All the U.S. producers in the dataset currently?

3 MR. SCHAGRIN: Probably counsel should
4 answer that.

5 MS. MARTINEZ: Yes.

6 MR. SCHAGRIN: Because the other, the
7 industry members wouldn't be aware of your releases.
8 And I'm not sure that based on the release earlier
9 this week, and of course it's on EDIS publicly, who
10 has responded, that you have all but you're probably
11 already well past 90 percent of the industry already.
12 And I'm sure that you'll probably pick up some of the
13 stragglers. And of course, we believe just the
14 members of industry here are already well over half of
15 the industry.

16 So you've got both good coverage in terms of
17 who's reporting to you, and you have incredible
18 coverage compared to Respondents, who have decided not
19 to take the plane from Dubai here, even though we'd
20 have the direct flight. But you have incredible
21 coverage with the representatives of the U.S. industry
22 on the panel this morning.

23 MS. MARTINEZ: Okay, I just wanted to get
24 that on the record. Thank you.

25 Now, what share of the industry make up the

1 micro-alloy, multi-stenciled, and mechanical tubing
2 within the scope of the investigations? What share
3 does that make up in the U.S. industry?

4 MR. SCHAGRIN: Probably also one for
5 counsel, because they're not quite as maybe familiar
6 with the intricacies of the scope language. Micro-
7 alloy, my guess is zero; there is no micro-alloy
8 circular welded pipe, as I think the Commission is
9 aware.

10 You know, in some respects, as to new
11 supplier countries, this is a game of Whack-a-Moley;
12 you know, you go try to get that. In terms of
13 coverage and potential imports coming in from outside
14 the scope, it's a little bit more like some kind of
15 chess match with opposing counsel, as to how they can
16 figure out something that can legally be done that
17 takes products outside the scope.

18 So the first one they came up with, flat-
19 rolled, in the mid-nineties was the idea, and has been
20 repeated many times since, was the idea of people
21 adding small amounts of micro-alloys in order to say
22 oh, the case only covers carbon products, these are
23 alloy products. Even though no one buying these, no
24 one at Ferguson trying to sell a plumber A53 would say
25 oh, I got alloy A53, you know. These are things that

1 were created by lawyers and foreign companies to try
2 to get around that, and we have to respond to it.

3 Same thing happened with multiple-stenciled
4 product. There, you know, some really good lawyers
5 came up with multiple-stenciling products after the
6 '91 cases, and we thought oh, this will be covered by
7 circumvention. And we ran into a buzzsaw of some,
8 what I recall, to try to be complimentary to our
9 Reviewing Courts, maybe free-trade ideologue judges
10 who thought that if a product isn't covered by the
11 scope, it can't be covered by circumvention.

12 Whereas I was very familiar with the '88
13 Act, and I could swear Congress specifically meant
14 circumvention provisions law to cover products not in
15 the scope. But we actually had judges come out and
16 say no, if you exclude it from the scope, then it's
17 got to be excluded forever; we can't cover it in
18 circumvention.

19 There, there are some coverage. I would say
20 probably, for ease of some of the line pipe producers
21 in the country, they will dual-stencil product as it's
22 coming off the mill, because it's just five cents'
23 worth of paint when they're making line pipe, to add
24 the A53 spec. And then, because they made it that
25 way, they will sell it to a plumbing distribution

1 house as a dual-stenciled product.

2 So I would say a very small portion of
3 domestic production, maybe just several percent, is
4 covered by dual-stenciled.

5 As to the mechanical for fence, this is
6 something where I think the chess game has gotten
7 stretched into more fraud than chess. Because people
8 who say I'm making galvanized fence tubing, and here's
9 my galvanized fence tubing, and I'm going to give you
10 an A-513 mechanical specification mill test report,
11 and they're shipping to fencing contractors. And the
12 language of the scope as it says here specifically
13 says fence tubing is included. My view of that -- and
14 I believe it's going to turn out Customs' view of that
15 -- is if fence tubing is covered and the product is
16 fence tubing, saying that my fence tubing also meets
17 A-513 doesn't take the product out of the scope.

18 But once again, we had to react. We don't
19 want to waste your time or the time of the domestic
20 industry trying to chase down products at the borders,
21 where somebody's gotten smart, wise, decided to engage
22 in these activities.

23 I would say there, for domestic producers
24 making fence tubing and saying it meets a mechanical
25 specification, once again, it's zero. The domestic

1 industry has never engaged in that type of production
2 activity. And I think that Mr. Kurasz, Young, or Mr.
3 Seeger and Mr. Magno can verify. They all make fence
4 tubing, and they never tell their fence tubing
5 customers our fence tubing meets a mechanical
6 specification. They just don't do it.

7 MS. MARTINEZ: And what would be your
8 thoughts on the shares for the U.S. imports, then?
9 Since you referenced them. Do you believe that there
10 are large amounts coming in?

11 MR. SCHAGRIN: From the subject countries,
12 we believe there is some coming in from India already,
13 based on some review of some information from Import
14 Genius. We don't believe -- and that's because there
15 are already dumping duties, as we'll probably explore
16 at some time in this morning conference, that there is
17 already some very significant dumping duties against
18 producers in India other than Zenith Birla.

19 And so we think India, some Indian mills and
20 some U.S. importers have engaged in that activity. We
21 don't believe that producers in Oman, UAE, or Vietnam
22 have engaged in any of that activity, because they
23 have no duties to try to get around at this point.
24 And we want to make sure that when duties are imposed,
25 they cannot get around them.

1 MS. MARTINEZ: And for the multiple-
2 stenciled, you believe it's small amounts, as well?

3 MR. SCHAGRIN: No, I think there's larger
4 amounts of multiple-stenciled. Now, those would not
5 be in your import statistics.

6 MS. MARTINEZ: Yes.

7 MR. SCHAGRIN: Because Customs' view is that
8 any multiple-stenciled product that has an API-5-L
9 stencil would be classified as line pipe. And I'm
10 sure that's a question you can ask Mr. Cameron,
11 because I'm sure some of his other clients who would
12 be subject to the orders would be aware of the volumes
13 there. But there certainly are imports of product,
14 multiple-stenciled, from countries currently subject
15 to orders that enter the U.S., and then are sold to
16 U.S. users of CWP.

17 MS. MARTINEZ: Thank you. My next question
18 is, how common is it in the industry to downgrade from
19 non-subject line pipe to subject circular welded pipe?
20 And sell it in the market as such.

21 MR. SEEGER: Yes, it does happen. I don't
22 think it's a common practice; we'll run into it now
23 and then. There's certain parts of the market that
24 will deal with second grade-type products, and we do
25 run into it. But it's not a prevalent practice.

1 Now, fence is another story.

2 MR. SCHAGRIN: And I would say, Ms.
3 Martinez, that even for what I call the more
4 mainline -- I don't know if US Steel would want to
5 comment on this issue -- producers of line pipe,
6 probably one of the reasons that they multiple-stencil
7 even though they are selling to contract line pipe
8 customers, is that when they then test the line pipe,
9 which has much more stringent testing requirements;
10 that then if they find it doesn't meet the line pipe
11 specification, it will still meet the A-53
12 specification.

13 And so what they'll do, because then it can
14 no longer be line pipe, then the domestic producer of
15 line pipe will erase, I mean they'll literally take
16 the API markings and their API monogram off the
17 product, but they're able to sell it at A-53. I think
18 that happens to a pretty small extent, but you know,
19 if you're running 100,000 tons of line pipe and three
20 or four thousand tons don't meet the spec, and you can
21 then sell it as A-53, it may only be three or four
22 thousand tons. But at a thousand dollars a ton, it's
23 much better to sell it at A-53 than, you know, as just
24 totally secondary material.

25 So it's probably pretty small, but I think

1 it definitely happens. And maybe Mr. Johnson has some
2 information on that.

3 MR. JOHNSON: He hit it right on the head.
4 It's a very, very small, limited amount of pipe that
5 would, that would happen, where we would downgrade it
6 to an A-53. It's very rare. It does happen, though,
7 on occasion, but it's I would say a very small
8 percentage.

9 MS. MARTINEZ: So you wouldn't see a
10 predominantly, a producer who predominantly produces
11 line pipe who would accidentally get into the circular
12 welded pipe market because it didn't meet the
13 stringent standards? That's not common.

14 MR. JOHNSON: No.

15 MS. MARTINEZ: No, okay. Thank you. And I
16 think my last question will be, do you believe there
17 are any like-product issues that the Commission should
18 be aware of in this case?

19 MR. SCHAGRIN: None. I mean, this is such
20 well-worn territory that I would be very surprised if
21 the Respondents today raise any like product. We
22 certainly think there are no new like-product issues
23 for the Commission to consider.

24 MS. MARTINEZ: Okay. Thank you all.

25 MS. DeFILIPPO: Thank you, Ms. Martinez. We

1 will now turn to Mr. von Schrilzt.

2 MR. VON SCHRILTZ: Thanks, Kathy. Welcome
3 to everyone; thank you for attending the conference.

4 My first question might seem a little out of
5 left field. I believe that the scope of the 2007/2008
6 investigations included a minimum diameter, so that it
7 excluded circular welded pipe less than .372 inches in
8 diameter. Why does the scope of the current
9 investigations not include a minimum diameter?

10 MR. SCHAGRIN: I don't think anybody at
11 Commerce would be offended; because Commerce just
12 asked us to drop that from the scope. When we gave
13 them the scope originally, they just said boy, you
14 always put this, but you know, why? We said well,
15 there really are no sizes lower than that, that are
16 commercially produced. They said well, you don't need
17 it. And you've practiced in this area before; if
18 Commerce asks you to do something and it doesn't cause
19 you any pain, it's like with everybody in the
20 government. Well, it doesn't hurt me, I'm not going
21 to argue with you, it's fine with me.

22 So that's the reason for the change, Mr.
23 Schrilzt.

24 MR. VON SCHRILTZ: Great. Thanks for
25 clearing that up.

1 My next question, of course we've heard a
2 lot about the dramatic impact of the recession and the
3 rather slow recovery on demand for circular welded
4 pipe. I'm wondering, why did Wheatland Tube close its
5 mill in Sharon, Pennsylvania in 2009? What was the
6 reason for that?

7 MR. SEEGER: Sorry. That was a year before
8 my tenure. But when we purchased these companies, as
9 I mentioned we had four or five acquisitions in that
10 period, 2009 obviously was a very difficult year.
11 Demand had dropped almost 45 to 55 percent. We didn't
12 see it coming back in the near term, and we needed to
13 consolidate some of the facilities.

14 MR. VON SCHRILTZ: Great, thank you. I also
15 heard you explain why there were no lost-sales or
16 lost-revenue allegations included in the petition.
17 And I saw that there were no lost-sales or revenue
18 allegations included in the last petition, as well.

19 But what you do provide in lieu of specific
20 lost-sales or revenue allegations was sort of a
21 paragraph or two about Home Depot, and how, if you go
22 to Home Depot, you'll find an abundance of subject
23 imports, but no domestically produced product, even
24 though there are some domestic mills within 100 or 200
25 miles of the particular Home Depot that was visited.

1 And then I heard that these big-box
2 retailers are becoming more important outlets for
3 circular welded pipe. How does that work? Do the
4 producers and importers sell directly to the big-box
5 retailers? Or do the big-box retailers purchase from
6 the distributors?

7 MR. MAGNO: Mark Magno with Wheatland Tube.
8 It's our clear understanding that the large retailers
9 do not purchase direct overseas. They use an
10 intermediary company, generally regionalized, that
11 will buy the product; in almost every case will affix
12 a bar code label to it, because Home Depot needs the
13 bar code label to check out; and then resell in
14 smaller quantities to the stores.

15 MR. SCHAGRIN: If you don't mind, I'd just
16 add two things. We put these in our post-conference
17 brief, because I thought maybe someone at the
18 conference would ask about that in the petition.

19 So on Saturday, the day after Veterans' Day,
20 I went into my Home Depot in Annapolis, Maryland, with
21 my Blackberry. Took photos of what is pipe clearly
22 marked UAE ERW, I couldn't get the fact that it also
23 said A-53 on it. It was properly stenciled, said
24 "universal." The SKU tag said that the pipe was being
25 supplied by Kessler Industries, which would certainly

1 be an intermediary; we don't think that they are part
2 of Universal Pipe.

3 And then in the fence area of Home Depot
4 here, the name of the importer, although we're pretty
5 sure it's Midwest Air Technologies that has the Home
6 Depot supply contracts, you know. All of the pipe was
7 from Vietnam.

8 So you know, once again, here is, you know,
9 mills in Philadelphia. I know, because I drive to the
10 Philadelphia airport sometimes. Philadelphia from
11 Annapolis is about 90 miles. UAE has got about, I
12 think it's about a 15-hour flight to Dubai, it's got
13 to be about 6,000 miles away. Vietnam I'm going to
14 say is more like 8,000 miles away from Annapolis.

15 I mean, talk about Kohl's in Newcastle. I
16 don't know if members of the Commission find this as
17 incredible as I do. But the idea that a store in
18 Annapolis, Maryland, with plants 90 miles away which
19 would be probably a seven- or eight-dollar truck
20 freight to go 90 miles, and other miles 200 miles
21 away, would be bringing in product from five, six,
22 seven thousand miles away. And I will guarantee you
23 Home Depot is buying this because their prices are
24 less.

25 And the other thing I know about Home Depot

1 is, one of the reasons they're taking business away
2 from the traditional distributors is you can go at
3 least to the major Home Depot in Annapolis, and a
4 plumbing company can get there at 6:00 in the morning,
5 and they have a separate area set up for contractors.
6 So that they don't check out like the normal do-it-
7 yourselfer nerd like I am; but instead, you know, the
8 plumbing suppliers can say gee, I might be able to buy
9 it from Home Depot, you know, cheaper than I can buy
10 it from Ferguson. I can pull up as a plumbing
11 supplier to a special area, have a special account, a
12 special checkout, and they can pick up everything they
13 need.

14 So to a certain extent, there's no doubt
15 that the big-box hardware retailers are taking some
16 share away from the traditional distributors. And
17 that just makes it even worse that unfortunately, I
18 haven't seen them -- you want to talk about
19 replacement of Chinese product? This Home Depot in
20 Annapolis sold only Chinese product, before we brought
21 that case. Then for a few months they actually sold
22 Wheatland product. And then it got replaced by the
23 folks in this case.

24 And I want that Home Depot where I live, in
25 an area full of veterans, I want them to sell

1 domestically produced product. I want my fellow
2 Americans to have jobs. I don't want them to be
3 selling product from six or seven thousand miles away,
4 at dumped-in subsidized prices. I want them to buy
5 domestic product. And I think, if you grant relief,
6 hopefully these folks will have a shot with those
7 accounts.

8 MR. VON SCHRILTZ: And actually, that was
9 going to be my followup question. How would domestic
10 producers sell to Home Depot? Would they sell to Home
11 Depot exactly as they sell to distributors? Or would
12 they sell to distributors, which would then sell to
13 Home Depot?

14 MR. YOUNG: In the past we've sold strictly
15 through distribution to any of the home centers.

16 MR. MAGNO: This is Mark Magno from
17 Wheatland Tube. As I had mentioned in my testimony,
18 we already sell electrical products, as does our
19 industry colleague, direct going to Home Depot. It
20 goes into the distribution centers.

21 We would -- and spoken to them in the past
22 about just adding 10-foot-length hardware pipe, which
23 is a type of A-53 pipe that they stock, or other
24 products onto that. Helping to allow for greater
25 inventory turns, because they have a greater

1 flowthrough of material through their distribution
2 centers. And typically, you would think that
3 retailers are highly motivated to increase inventory
4 turns.

5 In this particular case, it's exclusively
6 price of the pipe products. But given an opportunity,
7 we already have that channel in place to do that. And
8 the relationship is in place to do that.

9 MR. KURASZ: Just to offer further
10 clarification. In the fence market, the distribution
11 offers a packaged good to the Home Depot big-box
12 store. So typically you go through the distribution
13 on that. We also sell direct to Home Depot on our
14 electrical conduit products.

15 Pipe products, we are not at the same level
16 as our colleagues over here, so they're more familiar
17 with the direct sales on the A-53 products.

18 MR. VON SCHRILTZ: Okay. Now, Mr. Schagrin,
19 you say that the big-box retailers seem to be taking
20 share away from distributors, but offering contractors
21 the same service as distributors.

22 What would you say their, what proportion of
23 CWP is now sold to end users through big-box
24 retailers, as opposed to distributors? Any idea?

25 MR. SCHAGRIN: We don't know, but it's

1 clear -- maybe we'll try to provide it in our post-
2 conference, if Mr. Magno can't provide it now. But
3 it's just clear, and this is not restricted to, you
4 know, products such as plumbing-supply products.

5 But I think that the Home Depots of the
6 world have really advertised hard in terms of their
7 success rate, that they set up really just in the past
8 several years this special catering to contractors;
9 going beyond the do-it-yourselfers, and saying we have
10 now set up to supply the contracting industry with
11 products.

12 And so, you know, certainly part of their
13 game plan is to gain market share. I'm just not
14 aware. We'll take a look at some Home Depot 10-Ks and
15 see if they brag about it, because I know they just
16 came out with an unbelievable earnings report the
17 other day, in the midst of this very slow economy. So
18 certainly one part of American industry that is not
19 suffering is big-box retailers that sell imported
20 products.

21 MR. VON SCHRILTZ: Big-box retailers. So
22 this goes beyond Home Depot? Is Home Depot the
23 principal big-box retailer?

24 MR. SCHAGRIN: Yes, they are, but Lowe's is
25 right behind them. It's really I think in the, in the

1 construction hardware area, you're really talking
2 about Home Depot and Lowe's.

3 MR. VON SCHRILTZ: Mr. Seeger?

4 MR. SEEGER: Yes, I just wanted to clarify.
5 We've kind of focused on the big-box retailers, but
6 it's beyond just big-box retailers. Other
7 distributors will bring this product in, too. I'll
8 probably hear about this from Home Depot.

9 (Laughter.)

10 MR. SCHAGRIN: And by the way, Home Depot
11 then has to compete. So Ferguson, which is the
12 largest pipe valves and fitting distributor in the
13 country, so I don't know right now how many Home Depot
14 stores there are; it's got to be well into the couple
15 of thousand stores. I know we used to have locally
16 Hechinger's in this area; they went out of business
17 because Home Depot was so good, let's say. And I know
18 at least in Annapolis, Home Depot took over all the
19 Hechinger locations.

20 But Ferguson says on their web site that
21 they have 1300 locations in North America. I have to
22 believe the vast majority of those have to be in the
23 United States, not in Canada or Mexico. But they
24 certainly have placed in Canada and Mexico.

25 So essentially, Home Depot is competing, in

1 probably lots of areas, with a Ferguson. And one of
2 the things that happens is if Ferguson or another
3 distributor is stocking imported product, and Home
4 Depot is stocking potentially a higher-priced domestic
5 product, they're going to lose out on that contractor
6 business. Or vice-versa.

7 So it affects the entire marketplace. I
8 mean, there's lots of competition on the sales to
9 contractors. And that's probably the major changes.
10 It used to be distributors supplied contractors, the
11 big-box retailers supplied do-it-yourselfers, and you
12 could draw a very bright line. And now the big-box
13 retailers have said no, we're also going to supply
14 contractors. And that means that there is now more
15 competition at that level, and more folks who are
16 struggling for that contractor business to offer the
17 contractor the cheapest price.

18 And so it's going to be really tough for one
19 distribution outlet to offer a higher-priced domestic
20 product, when another distribution outlet down the
21 street is offering unfairly traded imported product.

22 MR. VAUGHN: Mr. Von Schriltz, just to
23 follow up on what Roger was saying, and to sort of,
24 you know, put this also back to your original
25 question, which was about lost sales, lost revenue.

1 I think one of the things that the
2 Commission has done a very good job of in recent
3 tubular cases is to recognize that in this type of an
4 industry, where you have a commodity-type product
5 that's a fungible product that's being sold through
6 channels of distribution, that the producers, who are
7 just dealing with distributors, are not necessarily in
8 a great position to say, you know, well, there was
9 this particular project or this particular project,
10 and we didn't get that sale.

11 However, at the same time, as you pointed
12 out and as the witnesses here have testified, and as
13 the Commission has recognized in previous recent
14 investigations, when you have this type of a product,
15 a fungible commodity product that's being sold at a
16 low price, as a practical matter the domestic industry
17 will either lower its price in order to compete with
18 those types of imports, or lose sales to those
19 products.

20 And so this is a situation where the sort of
21 pure, you know, classic lost-sales, lost-revenue
22 paradigm does not necessarily apply. But
23 nevertheless, the testimony of these witnesses is
24 clear, that there are lost sales and lost revenues
25 taking place.

1 MR. SCHAGRIN: To put that another way, it's
2 our position that every single ton, every single ton
3 of these products that have entered during the POI has
4 been a lost sale for the domestic industry. There has
5 been no time during this period of investigation when
6 any of these producers had any customer on allocation.

7 This industry has been characterized
8 throughout this POI by lots of excess capacity. So
9 given that every single ton that was imported from the
10 subject countries could have been made by the domestic
11 industry, every ton was a sale lost by the domestic
12 industry.

13 MR. VON SCHRILTZ: Thank you, thank you for
14 your answer. Just to follow up. I heard testimony
15 earlier that distributors will often cite the prices
16 of competing circular welded pipe to try to extract
17 price concessions from domestic producers, threatening
18 to reduce the truckloads or order size.

19 Do you ever know the source of the circular
20 welded pipe that you're competing against? This
21 morning I seem to recall you saying you never know,
22 but do you sometimes know? Have you ever heard that
23 you're competing against subject merchandise?

24 MR. MAGNO: Mark Magno with Wheatland Tube.
25 We hear, when someone calls us up for a price, and it

1 is generally almost exclusively for a stock purchase,
2 unlike some other product lines that we have which are
3 more project-based selling standard pipe. And they'll
4 say give us your price, just give us your best price.

5 Because of our long-term relations with some
6 customers, they may say that you're competing against
7 import. We very, very rarely know the subject
8 country; they'll not say it's this kind of import or
9 that kind of import. They'll just say you're
10 competing against import. And I would say rarely, but
11 on occasion, they may tell us a price.

12 Our customers are very smart. They know
13 this is incredibly sensitive to us, and they don't
14 want to lose a market advantage that they have by
15 reselling dumped product. So they're very, very
16 reluctant to give us that information, even though
17 we've known them for a long time.

18 MR. KURASZ: To add quickly to that. You
19 know, we do have a dedicated sales force. So we're
20 forward-deployed in the markets. We have great
21 relationships with some of these, most of these
22 distributors. And we do get a chance to walk their
23 floors and walk their yards. So we do see the bundle
24 tags, we see the country of origin, we do get a chance
25 to see that.

1 But at the point of negotiations, again,
2 very sensitive. They're professional buyers. You
3 just are, you are guided in the direction you're not
4 competitive. So it typically does not come up at that
5 point in time.

6 MR. KAPLAN: You know, I might also add
7 that, just to flesh out a little bit what Mr. Magno
8 said, there has been discussion of cases for some
9 time. And I think almost every one of these
10 distributors is aware that there have been trade cases
11 in the pipe sector, and they're not about to hand over
12 evidence to Mr. Magno and other people in the industry
13 to bring to the Commission. They know exactly what
14 the standards are with respect to this kind of
15 evidence. So that is also a factor in what happens in
16 an area where there has been significant cases
17 already.

18 MR. VON SCHRILTZ: Thank you. Now, I heard
19 testimony earlier that 2008 was a good year for the
20 industry. Because, unlike most of the up part of the
21 cycle, the last economic cycle, when the subject
22 imports from China had increased their market share
23 pretty dramatically; in 2008, you had the
24 investigation and the order imposed on imports from
25 China. And you also had kind of a continuation of the

1 strong construction activity, so the domestic industry
2 did really, really well.

3 And you suggested that in the absence of the
4 subject imports here, that's evidence that the
5 domestic industry would be doing better. That, you
6 know, given fair trade, the absence of unfairly traded
7 imports, allegedly unfairly traded imports here, the
8 domestic industry can do very well.

9 So I'm wondering, in the petition I noticed
10 the allegation seems to be that subject imports have
11 adversely impacted the industry since January 2008.
12 So how do you square that? Have subject imports been
13 adversely impacting the domestic industry since
14 January 2008, when the industry was apparently doing -
15 - well, in 2008, the industry apparently did very,
16 very well. And if not, when did subject imports start
17 adversely affecting the domestic industry?

18 MR. SCHAGRIN: Most of the impact has been
19 in 2010 and 2011. Clearly, in any industry in which
20 there's additional capacity, even in 2008 the industry
21 would have done better without the subject imports.
22 It's just the nature of the industry.

23 But the fact is, as a share of the market,
24 subject imports were much smaller in 2008, and overall
25 demand was much larger in 2008. As we go into 2010

1 and 2011, we have a smaller market than we had in
2 2008, but we have more imports.

3 And one of the other things that happened,
4 which was in Mr. Seeger's testimony, is in late '10
5 and going through the early part of '11, you had a lot
6 of steel cost increases. And clearly, as was in Mr.
7 Seeger's testimony, and the same was discussed by Mr.
8 Kurasz, attempts to pass along those cost increases
9 were, to a significant extent, stifled by the subject
10 imports.

11 You can never, say, and I think the
12 Commission stopped doing massive economic programs to
13 try to differentiate between what was the effect of
14 the imports versus the effect of the market versus the
15 effect of, you know, excess capacity for the domestic
16 industry.

17 But clearly, from their positions of
18 salespeople, which is also Mr. Magno and Mr. Young's
19 testimony, when you're going out and saying well, we
20 need price increases because our steel costs have just
21 gone up significantly, and your customers are saying
22 well, forget it, we're not going to give it to you, we
23 can buy imports at a lot cheaper prices than your
24 prices; it has a price effect. And it has price
25 oppression.

1 And I think you're going to find that this
2 industry probably lost money in the first three
3 quarters of this year. In this kind of economic
4 environment with slight recovery, even with cost
5 increases, this industry ought to be able to make that
6 margin, that spread between steel costs and pipe
7 prices. And yet, when you have, when you're facing
8 increasing import competition, and your customer is
9 saying we don't need to buy it from you, we can buy
10 cheaper import, you've got to do what Mr. Kurasz
11 testified to. Do I want to cut my margin? Do I want
12 to even experience a loss, but keep volume going? But
13 keep my shifts at my mills going? Or do I want to
14 send people home?

15 And they get a combination of both. It's
16 the worst Hobson's choice. And yes, as Mr. Cameron
17 will tell you, things are not going to be rosy and
18 wonderful for this industry, given current
19 construction levels.

20 Well then, why do we have 200,000 tons of
21 imports from these countries? If things aren't rosy
22 for us, what makes the U.S. look so rosy to them? And
23 the fact is, it's not. It's just a way to get rid of
24 some of their excess capacity, and they sell it here
25 at what the trading companies want, which are super-

1 cheap prices, which undersell the U.S. industry.

2 So it's the reality. And like I say,
3 without a massive economic analysis to say how much of
4 the problem is caused by the soft demand and how much
5 by the increased subject imports, the one thing, the
6 only thing this Commission has to determine is, are
7 the subject imports having a material impact on the
8 domestic industry.

9 You don't have to weigh it against the
10 decline in demand and say oh, the decline in demand is
11 60 percent of the problem, and the imports are 40.
12 No, if it's material, it's sufficient for an injury
13 determination. Which I think pretty clearly is what
14 you should make of this preliminary phase. This is
15 not at this point a threat case; it's a great threat
16 case, as well. But there's real injury occurring
17 because of these increased imports. And it is really
18 in '10 and '11. It's tough to blame them for what
19 happened in 2009. Everybody, that was a disaster.

20 MR. VON SCHRILTZ: Would you be able to
21 provide evidence of the announced price hikes and
22 their failure to stick? In 2010 and 2011?

23 MR. SCHAGRIN: Yes, we can provide that
24 confidentially in the post-conference brief.

25 MR. VON SCHRILTZ: Thank you. I'm also

1 wondering, since you're not sure of the source of the
2 imports that you're competing against, or even -- it
3 could be, I assume, when a distributor comes to you
4 and say, you know, you're competing against lower
5 prices, do they say lower-priced imports? Or do they
6 just say lower prices? Could it be a domestic
7 competitor you're competing against?

8 MR. MAGNO: It could be. However, we see
9 the numbers every month. We study the numbers from
10 the steel monitoring provision, whatever we call that,
11 and we see which countries are bringing in how much
12 product, and at what pricing.

13 We see it in our customers' inventory, after
14 the fact. I see it when I go into Home Depot, which I
15 was there on Monday looking at the 10-foot-length
16 hardware pipe. So we see it, we feel it, we hear
17 about it. It's just not as this explicit information
18 trail as some people might think it is.

19 MR. SEEGER: If I could add to that. We
20 will get specific inquiries from customers saying do
21 you have any interest in doing a foreign fighter. And
22 you say well, what are you talking about. Well, we're
23 going to make a 2,000-ton buy of import. Unless
24 you're interested, we'll give you a shot at it if you
25 can get close.

1 Now, they won't say what country, and you
2 have a general feel of where the import pricing is.
3 And if we need to keep people working and are in a
4 difficult situation, we'll occasionally take those.
5 So you know very specifically by that price level,
6 that you're up against a foreign entity.

7 MR. SCHAGRIN: And Mr. von Schriltz? I
8 mean, I think in many ways you're kind of making Mr.
9 Cameron's argument. You may have done this before in
10 another life.

11 But you know, his argument is going to be
12 that look, how do you know it's our 200,000 tons? It
13 could be the 300,000 tons from the countries that are
14 subject to the orders. It could be the alleged
15 225,000 tons from Canada. And the fact is, A, you
16 don't have to know. I mean, he can posit that.

17 But the real problem with the story of it's
18 other imports, it's anything but us, is that we're
19 going to be able to demonstrate to you -- and this
20 will be a major issue in the sunset reviews on this
21 same product -- we believe the relief has been very
22 effective against those.

23 Now, those are considered fairly traded
24 products. But what we're going to show to you is that
25 as the subject imports have been increasing rapidly,

1 the non-subject imports, and particularly the imports
2 subject to the duties, have either been staying flat
3 or declining.

4 So it can't be that it's increased non-
5 subject imports, because they haven't been increasing.
6 The only one that's been increasing is Canada, and
7 that's all related to the automotive sector. Because
8 autos are really coming back strongly, so the Canadian
9 producers are shipping a lot more mechanical.

10 But you know, once again, given the supply-
11 demand condition of the marketplace, I would never
12 stand up here and say that the 200,000 tons of imports
13 from countries subject to orders aren't having an
14 impact on the domestic industry. They are. And the
15 fact is, they're being sold here because their prices
16 are lower.

17 I think when you look at the AUV data and
18 whatever data you gather on underselling, you're going
19 to find that the subject import prices are lower than
20 the non-subject import prices. That's pretty clear,
21 from the AUV data, and will probably be clear from any
22 underselling information.

23 But yes, these people are impacted by lots
24 of forces. The question is, are they impacted by the
25 subject imports, and there the answer is clearly yes.

1 And if they're also impacted by non-subject imports,
2 you know, Bratsk has been done away with. But even if
3 you look at it in the context of Bratsk, the fact that
4 the non-subject imports are flat or declining, while
5 subject imports are increasing rapidly, has to mean
6 that more -- even though, as he said, the subject
7 imports are still less than non-subject imports, it's
8 the various rate of growth.

9 Which is why I think the statute starts
10 with, are the subject imports increasing by volume or
11 market share, are they significant. The answer here
12 clearly has to be yes. And then you're also going to
13 find, when you do the rest of the analysis, the answer
14 is yes, as to impact on both volume and pricing for
15 the domestic industry.

16 MR. VAUGHN: And if I could just follow up
17 on Roger's point. I think, I mean, just to sort of,
18 you know, focus on some of the numbers here. If you
19 kind of look at what's in the petition, the evidence
20 in the petition shows that in 2008, you had about
21 142,000 tons of imports from these countries. By the
22 first half of 2011, there was 110,000. So that's a
23 pace of 220,000. So that's a pretty significant
24 increase, from 2008 to 2011.

25 Now, the unanimous testimony of this panel,

1 and I don't think there's going to be much dispute on
2 this point, is that the market in 2011 was smaller
3 than the market in 2008. So when you look at that,
4 you can see that this is not just a question of sort
5 of, you know, anecdotes or people telling them things,
6 or what they're seeing here or there. These are hard
7 numbers that seem to indicate pretty clearly that over
8 the last few years, these imports have gained market
9 share.

10 And so I think that you can feel comfortable
11 that this is a situation in which, when you look at
12 the, you know, available data for the industry as a
13 whole, there is something going on with these
14 countries, you know, that you can just see in the
15 data. And that I think is really very important, and
16 that's the way the Commission has traditionally looked
17 at this industry.

18 MR. VON SCHRILTZ: Thank you. I'm
19 wondering, are there product-mix issues that reduce
20 the probative value of average-unit value comparisons
21 in these investigations? In other words, are the
22 subject imports, do they tend to consist of products
23 with a lower unit value than perhaps the domestic
24 producers ship a mix of products that are maybe geared
25 towards higher-value products? Are there product mix

1 differences between sources of CWP?

2 MR. SCHAGRIN: In general, probably not
3 significant. However, to the extent that there is, we
4 think a larger share of the subject imports are
5 galvanized than the normal product mix of either
6 demand in the U.S. market, or production by the
7 domestic industry.

8 So more imports, there's a higher share of
9 what would be the higher-value galvanized imports than
10 there is for the domestic industry. But in general,
11 probably not a very, very significant difference. And
12 so the Commission could utilize AV data, as well as
13 utilizing the pricing products.

14 MR. VAUGHN: Mr. von Schrilitz, I would also
15 just point out that in this case, you also have
16 testimony from these guys saying that they quote a
17 price, and they are told by the distributors that
18 price isn't low enough. So that's clearly not, I
19 mean, that's evidence of just direct competition
20 between these guys and, you know, a lower-priced
21 product. That sort of shows that there is something
22 here that can't be explained by product mix.

23 MR. VON SCHRILTZ: When you negotiate with
24 your distributors, do you discuss prices for specific
25 products? Or do you discuss sort of baskets of

1 products?

2 MR. MAGNO: Mark Magno with Wheatland Tube.
3 It varies. There are some customers that have price
4 sheets, which is the, excuse me, which is an
5 individual price for every single product that we
6 have.

7 And then there are other customers that come
8 to you with a list of products. We do not quote one
9 bulk price for one bulk inquiry. It's half-inch is
10 this price, two-inch is this price, six-inch is that
11 price.

12 MR. VON SCHRILTZ: All right, thank you for
13 all your answers. I have no further questions at this
14 time.

15 MS. DeFILIPPO: At this time, uh-oh. Mr.
16 Carlson, any questions for this panel?

17 MR. CARLSON: Yes, thank you, just one. In
18 our discussions about price depression and
19 suppression. Regarding price suppression, I feel like
20 I've heard some specifics regarding that the domestic
21 industry tries to, or has tried to increase its
22 prices, for instance when it faces an increase in its
23 input prices. And I think we've actually heard a few
24 timeframes on when those have generally occurred early
25 on in the testimony.

1 Regarding price depression, can you be
2 similarly specific about when, what the time line is
3 like that you experienced price depression? Because I
4 also feel like I've heard that there was a fairly
5 narrow window between the drop in Chinese imports into
6 the country, and then the subsequent flood of now-
7 subject imports into the country.

8 And I was just wondering, are the instances
9 of price depression mainly confined to that window?
10 Or are they more spread out over the period of
11 investigation?

12 MR. KURASZ: I would add, or contribute that
13 it's a continuum. As long as there's availability of
14 alternative products, then I think it's a continuous
15 situation.

16 So you know, we have a funny way of saying
17 you're only as smart as your dumbest competitor. So
18 in this type of product, in a commodity-based product,
19 the lowest price that's out there clearly impacts all
20 the pricing. Because there is that, that fear of that
21 availability that that distributor is going to go to
22 that other product. And so I do think it's a
23 continuous situation.

24 MR. SEEGER: And if I could add to that.
25 During that timeframe, the steel market's been very

1 volatile. There's been numerous ups and downs. And
2 while we'll have an official price increase
3 announcement, we would rarely have a price decrease
4 announcement.

5 But our customers know that our product is
6 tied very closely to steel, and that market gets
7 published regularly. They know when steel prices are
8 falling, and they'll be honest expecting our pipe
9 prices to fall. So it does track fairly closely.

10 MR. CARLSON: Thank you.

11 MS. DeFILIPPO: Thank you, Mr. Carlson.
12 I'll now turn to our economists. Mr. Workman, any
13 questions for this panel?

14 MR. WORKMAN: I had one or two questions. I
15 understand the end-use market for this product
16 primarily is non-residential construction. And I'm
17 trying to track this down a little bit.

18 Now, I understand also the big-box stores
19 are customers. Where do their, what do they sell?
20 Does it go to non-residential construction, what they
21 sell? They sell to builders and so on, this is what
22 you're -- okay.

23 Also, on fencing. Now, what area would
24 fencing go into?

25 MR. YOUNG: Fencing products would go into a

1 residential or a light-industrial commercial
2 application, so that these contractors --

3 MR. WORKMAN: Okay. That would be a little
4 bit different than, you know, non --

5 MR. YOUNG: Right.

6 MR. WORKMAN: Okay. I don't have any other
7 questions, thank you.

8 MS. DeFILIPPO: Thank you, Mr. Workman. Mr.
9 Boyland.

10 MR. BOYLAND: Good morning. Thank you for
11 your testimony. I've actually sent followup questions
12 to all of the companies here, as well as the other
13 producers.

14 I have a couple of general questions. With
15 respect to product mix, kind of going from a different
16 direction. During the period, the average value that
17 we're calculating, is that going to be primarily the
18 change due to price? Or change in product mix? Or
19 both.

20 MR. SEEGER: I think our product mix, on a
21 percentage basis, stays fairly close year to year.
22 There's no, there wouldn't be big swings in, say,
23 suddenly fence became 50 percent of the product mix,
24 when normally it's 10. It's pretty consistent.

25 MR. BOYLAND: So the profile would be, with

1 some change, more or less, but --

2 MR. SEEGER: Fairly close.

3 MR. BOYLAND: Is that true for the other
4 producers?

5 MR. KURASZ: Yes. We're in identical
6 businesses, and I would say that that would hold true
7 for us, as well.

8 MR. BOYLAND: Okay. And US Steel?

9 MR. JOHNSON: I would say it would hold true
10 for us, as well.

11 MR. BOYLAND: Okay, thank you. And this is
12 kind of a difficult question to ask in a non-BPI
13 manner. But each company obviously has a focus. And
14 I took it from the testimony that Allied and Wheatland
15 are focused primarily on the product that we're
16 looking at today. Is that correct? The percentage of
17 your overall production.

18 MR. SEEGER: Yes, that's correct.

19 MR. KURASZ: We're not quite as strong, but
20 yes.

21 MR. BOYLAND: Okay. And for US Steel, that
22 wouldn't be the case.

23 MR. JOHNSON: We have the capacity and the
24 desire to grow into that product, to make more of
25 that, that product. But we have the opportunity to

1 make other products, as well. But you know, we still
2 have the capacity, and we'd like to make more of that
3 product.

4 MR. BOYLAND: Okay. And I guess the lead-in
5 to that was more to get to, we have some companies
6 that are focused on this product more than others, and
7 in terms of profitability performance. Would that
8 have an impact, in terms of throughput, on other pipe?

9 MR. VAUGHN: I guess one comment I'd just
10 like to make is that part of what's going on here
11 obviously is the way your questionnaires are set up.
12 I think the only sort of profitability data you're
13 collecting is profitability data for this particular
14 product line.

15 So it should be, your data should just be
16 CWP profitability.

17 MR. BOYLAND: That's correct.

18 MR. VAUGHN: And I think that's, I think
19 sort of legally that's the way the Commission is
20 supposed to put that.

21 MR. BOYLAND: And I think the question is
22 more, and again, not to get into any BPI. But I think
23 as a general matter, the overhead, the manufacturing
24 costs of a plant that's producing more than just the
25 product is going to have, there's going to be a

1 spillover effect of any positive manufacturing in
2 other products. Is that something that you could sort
3 of discuss?

4 MR. SCHAGRIN: Well, I have two comments,
5 Mr. Boyland. First, it's probably not applicable to
6 these companies. It would be possibly to US Steel,
7 but not to Allied and Wheatland, because this is a
8 significant focus.

9 I think certainly for a company that might
10 produce in the same location OCTG line pipe and CWP,
11 to the extent that they are running products on the
12 same mill and running a high-capacity utilization rate
13 because the market may be stronger for the energy
14 products, that would probably reduce their cost per
15 unit of overhead for the CWP products.

16 In this product category, that's probably
17 not going to be a very significant issue, because of
18 the fact that so much of the CWP, in terms of U.S.
19 production and sales, is by companies that are not
20 also in the OCTG industry.

21 So if you had a big overlap, I could
22 understand it becoming an issue. And the issue is,
23 you framed it, is certainly an issue in any product.
24 If you've got multiple products on the same mill and
25 you're running at high utilization, or of course the

1 reverse could be true. Wouldn't be at this present
2 time period, but if everything is, or the other
3 products are doing particularly poorly. And so now
4 your CWP is actually taking more overhead costs, that
5 would have a negative impact.

6 So the accounting view as you stated it is
7 correct. And I think if anything makes the small
8 share of this industry that is also focused on energy
9 looking better than it otherwise would. But the vast
10 majority of the US CWP industry is largely focused on
11 CWP, and not on energy products.

12 MR. BOYLAND: Thank you.

13 MR. VAUGHN: Yes, one thing I would just
14 like to clarify for purposes of the record is
15 obviously that Mr. Johnson's testimony today here is,
16 is that they, U.S. Steel, do have additional capacity;
17 and that they would like to make more of this product,
18 and that they haven't been able to make more of this
19 product because of market conditions, which we believe
20 are impacted significantly by imports.

21 So I think it's important to just sort of
22 keep that part of the record clear.

23 MR. BOYLAND: Thank you. And I guess really
24 the overarching point was that we do look at company-
25 specific performance, and I think that sort of helps

1 to explain why there are differences.

2 With respect to the closure of Sharon, was
3 that mill closed and the equipment moved to other
4 plants? Or you referenced consolidation.

5 MR. SEEGER: It was not moved to other
6 plants.

7 MR. BOYLAND: It was not?

8 MR. SEEGER: No.

9 MR. BOYLAND: Okay. Those are all my
10 questions. Thank you very much.

11 MS. DEFILIPPO: Thank you, Mr. Boyland.
12 We'll move on to Mr. VanToai, our industry analyst.
13 Mr. VanToai, questions for this panel?

14 MR. VANTOAI: Thank you, Cathy. My name is
15 Norman VanToai from the official ministries. Thank
16 you very much for attending the conference. I have
17 two very quick questions. Question No. 1 is that when
18 I look at the scope, there is chemical compositions
19 mentioned in the scope there, is this a direct quote
20 from the ASTM A-53, A-35 or A-795?

21 MR. SCHAGRIN: I didn't completely
22 understand your question, Mr. VanToai. You referenced
23 a quote.

24 MR. VANTOAI: Right.

25 MR. SCHAGRIN: And then you referred to the

1 specifications.

2 MR. VANTOAI: Right.

3 MR. SCHAGRIN: I didn't catch the quote that
4 you're particularly referencing.

5 MR. VANTOAI: In the scope that you have
6 here, there is a chemical composition of the standard
7 pipes.

8 MR. SCHAGRIN: Okay. I understand.

9 MR. VANTOAI: Yes. It is another quote from
10 the ASTM standard books?

11 MR. SCHAGRIN: No. In fact, that is taking
12 the chemical compositions that are in the HTS code
13 from the head notes for the minimum amounts of alloy
14 and actually increasing them to cover what would be
15 called micro-alloy products as distinct from what
16 people in the industry would consider true alloy.

17 So all the different chemistry numbers
18 there, and I could tell you which page, but I'm pretty
19 sure I know what you're referring to, Mr. VanToai,
20 those are not from the ASTM specification chemistries
21 but instead is something that the industry has used in
22 a number of cases on carbon steel products as an
23 adjustment to the HTS chemistries in the head notes
24 differentiating between carbon and alloy products.

25 MR. VANTOAI: I see. Thank you. My second

1 question is also regarding the scope. To me, the
2 standard pipe is a very well-refined product, and
3 mechanical tubing is a group of tubes and pipes
4 combined together. It's not very well refined, but
5 the scope includes standard pipe together with a
6 subset of mechanical tubing. Could you please comment
7 on the issue of like products in the scope?

8 MR. SCHAGRIN: Mr. VanToai, we believe that
9 the scope in no way changes the domestic-like product.
10 As you said, CWP is a really well-defined product made
11 to common-industry specifications. Mechanical pipe
12 and tube, on the other hand, tends to be, and this
13 Commission has looked at mechanical tubing as a
14 separate like product in particular in the '91, '92
15 CWP cases, tends to be made for specific end users,
16 cut to special lengths, made to very tight tolerances
17 for a lot of specific end uses. The only reason we
18 had to explore this overlap issue is that we have
19 unfortunately discovered that certain foreign
20 producers of fence tubing, and it looks just like the
21 fence tube I took a picture out at Home Depot the
22 other day, I mean, it is fence tubing. Everybody in
23 this industry, including every fencing distributor in
24 the United States knows exactly what fence tubing is.
25 It looks like fence tubing, it quacks like fence

1 tubing, and yet people were actually selling this, and
2 the brochure says here's our fence tubing, and then
3 right behind it is, and you'll be happy to know we can
4 give you a mill test report saying A-513 with our
5 fence tubing so you don't have to pay unfair trade
6 duties, and let me tell you, you could probably tell
7 that really makes me made because in my view, and
8 maybe Mr. Cameron has a different view, that's really
9 a type of fraud. That's not just we gamed it. It
10 said mechanical tubing's excluded and fence tubing's
11 in, but we were forced to react to it because we have
12 a lot of problems getting these orders enforced with
13 customs. There's very few customs people, and there's
14 very much cheating going on, and so working with
15 customs, they say to us, please try to make it as easy
16 as you can for us because while we say it looks like
17 fence tubing, it is fence tubing, the scope says
18 fence, you have to remember, customs doesn't see
19 products. We think when goods are entered into the
20 United States that customs would see them. They see
21 less than one-tenth of one percent. They do not see
22 99.9 percent of the products, are not seen by customs.
23 It's just something on a computer screen. That's it,
24 and so it's not good enough for us to say well, sure,
25 if it looks like fence tubing you impose the duty

1 because the scope says fence tubing. All of our
2 scopes have said fence tubing since the cases in 1982,
3 and yet we've been forced to do this, and Don's folks
4 would never engage in this, but anyway. That's the
5 reason for the change.

6 MR. VANTOAI: Thank you very much. That's
7 all I have.

8 MS. DEFILIPPO: Thank you, Mr. VanToai.
9 I'll now turn to Mr. Corkran.

10 MR. CORKRAN: Thank you very much. Douglas
11 Corkran, Office of Investigations, and first and
12 foremost, thank you all for your time here today and
13 your testimony, which has been extremely helpful to
14 us. I have a few questions, but they don't really
15 follow any particular trend. It's just one of the
16 joys of batting cleanup here. The first question is
17 hot-rolled steel as a primarily input for circular
18 welded pipe.

19 Domestic supply of this input has been
20 growing with the ramp up of ThyssenKrupp Steel USA's
21 facility, the expansion of Severstal North America's
22 Columbus facility and RG Steel's restart of the
23 Sparrows Point Plant. How has this expansion of the
24 domestic hot-rolled steel impacted your raw material
25 costs in 2011? I know you've already touched on that

1 topic a little bit, but I wanted to really focus on
2 the growing availability of U.S.-produced hot rolled
3 steel in the market?

4 MR. SEEGER: I'm sure my U.S. Steel brethren
5 will chime in on this too, but I think the impact has
6 been fairly dramatic in that it has brought prices
7 down. I think U.S. Steel prices are the most
8 competitive in the world. Certainly, that added
9 capacity, depending on which end you're on, it's
10 certainly made our product more competitive. Roughly
11 75 percent of the cost of our product is steel, so
12 it's by far and away the largest component of our cost
13 structure.

14 MR. CORKRAN: Okay. I thank you very much.
15 That's very helpful. My next question is more
16 specific. I was thinking through the list of closures
17 of facilities that we talked about a little bit
18 earlier, and I was wondering what continuous weld
19 mills are still in operation in the United States?

20 MR. SEEGER: We're the only one left.

21 MR. CORKRAN: And as sort of a related
22 question, are there any contingency plans to bring
23 back any of the facilities that have been closed, or
24 have they been permanently shuttered, the equipment
25 disbursed and the facilities destroyed?

1 MR. SEEGER: Kind of mixture. Some of that
2 we could bring back. Certainly, we have plenty of
3 capacity at our existing plants right now. It would
4 have to recover significantly to bring a major
5 facility back online, but in one case, that's
6 certainly still capable of happening.

7 MR. KURASZ: Our Prime Bluff facility, that
8 equipment has been scrapped, and that land has been
9 for sale since we shut down that facility, so that
10 will not be coming back online, and that equipment
11 wasn't moved anywhere.

12 MR. CORKRAN: Thank you. That's very
13 helpful. Actually, sticking with you, Mr. Seeger, I
14 believe you mentioned that there was a Greenfield
15 facility that you purchased. What was that before you
16 purchased it?

17 MR. SEEGER: Yes. I'm not quite sure about
18 the Greenfield as far as pipe. We did have one in
19 structural tube.

20 MR. CORKRAN: Morrisville, I'm sorry.
21 Before you purchased the Morrisville facility, what
22 was it producing and under what name?

23 MR. SEEGER: It was originally Nova America,
24 and previous to that, it was produced in HSS product,
25 and they got into the 53 product about six months to

1 eight months prior to our acquisition, added that to
2 our product line.

3 MR. CORKRAN: Thank you very much. I
4 appreciate that. As I was listening to some of the
5 testimony about demand, one of the things that struck
6 me was that's there general agreement that standard
7 and structural pipe and tube is used very intensively
8 for construction applications, and non-residential
9 construction is a good measure of demand, or at least
10 has been found to be so in previous investigations.

11 How does that differ when you're talking
12 about mass-merchandise retailers, big-box stores, if
13 you will? Don't they have something of a different
14 demand driver, and for that matter, wouldn't their
15 purchasing pattern, particularly if they're purchasing
16 imports be somewhat different than the overall demand
17 pattern?

18 MR. MAGNO: Mark Magno with Wheatland Tube.
19 The product is the same product that is handled either
20 through a big-box retailer or a distributor, a
21 wholesale distributor, who is going into industrial
22 plumbing or HVAC applications. It's not a different
23 product that one channel is buying versus another.
24 It's the same product. It just is going through a
25 different channel, and we know that the big-box

1 retailers have been expanding further into the
2 contractor business, which would then supply material
3 into these non-residential construction projects.

4 MR. SCHAGRIN: Mr. Corkran, I might add that
5 certainly if buildings are built the size of the
6 project underway next to my offices where the old
7 convention center was where they're building 5 million
8 square feet, four buildings. I'm sure there that
9 whoever the mechanical contractors are, who are going
10 to be using thousands of tons of product, they're
11 going to go to a very large distributor for something
12 that size. On the other hand, if a modestly-sized law
13 firm might be moving into 25,000 square feet of space
14 and after the other tenant, and they're knocking out
15 the walls, and they got to redirect the piping system.

16 There the mechanical contractor can just as
17 easily go to Home Depot, and this is what Home Depot
18 and Lowe's are try to do, they want not for the
19 gigantic projects, not the Freedom Tower in New York
20 or the old convention center project, but for the
21 regular projects, you know, put 10 or 15 tons of pipe
22 onto the two or three plumbing trucks for the
23 mechanical contractor.

24 Those big-box retailers want those
25 mechanical contractors to come up to the special

1 loading areas, have a store account, and they are
2 specifically competing there with the traditional pipe
3 valves and fittings distributors, so it's more a
4 matter of size, but they're both going towards non-
5 residential construction.

6 MR. CORKRAN: Okay. On a related matter,
7 some of the discussion early on in the conference had
8 to do with the increase in imports from the subject
9 countries at a time when overall demand was moving
10 downward or recovering incompletely, but should I
11 really be surprised to see an increase in these
12 imports if they are going to these mass-merchandise
13 retailers where demand has been relatively strong and
14 these are accounts that the domestic industry largely
15 has not been able to sell this produce to whether
16 because of China or other import sources?

17 MR. SCHAGRIN: Yes, I think you should be
18 very surprised because it's not that the domestic
19 industry doesn't sell to Lowe's or Home Depot. They
20 already do. Both of these companies sell conduit.
21 Luckily the walls on conduit are so thin that it's not
22 a product that's been very amenable to imports over
23 the years. Plus, I suspect that there's a lot more
24 potential liability with conduit failing and a fire
25 burning down a building and a lot of people dying that

1 doesn't apply to these other products.

2 I think you're still going to find that for
3 these products in general, and some might be explored
4 for the final, that while the big-box retailers have
5 been growing their share, the still far and away
6 largest share of the distribution of these products is
7 through the pipe valves and fittings distributors and
8 the fencing distributors when it comes to fence
9 products, and while the big-box retailers have been
10 growing their share, the domestic industry, I think
11 the companies here, would love to sell to them.

12 I think every American producer of
13 everything wants to sell to big-box retailers. Big-
14 box retailers, like distributors, want the lowest
15 prices. If the lowest price is on fairly traded
16 import, they'll get the sale. If the lowest price is
17 a domestic supplier, the domestic supplier will get
18 the sale, so I don't think there's a division.

19 I think we have truthfully told the
20 commission that there are these overlapping channels
21 of distribution, so certainly the big-box retailers
22 who are acting like a distributor overlapping with
23 distributors but are still a little bit different, but
24 there's nothing in this marketplace that is outside
25 the purview of sales by the domestic industry, so I

1 think you should be surprised.

2 I guess the other thing is in terms of a
3 channel of distribution, the fact that the big-box
4 retailers are tending to buy from distributors when
5 they could often actually buy directly from the
6 domestic industry means they can actually eliminate
7 one step in the channel, which just the nature of
8 business means is one less markup, and yet even
9 selling directly to them, Wheatland's price could be
10 higher than the price of an importer or trading
11 company or distributor, and that at least doesn't seem
12 to make sense to me absent the unfair trade aspect and
13 the pricing.

14 MR. CORKRAN: Okay. Thank you. I have two
15 further questions, but I think they're best for the
16 post-conference brief. One is a general question of
17 is it your position that these mass-merchandise
18 retailers or these big-box operators are a distinct
19 and separate channel of distribution? I know for
20 purposes of the questionnaire, we've not treated them
21 as such, but I would be very interested in hearing
22 your views on that.

23 The other question had to go toward you
24 discussed cumulation and threat together, and I was
25 wondering to what extent it's instructive to look at

1 the presence of the four subject countries before the
2 filing of this case, even when China was heavily
3 present in the market? India and Oman at least
4 already had a somewhat substantial presence in the
5 U.S. market as well, whereas Vietnam was a much more
6 newer and more up and coming supplier at that time,
7 and does that in any way influence the discussion of
8 cumulation for threat purposes, and with that. Thank
9 you very much. I have no further questions.

10 MS. DEFILIPPO: Thank you, Mr. Corkran. As
11 usual, my staff has done an excellent job of covering
12 all the issues. I've crossed things out left and
13 right, I think I might have a couple left. One is to
14 followup on something Mr. Corkran was just asking. I
15 was noting or thinking our questionnaire typically
16 asks for sales data to end users and distributors, and
17 we've heard a lot of talk about the big box, and so I
18 look forward to hearing your response to his question.

19 In the course of that response, if there are
20 any data that you have in terms of the increasing
21 share of big box to the extent you could include that,
22 that would be helpful.

23 Mr. Schagrin, just to clarify something that
24 you had said earlier in response I think to a question
25 by Mr. von Schriltz, I believe your response was every

1 time that a shipment came in, it was a lost sale, and
2 I think we then got into the discussion of unit values
3 and product mix, et cetera, at some point.

4 Just to clarify in terms of the products
5 being shipped in from these countries, there are no
6 product sizes or different specifications that are
7 coming in that the domestic industry is not producing.

8 MR. SCHAGRIN: None that we are aware of.

9 MS. DEFILIPPO: Okay. That's what I
10 thought. I just did want to clarify. In terms, of on
11 the other side, sort of buying domestic, are there any
12 Buy American provisions that apply in this market,
13 particularly maybe anything related to the Stimulus
14 Act?

15 MR. MAGNO: Mark Magno with Wheatland. We
16 do see very, very limited opportunities for Buy
17 American. We estimate it's significantly below five
18 percent of the opportunities. We were encouraged by
19 some of the stimulus talk that recently occurred. It
20 was a very, very short window of opportunity, less
21 than three months, really a month or two when people
22 really were trying to determine what all this meant,
23 and it was a non-starter for domestic industry.

24 MR. YOUNG: Scott Young for Allied Tube. I
25 would concur with what Mr. Magno said related to the

1 fence industry specifically as we've seen the
2 construction numbers down and things like that. It
3 hasn't really had a huge impact.

4 MS. DEFILIPPO: Thank you. In terms of your
5 sale to your customers, distributors, end users, et
6 cetera, do you typically do those on a spot basis, or
7 do you have contracts with some of your customers?

8 MR. KURASZ: The majority of our sales are
9 spot pricing.

10 MR. MAGNO: Wheatland, the far majority of
11 our sales are spot. We really don't have any
12 contracts or contractual basis spots.

13 MS. DEFILIPPO: So in terms of the
14 discussion we heard where we talked about price
15 increases being announced, those would just if you get
16 an indication from your supplier of hot rolled, you
17 would then try and announce that generally and then
18 try and see if it sticks with a particular customer?

19 MR. MAGNO: That's correct.

20 MS. DEFILIPPO: Okay. And I guess, and
21 perhaps this may have been asked. I think Mr. von
22 Schrilitz asked for some examples, but to the extent
23 that you could quantify at all how many price
24 increases you had, what percentage of them may have
25 gone through partially, fully, et cetera, I would find

1 that helpful. I think those are all the questions
2 that I had. I'm going to look up and down the table
3 and see if staff had any additional. Sure. Mr.
4 Boyland?

5 MR. BOYLAND: Just one additional question
6 regarding the impact of the decline in volume in '09.
7 Obviously not talking about any particular company but
8 with respect to the industry as a whole, when we're
9 looking at the overhead and the impact of fixed-cost
10 absorption, is it fair to say that a large part of the
11 increase in costs, not taking a side the raw material,
12 but that a largest part of the increase was due to
13 lower volume? That's not directed at any particular
14 company, but looking at your fixed costs, looking at
15 your overhead, how the '09 decline in volume impacted
16 your financial results.

17 MR. SEEGER: It certainly would. Obviously,
18 with fixed cost over less volume, it's going on a per
19 ton basis increase, but from a fixed cost, if I
20 include steel, fixed cost is about 10 to 15 percent of
21 our total cost of goods sold, and 10 percent is labor.
22 I mean, I could eliminate all my labor costs and still
23 not be able to compete with these import prices, so I
24 don't think it's a fixed-cost issue that's driving
25 this.

1 MR. BOYLAND: Again, I'm getting at the
2 overall picture in terms of how to interpret the
3 isolating the cost of overhead and how it was impacted
4 by lower volume, and lower volume persisted throughout
5 the period, so is it fair to say that all things being
6 equal, average costs were higher? Again, not
7 considering raw material, but that lower volume was
8 impacting costs.

9 MR. SEEGER: For the 2009 period forward,
10 yes. I would say yes.

11 MR. VAUGHN: I would also just point out
12 that I think the Commission in the past has found that
13 in fact producers in this type of an industry have an
14 incentive to make as much of this product as they can
15 in order to keep their costs down, and I think that's
16 one of the reasons the Commission has always paid
17 great attention to capacity utilization and to what
18 extent foreign producers may have an incentive to keep
19 their mills running in order to increase shipments to
20 the United States.

21 MR. BOYLAND: Thank you very much.

22 MS. DEFILIPPO: Any other questions up and
23 down the table? With that, I thank you all very much
24 for both the testimony and the answers to our
25 questions. It's been very helpful. We're going to

1 take a 15-minute break, and so I have almost 12:05, so
2 we will resume at 12:20 with the Respondent's panel.
3 Thank you again very much.

4 (Whereupon, a short recess was taken.)

5 MS. DeFILIPPO: We'll get started. Welcome
6 back, everyone. We will now move to the presentation
7 and testimony for those in opposition to the
8 imposition of antidumping and countervailing duties.

9 Welcome, Mr. Cameron and your panel of
10 witnesses. Please proceed when you are ready.

11 MR. CAMERON: Thank you, Ms. DeFilippo. Let
12 me introduce myself and our team, and then I think
13 Bruce would like to introduce his panelists, too.
14 We're going to be making a direct presentation, and
15 Bruce and his witness are here to answer questions
16 from the Commission should you have any.

17 Again, my name is Don Cameron with the law
18 firm of Troutman Sanders, appearing on behalf of Prime
19 Metal Corporation and Universal Tube and Plastic
20 Industries, Limited, from the UAE. I'm accompanied by
21 Brady Mills and Mary Hodgins of our firm.

22 MR. MITCHELL: Bruce Mitchell, Grunfeld
23 Desiderio. We're here today on behalf of Zenith
24 Birla, India. And Mr. Natu is the director of Zenith
25 USA, an affiliated company with Zenith Birla. They

1 act as importer on a good portion of the merchandise
2 and sell to customers in the United States.

3 Then Mr. Marshak is here from my firm, as
4 well as Ms. Mohan. I will just note that we are a
5 late entrant in the proceeding. We were just retained
6 yesterday. So I apologize if I may not be able to
7 answer a lot of the questions, but Mr. Natu is here to
8 try to answer such questions as he can. But we will
9 try to do our best certainly in the post-conference
10 brief with providing you with reasons why there is no
11 injury or threat of injury.

12 MS. DeFILIPPO: We're happy to have you.
13 Thank you.

14 MR. MITCHELL: Thank you.

15 MR. CAMERON: Thank you. Before I get
16 started, I just had a couple of preliminary remarks
17 that are absolutely irrelevant to this proceeding, but
18 important for the Commission. First of all, I don't
19 want the Commission to be unfairly tarred with any
20 possible attenuated connection with me or my career.

21 Mr. Schagrin was incorrect. I have never
22 worked for nor been associated with the International
23 Trade Commission, nor the General Counsel's Office of
24 the International Trade Commission, nor have I ever
25 been a member of the Communist Party.

1 MALE VOICE: We'll see.

2 MR. CAMERON: Exactly. I did start at the
3 Treasury Department, long before he started his
4 career. So that makes me a lot older than Mr.
5 Schagrin, which is good and bad, of course.

6 The second thing is that a question had come
7 up this morning with respect to the, quote unquote,
8 "liberal courts," and their interpretation of dual
9 stencil pipe. I would suggest to the Commission if
10 you are interested, I believe the case was Pipe and
11 Tube, and you should -- if you're interested in it,
12 you can read the Court of Appeals decision.

13 Two things will stand out. First of all,
14 the Commerce Department, who the U.S. Court of
15 International Trade had ruled against in the
16 underlying action, did not bother to participate in
17 the appeal because it was such a slam dunk loser
18 against the Commerce Department.

19 Secondly, if you will read the decision, you
20 will see that the Court of Appeals likewise thought
21 that it was a slam dunk loser for the domestic
22 industry. Line pipe and dual stencil line pipe are
23 line pipe, and not standard pipe. They had never been
24 in the scope. And in fact, the petitioners at that
25 time had attempted to expand the scope to include a

1 product that had never had an injury determination.
2 And you will find that the Court of Appeals was quite
3 explicit on that, and they actually -- the same
4 comment about liberal judges not properly interpreting
5 the statute. It was actually an argument that was
6 made by counsel at that oral argument, and it was
7 responded to by the court, I believe in the last
8 paragraph of the decision.

9 It has been a long time, so don't hold me to
10 it. But I think that's probably about right. But
11 anyway, it's an interesting decision, if you're
12 interested in that issue of dual stencil. I'm not
13 sure that it is really an issue in this case, but
14 since it came up, I thought I'd say something about
15 it.

16 With respect to this case, I mean, this is
17 interesting, and it was interesting the extent to
18 which even the panel this morning focused quite a bit
19 on what, on imports from China that are no longer
20 here, but on imports of China. And the reason is that
21 it was so significant.

22 I mean, the record even at this preliminary
23 stage doesn't support a finding that the domestic
24 industry was injured or threatened with material
25 injury by reason of these subject imports. The real

1 cause of the industry's performance in their declines
2 in 2009, as they themselves testified this morning,
3 was a financial crisis and the U.S. recession and the
4 resulting declines in non-residential construction.
5 It was not due to significant increases in low-volume
6 imports from the subject countries.

7 Since 2009, the economy has slowly
8 recovered, and indications are that the financial
9 condition of the U.S. industry actually did improve
10 significantly, at least if the petition is to be
11 believed, since that time. The Commission is very
12 well aware of this industry and knows that imports
13 have always played a significant role. I was
14 surprised to hear the statement made this morning that
15 any ton of imports is a lost sale to the U.S.
16 industry.

17 Okay. In theory, that is true. To the
18 extent that there is a market and that they are in the
19 market and they are not at full capacity, yes, I
20 believe that's true. I don't believe that's the way
21 the Commission looks at it, never has looked it that
22 way. If that were the case, we wouldn't have to
23 bother with these proceedings actually. We could just
24 proceed from the petition to the duties.

25 So it's an interesting theory, but that also

1 has never been a theory that has been adopted by this
2 Commission. But imports have always played a role in
3 this market. And it is an industry that has
4 experienced significant ups and downs in its
5 performance. But those ups and downs are directly
6 linked to the performance in the non-residential
7 construction market.

8 But the other big news -- and this is why
9 China was so prominently featured in the testimony
10 this morning -- is that they have been excluded from
11 this market. And any claims of injury from the
12 remaining imports should be viewed skeptically by this
13 Commission.

14 I mean, let's think about this for a second.
15 In 2007, imports of subject merchandise from China,
16 according to the ITC data website, totaled 620,000
17 metric tons and accounted for 50 percent of total
18 imports. By 2008, that number had dropped to 11,000
19 metric tons, or just over 1 percent of total imports.
20 They're now less than 3,000 tons. And to be honest
21 with you, I'm surprised that they are that much.

22 But in some, over 600,000 metric tons from
23 China were removed from the U.S. market, and no source
24 has come close to replacing them, and that includes
25 imports from subject countries in this investigation.

1 Now, another fact. Between 2007 and 2008,
2 cumulated subject imports increased from 23,000 to
3 130,000 metric tons. That's when the growth from the
4 subject countries occurred. It really occurred in
5 2008. And this gets to a point that I believe was
6 raised by you this morning in questions, because the
7 point is that the major growth in the import volume
8 from subject imports occurred when the 600,000 tons of
9 Chinese material was removed from the market, in other
10 words, at the beginning of this POI, 2008.

11 All right. Well, what happened in 2008?
12 Was the domestic industry crushed by the surge in
13 imports from subject countries between 2007 and 2008?
14 I mean, heck, there was another 100,000 tons, just
15 like that. So according to the theory, they must have
16 been really significantly adversely affected.

17 Well, when I look at the petition, at
18 Exhibit I-6, I believe it is -- I-7, excuse me -- it
19 appears to me that the financial condition of the U.S.
20 industry is quite good. So the question that you
21 raised this morning with the industry concerning the
22 fact that, well, you guys are alleging in the petition
23 that injury commenced at January 1, 2008, correct, and
24 the answer was yes. Well, that's very interesting
25 because there is not a shred of evidence to support

1 the contention that there was any indicator of injury
2 whatsoever, unless, of course, you adopt the theory
3 that every ton of subject imports is a lost sale to
4 the U.S. industry, and of course we would have been
5 doing infinitely much better if the other imports had
6 just stayed out of our market.

7 Again, that theory doesn't fly. But the
8 point is that this is a causation case. And one
9 indicator of causation is that the point at which the
10 most significant growth in imports occurred is the
11 point at which the U.S. industry had their best
12 performance, at least as far as we can tell from the
13 petition. And we have not analyzed the questionnaire,
14 so we don't know.

15 But the subject imports are relatively small
16 and don't have any relationship to the industry. And
17 that's why even with a 100,000-ton gain in 2008, you
18 didn't see any adverse impact. Okay. Well, what
19 about 2009? Well, between 2009, it appears domestic
20 shipments, apparent consumption, and imports declined
21 significantly.

22 In fact, between 2008 and 2009, total
23 imports dropped almost in half, from 950,000 metrics
24 to 490,000 metric tons. And at the same time, subject
25 imports dropped by 25 percent. U.S. shipments also

1 declined, although not as much as total imports. So
2 what did the domestic industry say this morning about
3 2009? Even they had to concede that it had nothing to
4 do with subject imports. What it had to do with was
5 the economy, and that's perfectly obvious to anybody
6 who looks at the data.

7 So, yeah, it's clear that they had a bad
8 year, as did many other companies. But even they did
9 not claim this morning that it was imports from
10 subject countries that decimated the industry and
11 caused the financial losses and the loss of shipments,
12 et cetera, et cetera, et cetera. It was bad for
13 everybody.

14 So what happens in 2010? 2010 total imports
15 and subject imports increased, but at least
16 indications from the exhibit in the petition are that
17 the domestic industry shipments increased as well.
18 And the other indication in the petition is that the
19 financial condition of the industry improved
20 significantly.

21 So, I mean, what we glean from this is that
22 it's not a secret that the economy has been difficult.
23 Everyone, that means domestic producers, importers,
24 and the Commission itself, agree that demand for
25 subject merchandise is largely dependent on trends in

1 non-residential construction. And it is those demand
2 trends that have accounted for the financial
3 condition, largely accounted for the financial
4 condition of the U.S. industry.

5 In contrast, the growth in subject imports
6 between 2008 and 2010, this surge that we heard so
7 much about it, was a modest 30,000 tons. So put that
8 into the context of apparent consumption and trends in
9 the industry. Moreover, at the same time the subject
10 imports increased modestly, total imports and subject
11 merchandise declined. So it is an indicator that the
12 gains of subject imports were actually taken from non-
13 subject imports.

14 And at the same time, U.S. producers
15 returned to profitability. The cause is market demand
16 and market conditions. And as I said in the
17 introductory comments this morning, what this is, is
18 this is an example of the domestic industry before the
19 market turns around trying to use the opportunity to
20 take bad market conditions and attribute them to
21 imports and to further strengthen the protection that
22 they already have.

23 And I realize that counsel did not agree
24 with my characterization of a semi-permanent protected
25 market, but I think that that is an extraordinarily

1 accurate characterization of exactly what has happened
2 in this area with this particular product with respect
3 to the trade laws. And when you have antidumping
4 orders that have been in effect literally since the
5 1980s in the case of Taiwan, and in the case of Korea
6 and others from 1992, yes, that is 20 years worth of
7 import relief. That's about as permanent as you can
8 get.

9 But this is not a case where the industry
10 can point to the threat of unlimited capacity from
11 China. So, I mean, you know, we heard all about
12 China. But let's remember what we're talking about
13 when the issue is China and the issue wasn't the four
14 countries that are before you today.

15 When we are talking about China, we are
16 talking about inventories, untold inventories that
17 were collapsing the market that had nothing to do with
18 the market, and that were devastating the U.S.
19 industry. And I'm sure that if you go back in the
20 transcript, you're going to see exactly that.

21 The other thing that you heard when you were
22 talking about China was the unlimited capacity. What
23 is the capacity to produce circular welded pipe in
24 China? I don't know. That was the answer that you
25 got, and that was the answer that the U.S. industry

1 gave you. I don't know, but it's a lot. And frankly,
2 that was enough for the Commission.

3 You know, that's fine. I get it. And
4 that's the reason that these four countries don't even
5 come close to matching that because these four
6 countries have capacity. It is limited. It is
7 knowable. And partly as a result of that, it doesn't
8 have the same impact on the market because it isn't as
9 if there is going to be this other wave because that
10 isn't really what we're talking about.

11 I mean, when you put it into the context of
12 the market, it's rather modest. The reality is that
13 these are four relatively small suppliers, and the
14 other reality is that 600,000 tons from China was
15 removed from the market after 2007. It hasn't been
16 replaced, and it's not going to be replaced.

17 The fortunes of this industry depend on the
18 rebound in the non-residential construction market,
19 and not on subject imports. And I would also say that
20 market conditions, while they are not great, have
21 improved slowly since 2009, and as those conditions
22 have improved, so has the condition of the U.S.
23 industry.

24 Given the economy, this industry is not
25 injured, actually, nor is the condition of this

1 industry caused by subject imports. And finally, I
2 would say that there is no threat of injury by reason
3 of these imports. So cumulated imports are neither
4 injuring or threatening to injure the U.S. industry.

5 That concludes my remarks, and we are more
6 than happy to answer questions from the staff. Thank
7 you.

8 MR. MITCHELL: As I said before, we just got
9 retained, so we don't know a lot. We haven't had an
10 APO release. I think we just got the material, but I
11 haven't seen it. But I would like to make a few
12 observations. First of all, as we all know, India has
13 been subject to a dumping order since 1986. So it has
14 been under the regime of a dumping order. And
15 essentially, the only company that is excluded from
16 that dumping order is our client, Zenith, in India.

17 There was one other who I believe is out of
18 this business as of about one year ago or two years
19 ago.

20 MALE VOICE: From the original order?

21 MR. MITCHELL: From the original order.

22 MALE VOICE: About maybe 15 years.

23 MR. MITCHELL: About 15 years ago. So there
24 is only one company that is not subject to the regime
25 of an antidumping case, and that is Zenith.

1 So what has happened since 1986? Zenith was
2 excluded. They could have dramatically expanded their
3 presence in the United States, but they acted
4 reasonably. They did not. They have been shipping
5 goods at a relatively constant pace. In fact, the
6 amount shipped most recently in 2010 and 2011 is
7 substantially less than what they shipped in 2000 and
8 2001. And this is a reflection of changes in market
9 conditions and demand.

10 The exports to the United States are sold
11 largely for the construction industry, the non-
12 residential construction industry. We are selling
13 mainly hot-dipped, galvanized tube. I guess it's
14 large portion fence tubing. And Zenith has not been
15 lowering its prices. Prices meet market conditions.
16 They have not had an expansion of production capacity
17 at all during the period of investigation. As the
18 questionnaire responses of Zenith India will indicate,
19 capacity has remained constant, which is -- you know,
20 for a company that is faced with the departure of
21 China as a competitor, they had an opportunity to
22 expand their production; they did not.

23 So they have remained relatively constant.
24 They're operating at a good level of capacity
25 utilization, and I think it would be interesting for

1 the Commission and the staff to check who the
2 customers of Zenith are in the United States. And I
3 think you will find some remarkable information there
4 and be quite surprised because the subject of who
5 their customers -- whether they be importers or
6 domestic manufacturers was not discussed this morning.

7 Some of these domestic manufacturers don't
8 make hot-dipped, galvanized product, and they need to
9 get it from someplace else. And maybe they chose to
10 get it from India or another country rather than one
11 of their brethren in the domestic industry. But the
12 questionnaire responses should indicate that.

13 So we will be providing further information
14 with respect to this issue and all issues relevant to
15 injury or threat of injury by reason of imports from
16 India and the other countries in our post-conference
17 brief, but we welcome any questions that the staff has
18 today.

19 MR. CAMERON: We're done.

20 MS. DeFILIPPO: Okay. Thank you very much.
21 Thank you, Mr. Mitchell and Mr. Cameron, and thank you
22 all for coming today. It's helpful to have both sides
23 of the stories when we do a conference. It makes it a
24 better learning experience for us. We will start with
25 staff questions, and we will start with Ms. Martinez.

1 MS. MARTINEZ: Good afternoon. Thank you
2 all for coming. I guess to just put it in the record,
3 I asked the same question of the Petitioners. Do you
4 believe that official import statistics accurately
5 represent U.S. imports?

6 MR. CAMERON: As far as we know, they do.
7 We don't have any reason to dispute them.

8 MS. MARTINEZ: Thank you. Now, this may be
9 a question for the importers, but how did the 2008
10 order on China affect your business operations and
11 ability to supply the market? Did anything change
12 after the order was imposed?

13 MR. NATU: Yeah. Business certainly
14 improved for us. There is no doubt about it because
15 there was a huge vacuum. And the same customers that
16 we had before China was dumping pipe, the same
17 customers came back to me. As soon as the petition
18 was filed here, my phone started ringing of the hook,
19 saying, you have pipe for us, because when China was
20 there, you know, nobody was able to compete. But it
21 was the same customers that we had before. There was
22 nothing new.

23 MS. MARTINEZ: Thank you. Does Prime Metal
24 have anything to add to that?

25 MR. CAMERON: Not especially. I mean, I

1 think that that's generally true. I'm not sure that
2 Prime -- we will clarify this, but I don't believe
3 that Prime Metal has been importing from China. But I
4 will check. But clearly, there was a void in the
5 market. I mean, you're talking about imports from
6 China by the end of 2007 that represented 50 percent
7 of the import market. And as this Commission was well
8 aware, there has always been an import market. There
9 are distributors in this country who buy imports and
10 that service that are not supplied by the domestic
11 industry.

12 And so, yes, there was a huge void that was
13 created in the market, and clearly there was some
14 filling of it that not anything close to that. I
15 think what you did find was that the market behaved
16 quite responsibly. I mean, it's very funny when you
17 start reading the material, the literature in Pipe and
18 Tube. Before, while the imports of China were there,
19 there was story after story about import levels, about
20 the inventory levels, about the impact of the imports
21 on the U.S. industry.

22 Well, again, look at what happened to the
23 U.S. industry in 2008. This was a period of -- the
24 prime period of growth of imports from subject
25 merchandise, which is understandable. They were

1 filling a void. But they don't have the capacity, nor
2 did they come even close to replacing imports from
3 China.

4 What they did is they filled a niche market,
5 and the U.S. industry performed very well in the
6 aftermath of that. And they would have continued to
7 perform well had the economy essentially not gone to
8 the brink of a depression, as we all remember.

9 MS. MARTINEZ: Thank you. I had asked
10 Petitioner similar questions regarding micro alloy and
11 mechanical tubing meeting the circular welded pipe
12 specs. Do you have anything to add to that as far as
13 imports coming in? And if you have a general idea of
14 the composition, or what share they make up in the
15 market.

16 MR. CAMERON: To the best of our knowledge,
17 micro alloy is not really an issue here. I mean,
18 micro alloy has become an issue in a number of steel
19 cases. But I'm not sure how much they have been an
20 issue in pipe cases. And certainly in this product, I
21 mean, Mr. Schagrin may be aware of some, but I'm not
22 aware of any micro alloy.

23 As far as mechanical tubing, it's not really
24 an issue for us. I understand the reason for his
25 scope definition, and that's fair enough. It's not an

1 issue that we see.

2 MS. MARTINEZ: And as far as the multi-
3 stencil pipe, do you have a general idea of how much
4 of that is coming in?

5 MR. CAMERON: Well, multi-stencil --
6 actually, I don't. The multi-stencil, real multi-
7 stencil, pipe is line pipe, and it's classified as
8 line pipe. And the problem that you're going to have
9 is that unless you're doing ITC questionnaires with
10 respect to line pipe, we've done. So, I mean, this
11 isn't a new ground here.

12 When you're doing that, the Commission then
13 asks for, please let me know how much is single
14 stenciled, how much is dual stenciled, how much is
15 multi-stenciled, et cetera. But to be honest with
16 you, it's an irrelevancy in this investigation because
17 as a factual matter, it's not subject to the scope.

18 What counsel has been referring to is a
19 different matter. What he is really talking about is
20 material that may or may not have a multi-stencil on
21 it, but, you know, might be galvanized. Well, there
22 are many things that do occur in this world, but
23 galvanized line pipe is not one of them. And so, you
24 know, that's -- what he is saying is, hey, that's
25 standard pipe.

1 I agree with him. There is no -- and the
2 limitations that he has go to the issue of what is the
3 definition of standard pipe as opposed to what is the
4 definition of line pipe. But your question goes to
5 the question of, well, how much multi-stencil pipe is
6 there.

7 I can tell you, I don't know. You're not
8 going to be able to find it out from the import
9 statistics. The only way you'll find it out is in the
10 context of a line pipe investigation. But what I can
11 tell you is that none of the tonnage that you're going
12 to get in any of these questionnaires, nor in the
13 import statistics for standard pipe are going to
14 include multi-stencil line pipe.

15 MS. MARTINEZ: Thank you. These last couple
16 of questions are directed towards the foreign
17 producers in the room. To the extent that you can
18 discuss, would you say that you are the dominant
19 producer in your respective countries? Can you
20 elaborate on who the players are in India and UAE? If
21 you don't have a questionnaire response from them, if
22 you can help us obtain one.

23 MR. MITCHELL: With respect to India, Zenith
24 clearly is the largest exporter, by far. They are a
25 significant producer in India, but we do not know what

1 their share of total production in India is. What we
2 do is that every other producer in India is subject to
3 a dumping order that exists already since 1986, and
4 they haven't been shipping a lot of goods to the
5 United States.

6 MR. CAMERON: In the case of UAE, Universal
7 is by far the largest producer. I think that that's
8 clear from their questionnaire response.

9 MS. MARTINEZ: Thank you. And are you aware
10 of any third-country barriers against any of the
11 subject countries?

12 MR. MITCHELL: No. There is no dumping
13 order or countervailing duty order that we know of or
14 measures in any other country against India's CWP.

15 MR. MILLS: For the UAE, there is no orders
16 either. They're not subject to any orders.

17 MS. MARTINEZ: Thank you. I have no further
18 questions at this time. Thank you.

19 MS. DeFILIPPO: Thank you, Ms. Martinez.
20 Mr. von Schriltz, questions for this panel?

21 MR. VON SCHRILTZ: Yes. Thanks, Cathy. I
22 do have a few questions. Thanks for appearing at our
23 conference today, appreciate it. I'm wondering, do
24 you agree with the like-product definition advocated
25 by Petitioners?

1 MR. CAMERON: We don't have any issue with
2 it, no.

3 MR. VON SCHRILTZ: Mr. Mitchell?

4 MR. MITCHELL: We haven't really had a
5 chance to look into this. There obviously is a
6 history of not separating it out into different like
7 products. But there are some interesting areas to
8 look into here with respect to differences in
9 distribution channels that might be relevant.

10 No. This whole issue of the big box, Home
11 Depot and Lowe's, they seem to have a different niche
12 and don't necessarily compete with the mass
13 distributors here or OEM end users. I don't know if
14 that's going to have any real impact on the like-
15 product definition, but we will address that issue in
16 our brief, if we think there is an issue.

17 MR. CAMERON: I'd like to clarify. I don't
18 think that -- we don't have any dispute right now with
19 the like product. I think that the like product has
20 been fairly consistent. But the issue that Bruce
21 raises is an interesting issue on the channels of
22 distribution. I don't think that that goes to like
23 product because the product is the product. But it
24 certainly does go to conditions of competition and
25 whether competition gets attenuated. But frankly, we

1 have no idea at this point what the extent of that is.
2 But it was an issue that is raised by Petitioner.

3 MR. VON SCHRILTZ: All right. Thank you.
4 Don, you mentioned that there are some distributors,
5 that there has always been a market for imports in the
6 U.S., despite this history of dumping cases and
7 orders. You also suggested that there are some
8 distributors that buy only imports. Why would that
9 be?

10 MR. CAMERON: That's a good question. I
11 don't know the answer to that. I do some importers --
12 I mean some distributors who in fact are dependent
13 upon imports. And I have seen references in some
14 publications that suggest that there is almost a
15 separate market for some imports. It's difficult to
16 explain the China phenomenon without looking at that
17 as a -- it was almost a separate channel. I think it
18 did have an impact on the U.S. industry, but I think
19 that it was -- there was something different about it.

20 But I do know that there are distributors
21 that are basically dependent upon imports and, you
22 know, what share of the distribution market that is,
23 that part I don't know. There may or may not be some
24 relationship also to the fact that U.S. industry has
25 their own distributors that they like to -- that they

1 prefer, and they do not want to be competing with
2 other distributors.

3 In other words, to the extent that you can
4 limit distribution, limit channels of trade, it should
5 in theory help maintain prices. And you don't want to
6 be essentially competing with yourself. I think that
7 that would be their explanation. There is nothing
8 wrong with that. But as a result, there also are
9 independent distributors. But Bruce might have
10 something to say about that as well.

11 MR. MITCHELL: I think actually Mr. Natu has
12 been giving me a shoulder here, something he had on
13 this.

14 MR. NATU: We serve a lot of traders, the
15 big traders in the country. And I don't know if I
16 should mention names or not. But anyway, they have
17 told us that they're not allowed to buy from
18 Wheatland, are not allowed -- Wheatland and Allied
19 don't sell to them. And I don't know the reason, is
20 whether because they buy imports. Wheatland and
21 Allied have said, we will not sell to you. But this
22 is what they've told us.

23 MR. VON SCHRILTZ: Now, the distributors
24 that handle only imports, and the distributors that
25 are preferred by the domestic producers allegedly,

1 they compete for the same customers, I would assume.

2 MR. CAMERON: I assume. I mean, it's a
3 market out there. You know, I mean, a distributor is
4 a distributor. I mean, I would think that to the
5 extent that this occurs, that would be one reason.
6 The reason is that you're trying to limit the
7 competition among the distributors. And again, you
8 don't want to compete with yourself. That's
9 understandable. It happens in many industries, and
10 especially in the steel industry.

11 MR. VON SCHRILTZ: All right. Now, about
12 the UAE, is your client, Don, are they relatively new
13 to the market? How long have they been producing CWP?

14 MR. CAMERON: I can get you that
15 information. I believe they have it in the
16 questionnaire, but I'm not sure. They were a very
17 small producer, a participant in the U.S. market in
18 2007, at least according to the import statistics, and
19 became a bigger participant in 2008.

20 MR. VON SCHRILTZ: And I'm wondering, given
21 the importance of hot-rolled steel to CWP production,
22 I don't ordinarily think of -- maybe I'm just not -- I
23 haven't stayed abreast of developments in the steel
24 industry. But I never thought of UAE as being a big
25 producer of hot-rolled steel or even being in a region

1 that's known for producing a lot of hot-rolled steel.
2 Why would the UAE be producing a lot of CWP?

3 MR. CAMERON: Well, I'm not sure that
4 they're producing a lot of CWP. But there is a market
5 there, and they can also service the European market.
6 They can service other markets. So, I mean, years
7 ago, geez, 30-35 years ago, one of the Korean mills
8 established a production facility in Saudi Arabia
9 because there is a need for pipe. It's universal.
10 And frankly, the bigger market, obviously, is for oil
11 country and line pipe for obvious reasons. And yet
12 these things go together, as you can see from the
13 presence of the witness from U.S. Steel.

14 So I don't find that that would be -- that
15 pipe and tube would be an unusual product to be
16 engaged in, in that part of the world, and it is
17 actually close to some major consuming markets. And
18 the Gulf and the Middle East is also an area that they
19 play in.

20 MR. VON SCHRILTZ: Okay. Thank you. I'll
21 ask you the same question I asked the Petitioners this
22 morning. Are there product mix issues that reduce the
23 probative value of averaging of value comparisons?

24 MR. CAMERON: I always worry about the
25 probity of AUV data, especially in a product that is

1 defined as broadly as this. So, I mean, let's think
2 about it. You're talking about black pipe. You're
3 talking about galvanized pipe. You're talking about
4 threaded and coupled. You're talking about plain end.
5 And these do have pretty significant differences in
6 price.

7 So I accept what the domestic industry said
8 this morning about the fact that, well, you know, our
9 product mix is pretty consistent. So when they
10 respond in terms of their experience, I think that
11 there is probably some inherent validity to the idea
12 that their product mix isn't shifting that much. That
13 makes some sense to me.

14 But when you're then comparing their product
15 mix and their AUVs to import AUVs from a variety of
16 sources, that I think starts to -- it starts to call
17 into question, you know, exactly how valid those
18 comparisons are because, as you say, a product mix,
19 and what exactly is in it. And we don't know exactly
20 what is in it.

21 And so I think that your question is a valid
22 one, to the extent that you're talking about comparing
23 the AUVs of one country to another, or the AUVs of
24 subject imports to the domestic industry, because you
25 don't know whether you're comparing apples and

1 oranges.

2 So I don't put a lot of stock in it. I
3 think that it's something that at least should be
4 viewed skeptically.

5 MR. VON SCHRILTZ: Okay. Thank you. And
6 what is generally the range of prices for CWP products
7 within the scope? Could anyone just give me a rough
8 and dirty estimate?

9 MR. NATU: Typically, the sales we have is
10 to the fence market, which are the galvanized market.
11 And the range is normally from inch and a quarter to
12 eight-inch. That is the range we sell, and that is
13 the major requirement of the customers. And
14 typically, the price is just -- you know, say, for
15 example, \$1,200 per ton for all the sizes. So whether
16 you buy one ton of inch and a quarter, or you buy six-
17 inch, eight-inch, pretty much the same.

18 There might be a slight difference on the
19 six- and eight-inch because of the freight. You know,
20 the size is big so they charge you by volume rather
21 than weight when you ship it overseas. But otherwise,
22 it's pretty much, you know, that range, inch and a
23 quarter to eight inches, is the same.

24 MR. VON SCHRILTZ: Price per ton would be
25 the same?

1 MR. NATU: Yeah.

2 MR. VON SCHRILTZ: Okay.

3 MR. NATU: Except like he said, if there is
4 some coupling or threading, that all that will change.

5 MR. CAMERON: We'd like to look at this and
6 give you comments in the post-hearing brief it that
7 would be all right.

8 MR. VON SCHRILTZ: That would be helpful.
9 Thank you. I have no further questions at this time.
10 Thank you very much for your answers.

11 MS. DeFILIPPO: Thank you. Questions for
12 this panel, Mr. Carlson?

13 MR. CARLSON: Not at this time, thank you.

14 MS. DeFILIPPO: Thank you. Mr. Workman,
15 questions from you for this panel?

16 MR. WORKMAN: I don't have any questions.

17 MS. DeFILIPPO: Mr. Boyland?

18 MR. BOYLAND: I have no questions. Thank
19 you for your testimony.

20 MS. DeFILIPPO: Mr. VanToai, about you?

21 MR. VANTOAI: Thank you, Cathy. And thank
22 you very much for being here and providing us with
23 very important information. I have -- I know that you
24 have addressed this issue before about the like
25 product in the scope of this case. I wondered whether

1 you have any further comments down the road?

2 MR. CAMERON: With respect to the like
3 product?

4 MR. VANTOAI: Yeah.

5 MR. CAMERON: We'll look at it, and if we
6 have any, we will give them to you. But the like
7 product I think is pretty well defined in terms of
8 what we're going to be dealing with with the U.S.
9 industry. So I don't -- it's not going to involve,
10 for instance, dual-stencil line pipe. It will involve
11 standard and structural pipe. And I think that -- I
12 don't think there is very much controversy about it.
13 I may be wrong, but I don't think so.

14 MR. VANTOAI: Thank you very much. That's
15 very helpful. Thank you. That's all I have. Thank
16 you.

17 MS. DeFILIPPO: Thank you, Mr. VanToai. Mr.
18 Corkran, questions from you for this panel?

19 MR. CORKRAN: Thank you very much. Douglas
20 Corkran, Office of Investigations. And thank you all
21 for coming today. Your testimony has been most
22 helpful. And I wanted to start just because this is a
23 transcribed proceeding to say I have a little more
24 optimism than Mr. Cameron on our questionnaire
25 coverage for dual -- for the type of dual-stenciled

1 pipe that comes in under the scope with the physical
2 descriptions that limit the volume because we have --
3 in a general sense, we have reached out to companies
4 that would traditionally be line pipe importers.

5 So I'm cautiously optimistic that we will
6 get --

7 MR. CAMERON: Fair enough.

8 MR. CORKRAN: One of my questions goes to
9 Mr. Natu, and that is you have focused your discussion
10 on hot-dipped, galvanized product, and you've
11 mentioned fence tubing. Can you give us an idea what
12 sort of specifications, if any, that product is
13 typically produced to? And if there are any
14 specifications that are specific to fence tubing, if
15 there are more general specifications that you use for
16 the product that you ship, just some general
17 descriptions on the fence tubing you import.

18 MR. NATU: The basic schedule we look at is
19 it's called schedule 40, which is the standard pipe,
20 and it's A53 grade A. These are the norms that when
21 the customers ask us for a quotation, they say,
22 schedule 40, galvanized plain end, A53 grade A.

23 MR. CORKRAN: That's helpful. Is this a
24 product -- so that's a fairly generic specification.
25 You wouldn't maybe dual certify to another

1 specification that's specific to fence tubing or to
2 more general specification?

3 MR. NATU: No. There is no need to.

4 MR. CORKRAN: Okay. Thank you very much.
5 That's very helpful. I wondered if -- continuing with
6 you, Mr. Natu -- if there was anything additional you
7 could add about your knowledge of the Indian circular
8 welded pipe industry, even if it's more general. Are
9 there other Indian producers that you compete with for
10 galvanized product? For that matter, do you bring in
11 product that's not galvanized as well? Just general
12 issues like that.

13 MR. NATU: Yeah. In the Indian domestic
14 industry, there are a lot of players, probably 200-
15 plus mills that make the pipe that we make in the
16 domestic Indian industry. In terms of pipe that we
17 bring to the U.S., I would say maybe 95 to 98 percent
18 is galvanized. And who we sell to are typically fence
19 distributors, but we sell to some bigger trading
20 companies where we don't know where it is going to
21 eventually. They just tell us they want A53 grade A,
22 schedule 40 galvanized pipe.

23 So in those cases, we don't know where it is
24 going. But if it's something like Stevens or
25 Merchants Metals, we know they are fence distributors.

1 It's not going anywhere else. Most of the time, it's
2 going to make a fence.

3 MR. CORKRAN: Thank you. I believe that I
4 have no further questions as well. But again, I
5 appreciate the time that you've spent with us here
6 today. Thank you very much.

7 MS. DeFILIPPO: Thank you, Mr. Corkran. A
8 couple of little finishing off, following up type
9 questions. Maybe to you, Mr. Natu. We heard a lot of
10 testimony this morning about the relationship between
11 hot-rolled steel prices and how that affected the
12 price of pipe. In your experience, with the pipe that
13 you sell, did you have any similar experience where
14 you saw price increases perhaps coming for the product
15 that you were trying to sell based on changes in hot-
16 rolled prices, or no, had you not seen that in the
17 last couple of years?

18 MR. NATU: Yes, we have. And the hot-rolled
19 coil prices are not managed like the London Metal
20 Exchange. So the price can vary drastically from
21 India to China to U.S. And typically, what has been
22 happening is in the past we have seen that U.S. coil,
23 which I think the domestic manufacturers use, has been
24 higher than world prices.

25 But we see many times that that can reverse.

1 Sometimes the U.S. -- like I think somebody mentioned
2 -- I think there is more capacity in the U.S. now of
3 coil. So I think the coil prices have dropped. And I
4 have noticed that U.S. coil prices have in some cases,
5 I think the recent past, have been lower than
6 international coil prices.

7 So there is that fluctuation which we cannot
8 tie it onto the metal exchange like we can zinc or,
9 you know, some other commodity.

10 MR. CAMERON: There is one other thing that
11 you ought to at least think about when you start
12 talking about coil prices. We always here about the
13 cost-price squeeze that the U.S. industry is facing.
14 But low prices for coil are somewhat of a dual-edged
15 sword. During a period of rising coil prices, usually
16 the problem is not a cost-price squeeze. This is
17 usually good for the U.S. industry.

18 The U.S. pipe producers do better in periods
19 of rising coil prices because they have got an
20 inventory of lower cost coil. They are getting the
21 markup on the higher price. Everybody knows that
22 prices have gone up. They ask for the markup on the
23 coil, and generally they get it. And frankly, I
24 believe that at least what we saw on the petition
25 would indicate that they have been able to do so.

1 Problems occur when the prices of coil
2 decline. As you heard one of the witnesses this
3 morning say, well, we don't advertise price decreases,
4 but our customers see when prices of coil decline, and
5 they demand price decreases. Well, that's great. The
6 problem is that if you have bought high-cost coil,
7 right, then you have that there, and you're having a
8 price decline. Then you start to have a problem. But
9 the problem is caused by changes in the -- by the
10 decline in coil prices and the change in the price.

11 So, I mean, it's somewhat ironic, and
12 somewhat counter-intuitive. But actually, the cost-
13 price squeeze is usually not during periods of
14 increasing coil prices because buyers do know that --
15 you know, I mean, if the guy can't afford to buy the
16 coil to manufacture the product, then that's a no-go.
17 So they do understand the concept, even buyers in the
18 market.

19 It is the problem of when the coil prices go
20 down and the customer saying, hey, your costs have
21 gone down. I want you to give me a slice of that.
22 Well, the producers do, but that's when they often
23 encounter problems.

24 MS. DeFILIPPO: I guess how much inventory
25 they keep on the input would affect how soon that gets

1 worked through or not, but --

2 MR. CAMERON: That's a good point. But you
3 have to remember, a lot of times they are producing
4 either to order or they're producing for inventory.
5 But the coil, they have to have an inventory of coil
6 because otherwise you're going to be lengthening your
7 ability to --

8 MS. DeFILIPPO: Production.

9 MR. CAMERON: Right. So they do have some
10 coil on hand. How much -- you know, you're right. I
11 don't know.

12 MS. DeFILIPPO: A lot of the discussion this
13 morning centered on -- and I think we touched on it a
14 little bit in your testimony and answers to questions
15 on this sort of big box phenomenon. And I hope I'm
16 characterizing this right. But my take on how the
17 presentation and characterization this morning was
18 that the big box stores are having an increasing
19 presence in this market. And, you know, they're
20 filling sort of -- dealing with the market area that
21 they had, but they're then creeping outward on that.
22 And what I got out of that was a lot of the big box
23 are buying through imported products.

24 So I guess any information that you have on
25 that in terms of what your view is on that, any data

1 that you have regarding changes in the big box
2 presence, any thoughts on the role of a big box in
3 terms of price levels. I mean, they tend to be big
4 purchasers. I don't know if they're bigger than
5 existing -- other types of distributors. But any
6 views you had on that would be helpful in a post-
7 conference submission.

8 MR. CAMERON: We'll be happy to do that. I
9 would note that I believe the testimony this morning
10 was that the big box, to the extent that they are
11 purchasing through distributors, not through the
12 importers -- so if we ever get to a final, I think
13 that the information would most likely come out in
14 purchaser questionnaires rather than from importer
15 questionnaires, oddly enough.

16 MS. DeFILIPPO: Probably true. But any
17 thoughts you would have would be helpful. One last
18 question for Mr. Mitchell. And I pose this, and
19 please feel free to discuss it in your post-conference
20 brief. But in listening to your discussion on the
21 characterization of the case against India, where you
22 have one, basically one, exporter that is currently
23 selling to the market as others are under order, any
24 views you had on that with regard to how that might
25 play into any cumulation argument. Are they

1 experiencing anything differently, and is your
2 position that you would believe that India should be
3 or should not be cumulated with the other imports in
4 this case?

5 MR. MITCHELL: I'm glad you mentioned that.
6 We actually have been discussing this, and we think
7 that we are in a unique position and that there are
8 good reasons not to cumulate us with everyone else
9 because we have been previously subject to a dumping
10 order and found to be fairly traded. And we think
11 that we're not a new entrant. We've been selling this
12 product to the U.S. market for over 20 years, and
13 there is a clear pattern of the fact that we have been
14 a consistent player. We haven't expanded our
15 capacity.

16 So I think we are going to -- we are going
17 to address cumulation.

18 MS. DeFILIPPO: Okay. And if in that
19 discussion --

20 MR. MITCHELL: Not in the traditional sense,
21 but --

22 MS. DeFILIPPO: Right. But I guess to the
23 extent you could address the traditional points, and
24 then add additional information, that would be
25 helpful.

1 Karl, do you have a question or follow-up?

2 MR. VON SCHRILTZ: Yes, I do.

3 MS. DeFILIPPO: Okay.

4 MR. VON SCHRILTZ: Yes. Thank you, Cathy.

5 I do have a follow-up question, something that
6 occurred to me during your presentation. I'm
7 wondering, can you explain why subject import volume
8 would increase over 2008 when demand is down?

9 MR. CAMERON: Well, we would suggest that
10 the increase from 2008 has not been that significant,
11 and it is more of the working in the market. We are
12 going to be looking at it more closely, but that's
13 what we would suggest. The other thing we would
14 suggest is that it is -- to the extent that there has
15 been growth in non-subject imports, it has been at the
16 expense of -- I mean of subject imports, it has been
17 at the expense of non-subject imports because overall
18 import levels have declined since 2008.

19 MR. VON SCHRILTZ: Okay. Thank you.

20 MS. DeFILIPPO: Any more, Karl? You're
21 good?

22 MR. VON SCHRILTZ: I'm good.

23 MS. DeFILIPPO: Okay. Any other staff have
24 any other questions for this panel? Seeing none, I
25 will take this opportunity to again thank you all for

1 coming and providing information both in response to
2 questions and direct testimony. It has been very
3 helpful.

4 At this point, it is 1:20. We'll take a
5 five-minute break, and then come back for closing
6 statements, if that works for everyone. Hearing no
7 objection, that's what we'll do. Thank you.

8 MR. CAMERON: Thanks.

9 (Whereupon, a short recess was taken.)

10 MS. DeFILIPPO: Welcome back, Mr. Schagrin,
11 and please proceed with your closing statement when
12 you're ready.

13 MR. SCHAGRIN: Thank you, Ms. DeFilippo.
14 First, I'd like to thank both Mr. Natu and Zenith for
15 coming to the hearing, as well as the representatives
16 for the UAE. I'm sure that they'll bring folks in
17 from the mill on that flight from Dubai for the panel,
18 and we hope the Vietnamese and the Omanese will be
19 here because it's always helpful to have Respondents.
20 So I say that in all -- I know the Commission feels
21 the same way, and it's not that, well, it's because
22 they'll say things that will help us. Sometimes that
23 happens, and just our witnesses say things that help
24 the Respondents. We're all here to try to get the
25 facts out.

1 But in particular, Mr. Natu said, look, our
2 fence sales would be to companies like -- or we know
3 where our products are going if we sell to companies
4 like Stevens Pipe and Merchants Metals. Well, those
5 are probably the two largest fencing distributors in
6 the entire United States. And so to the extent that
7 they're buying from Zenith or buying from Oman or
8 buying from Vietnam, or buying from the UAE, they're
9 not buying from Wheatland and Allied. And if you're
10 not selling significant tonnages to the largest
11 distributors of these products in the United States,
12 your business is going to suffer. And that's exactly
13 what is happening.

14 And I think you're going to find when you
15 get to the purchaser responses for the finals, as Mr.
16 Cameron said, we'll probably find out, you know, who
17 is doing what. When we get purchaser responses,
18 you're going to find that most of the purchasers,
19 overwhelming -- it has been like this in every CWP
20 case for 30 years -- are handling both domestic and
21 imported product. And that's because they're trying
22 to buy at the lowest price. The lowest price is
23 import, they're buying import.

24 And it's no surprise that domestic companies
25 are maybe refusing to sell to trading companies

1 because domestic producers don't need to sell to
2 trading companies. They can sell directly to
3 distributors. They can also sell directly to big box
4 retailers. I think we're going to find out that even
5 though big box retailers are growing their share,
6 they're probably still less than 10 percent of the
7 market, and it's probably more than 90 percent are the
8 major distributors of these products in the United
9 States.

10 In terms of cost-price squeeze, I think the
11 information we're going to give you, you know,
12 regardless of inventories -- and inventories are
13 getting shorter. Everybody is trying to shorten their
14 inventory carrying -- that the evidence we give you in
15 the post-conference brief on failed price increases at
16 the time that costs are actually increasing, that is
17 direct evidence of cost price squeeze.

18 Now, let's get to the major issues on
19 causation. What Respondents and Mr. Cameron want to
20 say is -- and it worked in some political campaigns --
21 it's just the economy, stupid line. And that dog
22 simply doesn't hunt in this particular case. And
23 that's because if you look at the data for that
24 increase between '07 and '08, when the Chinese were
25 subject to the duties, and they go up to 100,000 tons

1 in '08, but the domestic industry still does well,
2 you're going to see that demand was probably still
3 over two and a half million tons in 2008, 100,000
4 tons, over two and a half million, that's about a 4
5 percent market share.

6 I can virtually guarantee you as the counsel
7 for this industry for 30 years that had these subject
8 countries stayed at a 4 percent market share
9 throughout this POI, we would not be sitting here
10 today. But what actually happened? Yes, things go
11 down in '09. They plummet. It's Armageddon in the
12 U.S. economy. So the domestic industry suffers. And
13 even the subject imports go down in '09.

14 But then things start coming back in '10 and
15 '11. Does the domestic industry start improving?
16 Yes. It improves over '09. It would have to.
17 Nothing could be worse than '09. But it doesn't
18 improve as much as it should. And nothing tells the
19 story more than the difference between 2010 and 2011,
20 where some recovery continues, only probably about a 3
21 to 5 percent increase in demand. It's probably still
22 well under 2 million tons of consumption, so much less
23 than '05 to '08.

24 What do the subject imports do? They
25 increase from 135,000 to almost 175,000 tons, almost a

1 30 percent increase. What do the imports from all the
2 countries subject to orders do? They don't change at
3 all. They stay at 167,000 tons. Other non-subject
4 imports go up a little bit, much less than the subject
5 imports. And the domestic industry barely moves.

6 What is the result of that? There is
7 underselling throughout the U.S. market. I think when
8 you get your information on underselling, you're going
9 to find overwhelming preponderance of underselling for
10 the products. And you have got pressures in this
11 still modest demand environment from the customers at
12 a time when domestic producers' costs are increasing,
13 saying, we're not going to pay your price increases
14 because we can get subject imports cheaper than we get
15 product from you.

16 So they're growing in 2011. They're growing
17 their share by underselling the U.S. industry. And
18 you're going to see in your data that in 2011, the
19 it's the economy, stupid answer just doesn't work.
20 The domestic industry, in a period of increasing
21 demand, has its condition worsen while subject imports
22 increase by 30 percent. And you can't compare them to
23 the Chinese imports back in '06, '07, or to everybody
24 else's imports. You've got to look at them in the
25 context of market demand. And they're increasing, and

1 they're increasing because at every distribution
2 outlet, be it distributors of pipe valves and
3 fittings, distributors of fence products, sprinkler
4 product, big box retailer, they are buying their way
5 in, and they're not going to stop because at the same
6 time that we're recovering here, in fact where these
7 mills are in Oman and the UAE, their demand is
8 collapsing.

9 I mean, it's not just the economy, stupid.
10 I love the expression misery loves company. Well, as
11 bad as things are in the United States, Dubai and the
12 UAE -- of course, they have a lot more oil than we do.
13 But in terms of construction, they could actually make
14 us feel good. I mean, man, has their construction --
15 in fact, Dubai, within the UAE, because I think there
16 is five emirates within the UAE, they literally almost
17 went bankrupt because of their misguided investments
18 in just construction. And they had to be bailed out
19 by another emirate.

20 Well, nobody is going to bail out the United
21 States or the United States industry. This is not the
22 auto industry up here. This is the pipe industry.
23 And if these subject imports are allowed to continue
24 to increase and undersell the U.S. industry, they're
25 going to go from 200,000 tons to 300,000 tons.

1 They're going to cause more mill closures. They're
2 going to cause more Americans who badly need a job to
3 be thrown out of work.

4 You know, we talked yesterday in our prep
5 sessions. Somebody said, is it worth saying that
6 we're just laying off a shift. It's only 10 people,
7 you know, in the whole context. And he said, you
8 know, it doesn't sound like a lot, 10 out of over
9 1,000 workers. But, boy, for those 10 people and
10 their families, it's everything.

11 So I ask you, in this economic environment,
12 I mean, the record is going to be clear. There is
13 going to be a very easy injury determination. But
14 this is no time to throw hardworking Americans out of
15 work just to make room for more unfairly traded pipe I
16 the United States.

17 So we plead with you to make an affirmative
18 injury determination, or if not, the record will
19 certainly support an affirmative threat of injury
20 determination. Thank you.

21 MS. DeFILIPPO: Thank you very much, Mr.
22 Schagrin. We now have closing statements by
23 Respondents. Mr. Cameron, welcome back. Please begin
24 when you're ready.

25 MR. CAMERON: Thank you. I bring a stack of

1 papers, but I'm not going to read them all, so don't
2 worry about it. My remarks are going to be very
3 short, just a couple of comments.

4 Counsel just said that we should be looking
5 at this industry in the context of the economic
6 conditions that we are dealing with. The same
7 statement was made earlier by Mr. Bohn, that we have
8 to look at in terms of current demand and the economic
9 conditions and the business cycle. We agree, and that
10 is exactly the case. And we believe that the evidence
11 is going to support the fact that in fact this
12 industry has performed admirably, given the economic
13 conditions that they have faced.

14 To the extent that subject imports are
15 present in the market, they came at a time when
16 imports from China created a void. They have also
17 replaced non-subject imports. You know, it's
18 interesting again to hear counsel talk about, well,
19 you know, 2010, I mean, it was better than 2009, but
20 then again it had to be.

21 Well, it was, at least according to the
22 petition, it wasn't just better than 2009. It was a
23 lot better than 2009. And if it was a lot better than
24 2009, exactly how did that happen? Well, it happened
25 because actually, especially given the market

1 conditions, I know that 2010 isn't that far away for
2 most of us, at least those of who don't already
3 Alzheimer's, but, you know, 2010 wasn't exactly what
4 one would call a slam-bam terrific year either. The
5 domestic industry actually performed admirably during
6 that time.

7 Finally, you know, this whole talk about
8 China, I think it's very interesting. And by the time
9 counsel winds up, of course, we hear subject imports
10 from these four countries sound like imports from
11 China. Well, you know, to quote counsel, that dog
12 isn't going to hunt either, okay? These aren't
13 imports from China. This is limited capacity from
14 four relatively small producers, and people know
15 exactly who it is and what it is. They also know that
16 there isn't unlimited capacity out there to put into
17 the market.

18 There is not going to be evidence in this
19 case of inventory overhang from subject imports.
20 Well, I mean, how come? I mean, we have heard all
21 this talk about the surge in imports. Okay. Is there
22 going to be evidence of inventory overhang? I don't
23 think so. At least we have not seen any evidence of
24 it.

25 So, you know, why is China still being

1 talked about three years later? China is being talked
2 about because 600,000 tons is a lot of tons to remove
3 from the market in one year. I mean, bam, it was
4 gone. And, you know, actually, I mean, for the
5 market, it's fortunate it was gone at the time that it
6 did because the economy -- the economic collapse that
7 we experienced in 2009 was quite real. And obviously,
8 the market wouldn't have sustained that.

9 So that's fine. But we're not talking about
10 the inventory overhang in this case that we heard
11 about then. We're not hearing about the unlimited
12 capacity. And to the extent that there was mention of
13 a new UAE mill, we will address that in our post-
14 hearing brief. But, no, that is not -- actually, it's
15 not going to have any impact on exports of subject
16 merchandise to the United States.

17 So with that, I would like to, on behalf of
18 all Respondents, and actually on behalf of Petitioners
19 as well, thank the Commission and the staff for its
20 patience, and we appreciate your time.

21 MS. DeFILIPPO: Thank you very much, Mr.
22 Cameron. On behalf of the Commission and the staff, I
23 would like to thank the witnesses who came here today,
24 as well as counsel, for helping us gain a better
25 understanding of the product and the conditions of

1 competition in the circular welded carbon quality
2 steel pipe industry.

3 Before concluding, please let me mention a
4 few dates to keep in mind. The deadline for
5 submission of corrections to the transcript and for
6 submissions of post-conference briefs is Monday,
7 November 21st. If briefs contain business proprietary
8 information, a public version is due on Tuesday,
9 November 22nd.

10 The Commission has tentatively scheduled its
11 vote on these investigations for Friday, December 9th,
12 and it will report its determinations to the Secretary
13 of the Department of Commerce on Monday, December
14 12th. Commissioners' opinions will be transmitted to
15 the Department of Commerce on Monday, December 19th.

16 Parties are reminded that the Commission's
17 new e-filing procedures became effective on November
18 7th, 2011. Please contact our docket services with
19 any questions or concerns.

20 Thank you all for coming. With that, this
21 conference is adjourned.

22 (Whereupon, at 1:42 p.m., the preliminary
23 conference in the above-entitled matter was
24 adjourned.)

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Circular Welded Carbon-Quality Steel Pipe
INVESTIGATION NOS.: 701-TA-482-485, 731-TA-1191-1194
HEARING DATE: November 16, 2011
LOCATION: Washington, D.C.
NATURE OF HEARING: Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: November 16, 2011

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: Rebecca McCrary
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