

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
SILICOMANGANESE FROM) Investigation No.:
INDIA, KAZAKHSTAN, AND) 731-TA-929-931
VENEZUELA) (Second Review)

Pages: 1 through 257

Place: Washington, D.C.

Date: July 18, 2013

HERITAGE REPORTING CORPORATION

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Thursday,
July 18, 2013

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

The hearing commenced, pursuant to notice, at 9:31 a.m., before the Commissioners of the United States International Trade Commission, the Honorable IRVING A. WILLIAMSON, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

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DANIEL R. PEARSON, COMMISSIONER
SHARA L. ARANOFF, COMMISSIONER
DEAN A. PINKERT, COMMISSIONER
DAVID S. JOHANSON, COMMISSIONER
MEREDITH M. BROADBENT, COMMISSIONER

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JUSTIN JEE, Accountant/Auditor
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JAMES MCCLURE, Supervisory Investigator

APPEARANCES: (Cont'd)

Congressional Appearance:

THE HONORABLE SHELLEY MOORE CAPITO,
U.S. Representative, 2nd District, West Virginia

In Support of the Continuation of Antidumping
Duty Orders :

On behalf of Felman Production LLC:

BARRY C. NUSS, Chief Financial Officer, Georgian
American Alloys, Inc.
MENDEL SOSSONKO, Sales Manager, Felman Trading Inc.
JOHN S. KONRADY, Plant Manager, Felman
Production LLC
ROY F. MARTIN, JR., Vice President, USW Local 5171,
Felman Production LLC
ROBERT L. POWELL, JR., Vice President, Secretary;
and General Counsel, Felman Production LLC

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JUMANA M. MISLEH, Esquire
STEPHANIE R. MANAKER, Esquire
Stewart and Stewart
Washington, D.C.
Of Counsel

On behalf of Eramet Marietta, Inc.:

JOHN A. WILLOUGHBY, Chief Executive Officer, Eramet
PETER ROCHUSSEN, Vice President, Eramet North
America, Inc.
STEVE BROWN, President, United Steelworkers,
Local 1-00639
DR. KENNETH R. BUTTON, Senior Vice President,
Economic Consulting Services, LLC
JENNIFER LUTZ, Senior Economist, Economic
Consulting Services, LLC

WILLIAM D. KRAMER, Esquire
MARTIN SCHAEFERMEIER, Esquire
DLA Piper LLP (US)
Washington, D.C.
Of Counsel

APPEARANCES: Cont'd)

In Opposition to the Continuation of Antidumping
Duty Orders :

On behalf of FerroAtlantica de Venezuela ("Ferro Ven")
and FerroAtlantica S.A. (collectively
"FerroAtlantica") :

ANTONIO SALINAS, Export Manager, FerroAtlantica
EDWARD HOPKINS, General Manager, FerroAtlantica
North America

JULIE C. MENDOZA, Esquire
DONALD B. CAMERON, Esquire
R. WILL PLANERT, Esquire
Morris Manning & Martin LLP
Washington, D.C.
Of Counsel

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P R O C E E D I N G S

(9:31 a.m.)

3 CHAIRMAN WILLIAMSON: Good morning. On
4 behalf of the U.S. International Trade Commission, I
5 welcome you to this hearing on Investigations No.
6 731-TA-929-931 (Second Review), involving
7 Silicomanganese from India, Kazakhstan, and Venezuela.

The purpose of these five year review investigations is to determine whether revocation of the antidumping duty orders on silicomanganese from India, Kazakhstan, and Venezuela will be likely to lead to continuation or recurrence of material injury within a reasonable foreseeable time.

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

21 I understand that parties are aware of the
22 time allocations. Any questions regarding the time
23 allocations should be directed to the secretary.

Speakers are reminded not to refer in their
remarks or answers to questions to business

1 proprietary information.

2 Please speak clearly into the microphone and
3 state your name for the record for the benefit of the
4 court reporter.

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

9 Mr. Secretary, are there any preliminary
10 matters?

11 MR. BISHOP: Mr. Chairman, I would note that
12 all witnesses for today's hearing have been sworn in.
13 There are no other preliminary matters.

14 CHAIRMAN WILLIAMSON: Okay. Very well.

15 Let's presume with opening statements. MR.
16 BISHOP: We first have a congressional appearance.
17 The Honorable Shelley Moore Capito, United States
18 Representative, 2nd District, West Virginia.

19 CHAIRMAN WILLIAMSON: Welcome, Rep. Capito.
20 You may begin when you're ready.

21 MS. CAPITO: Thank you. Good morning, and
22 thank you very much, Chairman Williamson and members
23 of the committee. Thanks for giving me the
24 opportunity to appear before you today in support of
25 the jobs of hundreds of my fellow West Virginians in

1 my home state of West Virginia.

2 I've been privileged to testify before the
3 Commission before during past cases when Commissioner
4 Lane from West Virginia was one of the Commissioners,
5 and I also have written to you all considering a
6 similar case of silicomanganese from Brazil, China,
7 and the Ukraine last year.

8 I appreciate very much the important role
9 the Commission plays in making sure that American
10 businesses are allowed to compete on a fair playing
11 field.

12 I'm testifying in strong support of the
13 antidumping duty orders on imports of silicomanganese
14 from India, Kazakhstan and Venezuela. One of the two
15 U.S. producers of silicomanganese is Felman
16 Production, LLC, which is located in Letart, Mason
17 County, West Virginia.

18 When I wrote to the Commission last year,
19 that facility was in my congressional district, but as
20 we know, we were redistricted and I lost Mason County.
21 However, many of the employees remain my constituents.

22 Felman Production employs over 270 hard-
23 working West Virginians whose jobs would be
24 permanently lost if the antidumping orders are not
25 reviewed, or renewed. After reviewing the data, I'm

1 convinced that the revocation of the antidumping duty
2 orders on silicomanganese from India, Kazakhstan, and
3 Venezuela would lead to material injury to Felman
4 Productions.

5 Felman Productions began operations in 2006
6 and has grown to be a major local employer in Mason
7 County, West Virginia. A recent study by the College
8 of Business and Economics of West Virginia University
9 concluded that Felman Production had contributed
10 significant revenue to both Mason County and the
11 state. Between 2001, 2011 and 2012, the number of
12 Felman workers has increased to 273.

13 In Mason County, the Felman's operation
14 generated a total business volume impact of \$165
15 million. It is worth noting that the 273 workers
16 account for 41 percent of all manufacturing workers
17 within Mason County. Felman Production alone counts
18 for three percent of the total property taxes in Mason
19 County. In West Virginia's economy as a whole,
20 Felman's operation generated \$187.2 million and
21 supported 524 direct jobs and indirect jobs and \$31.2
22 million in employee compensation.

23 In addition, it is evident that Felman
24 played an important role in attracting the Armstrong
25 World Industries, which produces mineral wool, to

1 establish a manufacturing plant in neighboring Jackson
2 County. Armstrong is investing \$40 million in the
3 Jackson County plant, providing 200 construction jobs.

4 Once the plant is fully operational, it will hire 45
5 permanent employees. I actually just toured that
6 plant just recently.

7 If the jobs generated by Felman were lost,
8 it would like increase Mason County's employment to
9 around 14 percent, which would leave Mason County with
10 one of the highest unemployment rates in the state and
11 nearly double the current national rate.

12 The low price of silicomanganese has had a
13 significant negative impact on Felman's West
14 Virginia's operation. In June the company was forced
15 to idle its operations for three months. I fear that
16 the end of antidumping orders could lead to an even
17 longer idling of the facility that would multiply the
18 harm to Felman's workers and their families, as well
19 as Mason County, generally. Therefore, it is utmost
20 importance, I think, to protect those jobs.

21 The evidence in the public record compiled
22 by your staff makes it clear that India, Kazakhstan,
23 and Venezuela are focused on growing their
24 silicomanganese exports. In the past five years, as
25 you probably know, India's imports have grown 254,000

1 short tons to over a million. From 2001 to 2012,
2 exports from Kazakhstan grew from 126,000,
3 approximately, to over 209,000. While Venezuela has
4 exported a smaller amount of silicomanganese, its
5 exports increased significantly between 2007-2012.

6 Reduction in all three companies has become
7 more export-driven over the past five years and there
8 is little to prevent the influx of all silicomanganese
9 to the domestic market.

10 Domestic company like Felman is especially
11 vulnerable to injury from unfair imports because
12 silicomanganese is a fungible commodity product. As
13 one would assume with a fungible commodity product,
14 price is of critical importance to purchasers.

15 Consequently, a flood of unfairly priced
16 imports would very likely decimate our domestic
17 producers -- which there's only two -- who would be
18 forced to lower their prices to sustainable levels or
19 cease production entirely. Therefore, there is a
20 large monetary incentive for all silicomanganese
21 producers in India, Kazakhstan, and Venezuela to
22 inundate the United States.

23 When dumping of a foreign product into our
24 market is offset by the imposition of an antidumping
25 order, market conditions, which would have been

1 distorted by the dumping, are restored. Domestic
2 energies can't thrive.

3 In the case of Felman, the success of the
4 domestic industry means hundreds of jobs and
5 substantial investments in a very rural part of West
6 Virginia. On the other hand, the failure of the
7 domestic industry could deal a catastrophic blow to
8 West Virginia families and the surrounding
9 communities.

10 I respectfully submit that these orders
11 continue to be necessary to maintain conditions of
12 fair competition and pricing in this very important
13 industry, to West Virginia, and the overall domestic
14 economy.

15 Very much appreciate the role that the
16 International Trade Commission has played in
17 continuing to ensure that West Virginia's companies
18 and workers are treated fairly when facing illegal
19 trade practices. I'm confident that you and your
20 colleagues will carefully review this and the record
21 that has been compiled and arrive at a conclusion that
22 I've concluded, that these antidumping order remain
23 necessary.

24 Again, I thank you for the opportunity to
25 appear before the Commission.

1 CHAIRMAN WILLIAMSON: Thank you very much.

2 We very much appreciate having you come this morning.

3 Do any Commissioners have any questions for
4 the Congresswoman?

5 (No response.)

6 CHAIRMAN WILLIAMSON: If not, we want to
7 again thank you very much for being with us.

8 MS. CAPITO: All right. I hope you all
9 survive the heat.

10 CHAIRMAN WILLIAMSON: Okay. We'll try.

11 Thank you.

12 MR. BISHOP: Opening remarks on behalf of
13 those in support of continuation of the orders will be
14 by William D. Kramer, DLA Piper.

15 MR. KRAMER: Good morning.

16 CHAIRMAN WILLIAMSON: Welcome, Mr. Kramer.
17 You may begin when you're ready.

18 MR. KRAMER: As the Commission knows from
19 its prior investigations, silicomanganese is a
20 globally trade, price-sensitive, commodity product.
21 The U.S. silicomanganese market is highly competitive.

22 Silicomanganese is sold primarily through a formal
23 bidding process in which many suppliers compete.

24 Published spot prices are used as pricing benchmarks.

25 Customers don't care where silicomanganese

1 was produced if it meets the standards specification
2 or it can be used in their process. Extremely small
3 differences in price can determine who gets a sail.
4 Even with the contract in place the price normally is
5 indexed or periodically adjusted to reflect the spot
6 price. As a result, even small sales at low prices
7 can drive down prices throughout the market.

8 The production of silicomanganese is a very
9 capital-intensive manufacturing process, requiring
10 producers to maintain the highest possible level of
11 capacity utilization to remain viable. This fact
12 forces domestic producers to lower their prices to
13 meet import competition.

14 Demand for silicomanganese is driven by the
15 production of the types of steel manufactured using
16 silicomanganese, primarily long products made by many
17 mills for use in commercial and industrial
18 construction. Because of the continued weakness of
19 that sector, production of steel products made using
20 silicomanganese has recovered more slowly than
21 production of other types of steel.

22 Revocation of the orders would likely result
23 in recurrence of injury to the domestic
24 silicomanganese industry. The countries covered by
25 the orders account for a very large portion of total

1 global output. In addition, they have a large amount
2 of excess capacity. This excess capacity is
3 significant both in absolute terms and relative to
4 U.S. production and consumption. Subject producers
5 also have significant inventories.

6 The prehearing report notes that the
7 industries in all three countries have become more
8 export-oriented over the period of review. The United
9 States is an attractive market for foreign suppliers
10 because this country is a major consumer of
11 silicomanganese.

12 Even though U.S. steel production remains
13 below pre-recession levels, it is increasing more
14 rapidly than in other countries. As a result, prices
15 in the U.S. market are higher than in Europe, a
16 significant export market for the subject producers.
17 This difference in relative price levels and other
18 factors would draw subject imports into the U.S.
19 market.

20 As these imports re-entered the market,
21 domestic producers' sales, market share, and jobs
22 would be lost. The imports would generate downward
23 price pressure in the competitive bidding process to
24 the detriment of the U.S. industry.

25 Contrary to Ferro Ven's claims, if the

1 Venezuela order were revoked, Venezuelan imports would
2 return to the U.S. market in significant volumes,
3 compete under the same conditions of competition as
4 other subject imports, and injure the domestic
5 industry.

6 Venezuelan imports already compete head to
7 head with Indian and Kazakhstani imports in the EU and
8 other markets and are underselling those imports. The
9 production capacities reported to the Commission by
10 the Venezuelan producers do not reflect the true
11 capacity of the Venezuelan industry.

12 Moreover, the size of the Venezuelan
13 industry far exceeds the size of its contracting
14 domestic market, forcing the industry to increase its
15 exports and to undercut the prices of competing
16 suppliers in export markets.

17 Finally, contrary to Ferro Ven's claims, the
18 U.S. industry is vulnerable to a recurrence of injury.
19 The protection from dumped imports afforded by the
20 orders has allowed a new U.S. producer to enter the
21 market, a positive development that has increased the
22 size of the domestic industry and its workforce.

23 However, the record facts clearly show that
24 the U.S. industry is vulnerable, as the Commission
25 found just last October.

1 Given these facts, it is likely that
2 revocation of the orders would lead to the
3 continuation or recurrence of material injury to the
4 domestic silicomanganese industry. Thank you.

5 CHAIRMAN WILLIAMSON: Thank you.

6 MR. BISHOP: Opening remarks on behalf of
7 those in opposition to continuation of the orders will
8 be by Julie C. Mendoza, Morris Manning & Martin.

9 CHAIRMAN WILLIAMSON: Welcome, Ms. Mendoza.
10 you may begin when you're ready.

11 MS. MENDOZA: Good morning, Chairman
12 Williamson and members of the Commission. I'm Julie
13 Mendoza and I'm appearing on behalf of Ferro Ven.

14 As the Commission knows, both of the
15 producers in Venezuela, Avenza and Ferro Ven, have
16 submitted complete responses to the Commission. After
17 10 years, it's time for this order against Venezuela
18 to be over. Let's look at what, the U.S. industry
19 today and the U.S. market.

20 Felman, currently the largest domestic
21 producer, is affiliated through its parent company,
22 Georgian American Alloys, which is a major
23 silicomanganese producer and exporter in Georgia and
24 which owns its own magnesium mines in Georgia. Ryan's
25 Notes has reported that between domestic production

1 and its imports, Felman now controls approximately
2 half of the U.S. market. That's a lot of market
3 power.

4 Despite Felman's announced suspension of
5 production in U.S. facilities, Felman reports that it
6 will just supply its customers with imports from its
7 operations in Georgia and expects no changes in
8 supplying its customers.

9 Some smaller portion of the U.S. market is
10 supplied by Eramet, a major French producer that is
11 also integrated. Other nonsubject imports still make
12 up a very significant shortfall in the market. They
13 are fungible commodity products, we agree, priced to
14 the international markets, for the most part, so
15 nonsubject market shares tend to shift over time into
16 the U.S. market, although Georgia now clearly
17 dominates.

18 Now let's look at Venezuela. Venezuela was
19 never a major player in the U.S. market or the world
20 market, for that matter. The Commission's record in
21 the sunset proceeding confirms that this antidumping
22 duty order is not, and never has been, about
23 Venezuela.

24 Venezuela was dropped by the ITC in the
25 original investigation filed by this Petitioner, and

1 then it was caught up in the 2002 Commission
2 investigation when its imports were cumulated with the
3 much larger exports from India and Kazakhstan.
4 Venezuela however still remains an extremely marginal
5 player. Seriously, Venezuela's imports over the
6 original period of investigation increased by 6,000
7 tons. They started out at 20,000 tons, so that's
8 pretty small.

9 Given that the original investigation period
10 was the only time that Avenza had ever participated in
11 this market and Ferro Ven never has participated in
12 the U.S. market, there is no basis to conclude that
13 they would have any meaningful participation in the
14 U.S. market.

15 Venezuela's capacity actually declined over
16 the most recent period, and in absolute terms, its
17 capacity and production are a fraction of the U.S.
18 market and a smaller fraction of India, Kazakhstan,
19 and third country suppliers, such as Georgia.

20 Venezuela has no magnesium mines and thus
21 must import its magnesia ore, and this makes
22 Venezuelan producers much less competitive with Felman
23 and other vertically integrated suppliers to the U.S.
24 market who can control the wide price swings of the
25 ore.

1 Venezuela's industry also has experienced
2 repeated shut downs of furnaces due to electricity
3 shortages, furnace breakdowns, or shortages of
4 critical materials. It's no surprise, then, that
5 Venezuela has focused its production on its domestic
6 market where it enjoys the benefits of geographical
7 proximity and where government policies restrict
8 imports. Venezuela has no incentive to shift to the
9 United States, where market prices are several hundred
10 dollars less than in Venezuela.

11 Even if Venezuela did manage to export any
12 silicomanganese to the United States, the available
13 capacity is so small and it's so dominated by the
14 domestic industry and by much larger suppliers in
15 Georgia, South Africa, and elsewhere who are also
16 vertically integrated, these imports would have no
17 perceptible impact on the U.S. market.

18 Certainly, given these conditions of
19 competition, the Commission must ask itself how it is
20 possible to distinguish these imports from Venezuela
21 from other subject imports, and it must ask itself
22 why, despite 10 years of antidumping duties, this
23 industry continues to rely heavily on imported
24 product.

25 Given the fact that Felman has shut down its

1 capacity, at least temporarily, and its domestic
2 production replaced by imports, the question is who
3 would be benefitted by the continuation of antidumping
4 relief against Venezuela? I submit to you that it is
5 Felman's imports that would be advantaged. Thank you
6 very much.

7 CHAIRMAN WILLIAMSON: Thank you.

8 Let's call our first panel.

9 MR. BISHOP: Would the first panel, those in
10 support of continuation of the orders, please come
11 forward and be seated.

12 CHAIRMAN WILLIAMSON: Mr. Kramer or Mr.
13 Salonen, you may begin when you're ready.

14 I want to welcome all the members of the
15 panel today, and appreciate your taking time from your
16 businesses to come. Thank you.

17 MR. KRAMER: Our first witness is John
18 Willoughby.

19 MR. WILLOUGHBY: Good morning, Chairman
20 Williamson and Commissioners. My name is John
21 Willoughby. I'm Chief Executive Officer of Eramet
22 Marietta. Before joining Eramet in 2008 I had more
23 than 34 years experience in the steel and refractory
24 industries.

25 Eramet Marietta produces silicomanganese and

1 other manganese alloys in our plant in Marietta, Ohio.

2 As I will explain, our plant is an important employer
3 in our area of southeastern Ohio. We produce
4 silicomanganese in submerged arc electric furnaces by
5 smelting together sources of silicon, manganese, iron,
6 and carbon.

7 The silicomanganese production process is
8 highly capital-intensive. The major equipment in our
9 plant includes the electric furnaces and their
10 emissions control equipment, the electrical
11 transformers for the furnaces, our electrical
12 substation, the furnace feeding system, which includes
13 our mix house, and a conveyor system.

14 With the antidumping orders in place we've
15 been able to make substantial investments in our
16 production facility. In 2008 we began a series of
17 investments to improve greatly the operational and
18 environmental performance of the Marietta plant.

19 In the first half of 2008 we rebuilt our
20 Furnace 1, which is our largest of the furnaces, at a
21 cost of more than \$8 million. The rebuild was the
22 first phase of a two phase project that also included
23 the addition of a state-of-the-art emissions abatement
24 system to reduce particulate emissions from that
25 furnace, Furnace 1, by 54 percent, and plant-wide

1 emissions by over 20 percent. The second phase,
2 representing an additional investment of about \$10
3 million, was completed in early 2011 when the system
4 was connected to Furnace No. 1.

5 In addition, in 2010 we completed the first
6 two phases of a plant security and rerouting project
7 aimed at making the plant more secure and changing
8 traffic routes to improve production efficiencies and
9 employee safety.

10 Late last year we completed a \$12 million
11 plus project to create a new water delivery system for
12 the service water for our plant. Finally, last year
13 we also began planning work on an overhaul of our mix
14 house and raw material handling system. The first
15 phase of this more than \$10 million investment should
16 be initiated late this year.

17 All of the investments made to date have
18 been made with the antidumping orders in place. Our
19 ability to sustain these investments, and to make new
20 investments, depends on continuation of the improved
21 market conditions that the orders have made possible.

22 All of the work that Eramet Marietta has
23 done to improve its operations and to become the
24 company it is today would be severely at risk if the
25 orders were revoked.

1 Our silicomanganese production costs have
2 increased very significantly. Furthermore, the
3 silicomanganese production process involves high fixed
4 costs. To be able to recover these costs, we need to
5 run the furnaces at as high a rate of capacity
6 utilization as possible so that we can spread these
7 costs over a sufficiently large volume of
8 silicomanganese sales.

9 If we're forced to compete with imports sold
10 at dumped prices, we have two choices. Reducing our
11 prices to the level of the dumped imports so that we
12 are able to maintain an adequate level of production
13 or losing the sales to the dumped imports. Either
14 way, our financial performance deteriorates.

15 If we are unable to recover our fixed costs,
16 our decision will not be whether, but when, to shut
17 down our silicomanganese operations. A renewed
18 onslaught of dumped silicomanganese from Indian,
19 Kazakhstan, and Venezuela would place these operations
20 at serious risk of being shut down.

21 Our plant is one of the largest industrial
22 employers in Washington County, which is part of the
23 Appalachian region. According to the most recent data
24 compiled by the Appalachian Regional Commission,
25 during the period from 2007 through 2011 our county

1 had a poverty rate of 15.1 percent, well above the
2 national average, and over the same period had an
3 annual per capita income that was more than 16 percent
4 below the national average. Thus, the continued
5 viability of our operations is important not only to
6 Eramet Marietta, but also to our employees and the
7 surrounding area.

8 We welcome fairly traded import competition.
9 However, as Peter Rochussen will explain, because of
10 the nature of this product and the conditions of
11 competition in the U.S. silicomanganese market,
12 revocation of the orders would have a devastating
13 effect on the U.S. silicomanganese industry. Thank
14 you.

15 MR. ROCHUSSEN: Good morning, Chairman
16 Williamson and Commissioners. My name is Peter
17 Rochussen. I'm Vice President of Eramet North
18 America, the company that markets the silicomanganese
19 and other manganese alloys produced by Eramet
20 Marietta. I have more than 20 years of experience in
21 the alloys and specialty metals industries.

22 The U.S. silicomanganese market is highly
23 competitive. In addition to the two domestic
24 producers competing for sales, Eramet and Felman,
25 there are numerous competing suppliers of imported

1 silicomanganese. Silicomanganese is used almost
2 exclusively in the production of steel as a source of
3 both manganese and silicon.

4 The domestic steel industry is still in the
5 process of recovering from the Great Recession. The
6 average capacity utilization rate of the U.S. industry
7 remains about 10 percentage points below the pre-
8 recession level.

9 Silicomanganese is sold primarily to mini
10 mills for use in producing steel long products. Mini
11 mills account for about 80 percent of silicomanganese
12 consumption in the United States.

13 Long products are used in nonresidential
14 construction and infrastructure projects. They
15 include structural beams, rebar, merchant bar, rails,
16 small tubulars, fence and sign posts, and guard rail.

17 Unlike residential construction, which has
18 improved significantly, U.S. commercial and industrial
19 construction continues to struggle. One indicator of
20 this fact is the Architecture Abilities Index which
21 currently hovers barely above 50 percent, meaning that
22 commercial and industrial construction is expected to
23 grow hardly at all over the next six to nine months.

24 As a result, long product mills face greater
25 economic challenges than the steel industry generally.

1 We estimate that these mills currently are operated
2 only 50 to 70 percent capacity utilization rate.
3 Operating rates for these mills vary greatly depending
4 on location and are much worse for mini mills in
5 certain regions of the country than for mills in other
6 regions. Long product producers also are facing
7 severe cost pressure. For these reasons, they are
8 highly price conscious in buying inputs, including
9 silicomanganese.

10 Within this environment, the fact that
11 silicomanganese is a fungible commodity product
12 further fuels the price competition amongst suppliers.

13 Our customers almost always purchase silicomanganese
14 using a bidding process in which they issue requests
15 for bids, RFQs, on a monthly, quarterly, semiannual,
16 or annual basis, typically using an ASTM
17 specification.

18 In the bidding process, suppliers compete
19 for sales on the basis of price. Purchasers typically
20 receive bids from at least three to six suppliers, and
21 a price difference of half a penny per pound or less
22 can determine who gets the sale. This is true even if
23 the purchaser has an established relationship with a
24 supplier. The current supplier normally is expected
25 to meet the lower bid in order to retain its

1 relationship with the customer.

2 Publications, such as *Metals Week* and *Ryan's*
3 *Notes*, regularly publish information regarding
4 silicomanganese transaction prices. Buyers and
5 sellers use these published prices as benchmarks in
6 determining sales prices. The availability of such
7 published data and the multiple bids received by
8 purchasers ensure that price changes are quickly
9 communicated throughout the market.

10 Purchasers are highly price-oriented. Some
11 purchasers routinely change suppliers whenever they
12 can get a lower price, while other companies prefer to
13 maintain longer term relationships with their
14 suppliers.

15 However, while in the past we could engage
16 in price negotiations with long term customers, now we
17 may, if we're lucky, be given a last look. In such
18 cases we're expected to meet the lowest price offered
19 in the bidding process. If we don't, we lose the
20 sale.

21 The existence of contracts does not insulate
22 domestic producer sales from changes in the market
23 price. By one means or another, all of Eramet's
24 contract prices are adjusted on a regular basis, at
25 least quarterly, to reflect changes in the published

1 prices for silicomanganese.

2 In these circumstances, low priced sales of
3 even small quantities of imports from India,
4 Kazakhstan, or Venezuela would quickly result in lower
5 prices not only for spot sales, but also for all of
6 our contract sales. All these factors combine to make
7 the U.S. silicomanganese market extremely competitive
8 and price-driven.

9 If the antidumping orders were revoked in
10 this kind of market environment, it would lead to an
11 influx of silicomanganese from India, Kazakhstan, and
12 Venezuela, greater volumes of silicomanganese offered
13 for sale in the U.S. market, more bids in response to
14 RFQs, and downward pressure on prices.

15 We have seen the effects of increasing
16 volumes of low priced silicomanganese entering the
17 U.S. market during the period before the orders were
18 issued. Market prices quickly deteriorated.

19 The United States' market attracts foreign
20 suppliers because it is one of the largest
21 silicomanganese markets in the world. Furthermore,
22 while the production of steel in the United States has
23 not recovered to pre-recession levels, the data show
24 that growth in U.S. steel production has been
25 outpacing steel production growth in Europe, Japan,

1 and South America. As a result, silicomanganese
2 prices in the U.S. consistently have been higher than
3 prices in Europe and Japan since May 2011.

4 In addition, the amount of silicomanganese
5 consumed per unit of steel output has been increasing
6 much more in the United States than in Europe, Latin
7 America, China, CIS, and worldwide. The highest rates
8 of growth in steel production and in the
9 silicomanganese content of steel in the United States
10 provides significant incentives for subject producers
11 to export to the U.S. market.

12 Each of the three subject countries is a
13 large producer of silicomanganese. India is the
14 world's second largest silicomanganese producer, yet
15 Indian producers continue to expand their production
16 capacity. Both India and Kazakhstan are major
17 silicomanganese exporters, while Venezuela also has
18 demonstrated the ability to export substantial volumes
19 of silicomanganese.

20 Moreover, since the original investigations
21 the number of producers in Venezuela has doubled from
22 one to two. All three countries have significant
23 excess production capacity and inventories, with the
24 Indian industry suffering from vast overcapacity and
25 its domestic market currently stagnating.

1 I'm certain that if the orders were revoked,
2 the Indian, Kazakhstan, and Venezuela producers would
3 aggressively seek to return to the U.S. market. The
4 resulting impact on our company and Felman would be
5 devastating.

6 The U.S. industry is vulnerable, as the
7 Commission found just last October. The renewed flow
8 of imports from these countries would drive down
9 prices. The domestic industry would lose sales to the
10 imports, which would result in lower revenues and
11 shipments, reduction cutbacks, reduced capacity
12 utilization, and job losses.

13 The declines in the domestic industry sales
14 and revenues would have a direct adverse impact on the
15 profitability, as well as its ability to raise capital
16 and make and maintain necessary capital investments.

17 I understand that Ferro Ven has claimed that
18 Venezuelan imports would not be significant and would
19 not injure the U.S. industry if the Venezuelan order
20 were revoked. In evaluating these claims, the
21 Commission should note that Venezuelan silicomanganese
22 exports greatly increased from 2010 to 2012. The
23 United States is the closest major market for
24 Venezuelan silicomanganese exports and has the highest
25 prices. Ferro Ven has an established distribution and

1 logistics network in the United States.

2 Because silicomanganese is a commodity
3 product, the imports would have to be sold at low
4 prices, undercutting the prices of existing suppliers.

5 Venezuelan exports already are underselling the
6 competing exports in Europe and other export markets.

7 As I've explained, even small volumes of imports from
8 Venezuela would drive down our prices, injuring a
9 vulnerable U.S. industry. Thank you.

10 MR. NUSS: Good morning, Chairman Williamson
11 and Commissioners. I'm Barry Nuss, Chief Financial
12 Officer for Georgia and American Alloys, Inc., the
13 parent company of Felman Production and Felman Trade.

14 I joined Felman Production in January 2011 and took
15 on my current title in 2012. Prior to that, I worked
16 for 30 years as a finance executive in the metals
17 industry, including 23 years with a multinational
18 ferroalloy producer.

19 Last year when I appeared before you I told
20 you about how the production of silicomanganese is
21 highly capital-intensive and the importance of
22 operating our submerged arc furnaces as close to full
23 capacity as possible. I also spoke about how the
24 market for silicomanganese is intensely price-driven,
25 such that we cannot automatically pass along increases

1 in our raw material and electricity costs in the form
2 of higher prices.

3 I told you that just as silicomanganese is a
4 commodity product, so, too, are the inputs used to
5 make it, including manganese ore, silica, and coke,
6 and that we have little control over prices we must
7 pay for these raw materials. I explained that
8 electricity is our second most costly input,
9 accounting for roughly 25 percent of our total cost of
10 production. None of these facts have changed since
11 last year's review.

12 As you may recall from last year's review,
13 our production facility in West Virginia is over 60
14 years old. In fact, we celebrated the plant's 60th
15 anniversary last year. Because of its age and the
16 fact that the plant had gone through a number of
17 bankruptcies, we have had to deal with challenging
18 operational reliability issues that required
19 significant capital investment.

20 As you can see from our questionnaire
21 response, Felman Production has invested many millions
22 of dollars in our plant and equipment during the
23 period of review. Just this year we completed
24 installation of a slag processing facility that has
25 reduced our costs and provides an income stream from

1 sales of the processed slag to companies that use it
2 as an input.

3 In last year's sunset review the Commission
4 found the domestic industry was vulnerable to material
5 injury. That is even more the case today. As you
6 know, Felman Production announced at the end of June
7 that it was shutting down all three of its furnaces
8 for a period of three months. The company made this
9 difficult decision due to a combination of depressed
10 market conditions, increased costs of production, and
11 a build up of inventory.

12 Quite simply, prices for silicomanganese
13 have declined, while our production costs have
14 increased, to the point that the only rational
15 business decision was to temporarily shut down
16 production.

17 Indeed, since the end of the first quarter
18 of 2013 our financial difficulties have worsened. The
19 average unit value of our sales in 2013 are almost as
20 low as they were in 2009 during the Great Recession.
21 Our operating losses for the two months of April and
22 May of this year were nearly 15 percent larger than
23 that reported for the first three months of the year
24 in our questionnaire response.

25 As all of this information plainly

1 demonstrates, Felman Production is vulnerable to
2 material injury should the orders be revoked.

3 As noted in the announcement of the plant
4 shut down, we will re-evaluate market conditions over
5 the course of the next two months. We're seeing
6 forecasts that steel demand is expected to pick up in
7 the foreseeable future. That should lead to recovery
8 in silicomanganese market in the form of higher
9 prices. Higher prices and reduced production costs,
10 such as the cost of electricity, should enable Felman
11 Production to resume production of silicomanganese.

12 No such recovery will be possible if the
13 orders are revoked. As the public prehearing staff
14 report notes, each of these countries have the ability
15 to respond to changes in demand with moderate to large
16 increases in exports to the United States. They also
17 have incentives to do so since even in the current
18 depressed market prices are still higher in the U.S.
19 compared to other markets, such as Europe.

20 The very likely return of dumped imports
21 from these countries will simply put additional
22 downward pressure on prices. The result will be
23 nothing less than the permanent closure of Felman
24 Production, the loss of hundreds of jobs, the waste of
25 tens of millions of dollars in investment.

1 Before closing, I want to respond to an
2 argument made by Ferro Ven in the public version of
3 the prehearing brief. At page 4 Ferro Ven states, it
4 is clearly the case that Felman has determined that it
5 will rely increasingly on imported silicomanganese to
6 satisfy domestic demand. That is completely false.
7 Felman Production is firmly committed to being a
8 domestic producer of silicomanganese.

9 Felman Trading's imports of silicomanganese
10 have not displaced any production or sales of
11 silicomanganese by Felman Production. As our
12 questionnaire response shows, our production in U.S.
13 commercial shipments increased throughout the period
14 of review through full year 2012, irrespective of the
15 volumes of nonsubject imports brought in by Felman
16 Trading. During the shut down we're continuing to
17 supply U.S.-made product to our customers from
18 inventory.

19 As I reviewed earlier, the decision to
20 temporarily shut down the furnace was a business
21 decision that was made in response to a market
22 environment that rendered continued production
23 financially untenable. That decision is wholly
24 unrelated to Felman Trading's imports of
25 silicomanganese. Any suggestion to the contrary is

1 simply wrong. Even with the shut down, we are
2 continuing to invest resources in the plant as the
3 furnaces and other equipment undergo maintenance and
4 repairs.

5 While no one can predict how soon the market
6 conditions will improve and by how much, it is a
7 certainty that revocation of the orders will make any
8 improvement impossible. Continuation of the orders is
9 vital to Felman Production's and the industry's
10 survival. Thank you for your attention. I will be
11 pleased to answer any questions.

12 MR. SOSSONKO: Good morning, Chairman
13 Williamson and Commissioners. My name is Mendel
14 Sossonko. I'm the Sales Manager at Felman Trading,
15 Inc. I began working at Felman Trading in 2010 as
16 procurement manager, and I've been in my current
17 position since the beginning of this year. As sales
18 manager, I'm responsible for all the company's sales.
19 Felman Trading is Felman Production's sales arm and
20 is the exclusive distributor of silicomanganese that
21 is produced by Felman Production.

22 We also trade ferroalloys from Georgia and
23 Ukraine. In addition to the United States, we focus
24 on markets in North, Central, and South America.

25 Silicomanganese is a commodity product and,

1 as is made clear in the prehearing staff report,
2 purchasers make their decisions largely based on
3 price. In fact, the vast majority of purchasers told
4 your staff that purchasing domestic product was not an
5 important factor in their purchasing decision.

6 As the report also notes, publications, such
7 as *Ryan's Notes* and *Metals Week*, make up-to-date price
8 information widely available. Because this pricing
9 data is collected by obtaining information on
10 individual transactions, even small quantities of low
11 priced silicomanganese sold in the U.S. market will be
12 reflected in the reported prices and can almost
13 immediately affect the market price.

14 Accordingly, any given sale will almost
15 always go to the lowest priced supplier, and Felman
16 Trading, as well as other sellers, must follow market
17 prices to remain competitive. The importance of price
18 in purchasing decisions has contributed significantly
19 to the vulnerable condition of Felman Production.

20 Based on *Ryan's Notes*, the average price for
21 silicomanganese so far this year is about eight to 10
22 cents per pound below the average price in 2012.

23 As the third largest steel producer in the
24 world, the United States is one of the largest markets
25 for silicomanganese. Thus, given the size of the

1 domestic industry, the United States must import
2 silicomanganese to meet demand. What is critically
3 important, however, is that imports not be sold at
4 dumped prices in what is already a price-sensitive
5 market.

6 As noted in our prehearing brief, the AUVs
7 of imports from India, Kazakhstan, and Venezuela into
8 other countries were consistently and significantly
9 lower than the AUVs of nonsubject imports into the
10 United States. There's every reason to believe that
11 if the orders are revoked, imports from the subject
12 countries would return to the U.S. at similarly lower
13 prices, which would wreak havoc on the U.S. market and
14 on Felman Production.

15 It is of course the case that Felman Trading
16 sells imported silicomanganese from Georgia, as well
17 as from Felman Production. Our West Virginia plant
18 cannot supply sufficient quantities of silicomanganese
19 to meet the needs of all of our customers, so our
20 imports from Georgia supplement our domestic
21 production.

22 In addition, Georgia manganese produces
23 mainly silicomanganese with a higher manganese
24 content, whereas Felman Production produces standard
25 grade silicomanganese. I should point out, however,

1 that silicomanganese with higher manganese content is
2 readily replaced with standard grade product, so if
3 the orders were revoked and one of our customers who
4 was currently using a higher manganese content product
5 were offered standard grade imports from one or more
6 of the subject countries at a deep discount, they
7 would quickly switch to those imports. As I said at
8 the outset, everything in this market is driven by
9 price.

10 Finally, before closing I wanted to respond
11 to an argument that Ferro Ven made in its public
12 prehearing brief. At page 22 the company argues that,
13 any imports from Venezuela would only replace
14 nonsubject imports and not domestic products because,
15 "domestic producers have logistical advantages when
16 selling to the United States". I fundamentally
17 disagree with that contention.

18 First, Felman Production and Felman Trading
19 compete with imports from nonsubject countries every
20 day in our effort to sell domestically-produced
21 products. If the orders were revoked, we would
22 unquestionably be competing with subject imports as
23 well.

24 Second, depending on which part of the
25 country product is shipped to, imports from Venezuela

1 would have no logistical cost disadvantages. For
2 example, they could ship product directly to Houston
3 at a comparable price to what it costs us to deliver
4 product there.

5 In fact, Ferro Ven's website boasts about
6 their plant's location near a river that facilitates
7 the logistics of exporting the product to Central
8 American and North American markets. I know for a
9 fact that Indian producers of silicomanganese, who are
10 located much further away than the Venezuelan
11 producers, don't perceive themselves to be at a
12 logistical disadvantage. I get emails almost daily
13 from Indian producers offering to sell their
14 silicomanganese at, "best competitive price".

15 In closing, revocation of the orders would
16 collapse the U.S. market for silicomanganese and
17 likely put Felman Production out of business.
18 Continuation of the orders is essential for Felman
19 Production's future. Thank you for listening. I'd be
20 pleased to answer any questions.

21 CHAIRMAN WILLIAMSON: Excuse me. Could you
22 make sure your microphone's on or put the microphone
23 closer to you. Thank you.

24 MR. KONRADY: Is that better, Commissioner?
25 Okay. Sorry.

1 I've been with Felman Production since late
2 2009. Before my current position I spent more than 40
3 years at United States Steel working with blast
4 furnaces and melt shops which are very similar to the
5 submerged arc furnaces used at Felman Production.

6 You may recall from my testimony before you
7 last year that Felman Production's facility is
8 comprised of three furnaces which we refer to as the
9 No. 2, No. 5, and No. 7 furnaces. No. 2 is the
10 largest based on output, 51 MVA, or million volt
11 ampere, while the No. 5 and No. 7 furnaces have 24 and
12 27 MVA, respectively.

13 We usually employ over 250 workers, a
14 significant increase since starting production in
15 2006, but unfortunately in May, alongside a decision
16 to idle one of its furnaces, Felman Production had to
17 lay off 28 workers.

18 As you've just heard from Barry, Felman
19 Production subsequently announced on June 28 that due
20 to deteriorating market conditions and increasing
21 costs, it would be idling all three of its furnaces
22 for three months. While no other lay offs have been
23 announced at this time, Felman Production faces a
24 challenging market environment.

25 A decision by the Commission to revoke the

1 orders will only cause more uncertainty in the market,
2 virtually ensuring the Felman Production does not
3 restart production in September. A decision not to
4 reopen would be far reaching, adverse consequences
5 since Felman Production has had a significant and
6 positive impact on the economies of Mason County and
7 the State of West Virginia as a whole.

8 However, I'm here today to tell you that
9 Felman Production is not giving up. We are committed
10 to domestic production and to restarting of our
11 furnaces in the fall. Over the next three months we
12 are embarking on an ambitious refurbishment plan,
13 spending well over \$1 million, excluding labor costs,
14 to make capital repairs on the No. 2 and No. 5
15 furnaces that will improve the reliability and the
16 operation of the furnaces.

17 Once this work is complete, our objective
18 will be to restart production in September, at which
19 time we will use No. 2 and No. 5 furnaces and keep
20 number furnace idle until maintenance work on it is
21 completed.

22 We anticipate these improvements will enable
23 Felman Production to operate even more efficiently.
24 For example, instead of idling the furnaces one to two
25 days a month for necessary maintenance, we would only

1 need to idle them for one to two weeks per year,
2 enabling us to increase our production over the long
3 run. The longer we can keep our furnaces running
4 without interruption, the better we can cover our
5 fixed cost.

6 Felman Production has been working closely
7 with the EPA to develop final rules for air standards,
8 having already spent over \$1 million this effort. In
9 fact, even with the furnaces idled we are providing
10 engineering solutions to comply with EPA's proposed
11 requirements, which may cost between \$2 to \$3 million,
12 so that Felman Production is in compliance with the
13 new standards once the rules are finalized and
14 implemented. This cooperation with the EPA is further
15 evidence of Felman Production's commitment to domestic
16 production.

17 Finally, Felman Production is also taking
18 additional steps to improve efficiency, including the
19 installation of a highly efficient fan and motor
20 assembly on No. 5 furnace bag house at significant
21 cost. This will reduce energy consumption and provide
22 annual savings of more \$200,000 per year. These same
23 improvements are planned on our No. 2 bag house.

24 We also redesigned and fabricated a new
25 ladle transfer car to improve the equipment

1 reliability which reduce delays and eliminated safety
2 hazards. Indeed, I'm proud of Felman Production's
3 commitment to the safety of our workers and our safety
4 record.

5 As I mentioned to you in my testimony during
6 last year's sunset review, my previous work at United
7 States Steel allowed me to see the devastation
8 experienced by the steel industry due to dumped import
9 of steel. Thus, I fully understand the importance of
10 fair trade. I know that maintenance of these orders
11 would be a major factor in determining whether Felman
12 Production can restart operations in September.

13 I have no doubt that if any of these orders
14 are revoked the producers in the subject countries
15 will resume exporting dumped silicomanganese to the
16 United States. Producers in these countries have the
17 ability and the incentive to return to the U.S.
18 market, and if they do, it will virtually ensure that
19 Felman Production will neither be able to restart
20 production or bring back laid off workers. Indeed,
21 there's little question that revocation will lead to
22 more job losses. I sincerely hope you do not let that
23 happen.

24 In closing, I would like to reiterate that
25 Felman Production is committed to being a domestic

1 producer and has every intention to come back on line
2 since the plan repairs are complete and market
3 conditions improve.

4 Felman Production plays a vital role in the
5 economy of Mason County. West Virginia University
6 recently released an updated analysis of Felman's
7 contributions to the economies of both Mason County
8 and West Virginia.

9 This study concluded that in 2012 Felman
10 Production's operations generated a total business
11 volume impact of \$165.3 million and supported 391 jobs
12 and \$26.2 million in employee compensation in Mason
13 County. Statewide, Felman Production generated a
14 total business volume impact of \$187.2 million that
15 supported 524 jobs and \$31.2 million in employee
16 compensation. We very much want to return to
17 providing that significant contribution. Keeping the
18 orders in place is critical for that to happen.

19 Thank you for your time and your attention.
20 I'm happy to answer any questions you may have.

21 MR. BROWN: Good morning. I'm Steve Brown,
22 President of Local 1-00639 of the United Steelworkers
23 Union. We represent the workers at the Eramet's
24 Marietta plant. I'm here today on behalf of the
25 United Steelworkers and the workers at the plant who,

1 without a doubt, would be directly affected by the
2 Commission's decisions in these sunset reviews.

3 The steelworkers is extremely concerned
4 about the devastating impact that a new surge of
5 dumped silicomanganese imports would have on its
6 members and their communities.

7 I've worked at our plant for 25 years. I
8 started as a submerged arc furnace operator and I'm
9 currently driving a Caterpillar scoop loader to
10 transfer manganese ore from the inventory to the
11 mixing operations. The steady employment at the plant
12 has allowed me to support my family, purchase a home,
13 raise my daughter, and send her to college. That's
14 something I'm very proud of.

15 The Marietta plant is one of the largest
16 industrial employees in our county. We have 27
17 Vietnam and Gulf War veterans currently employed. It
18 provides medical insurance to its employees, their
19 dependents, as well as pensions and benefits to
20 retired workers. For over 60 years, the plant has
21 provided generations of workers with the opportunity
22 to earn good livelihoods and support their families.

23 In February this year we reached a new four
24 year contract, four year labor agreement contract that
25 provides pay raises and continued benefit and pension

1 payments. The plant and its workforce are integral to
2 the economy of the community, which would be
3 devastated by the job losses.

4 I experienced that devastation that dumped
5 silicomanganese imports caused in the early '90s, and
6 again in the late '90s, when my friends and co-workers
7 were laid off and their lives turned upside down.

8 We workers have sacrificed and helped
9 improve efficiency and productivity at the Marietta
10 plant. Our efforts, along with the investments and
11 improvements made by the company, have allowed the
12 plant to make great strides in terms of operating
13 efficiency, safety, and environmental protection. We
14 are very proud of this.

15 Nevertheless, we cannot compete with dumped
16 imports that are sold at below cost prices and made in
17 plants that are not subject to meaningful
18 environmental requirements, provide no rights or
19 protection for their workers.

20 For this reason, I am deeply concerned that
21 my livelihood, that of my family, and the livelihood
22 of my brothers and sisters at the plant and their
23 families would be at serious risk if the antidumping
24 orders are revoked. I have no doubt that it would be
25 the workers who would bear the brunt of this new wave

1 of dumped imports. We simply cannot afford to lose
2 the jobs in Washington County today. We urge you not
3 to let that happen.

4 We need the support of our government to
5 keep these essential trade remedies in place to
6 maintain an even playing field. Thank you.

7 MR. MARTIN: Good morning. My name is Roy
8 Martin, Vice President of Local 5171 of the United
9 Steelworkers Union at the silicomanganese plant owned
10 and operated by Felman Production in Letart, West
11 Virginia. I began working for Felman as a machinist
12 shortly after the plant was purchased in 2006 out of
13 bankruptcy. I am currently a millwright and have been
14 in that position since 2009. I am here today to
15 represent my union members, my employer, my community,
16 and my state.

17 When I appeared before you last year our
18 workforce felt fairly optimistic about the future. We
19 were operating at high capacities and the company was
20 investing in the plant to improve its operations in
21 terms of production, quality, safety, and efficiency.

22 Between the time that the plant opened in 2006 and
23 last summer, our workforce grew from 60 to more than
24 250 workers, 211 of whom were USW members at the time.

25 In January of this year, Felman and the

1 United Steelworkers, on behalf of its members at Local
2 5171, negotiated a 42 month contract. Unfortunately,
3 we are now facing significant challenges and difficult
4 market.

5 In May 2013, Felman shut off our No. 5
6 furnace and laid off 38 union members and several
7 salaried employees. On June 30, 2013, Felman shut off
8 our other two furnaces. We are struggling every day
9 just to fire the low cost sales, and our orders have
10 been cut in half. We had laid off and cost reduction
11 throughout the plant in May, but I am told by Felman
12 that the company still can't achieve a profit in the
13 manufacturing of silicomanganese with the current
14 metal market.

15 It's my understanding that some parties in
16 these reviews have speculated that Felman is not
17 really interested in being a domestic producer of
18 silicomanganese. Let me make clear that this is not
19 the case. The company continues to make significant
20 investments.

21 Speaking as the Vice President of USW Local
22 5171, there is no question in my mind that management
23 is firmly committed to restarting production once
24 market conditions improve. I see that commitment
25 every day in the work that is being done to have the

1 furnaces ready to restart. That won't happen, it
2 can't happen, if the orders are revoked and our market
3 is flooded with dumped imports.

4 That's why I come to you today, to express
5 how your decision on the continuation of the
6 antidumping duty orders could, and will, determine the
7 future of Felman. If Felman has to cease production
8 and shut down permanently because of the antidumping
9 duties are ordered, lifted, it will have a devastating
10 impact on our union members, our community, and our
11 state.

12 The message that I bring to you from the
13 union members is simply this: Please don't let that
14 happen. Thank you for this opportunity to testify.

15 MR. BUTTON: Good morning. I'm Kenneth R.
16 Button of Economic Consulting Services. There are a
17 number of conditions of competition that characterize
18 the U.S. silicomanganese market, as shown in Slide 1.

19 Silicomanganese is a commodity product
20 consumed primarily by the steel industry. As a
21 commodity product, silicomanganese from different
22 sources is highly interchangeable. Silicomanganese is
23 sold primarily on the basis of price, with purchasers
24 identifying price as the most important factor in
25 making purchasing decisions. With respect to these

1 key points, Ferro Ven agrees.

2 The U.S. market for silicomanganese is
3 highly competitive, with two domestic producers and
4 many foreign producers supplying the market.

5 Information about market pricing is readily available,
6 and changes in spot prices rapidly affect contract
7 prices due to the prevalence of pricing formulas in
8 contracts and the frequent price renegotiations
9 required by contracts. Because of these facts, a
10 relatively small volume of low priced sales can
11 quickly affect prices across the entire market.

12 One important change in the supply since the
13 original investigation is the addition of another
14 domestic producer, Felman Production. Silicomanganese
15 is used in the steel industry; therefore, U.S. demand
16 for silicomanganese rises and falls with the level of
17 U.S. steel production, particularly production by mini
18 mills. Demand for silicomanganese is inelastic and
19 therefore is little affected by the level of
20 silicomanganese prices.

21 The record shows clearly that the subject
22 countries have production capacity far in excess of
23 whole market consumption, significant unused capacity,
24 and significant export volumes during the POR. In
25 fact, the prehearing report notes that the industries

1 in all three countries became more export-oriented
2 over the POR.

3 The prehearing report notes that Indian
4 producers have unused capacity and the ability to
5 divert shipments to, or from, their home market and
6 alternative markets. The volume of Indian
7 silicomanganese Production in 2011 was so large as to
8 be nearly double the size of Indian apparent
9 consumption. Thus, it is no surprise that India
10 exports extremely large volumes of silicomanganese.

11 The volume of India's exports more than
12 quadrupled over the POR, from 254,000 short tons in
13 2007 to more than one million short tons in 2012.
14 Despite already having significant unused capacity,
15 the Indian industry continues to add new capacity.
16 India is also the third largest producer of
17 ferromanganese.

18 Kazakhstan produces large quantities of
19 silicomanganese, most of which is exported.
20 Kazakhstan produced almost eight times as much
21 silicomanganese as it consumed in 2011. Like India,
22 Kazakhstan is increasing production capacity and also
23 has significant capacity to produce ferrochrome, which
24 can be converted to produce silicomanganese.

25 The prehearing report notes that Venezuelan

1 producers have the ability to ship large quantities of
2 silicomanganese to the U.S. market due to availability
3 of unused capacity, the existence of alternative
4 export markets, and the availability of inventories.

5 The report also notes, contrary to Ferro Ven
6 claims, that Venezuela's exports and export
7 orientation increased over the POR, as did its
8 inventories. This increase in export orientation is
9 not surprising given the weak and contracting
10 condition of Venezuela's economy.

11 Ferro Ven argued in its prehearing brief
12 that the Commission should decumulate Venezuela from
13 India and Kazakhstan because imports from Venezuela
14 are likely to compete under different conditions of
15 competition. These assertions, listed in Slide 5, are
16 incorrect.

17 First, Venezuela is not merely a marginal
18 producer of silicomanganese. Venezuela's
19 silicomanganese industry has significant capacity, and
20 with the addition of Ferro Ven since the POI, it is
21 larger than ever based on public data.

22 Furthermore, as noted, even small import
23 volumes can have a significant impact on U.S. prices.

24 The alleged persistent supply disruptions have not
25 prevented Venezuelan exporters of silicomanganese from

1 increasing significantly their exports in recent
2 periods. Indeed, Venezuela's export orientation has
3 increased.

4 Ferro Ven's claim regarding Venezuela's high
5 price and protected home market does not reduce the
6 Venezuelan export threat. Venezuela's steel industry
7 is small and cannot use all of the Venezuelan
8 industry's silicomanganese capacity. As a result,
9 Venezuela exports significant quantities of
10 silicomanganese at prices below its home market
11 prices.

12 While Ferro Ven asserts that Venezuela's
13 steel industry will absorb the country's
14 silicomanganese production in the future, it is
15 evident that the national steel company Sidor is
16 faltering and cannot do so.

17 With respect to Ferro Ven's claim that
18 government currency controls are making exporting
19 difficult, the reality is that Venezuela's exports of
20 silicomanganese to the EU have increased from 2011 to
21 2012 and continue to increase in 2013. Ferro Ven
22 itself continues to export significant and increasing
23 quantities of another ferroalloy, ferrosilicon, to the
24 U.S. market.

25 While Ferro Ven claims that Venezuela is

1 further distinguished by the lack of underselling
2 during the investigation, the claim ignores the fact
3 that the Commission found limited underselling overall
4 and that Venezuela's underselling record was quite
5 similar to that of India.

6 In its determination, the Commission noted
7 that due to the conditions of competition,
8 "underselling is likely to be transitory as producers
9 and sellers quickly adjust to price changes". As I
10 noted, Ferro Ven started production in 2006, just
11 before the beginning of the POR. This added
12 production capacity was not stimulated by demand in
13 Venezuela. Apparent consumption in Venezuela, in
14 fact, declined over the POR.

15 Therefore, when Ferro Ven started
16 production, it significantly increased the size of the
17 silicomanganese industry in Venezuela, expecting
18 either to export or to take domestic sales away from
19 the other Venezuelan producer, Avenza. Either way,
20 Venezuelan production capacity increased while
21 domestic production fell, making significant
22 additional capacity available for export.

23 The Venezuelan industry has significant
24 unused capacity. The producer's websites identify a
25 combined capacity of 96,000 short tons. In contrast,

1 the public data estimate 2011 production at merely
2 26,500 short tons, indicating very large unused
3 capacity.

4 Furthermore, with respect to product
5 shifting, Ferro Ven's assertions in its prehearing
6 brief are not consistent with the facts. The
7 Venezuelan already produces both silicomanganese and
8 ferromanganese in the same furnace. Thus, Ferro Ven
9 need incur no extra cost to produce additional
10 silicomanganese via product shifting.

11 Given the Respondents' large capacity,
12 significant unused capacity, and large volumes of
13 exports, the revocation of the orders would likely
14 cause significant volumes of dumped imports to re-
15 enter the U.S. market.

16 As shown on Slide 7, U.S. steel production,
17 and thus U.S. silicomanganese demand, increased in
18 2012, while steel production in the EU, Japan, and
19 Venezuela fell and is projected to continue to be
20 relatively weak for the foreseeable future; thus, the
21 premium of U.S. silicomanganese prices above EU prices
22 makes the U.S. an attractive market.

23 Given the commodity nature of
24 silicomanganese, newly entering subject imports would,
25 of necessity, have to be offered at lower prices in

1 order to gain U.S. market share. The U.S.
2 silicomanganese industry would be forced either to
3 lower its prices so as to meet import price
4 competition, or to maintain price and lose sales
5 volume.

6 The Commission made a finding as recently as
7 October 2012 that the domestic industry is vulnerable.

8 Ferro Ven has provided no evidence regarding changes
9 in the industry since then.

10 More recently, as noted in an *American Metal*
11 *Market* article attached to Ferro Ven's brief,
12 silicomanganese prices have dropped steadily in the
13 U.S. market, from about 76 cents per pound in March
14 2012 to only 55 cents per pound in May 2013. Prices
15 have fallen since then even further. The significant
16 capital investments made by both Eramet and Felman
17 would be jeopardized by the resumption of dumped
18 imports from the subject countries. Thank you.

19 MR. SALONEN: That concludes our
20 presentation, Mr. Chairman.

21 CHAIRMAN WILLIAMSON: Thank you. I want to
22 again express our appreciation to all the panel
23 members for taking time from their businesses to come
24 today.

25 This morning we'll begin our questioning

1 with Commissioner Johanson.

2 COMMISSIONER JOHANSON: Thank you, Mr.
3 Chairman. I would also like to thank the witnesses
4 for appearing here today.

5 Venezuela Respondents argue that Venezuela
6 is one of the smallest producers of silicomanganese in
7 the world and is significantly smaller than Brazil was
8 at the time that the Commission revoked the order on
9 that country. How should the Commission view the
10 order against Venezuela in that context?

11 MR. BUTTON: Commissioner Johanson, as the
12 panel has testified, the U.S. industry does not view
13 Venezuela as a marginal, in that's context, small
14 producer. The reason is that it can, in fact, and
15 has, in fact, in the past exported substantial
16 quantities of silicomanganese to the U.S. market, and
17 they can increase it.

18 That capacity today continues to exist and
19 is exacerbated by conditions in the Venezuelan
20 domestic market. It has more capacity than in the
21 original investigation, it has a home market consumer,
22 the steel industry, which is in severe straits, and
23 it's got an economy in severe straits. Let me just
24 elaborate on those last two points.

25 The Venezuelan economy, as a whole, is

1 running at about a 27 percent inflation rate. In the
2 last quarter of last year the economy shrank at about
3 10 percent. Projections for this year is the
4 Venezuelan economy is due to continue to shrink, to
5 decline.

6 The steel industry is not doing well.
7 Sidor, the national steel company, which would be a
8 consumer for this product, in February announced that
9 it is losing \$2.6 million per day. It has made
10 successive projections in its hopes of expanding steel
11 production, and each time it has failed to meet those;
12 so therefore, Venezuelan producers will have
13 increasing quantities of excess capacity which they
14 need to export. They just currently are currently
15 exporting it. Those exports are increasing. They're
16 going to Europe, among other place.

17 The prices in the United States are higher,
18 and if they had the opportunity, the economic
19 incentives exist for the Venezuelan producers to send
20 that product to the United States.

21 COMMISSIONER JOHANSON: Some of Venezuela's
22 close neighbors are doing quite well. Colombia comes
23 to my mind. Do you all know what the situation would
24 be with regard to exports to Colombia and other
25 countries in the region of silicomanganese?

1 MS. LUTZ: This is Jennifer Lutz with ECS.
2 The Venezuelan export statistics show limited, if any,
3 exports to surrounding countries.

4 COMMISSIONER JOHANSON: All right. Thank
5 you for your response.

6 Yes, Mr. Salonen?

7 MR. SALONEN: Thank you, Commissioner
8 Johanson. Of course the case in the review last year,
9 there were a number of reasons why the Commission
10 elected not to cumulate Brazil with Indian, Ukraine,
11 and while we of course did not agree with those, with
12 that decision, the fact of the matter is that the
13 Commission did not base its decision not to cumulate
14 solely on the relative size of the industries.

15 That the Commission found that there was, in
16 fact, positive evidence that the Brazilian industry
17 was focused on developing its markets in, both
18 domestically and in South America. Also shown that it
19 had exited the Canadian market.

20 Here, we have actually, in Ferro Ven's
21 prehearing brief, the statement that when domestic
22 consumption declined, they resorted specifically to
23 increasing exports in order to continue to operate.

24 I would also encourage the Commission, I'm
25 sure you already have, but to go back and review the

1 relative prices, or shipment, or unit values of their
2 exports to the export prices of the Indian and
3 Kazakhstan producers. I think that will also show a
4 big distinction between what you had before you in the
5 last review and what you have here.

6 COMMISSIONER JOHANSON: Yes, Mr.
7 Schaefermeier?

8 MR. SCHAEFERMEIER: Thank you, Commissioner
9 Johanson. To add, if you recall, at the hearing last
10 year the Brazilian industry made the point of the
11 significant infrastructure projects coming up in
12 Brazil, which include the World Cup in 2014 and the
13 Olympic Games in 2016. As you are aware, there have
14 been riots in Brazil, reflecting on the significant
15 investments that are being made into those industries
16 that are consuming the products in which
17 silicomanganese is used. So there's a significant
18 difference in the two economies in that regard.

19 The other point I'd like to make is we've
20 heard in the opening statement about the protected
21 nature of the industry in Venezuela. Basically, what
22 the Venezuelan industry, and Ferro Ven in particular,
23 is asking you to do is we'd like to have our cake and
24 eat it, too. We have high prices in our market. We
25 can have a guaranteed return on our investment in our

1 home market which allows us to dump with impunity in
2 other markets.

3 If you look at the low export unit values
4 for the exports from Venezuela, that demonstrates that
5 the profits that are being generated due to the nature
6 of the economy in Venezuela, which is not a free
7 market economy, and the protection provided the
8 industry, they want to have their cake and eat it,
9 too, essentially.

10 COMMISSIONER JOHANSON: All right. Thank
11 you for your responses. Considering the Venezuelan
12 response arguments regarding their export orientation
13 and constraints on exports, should the Commission find
14 that they are export-oriented?

15 MR. BUTTON: Commissioner Johanson, I think
16 the facts indicate that they unequivocally are export-
17 oriented and that orientation has increased with time.

18 This was indeed noted in the staff report, and I
19 believe our analysis of the export data show that. As
20 we noted a few moments ago, you know, limitations on
21 the domestic market and its ability to absorb
22 silicomanganese production produced in Venezuela, as
23 well as the expansion of that overall capacity, will
24 force them to export more in the future. So I believe
25 the facts simply indicate that they are more export-

1 oriented.

2 MS. LUTZ: For example, in the prehearing
3 report, the public version, at IV-12, there's data
4 from the International Manganese Institute from their
5 2011 annual report. They note that the ratio of
6 production to apparent consumption for Venezuela was
7 190.6 percent, and the ratio of production to apparent
8 consumption in India was 190.4 percent. So it's very
9 comparable in export orientation.

10 COMMISSIONER JOHANSON: All right. Thank
11 you. Felman has announced that it is ceasing
12 operations at its production in West Virginia for
13 three months. How does Felman plan to supply
14 silicomanganese to its customers during this time?

15 MR. NUSS: Over the months leading up to the
16 decision to take a temporary shut down at Felman
17 Production, the company was shipping less quantity
18 than it was producing and it was building inventories.
19 There's sufficient inventories, both at the plant and
20 in warehouses around the country, to continue to
21 supply product to our domestic customers.

22 COMMISSIONER JOHANSON: Thank you. The
23 Petitioners starts their petition, or, pardon me,
24 starts their brief at page 21 and notes that India's
25 production of silicomanganese has increased

1 significantly since the original investigation. Do
2 you remember why this is the case?

3 MR. SALONEN: Commissioner, Eric Salonen.
4 From what we can tell, it's simply that there's been
5 increased investment in silicomanganese in the
6 industry in India. Also, that would account for the
7 increase in production. I think the number of
8 producers is estimated to be something in the
9 neighborhood of 60, and you of course only got
10 responses from two producers.

11 COMMISSIONER JOHANSON: Thank you. Page 5-1
12 of the staff report states that manganese, ore, and
13 high carbon ferromanganese slag are the primary raw
14 materials used to produce silicomanganese. Are there
15 any other raw materials used in the production of
16 silicomanganese that account for a substantial share
17 of the cost of goods sold, such as electricity, et
18 cetera?

19 Mr. Willoughby?

20 MR. WILLOUGHBY: Yes, Commissioner. You
21 hit, one of the mains one is electricity. I think Mr.
22 Konrad testified with regard to a large percent of
23 their production costs related to the cost of
24 electricity. The other main components are coke and
25 silicone sources, which can come from various other

1 inputs. The main components are high carbon slag
2 and/or ore and the coke, and then the electricity, of
3 course.

4 COMMISSIONER JOHANSON: All right. Thank
5 you. My time has expired.

6 CHAIRMAN WILLIAMSON: Thank you.

7 Commissioner Broadbent?

8 COMMISSIONER BROADBENT: Thank you. Want to
9 welcome the witnesses and appreciate very much your
10 testimony and your willingness to spend some time with
11 us today.

12 I have a question for the Felman folks, and
13 I'm not exactly sure who's the best person to ask, so
14 I'll just ask it. It relates to the investment in
15 2006 in West Virginia. I was interested in sort of
16 the factors that led to this decision. How did you
17 decide, and how much did you invest in 2006 in the
18 West Virginia facility?

19 MR. NUSS: Felman bought the assets out of a
20 bankruptcy proceeding. In 2006 the assets, the price
21 was \$20 million. There have been subsequent
22 investments in the plant totaling about an additional
23 \$30 million in capital equipment, as well as funding
24 of operating losses over the period of starting up and
25 getting the plant to run reliably.

1 COMMISSIONER BROADBENT: Sort of how did
2 your decisionmaking go in making the decision to buy
3 that plant? Sort of what were the factors that you
4 considered?

5 MR. NUSS: Right. Silicomanganese is a
6 crucial element in steel making. It's a stable
7 requirement. We believe that it is a long term
8 business, and we've invested not only in West Virginia
9 in this plant, but we have other assets in the group
10 in manganese industry, including mines and affiliated
11 other production facilities.

12 COMMISSIONER BROADBENT: How much did the
13 existence of the dumping order impact your
14 decisionmaking?

15 MR. NUSS: Clearly, that was a factor
16 because absent that, prices would not have made an
17 investment, you know, financially viable.

18 COMMISSIONER BROADBENT: Yes? I can't say
19 your name. If you could introduce yourself.

20 MR. SALONEN: Thank you, Commissioner
21 Broadbent. Eric Salonen. You've heard this morning
22 on several occasions, as you also, as the Commission
23 also heard last year, that prices for silicomanganese
24 in the U.S. are generally higher than in other
25 countries and, which makes this an attractive market.

1 One of the reasons for that, we believe, is
2 the fact that we have disciplines that have been
3 imposed on numerous sources of dumped imports. And so
4 the existence of the orders not only on India,
5 Kazakhstan, and Venezuela, but at the time, Brazil,
6 China, and Ukraine, created market conditions that
7 made what I believe Felman found to be a good
8 investment opportunity.

9 I think you're absolutely right that in the
10 absence of the antidumping orders, in the absence of
11 those disciplines on dumped import volumes and dumped
12 prices, that opportunity would not have existed.

13 COMMISSIONER BROADBENT: Okay. Since 2006,
14 how has your strategy for how you're going to serve
15 the U.S. market evolved? I mean is it consistent or
16 has it changed over time?

17 MR. NUSS: The strategy for how we serve the
18 U.S. market I think has been consistent. We produce
19 as much as we can at that plant. We've had
20 operational reliability issues early on, but we, our
21 strategy is run that plant at full capacity, and to
22 the extent that the market demands additional
23 materials, that we import those materials through
24 Felman Trading. So the strategy has been consistent.

25 COMMISSIONER BROADBENT: Okay. If you could

1 tell me a little bit more about Felman Trading and how
2 you operate.

3 MR. NUSS: Felman Trading is the sales arm
4 of Georgian American Alloys. We have a plant in
5 Kentucky that produces ferrosilicon, we have the plant
6 in West Virginia produces silicomanganese, and we also
7 import additional quantities of ferroalloys, both
8 manganese containing and silicon containing, and
9 occasionally chrome-based. We centralize our sales
10 function in that trading function.

11 COMMISSIONER BROADBENT: So this basically
12 manages imports into the U.S. of raw materials?

13 MR. NUSS: It also, because it has the
14 expertise required for logistics, it handles the
15 import of raw materials, to the extent that we take
16 imported raw materials, which we do, manganese ore,
17 and it also imports finished goods.

18 COMMISSIONER BROADBENT: From where?

19 MR. NUSS: From Georgia, from the Ukraine,
20 from Romania. Raw materials come from places like
21 Australia, South Africa.

22 COMMISSIONER BROADBENT: So if, the finished
23 product is coming in from Georgia, Ukraine, Romania,
24 and where else?

25 MR. NUSS: Those are the major areas.

1 COMMISSIONER BROADBENT: And then how much,
2 generally, do you import a year from the world of
3 finished product?

4 MR. SALONEN: We'd be happy to address that
5 I think in the posthearing brief in a confidential
6 submission.

7 COMMISSIONER BROADBENT: Okay.

8 MR. SALONEN: One clarification. I think
9 I'd like to make sure that Mr. Nuss, when he talked
10 about importing finished product from Ukraine, you
11 were not talk about silicomanganese, correct?

12 MR. NUSS: That's correct.

13 COMMISSIONER BROADBENT: What finished
14 product are you talking about?

15 MR. NUSS: From the Ukraine we have imported
16 ferromanganese, and we trade, but not into the U.S.,
17 silicomanganese to South America.

18 COMMISSIONER BROADBENT: Okay. You trade
19 silicomanganese produced where in South America?

20 MR. NUSS: We have traded silicomanganese
21 produced in Georgia, the Ukraine into markets in
22 Central and South America.

23 COMMISSIONER BROADBENT: Okay. Thank you.
24 What about the export situation for your firm? Do you
25 export at all from the U.S.?

1 MR. SOSSONKO: We don't export, per se. We
2 do sell into Mexico under the NAFTA agreement.

3 COMMISSIONER BROADBENT: That's exporting.

4 MR. SOSSONKO: Well, I guess a little bit of
5 -- we're not major in the Mexican market, but we do
6 sell into the Mexican market, as well as to Canada.

7 COMMISSIONER BROADBENT: This is finished
8 product?

9 MR. SOSSONKO: This is finished product.

10 COMMISSIONER BROADBENT: Okay. Thank you.
11 Who can talk to me about what happened to costs in
12 this industry over the period of investigation? Does
13 it track the steel industry? How are your input costs
14 behaving in the last five years, and what are they?

15 MR. WILLOUGHBY: Commissioner Broadbent,
16 John Willoughby, Marietta. In addition to the raw
17 material costs that we just, that were talked about
18 earlier, which do not necessarily track the steel
19 industry; however, some of them do.

20 COMMISSIONER BROADBENT: Yes. That was what
21 I was trying to understand.

22 MR. WILLOUGHBY: Yes. Coke, for example,
23 the price of energy is comparable to steel, who is
24 also a very large, which is also a very large user of
25 electricity.

1 The other costs of doing business are, you
2 know, supplies, maintenance costs, et cetera, which
3 oftentimes are supplied by companies who also may do
4 business with the steel industry, so, you know,
5 maintenance contractors, logistics suppliers, things
6 of those -- trucking firms, for example. Those are
7 the things that come to mind immediately,
8 Commissioner.

9 COMMISSIONER BROADBENT: Okay. Now, what
10 kind of trends are those input prices --

11 MR. WILLOUGHBY: Just most everything else,
12 the costs are going up.

13 COMMISSIONER BROADBENT: Costs are going up.

14 MR. WILLOUGHBY: Yes.

15 COMMISSIONER BROADBENT: Okay.

16 MR. WILLOUGHBY: Electricity costs, even
17 though the announcements with regard to the impact of
18 gas thought, we thought that there would be some
19 stabilizing effect, that has not yet hit. Electric
20 prices have continued to rise, some of them based on
21 the regulated nature of the, in the State of Ohio
22 where there are the ability for the utilities to
23 capture and charge the customers for investments in
24 environmental, and other costs that are required.

25 With regard to coke, those prices have gone

1 up as a result of fewer producers of coke that are
2 viable for us in the U.S. Coke is used in the
3 integrated steel industry, and as the number of
4 integrated suppliers of coke have been reduced, the
5 marketplace has tightened up so our costs for coke
6 have increased as well.

7 CHAIRMAN WILLIAMSON: I was wondering if
8 both sides could submit for posthearing any public
9 info they have on the projections for the Venezuelan
10 steel industry production over the next few years.
11 Thank you.

12 Mr. Martin, you happened to comment that you
13 can see sort of firsthand Felman's commitment to
14 continuing production in the United States at your
15 plant. And I was wondering if you could sort of maybe
16 elaborate on that as to what are the things you see.

17 MR. MARTIN: Good morning, Commissioner.
18 Yes, I'm a millwright in the maintenance department,
19 and I personally work on the furnaces myself, and we
20 see a lot of money spent and repairs, new piping, new
21 furnace components. All this money will be a great
22 investment to the furnaces to make them reliable, and
23 we'll have a lot less shutdowns to do the repairs.

24 As of right now, we usually shut down two to
25 three times a month on each furnace to do repairs.

1 Hopefully now with all of these repairs we're doing
2 right now, we'll only have to shut down once a year.
3 So the investment in the plant the company has put
4 into it is continuous.

5 Since I've been there in 2006, we've seen
6 significant repairs, money well spent. And I do
7 believe -- my gut feeling is that they're going to
8 continue to try to run at Felman Production.

9 CHAIRMAN WILLIAMSON: Okay. Thank you for
10 that insight. It's helpful to hear that.

11 I was wondering -- and you've partially
12 addressed -- you can address some of it now, or I
13 think you've begun to address it, the question
14 remaining on the panel on -- and particularly in
15 posthearing brief, you can address whether or not the
16 industry in Venezuela is different enough from other
17 subject industries to warrant decumulation. I mean, I
18 think you've already talked about them being export-
19 oriented, though.

20 MR. SALONEN: We'll be happy to address that
21 in detail.

22 CHAIRMAN WILLIAMSON: Okay. Thank you. And
23 I was just also wondering, how do you know that any
24 improvement in the domestic industry's condition is
25 due to the orders as opposed to the orders being

1 lifted on -- as opposed to the orders that were on
2 Brazil, China, and the Ukraine?

3 MR. KRAMER: Commissioner, given the nature
4 of the product and the process through which it's sold
5 in the U.S. market, each of the orders plays a
6 critical role in preventing prices from being driven
7 down by sales of dumped product. Each one of them is
8 essential. Does that address your question?

9 CHAIRMAN WILLIAMSON: It does, but if you
10 have anything more concrete --

11 MR. SCHAEFERMEIER: The other point to be
12 made would be --

13 (Simultaneous discussion.)

14 MR. SCHAEFERMEIER: Yes. Martin
15 Schaefermeier, on behalf of Eramet.

16 CHAIRMAN WILLIAMSON: Okay.

17 MR. SCHAEFERMEIER: There were very large
18 volumes of imports coming in during the investigation,
19 and there have been zero over the past three or four
20 years. So you have significant supplies have kept out
21 of the U.S. market because of the orders.

22 CHAIRMAN WILLIAMSON: Okay, sure. Mr.
23 Button? Thank you.

24 DR. BUTTON: Yes, Mr. Chairman. As we
25 described in the testimony before you today, that the

1 Indian and Kazakh, for example, and as well as
2 Venezuelan producers all have very large industries,
3 particularly large Indian and Kazakh, and a very
4 substantial Venezuela. And they are extraordinarily
5 export-oriented.

6 So the point is that their volume would have
7 to go somewhere, and thus as said, the orders against
8 those three countries are a very important element.
9 Even with the other order in place, the condition of
10 the domestic industry would be significantly impaired
11 if the excess volumes that those economies, those
12 industries, produced in those three countries were to
13 be directed towards the U.S. market.

14 So I think that there is evidence that you
15 can -- there is a nexus between this particular order
16 and the benefits of the protection to the U.S.
17 economy.

18 CHAIRMAN WILLIAMSON: Okay. Thank you. I
19 was wondering, it may be too soon, but has anyone --
20 have you seen anything from the lifting of the orders
21 on Brazil that may be instructive here?

22 MR. SALONEN: Commissioner, Eric Salonen.
23 To tell you the truth, I haven't looked at the import
24 data recently, so I really couldn't answer that
25 question.

1 CHAIRMAN WILLIAMSON: Okay. Well, if
2 someone has time to take a look at it, if there is
3 anything instructive I'd be interested in hearing
4 about it.

5 MR. SALONEN: As I was saying earlier to
6 Commissioner Johanson, there are a number of important
7 facts that distinguish the record here from that, you
8 know, in the case of Brazil and that strongly support
9 cumulating Venezuela.

10 The other critically important difference
11 between the last review and this review is the
12 increased vulnerability of the domestic industry. I
13 mean, the domestic industry's condition is even worse
14 now than it was during the previous review because of
15 the depressed market conditions and because of the
16 rising costs. And we also -- you've heard testimony
17 that this is a product in a market where even very
18 relatively small volumes can have significant effects
19 on prices throughout the market because of the
20 dissemination of the information about price changes.

21 And so putting all of those things together,
22 it wouldn't take much in terms of increased imports
23 from these subject countries to have a very
24 devastating impact on the domestic industry.

25 CHAIRMAN WILLIAMSON: Okay. Thank you.

1 From both companies, I was wondering, where do you get
2 your manganese ore from?

3 MR. NUSS: Felman imports manganese ore from
4 Australia, South Africa, Gabon. Those are the major
5 areas.

6 CHAIRMAN WILLIAMSON: Okay. Mr. Willoughby?

7 MR. WILLOUGHBY: Yes, Mr. Chairman. Eramet
8 in Paris has a mine in Gabon that's a large source.
9 We also do, however, purchase ore from South Africa.

10 CHAIRMAN WILLIAMSON: Okay. Thank you. And
11 is shipping costs a significant factor in terms of
12 where people get ore from? Are there significant
13 differences in those three sources?

14 MR. NUSS: There is not a significant
15 difference between those, but shipping costs are a
16 significant part of the cost of bringing the product
17 to the United States. So they're significant in all
18 three cases. Australia versus South Africa, not a
19 very big difference.

20 CHAIRMAN WILLIAMSON: Okay.

21 MR. WILLOUGHBY: Yeah. Mr. Chairman, we
22 would agree with that. The logistic costs are
23 significant, but they don't differentiate that much
24 between the locations.

25 CHAIRMAN WILLIAMSON: Okay. I was just

1 wondering. I know the frequency of shipping service
2 to someplace like Gabon is probably as not as frequent
3 as South Africa or Australia. Okay. Thank you.

4 This is for Felman. I think you've begun to
5 address this question of the relationship with the
6 parent company, Georgian America Alloys, and
7 particularly I guess the source, Indian source, or
8 from any of the affiliate companies in Georgia. You
9 may have already answered that, but I --

10 MR. NUSS: We do not utilize the ore from
11 Georgia. There has been a very small trial quantity.
12 the quality of the ore in Georgia is different than
13 what is needed, so we've not imported. The ore in
14 Georgia is also totally consumed in Georgia in its
15 ferroalloy production, plus they import because they
16 have requirements in excess of their production of
17 ore.

18 CHAIRMAN WILLIAMSON: Okay. Thank you. And
19 I was just going over the reason for the sharp
20 increase in nonsubject imports from Georgia.

21 MR. NUSS: Do you want me to take that? The
22 major reason for the increase in 2013 in the early
23 months is that we have a customer that requires a
24 higher manganese content, which is a product that is
25 made in Georgia, not made domestically, and we had to

1 bring in to meet the demands of that customer and to
2 stage product in warehouses for their continuing
3 demand.

4 CHAIRMAN WILLIAMSON: Okay. Thank you. My
5 time has expired. Commissioner Pearson?

6 COMMISSIONER PEARSON: Thank you, Mr.
7 Chairman. I also welcome all of you to this hearing.
8 We met not so long ago, and so we have a second
9 chance to visit.

10 Following up on the chairman's question
11 regarding transportation, is the manganese ore coming
12 up the Ohio River to your plants?

13 MR. WILLOUGHBY: Yeah. I can answer for
14 Eramet. John Willoughby, Commissioner. Yes, it does.
15 Most of the ore comes up the Mississippi River to the
16 Ohio, unloaded by barge -- from barges.

17 MR. NUSS: The same for Felman.

18 COMMISSIONER PEARSON: Are either of your
19 facilities on the river, or are you somewhat inland?

20 MR. WILLOUGHBY: Our facility is on --
21 across the road from the Ohio River, so very close.

22 MR. NUSS: The same for Felman. We're on
23 the Ohio River.

24 COMMISSIONER PEARSON: Okay. Not
25 surprising. I mean, the rivers have played such an

1 important role in the development of heavy industry in
2 the United States, and of course in some other
3 countries as well.

4 Mr. Willoughby, are imports from Georgia
5 fairly priced?

6 MR. WILLOUGHBY: I can't answer that
7 question. I don't really follow the pricing of other
8 products as much as ours.

9 COMMISSIONER PEARSON: Okay. You don't
10 compete against those products in the marketplace
11 then, so you don't --

12 MR. WILLOUGHBY: Oh, yes, sure, sure. We're
13 probably the smallest of any of the producers of
14 silicomanganese that have been mentioned here at
15 Marietta. And we're the only producer in our -- right
16 now the only producer of silicomanganese in the United
17 States.

18 COMMISSIONER PEARSON: But you don't have
19 any problem competing effectively in the marketplace
20 against imports from Georgia.

21 MR. WILLOUGHBY: No, I don't think that's
22 accurate. We have a difficult time competing with all
23 of the silicomanganese that is either -- both produced
24 in the United States as well as is brought into the
25 United States because it's based on the price, and the

1 pricing can change overnight. And we have to address
2 our pricing to either give up the business, which has
3 happened, or continue to lose money, which has
4 happened.

5 Neither one of those are very satisfactory,
6 but the market is very tough right now with the
7 increasing costs and the reduce pricing.

8 COMMISSIONER PEARSON: So which countries
9 might be providing the most price pressure now?

10 MR. WILLOUGHBY: I don't have that specific
11 information, sir. Sorry.

12 COMMISSIONER PEARSON: Okay, thank you. Can
13 anyone answer a question relating to your brief? In
14 the brief, there was a little table comparing average
15 unit values of domestic production with nonsubject
16 imports. And I was a little bit surprised to show
17 consistent overselling by the nonsubject imports
18 relative to the prices gained by the domestic
19 industry.

20 What would explain that overselling or the
21 inability of the U.S. producers to sell at a price
22 that would be equivalent to that of the imports?
23 We're talking average unit value, so is there a
24 product differentiation that's making the price
25 difference?

1 DR. BUTTON: Commissioner Pearson, I believe
2 that's the sort of question we'd want to deal with in
3 the posthearing brief because it would probably get
4 into confidential data.

5 COMMISSIONER PEARSON: Well, it might, but,
6 you know, is the average unit value a good measure for
7 a price comparison of the type you put in front of us
8 in that brief? Because, I mean, you came up with it.

9 It wasn't my doing.

10 DR. BUTTON: As I say -- well, as a general
11 matter, what we've tried to say here is that the price
12 is set by the lowest price entrant to the U.S. market,
13 including large or small. And we've heard discussion
14 of the role of spot pricing, how it affects contract
15 pricing and so forth. And there are a mix of
16 products, and Felman has just described some
17 differences in its product. There is a mix of the
18 customers and so forth. So --

19 COMMISSIONER PEARSON: So there are some
20 product mix issues that could be influencing the
21 pricing. Is that --

22 DR. BUTTON: What I'm simply saying is that
23 we've heard one particular customer description here
24 as a general matter. What has been emphasized is that
25 we've got virtually a homogenous commodity product

1 here, and that everyone is willing to adapt the
2 customers that seems to willing to adapt the product
3 that they buy back to it, adapt to it if it's at a
4 sufficiently low price.

5 I guess what I'm saying is that if you're
6 asking about the specific table and specific details,
7 I'd very much like to do that where I can actually
8 deal with --

9 COMMISSIONER PEARSON: Well, that's fine.
10 I'm just talking with the broader concepts. A
11 homogenous commodity product that has product mix
12 differences that skew the average unit values. I
13 mean, I'm not sure I'm tracking all of that.

14 DR. BUTTON: Let me clarify. Don't --

15 COMMISSIONER PEARSON: Okay.

16 DR. BUTTON: I'm not saying that we're
17 having significant product mix issues. I'm not saying
18 that. What I'm saying is we have one particular
19 customer who had a preference that Felman has
20 described. But as a general matter, as Ferro then
21 clearly agrees as well, you're dealing with basically
22 a commodity product. And the differences that, quote,
23 "the market price" is something that is a dynamic
24 product of supply and demand forces. It's constantly
25 changing, and it will move with time.

1 What I'm trying to say here is that the
2 prices will arbitrage down towards the lowest one, and
3 everyone will be forced up and down. You cannot
4 maintain a price premium easily in this kind of
5 commodity market. But at any point in time, you
6 probably are going to find some differences in price
7 as the different sources are equilibrating their
8 prices and arbitraging it either up and down. And
9 with that, I'd probably best get into the details in
10 the brief.

11 COMMISSIONER PEARSON: Okay. That would be
12 fine. If there is any explanation for why we see the
13 gap that is illustrated in that chart between the
14 domestic prices and the AUVs, that would be good to
15 know. That's probably built into what you're planning
16 to provide, but I was curious about that.

17 Mr. Salonen?

18 MR. SALONEN: Thank you, Commissioner. One
19 point, an important point, I wanted to get across, and
20 I'll ask Mr. Nuss and Mr. Sossonko to correct me if I
21 misstate what I've come to understand over the last
22 few days in our discussions, is that this product that
23 is coming in from Georgia that has a higher manganese
24 content, one of the reasons that the customer prefers
25 that is it enables it to use less product as part of

1 the alloying process when it's producing steel.

2 However, the same customer has used the
3 regular product that Felman Production produces in the
4 U.S. and can easily switch back. So it's not really a
5 product mix difference by any means. It's a question
6 of it enables that customer to use less as a part of
7 the steel production process. So if you were to
8 revoke orders, and you had the regular grade, the 65
9 percent grade, for 65 percent manganese content,
10 product coming in from Venezuela or from India or from
11 Kazakhstan at a dumped price, that customer would
12 quickly switch over to using that because the lower
13 price -- so it uses a little bit more, more product,
14 as part of the steel production process. It wouldn't
15 care.

16 COMMISSIONER PEARSON: Okay.

17 MR. SALONEN: I just wanted to address this
18 question about difference, whether there are
19 differences in product mix. That's not an issue.

20 COMMISSIONER PEARSON: So you're not
21 defining it as a product mix difference, but rather as
22 a grade difference?

23 MR. SALONEN: The content of the amount of
24 manganese that is contained in the manganese ore.
25 Some manganese ore has more, some has less.

1 COMMISSIONER PEARSON: Okay. Then also in
2 the posthearing, just explain to me the difference
3 between that and a product mix difference. Or maybe
4 I'm using the terminology too loosely, but I'd be
5 curious to differentiate.

6 MR. SALONEN: I was merely thinking back to
7 previous cases where we have a different product, you
8 know, questions of product mix. If we go back to
9 bearings, for example. You have large bearings and
10 small bearings, and so forth, and so those could be --
11 that is what I understood you to be referring to when
12 you said a product mix difference, and we don't have
13 that here.

14 COMMISSIONER PEARSON: Okay, yes. I
15 probably did use the terminology poorly. Thank you
16 for that clarification. But there are things going on
17 in the marketplace that cause one lot of product to be
18 worth more to an individual user than another lot of
19 product. Is that correct?

20 MR. SOSSONKO: Yes. It depends on the
21 chemistry.

22 COMMISSIONER PEARSON: Yes.

23 MR. SOSSONKO: So, yeah, there is some
24 value-added products as well on a smaller scale like
25 lower carbon silicomanganese that comes in from

1 Norway, I believe, and Spain that is actually a
2 higher-value product as well.

3 COMMISSIONER PEARSON: Right, although I'm
4 correct to say that the low carbon, it's not part of
5 the like product.

6 MR. SOSSONKO: It's not, no. Right. It's
7 not part of the --

8 COMMISSIONER PEARSON: Okay, great. Thank
9 you very much. Mr. Chairman, my time has expired.

10 CHAIRMAN WILLIAMSON: Thank you.

11 Commissioner Aranoff?

12 COMMISSIONER ARANOFF: Thank you, Mr.
13 Chairman. I want to join my colleagues in welcoming
14 all of our witnesses this morning, and thank you for
15 spending time answering our questions.

16 Felman has indicated that the global market
17 for silicomanganese is currently depressed. If that's
18 the case, are there other production facilities aside
19 from Felman's U.S. operations that are shutting down
20 capacity?

21 MR. NUSS: The only other facility that
22 produces silicomanganese within Georgian American
23 Alloys is the Georgian facility, and its production
24 has been dedicated this year to this higher manganese-
25 containing product. So the answer is no. With regard

1 to companies that Felman represents in Eastern Europe,
2 there are facilities, for instance, in Rumania that
3 have been shut down for quite some time, mostly
4 because of the cost of power of electricity.

5 COMMISSIONER ARANOFF: Okay. Does Eramet
6 have anything they want to share about the state of
7 production globally?

8 MR. SCHAEFERMEIER: Commissioner Aranoff,
9 Martin Schaefermeier on behalf of Eramet. There were
10 some shutdowns in South Africa last year. And maybe
11 Peter Rochussen can elaborate a little bit to that.

12 MR. ROCHUSSEN: Peter Rochussen. Last year
13 there was some significant changes in South African
14 production of silicomanganese by a number of players
15 influenced by cost structures, energy costs, and so
16 on. Earlier on in the year they cut back on virtually
17 all of the silicomanganese production in the first
18 quarter of the year, going through into the middle of
19 the year.

20 In addition, there were changes to
21 production capacities in Australia, Tasmania, also one
22 of BHP's units. And all of that influenced the amount
23 of silicomanganese available in the global market.

24 Also, within the European economies, because
25 of the state of the European steel industry,

1 particularly as it relates to long product required
2 for construction, which is extremely depressed in the
3 European market, there have been some curtailments
4 there as well.

5 Partially I think also on Eramet's units
6 there has been some changes in the production mix at
7 our facilities in -- our Norwegian facilities.

8 COMMISSIONER ARANOFF: Okay. Yes, I
9 remember the Commission does have on record from the
10 prior review that we just did information about the
11 production changes in South Africa.

12 One of the things that the Commission
13 obviously has to determine in this review is what we
14 think the market conditions in the U.S. are going to
15 be like in the reasonably foreseeable future. So
16 we're supposed to figure out what is more likely than
17 not.

18 In light of that standard, what's more
19 likely than not for the Commission to find, that the
20 Felman plant is going to reopen in September or that
21 it's going to stay idle for some considerably longer
22 period of time, and how can we make that decision
23 consistent with the statute?

24 MR. NUSS: As Felman has said --
25 (Electronic interference.)

1 MR. SALONEN: -- and that Felman decides
2 that it needs to leave the plant idle for some longer
3 period of time, all that means is that that speaks to
4 the vulnerability of the industry if the orders were
5 to be revoked. The key to giving Felman the
6 opportunity to bring back its operations is to keep
7 the orders in effect. If the orders go away, then
8 Felman probably does close permanently, and you've
9 lost more than half the domestic industry.

10 COMMISSIONER ARANOFF: Okay, understood.
11 Mr. Nuss testified that Felman had built up inventory
12 so that it could serve its U.S. customers during this
13 three-month shutdown. How long are those inventories
14 going to last if the shutdown turns out to be longer
15 than three months, and what are you telling your
16 customers about how they might get supply after that
17 time?

18 MALE VOICE: We'd be happy to address that
19 in a confidential submission in the posthearing.

20 COMMISSIONER ARANOFF: Okay. I'm interested
21 in obviously what the source of supply for the
22 customers would be after three months if the plant
23 doesn't restart, what Felman is telling the customers
24 now about that, and what kind of reaction the
25 customers are having so far. Thank you.

1 In response to a question from Chairman
2 Williamson about increasing nonsubject imports from
3 Georgia, I think the response was that those imports
4 had increased in 2013 because of the requirements of a
5 specific customer for a specific type of product
6 that's not made in the U.S. But if you look at our
7 data on page 4-5 of the staff report, it shows imports
8 from Georgia started increasing in 2010. So I wanted
9 to give you the opportunity to address that trend
10 going back to 2010 rather than just what is going on
11 in 2013.

12 MR. SALONEN: Commissioner Aranoff, if you
13 were to take a look at Felman's producer response and
14 Felman Trading's importer response, I think you would
15 find that the imports have fluctuated, whereas
16 throughout full year 2012, Felman Production in
17 commercial shipments were increasing. So we'll be
18 happy to address that in more detail in the
19 posthearing. But I just wanted to point you in the
20 direction of those two questionnaire responses.

21 COMMISSIONER ARANOFF: Okay. Well, that's
22 understood. I understand that you're making the
23 argument that it's not displacing Felman's domestic
24 production, but I'd still like to understand what is
25 behind the trend numbers. So thank you.

1 All right. I have to ask this question out
2 of curiosity, but Representative Capito this morning
3 mentioned to us that there was another plant that
4 started up in West Virginia near Felman's production
5 facility, and that there was a relationship somehow
6 between those business decisions. Can you give us a
7 little more background on what this other plant is and
8 what -- is it a supplier, is it purchaser from Felman?

9 MR. KONRADY: Commissioner, John Konrady for
10 Felman. The plant that Representative Capito was
11 referring to was Armstrong Industries, which is
12 located in Millwood, West Virginia, which is about 10
13 miles from the Felman plant. And the decision --
14 again, this is public information that the management
15 of the Armstrong plant was looking to locate where
16 they could be close to their key commodity for their
17 feedstock, which is slag.

18 Both Felman and Eramet as a byproduct from
19 their process produce a slag. This slag then is
20 heated in their furnace, very similar to the submerged
21 process that Felman uses. They heat this slag up. It
22 becomes very liquid. They spin it, and it makes a
23 mineral wool fiber which is used in building
24 insulation, which is used in ceiling tile.

25 So part of the reason they located there is

1 to be close to their commodity, which is the slag.
2 And the plant, as the congressman said, has recently
3 started up at near full production, and we at Felman
4 ship product to them, which we are currently doing
5 even while the plant is idle. We are shipping slag
6 product to them. Thank you.

7 COMMISSIONER ARANOFF: Okay. Thank you.
8 That's actually a very helpful explanation. Thank
9 you, Mr. Chairman.

10 CHAIRMAN WILLIAMSON: Thank you.

11 Commissioner Pinkert?

12 COMMISSIONER PINKERT: Thank you, Mr.
13 Chairman, and I thank all of your for being here today
14 and being willing to answer our questions. Staying
15 with that last question about the location, I
16 understand that there is a desire to be near the
17 source of slag supply. But I'm curious about the fact
18 that the domestic industry is located in a relatively
19 part of the country, if you look at it, not just the
20 new producer, but overall. And I'm wondering if you
21 can help us to understand that as well.

22 MR. WILLOUGHBY: Commissioner, this is John
23 Willoughby. I can start, add a little history. Both
24 of these facilities are just over 60 years old. After
25 World War II, the attractiveness of the river source,

1 the railroad source, the raw materials that were in
2 that general area, including coal, were the foundation
3 for -- and a good workforce were the foundation for
4 industrial development along the Ohio River.

5 At one point in time, there were 10 or 12
6 manganese alloy facilities up and down that section of
7 the Ohio River. They're all closed except for the two
8 that are still remaining in operation. So it was a
9 combination of the location then the raw materials and
10 the workforce in that area that I think were the
11 driving forces for that being the concentration for
12 this industry.

13 MR. KONRADY: Commissioner, John Konrady,
14 Felman. Just to build on Mr. Willoughby's comment,
15 power, electrical energy, which is a key component,
16 was also -- I don't want to say the word cheap, but it
17 was -- back 50 years ago, the power was a lot more
18 inexpensive than it is today, and that was another
19 reason why the plant was located -- our plant is built
20 right next to this foreign and Mountain Air utility.

21 MR. WILLOUGHBY: Commissioner, I could add
22 one more very important factor, and that is if you
23 think about where the steel industry was located in
24 the early years following World War II, it was very
25 close by, within a day's distance, from the two

1 locations.

2 COMMISSIONER PINKERT: Well, that leads me
3 to a followup question, which is given the changing
4 location of steel production within the United States,
5 what does that say about the future of this industry?

6 MR. WILLOUGHBY: Well, it's another factor
7 that makes it very difficult and makes our business
8 vulnerable. We still have major customers within a
9 day's drive via truck. In fact, most of our customers
10 are within a day's drive via truck.

11 The growth in the south, if you will, or the
12 minimills, could pose a problem for us from a
13 logistical standpoint. But the trucking costs would
14 be the factor that would determine whether we could
15 service them, or we'd find alternative ways to ship
16 the material to them, via barge, for example.

17 MR. KONRADY: Commissioner, John Konrady,
18 Felman. Again, to build on Mr. Willoughby, the
19 majority of our customers that we service out of our
20 plant are within a day's driving, and the majority is
21 shipped by bulk truck. But we also have some
22 customers that we ship by barge because we are located
23 on the river, and they can take barge, and it is a
24 cheaper form of transportation.

25 So we have shipped, and we do ship, by barge

1 to several of our large customers.

2 COMMISSIONER PINKERT: Thank you. Mr.
3 Salonen?

4 MR. SALONEN: Just to add to Mr. Willoughby
5 and Mr. Konrady, I think if you take a look at the
6 record of what has happened with the domestic industry
7 vis-à-vis nonsubject imports over the period, if
8 market conditions come back, I think what you can say
9 is that the future is bright.

10 Nonsubject imports overall have declined
11 with the coming online of Felman Production. So the
12 fact that you actually have a new domestic producer in
13 the industry that has reduced the need to bring
14 product in from nonsubject sources I think speaks to
15 the fact that the prospects for this industry are
16 good, provided that market conditions improve.

17 And you've heard testimony that while steel
18 production is growing slowly in the U.S. and the
19 projections are for slow growth, they're even worse,
20 much worse, in other major markets for
21 silicomanganese.

22 So the investments that Felman is making,
23 the investments that Eramet is making, I think speak
24 to the fact that these companies believe that they can
25 be successful going forward. But the only way they

1 can do that is if these orders remain in place.

2 COMMISSIONER PINKERT: Now, turning to
3 Venezuela and the issue of the new investments in
4 Venezuelan steel production, I listened with interest
5 to the testimony earlier about how Venezuela in this
6 case is different from Brazil in the other case
7 because in the case of Brazil, there was the Olympics
8 and the World Cup and so forth.

9 Well, could these new investments in
10 Venezuelan steel production function the way that
11 those other economic phenomena functioned in the
12 Brazil case?

13 MR. SCHAEFERMEIER: There are some doubts --
14 this is Martin Schaefermeier -- with respect to the
15 facts in the Venezuelan steel production. The major
16 producer, SIDOR, which is state-owned, has been
17 retracting its very optimistic production projections
18 substantially. It projected I think something about
19 4.5 million tons per year. It has now retracted that
20 to about 3 million tons. And they're actually
21 operating at only 2 million tons of production, which
22 is below the production in 2011.

23 So it does not look at all that there is any
24 kind of change in the foreseeable future in the
25 Venezuelan steel production. In fact, as Ken Button

1 testified, the major steel producer, SIDOR, is
2 hemorrhaging money at this point.

3 COMMISSIONER PINKERT: Mr. Salonen?

4 MR. SALONEN: Thank you, Commissioner. In
5 fact, if you take a look at some of the exhibits in
6 Ferro Ven's prehearing brief and some of the articles
7 they cite to, those same articles include statements
8 by the Venezuelan metals and metallurgy industry
9 association that they do not believe that the
10 projections that SIDOR is making about its recovery
11 and its forecasts for what it's going to produce this
12 year are going to be met.

13 You have a very good statement from Mr.
14 Phelps from AISI that we have never seen, we have
15 never seen, a state-owned and state-run steel company
16 operate successfully.

17 COMMISSIONER PINKERT: Thank you. This next
18 question is more or less a legal question, but I'd
19 take an answer from anybody on the panel. Of what
20 relevance is the issue of whether Felman is the
21 dominant supplier in the U.S. market? In other words,
22 I'm not asking you to address whether it is, but how
23 should that affect our consideration one way or the
24 other, or is it kind of a red herring issue?

25 MR. SALONEN: Commissioner Pinkert, if I

1 may. Yes, it is a red herring. Ferro Ven makes much
2 of the market or the dominant role of Felman
3 Production and Felman Trading overall in the U.S.
4 market. That dominance is so effective that Felman
5 Production had to shut down operations. So it is --
6 there are many cases that the Commission has had,
7 investigations and reviews, where there has been one
8 or two domestic producers that have been larger
9 relative to the rest of the industry.

10 I point to the sunset review you just did
11 last year on tapered roller bearings from China.
12 That's not a relevant factor that's cited in the
13 statute. It's not mentioned in the SAA. And as I
14 say, you've had any number of cases where one or two
15 domestic producers have been larger than the others,
16 and I don't recall any time, any time, that the
17 Commission has pointed to that as a relevant factor to
18 its analysis.

19 COMMISSIONER PINKERT: Mr. Schaefermeier,
20 any thoughts on that?

21 MR. SCHAEFERMEIER: No.

22 COMMISSIONER PINKERT: Well, for the
23 posthearing, I would ask that Dr. Button address the
24 substantive question there, which is the dominant
25 supplier issue as a matter of economic fact rather

1 than the question of legal relevance.

2 DR. BUTTON: One thing I would -- thank you,
3 Commissioner Pinkert. I would say that I'm not
4 exactly sure where you might be leading. One of the
5 things I want to make sure where there is an
6 understanding that you -- in any industry you deal
7 with, some of the U.S. producers may be bigger, some
8 may be smaller, and so forth.

9 Size in the sense in this particular
10 industry, it's a focus of discussion, particular as to
11 what size of sale can affect a price, can affect the
12 market price. And what I would say is a smaller
13 player entering into this market can have a
14 substantial impact on the published spot prices, which
15 therefore then have a ripple effect through the
16 contract prices throughout the industry.

17 So as an issue of causation and how subject
18 imports affect the U.S. market and the domestic
19 industry, a small entrant with a relatively small
20 volume -- some of the folks here can say a barge --
21 can have a very big impact on prices, and a negative
22 impact on the prices throughout the market.

23 COMMISSIONER PINKERT: Well, then let me
24 clarify. For the posthearing, what I'm asking for is
25 first to address the question of who is the dominant

1 supplier, and then secondly any argument you wish to
2 make on the relevance of that to the setting of price
3 and other factors in the market.

4 DR. BUTTON: Okay. Certainly will do.

5 COMMISSIONER PINKERT: Thank you. Thank
6 you, Mr. Chairman.

7 CHAIRMAN WILLIAMSON: Thank you.

8 Commissioner Johanson?

9 COMMISSIONER JOHANSON: Thank you, Mr.
10 Chairman. In their prehearing brief, the Venezuelan
11 Respondents assert that Felman has a competitive
12 advantage in acquiring manganese ore through a
13 corporate affiliation. If this is indeed the case,
14 how should the Commission take this assertion into
15 consideration when making its determination? Mr.
16 Salonen?

17 MR. SALONEN: Thank you, Commissioner
18 Johanson. In fact, as the testimony you heard earlier
19 from Mr. Nuss that the ore that comes from the mine
20 that is operated in Georgia is used almost entirely to
21 supply silicomanganese production, and in fact has to
22 be supplemented by additional imports of the manganese
23 ore because the mine is not adequate to meeting the
24 plant's complete needs.

25 You've also heard of the sources where

1 Felman production does get its manganese ore, and it's
2 not Georgia, so it has no relevance whatsoever.

3 COMMISSIONER JOHANSON: Thank you. Eramet's
4 prehearing brief at page 30 reported that
5 silicomanganese intensity of steel produced in the
6 United States is increasing. Why is it increasing,
7 and what factors are driving this increase, if that is
8 indeed the case?

9 MR. ROCHUSSEN: Peter Rochussen. It relates
10 to steel production processes and the grade of steel
11 produced at certain steel makers. It does vary from
12 time to time, but also relates to the pricing of
13 silicomanganese compared to other manganese alloy
14 inputs and how the silicomanganese can be used in an
15 economically viable way compared to the other
16 manganese alloys.

17 COMMISSIONER JOHANSON: Do you anticipate
18 that this trend will continue?

19 MR. ROCHUSSEN: Not necessarily, no.

20 COMMISSIONER JOHANSON: All right. Thank
21 you. Mr. Chairman, I have no further questions.

22 CHAIRMAN WILLIAMSON: Thank you.
23 Commissioner Broadbent.

24 COMMISSIONER BROADBENT: Thank you. Yeah, I
25 was intrigued as well by the slag production that Mrs.

1 Capito referred to, this byproduct, and was wondering
2 how we should take this into account in terms of
3 operating margins and profitability in the industry.
4 How big a benefit is it to the domestic producers?

5 MR. WILLOUGHBY: I think -- this is John
6 Willoughby, Commissioner, from Eramet Marietta. The
7 slag produced by our silicomanganese furnace, some of
8 it is processed by an outside firm, and some of it
9 goes into the Armstrong facility in West Virginia.
10 Some of it is converted into aggregate that is sold in
11 truckloads and used in roadwork and playground work,
12 et cetera. For us, it's not a big issue at all from a
13 financial standpoint.

14 On the other hand, the slag that comes from
15 our high-carbon furnace, our ferromanganese furnace,
16 is one of the main byproduct -- one of the main inputs
17 into our silicomanganese production. So we have both
18 products being produced at our facility. So it is a
19 benefit that the slag from our ferromanganese furnace
20 provides to silicomanganese production. But the slag
21 from silicomanganese operation is not a huge benefit
22 to us from a financial standpoint.

23 MR. SALONEN: Commissioner Broadbent, from a
24 legal perspective, the slag that Felman produces and
25 sells is obviously a byproduct of the production

1 process for silicomanganese, and so any income that
2 would come in from those sales will be below the
3 operating income line, and I would submit to you
4 that's not -- that should not be a factor in your
5 analysis of the likely effects of revocation of the
6 orders on the domestic industry.

7 COMMISSIONER BROADBENT: Okay. Even though
8 it's a direct result of the production process?

9 MR. SALONEN: Byproducts are often the
10 direct result of production processes for a number of
11 different products. But the Commission typically does
12 not take the sales of those byproducts into account,
13 as far as I'm aware, in its analysis of either the
14 impact or the likely impact of dumped imports on the
15 domestic industry.

16 COMMISSIONER BROADBENT: Okay. Mr. Kramer,
17 you would know this. No. I just wondered whether
18 this byproduct issue, and whether it should be taken
19 into account in our assessment of operating margins
20 and profitability of the company.

21 MR. WILLOUGHBY: No. I'm sorry. I missed
22 -- Commissioner, I thought I made it clear. We've
23 produced slag from silicomanganese for as long as
24 we've produced silicomanganese at Marietta. It's a
25 byproduct that we've found an outlet for, but it

1 provides -- it's not our business. It's disposed of
2 in a way that provides us a way to remove the
3 byproduct from our facility and someone has found uses
4 for. And that's a good thing.

5 COMMISSIONER BROADBENT: Okay. What factors
6 give a country a comparative advantage in the
7 production of silicomanganese? Where is it the best
8 place to produce this product? What do you need?

9 MR. WILLOUGHBY: This is John Willoughby
10 again. I'm certainly not an expert on all the
11 markets, but I can answer the question by saying from
12 our perspective, for purposes of this hearing, the
13 best place to produce silicomanganese for the U.S.
14 market is in the U.S., for reasons other than just
15 Eramet Marietta, but for the standpoint of the uses in
16 the steel that can help secure the national defense in
17 many cases, if nothing else, and relate to the quality
18 of the product that goes into our infrastructure.

19 I can't answer from a global perspective,
20 however.

21 COMMISSIONER BROADBENT: I'm wanting low
22 electricity costs, raw material. I mean, if you were
23 going to put a plant anywhere, where would you put it
24 based on production costs?

25 MR. WILLOUGHBY: There are many factors

1 beyond those inputs where the market is an important
2 factor as well. Where is the market? What are the
3 costs of construction? What is the regulatory
4 environment in a given location? What are the
5 constraints on bringing in raw materials or on
6 exporting materials if the domestic market doesn't
7 have -- if there is no domestic steel industry, for
8 example, or an underutilized domestic steel industry?

9 Certainly electricity would be a factor,
10 that's for sure.

11 COMMISSIONER BROADBENT: But it's very much
12 dependent on a healthy domestic steel industry nearby?

13 MR. WILLOUGHBY: Absolutely.

14 COMMISSIONER BROADBENT: Okay.

15 DR. BUTTON: Commissioner, this is Ken
16 Button. As a generic matter, a comparative matter as
17 a general matter is where the combination of the --
18 where you have inputs that are relatively cheap, and
19 you have proximity to your customers. So here in the
20 United States, certainly an advantage being close to
21 the customers, having reliable sources of electricity
22 and so forth.

23 I would say that I don't think Venezuela
24 would fit in this respect, not having the national
25 resources, not being close to these particular

1 customers, and where electricity is expensive as well.

2 This is definitely a globalized industry
3 with a commodity product. So I think the key
4 advantages the domestic industry has is proximity to
5 its customers.

6 COMMISSIONER BROADBENT: Okay. Excuse me.

7 Mr. Sossonko, you made the point that you were
8 constantly being solicited by Indian firms, but
9 imports from India haven't really entered the market
10 that I've seen in the statistics. Are they
11 communicating with purchasers, or what kind of
12 communications are they making with you as possible
13 purchasers?

14 MR. SOSSONKO: As far as I can tell from the
15 emails that they send me, they think I'm a purchaser,
16 and they're sending me these emails as addressed to --
17 you know, we see that you buy alloys, and among those
18 alloys are silicomanganese, ferromanganese,
19 ferrosilicon, among other alloys. So I believe they
20 are sending it to other purchasers as well.

21 COMMISSIONER BROADBENT: Back on the steel
22 industry. You primarily serve -- the silicomanganese
23 industry primarily serves bar and plate production.
24 Is that correct, of steel bar and plate?

25 MR. ROCHUSSEN: Peter Rochussen for Eramet.

1 We have a very diversified steel customer base.
2 Silicomanganese only goes into one particular sector
3 of that, mostly into long product producers, which are
4 focused on bar and infrastructure type related to
5 markets, but also is used in steel plate production,
6 but to a lesser extent than in the long product
7 market.

8 COMMISSIONER BROADBENT: Okay. Now, do you
9 expect demand for this product to increase -- these
10 products to increase in the United States?

11 MR. ROCHUSSEN: I'm sorry. Could you repeat
12 the question?

13 COMMISSIONER BROADBENT: Do you expect
14 demand for those steel products to increase in the
15 United States?

16 MR. ROCHUSSEN: There has been an
17 expectation for the last five years, since the great
18 recession started, that there is going to be an
19 increase. Every time I speak to a lot of the
20 structural producers that are producing beams and bar
21 products, they're always saying that their expectation
22 is there is going to be an improvement in a six- to
23 nine-month period. They've been saying that for the
24 last four years. It hasn't happened yet.

25 We look at leading indicators, such as what

1 I've mentioned earlier, the architectural building
2 index. That has been hovering around that 50 percent
3 level for quite some period. And that to me is a key
4 indicator, which means that in the next six- to nine-
5 or twelve-month period, there is really no expectation
6 that this efficient work being envisaged that is going
7 to increase the market demand for long product
8 producers. Long product producers are the key user of
9 silicomanganese in the U.S. market.

10 COMMISSIONER BROADBENT: Okay. Are there
11 any substitutes for silicomanganese? Do you expect
12 that to grow at all in the future?

13 MR. ROCHUSSEN: Substitutes for
14 silicomanganese?

15 COMMISSIONER BROADBENT: Yeah.

16 MR. ROCHUSSEN: Yeah. There are a variety
17 of other manganese alloys, so essentially anything
18 that contains manganese could be used as a substitute.
19 It comes down to price. It also comes down to the
20 value of the silicon unit in the silicomanganese
21 product. It comes down to the steel grade that is
22 being produced.

23 Silicomanganese just happens to be the ideal
24 mix of silicon and manganese content related to the
25 end use in the steel grade being produced. So

1 typically it's the preferred alloy for long product
2 production.

3 COMMISSIONER BROADBENT: But it's very price
4 sensitive, so if the price goes up, there may be some
5 substitute competition coming in.

6 MR. ROCHUSSEN: Yeah. I mean, it's all
7 relative to other commodities, yeah. I mean, the
8 manganese market does move up and down. All the other
9 alloys do move up and down more or less in line with
10 each other.

11 COMMISSIONER BROADBENT: Okay. This is for
12 Mr. Button, the economist on the back. I believe this
13 is your chart. You didn't have an Asian demand up
14 there, and I was just wondering what you're expected
15 for demand for steel production in Asia, other than
16 Japan.

17 DR. BUTTON: Right. Of course, we do list
18 Japan, and would be happy in the post to provide
19 additional that we have that covers Asia as well.

20 COMMISSIONER BROADBENT: Thank you very
21 much.

22 CHAIRMAN WILLIAMSON: Okay. Thank you. Mr.
23 Brown, there has been a lot of discussion recently
24 about the competitiveness of the U.S. industry and
25 factors affecting that, and there has also been talk

1 about the amount of investment that has been put into
2 upgrading facilities and modernizing.

3 I was wondering about the competitiveness of
4 the U.S. workers compared to other countries. What
5 can you tell us about that? You've been in the
6 industry a long time.

7 MR. BROWN: Well, Commissioner, I am kind of
8 prejudiced with that. I think that we're the best in
9 the world.

10 CHAIRMAN WILLIAMSON: Okay. You've been in
11 the industry a long time.

12 MR. BROWN: Yes, I have.

13 CHAIRMAN WILLIAMSON: To say that. You
14 might want to elaborate on that, and particularly
15 anything that maybe is done to keep them to be the
16 best in the world, as we look forward.

17 MR. BROWN: I don't -- I guess I really
18 don't understand what you want, but I can try to
19 explain what I see.

20 CHAIRMAN WILLIAMSON: Okay.

21 MR. BROWN: We -- at my plant, we try to
22 provide what the customer wants as well as we can
23 within the restrictions of the EPA regulations and the
24 stuff that we have to follow that is provided, you
25 know, through that.

1 As an equipment operator, I'm very proud of
2 my, very, very proud. I think I do a very good job.
3 With my furnace operators that we work together with,
4 those people, I'm very proud of them. We have a very
5 good workforce, and I truly am very proud of every one
6 of those workers that I represent and I work with.

7 CHAIRMAN WILLIAMSON: Okay. Thank you.
8 That's relevant to the competitiveness of the industry
9 in the future. I was wondering about Mr. Martin.
10 Anything you want to add?

11 MR. MARTIN: Yes, Chairman. We take very
12 much pride in our work. We try to be the safe -- do
13 our job the safest we possibly can, and we've had
14 cooperation with our company. I don't know about Mr.
15 Brown. I'm sure they have too. And we've gone above
16 and beyond our safety records from when we started in
17 2006, and today our safety records are very, very
18 exceptional.

19 CHAIRMAN WILLIAMSON: Okay. Thank you.

20 MR. WILLOUGHBY: Commissioner? Mr.
21 Chairman?

22 CHAIRMAN WILLIAMSON: Sure. Mr. Willoughby,
23 I'm sorry.

24 MR. WILLOUGHBY: I'm sorry. If I could,
25 from the employer's perspective, talking about the

1 worker. I'm too very proud of the workers at Eramet
2 Marietta, and in a way that perhaps Steve doesn't
3 perceive. We have -- our workers have been with us
4 for many, many years. We have a very seasoned
5 workforce, very experienced. But also, as we've made
6 these investments in our facility that has upgraded
7 the technology associated with the process, our
8 workers have adapted very well to the changes in the
9 technology, and have remained very, very productive,
10 and have responded to the changes that have had to
11 come into the place in order for us to try and remain
12 competitive, whether it be from the controls in the
13 furnace, the computer controls that are used in the
14 scoop that Steve drives, whether it be from our safety
15 record and the safety performance and new equipment
16 and new protective devices.

17 They've done a great job of working with the
18 company in understanding the need to continue to move
19 forward and address these issues in order to survive.
20 So from my perspective.

21 CHAIRMAN WILLIAMSON: Good. Thank you. Mr.
22 Brown, Mr. Martin.

23 MR. BROWN: Mr. Commissioner, we have --
24 Chairman, we have -- I mentioned in my statement about
25 the veterans, you know, that work at our plant, I

1 currently being one also. We have 27 Vietnam and Gulf
2 War veterans. These guys have adapted to the job.
3 It's amazing the team work we have.

4 When you go through the military, you're
5 taught to be a team player. Every one of us are. We
6 have 135 people there that are team players. We all
7 represent and work very well together. I don't know
8 what else to tell you. But come to my plant and let
9 me show you around.

10 CHAIRMAN WILLIAMSON: Okay. Thank you. I
11 may just do that. Mr. Martin. Thank you.

12 MR. MARTIN: Chairman, I just want to add
13 that in my testimony last year I talked about us
14 getting a gainsharing. That has been -- that has
15 worked very exceptional. It's a mix of the
16 production, the quality, the safety, and the
17 productivity, and every quarter we get a bonus check
18 for exceeding their limits. And it's -- we continue
19 to get it as of today. So I just want to add that the
20 company has made that commitment to pay that, and it's
21 considered a bonus.

22 That's why I believe that the company,
23 Felman, has that commitment to stay, stay open and
24 start production when the market conditions return.

25 CHAIRMAN WILLIAMSON: Okay. Thank you for

1 those answers.

2 MR. MARTIN: Thank you.

3 CHAIRMAN WILLIAMSON: Good. I think you
4 said -- we were talking about that there were certain
5 I guess imports from Georgia that product is not being
6 made in the U.S. currently with this higher manganese
7 content. I was wondering, is it capable of being made
8 in the U.S.?

9 MR. NUSS: The higher manganese-containing
10 product is not capable of being produced in the U.S.
11 On the basis of the feedstock that's available, it's
12 just not technically capable of being done.

13 CHAIRMAN WILLIAMSON: Okay. Thank you. I
14 was just wondering, wanted that clarification.

15 Mr. Rochussen, I think in your responding to
16 the question about the intensity of steel, of the
17 manganese and steel being increasing in the U.S., the
18 demand for that, and I was wondering about do you have
19 any information on the so-called manganese intensity
20 in other markets and where that's going.

21 MR. ROCHUSSEN: I think that's something we
22 could provide posthearing.

23 CHAIRMAN WILLIAMSON: Okay.

24 MR. ROCHUSSEN: We'd have to do some
25 research on that.

1 CHAIRMAN WILLIAMSON: Okay. Thank you. So
2 given the market share held by nonsubject imports, why
3 would increased imports from the subject countries
4 necessarily take marketing share from the domestic
5 producers rather than from nonsubject imports?

6 MR. ROCHUSSEN: Peter Rochussen again. We
7 compete every day against all sources of
8 silicomanganese, whether it's Felman or whether it's
9 imports from nonsubject countries. In today's market,
10 where there is stagnating demand and oversupply both
11 domestically as well as globally, in the incremental
12 addition to the supply to the market, no matter how
13 small, it's going to have an impact on the price
14 structure.

15 The impact on Eramet is not necessarily a
16 loss of volume. We have to protect our volume in
17 order to have as large a production base to spread our
18 fixed costs, as John Willoughby explained earlier on.

19 The impact of those incremental imports is more going
20 to be on the price that is in the marketplace. In the
21 incremental import, no matter how small it is, whether
22 it's a few hundred tons or a few thousand tons, it's
23 going to be above and beyond what the market needs at
24 this point in time. So it will have to enter the
25 market at a lower price to be able to find a home.

1 And it's that lower price which is going to have the
2 devastating impact on Eramet and Felman.

3 CHAIRMAN WILLIAMSON: Okay. Thank you. Mr.
4 Button?

5 DR. BUTTON: Chairman Williamson, just
6 further on that point. In the prehearing brief of
7 Ferro Ven, it makes the assertion that if there were
8 to be imports from Venezuela from Ferro Ven, they
9 would not displace domestic production, but rather
10 displace nonsubject imports. Well, as described, they
11 may not be true. It could directly displace
12 domestically-produced product.

13 What the brief did not address, the price
14 effect, as we have been discussing earlier today, is
15 that the effect on the domestic industry via price
16 could be very important in this sense, not necessarily
17 directly through its volume.

18 You know, if subject imports from Venezuela
19 were to come in and lower the domestic price across
20 the U.S. market, it could then have the negative
21 effect on the U.S. operations and reduce the price
22 level to levels that, as Mr. Willoughby has described,
23 could threaten the basic viability of Eramet and its
24 furnaces.

25 So I think both sides of this have to be

1 taken into consideration.

2 CHAIRMAN WILLIAMSON: Okay.

3 MS. LUTZ: And Jennifer Lutz with ECS.

4 CHAIRMAN WILLIAMSON: Sure.

5 MS. LUTZ: I'd just add that during the
6 original investigation, subject imports took market
7 share from the U.S. producers and nonsubject imports.

8 CHAIRMAN WILLIAMSON: Okay.

9 MS. LUTZ: So it doesn't just affect the
10 nonsubject imports.

11 CHAIRMAN WILLIAMSON: Okay. Because like
12 who gets hurt the most, who is the slowest to lower
13 their price, are you saying?

14 DR. BUTTON: Well, certainly in a commodity
15 product market like this, that if you don't drop your
16 price, the customers will necessarily turn to someone
17 else that does drop their price.

18 CHAIRMAN WILLIAMSON: Okay. Thank you for
19 that answer. So the next question. Can anyone speak
20 to the supply of manganese ore or raw materials in
21 Kazakhstan or India? And if you don't have it now, I
22 could take it posthearing.

23 MR. ROCHUSSEN: I think if there is a
24 specific question, we could provide the answer in
25 posthearing brief.

1 CHAIRMAN WILLIAMSON: Okay. Thank you.

2 Thank you. Commissioner Pearson?

3 COMMISSIONER PEARSON: Thank you, Mr.

4 Chairman.

5 Mr. Konrady, in your statement, I see what
6 seemed to be two different explanations for why the
7 Felman facility currently is shut down. On the first
8 page, you indicate that deteriorating market
9 conditions an increasing costs prompted the idling of
10 all three furnaces, which suggests economic pressure.

11 On the next page, you indicate that over the
12 next three months, we're embarking on an ambitious
13 refurbishment plan, spending well over \$1 million,
14 excluding labor costs to make capital repairs that
15 will improve the reliability and operation of the
16 furnaces once the work is completed. Our objective
17 will be to restart in September and keep the number
18 seven furnace idled until maintenance work on it is
19 completed. I'm being a little bit selective in my
20 reading.

21 And this latter explanation would seem to
22 suggest that this is an intentional shutdown, probably
23 planned sometime in advance because I assume materials
24 and equipment were needed to be acquired, you know,
25 worth a million dollars to do the upgrades. Which is

1 the correct way to understand this? Is this a
2 shutdown due to economic purposes, or economic
3 reasons, or is it a perfectly rational shutdown to
4 upgrade the facility?

5 MR. KONRADY: Commissioner, John Konrady,
6 Felman. to answer the question, both the economics of
7 the current market condition, the monies that Felman
8 was losing, as Barry had mentioned in his testimony,
9 it was the decision to shut the furnaces down. We did
10 take number five down first.

11 We have planned maintenance of our furnaces
12 on a regularly scheduled basis, as we've mentioned, as
13 Roy has mentioned, and we were planning on doing that
14 periodically through the course of the year. When we
15 realized how bad the conditions were, the decision was
16 made, let's shut down now, let's pull everything
17 together, and let's take these maintenance-planned
18 outages that we have scheduled throughout the course
19 of the year, let's compress the schedule, bring
20 everything in, and let's do it now, and do it with all
21 our own resources as opposed to doing it with our
22 people and contractors.

23 We certainly can't afford the additional
24 cost, so we just decided we'll bring everything in.
25 We'll do it, and we figured it would probably take

1 about three months to do this work. That's where the
2 three months came from, based on what we think we can
3 do, given our resources that we have. So that's kind
4 of how the plan was developed, sir.

5 COMMISSIONER PEARSON: Okay. The plan to
6 restart in September, though, really is contingent on
7 completing the upgrades rather than on some
8 expectation that the market conditions --

9 MR. KONRADY: Well, no.

10 COMMISSIONER PEARSON: -- will improve in
11 September.

12 MR. KONRADY: Both, Commissioner.

13 COMMISSIONER PEARSON: And what is the
14 basis for expecting that market conditions will
15 improve in September? Mr. Sossonko?

16 MR. SOSSONKO: Yeah, Mendel Sossonko. I
17 think historically, if you look at the market prices
18 of silicon manganese in the United States, they sort of
19 have in the fourth quarter sort of come along, and
20 then in the first quarter or close to the first
21 quarter start picking up again. Our expectations are,
22 you know, for market trends to sort of continue. The
23 question is how much higher will it go or, you know,
24 where will it be.

25 So that's an analysis that as we said after

1 three months we're going to look at see if the market
2 is sort of getting a little tighter to where we can
3 where the prices are going to start going up, versus
4 not and see what we want to -- you know, decide what
5 we have to do on a business -- as a business decision
6 to see how we're going to operate, or if we're going
7 to operate.

8 COMMISSIONER PEARSON: Okay. And, Dr.
9 Button, for the posthearing, could you please see
10 whether there is anything that could be put on the
11 record to illustrate seasonality in either the
12 production, consumption, or the pricing of
13 silicomanganese?

14 DR. BUTTON: Yes, Commissioner, we will do
15 that.

16 COMMISSIONER PEARSON: Is there something on
17 there now? Because I may have missed it.

18 DR. BUTTON: I don't believe there is
19 anything significant on the record on that point, no.

20 COMMISSIONER PEARSON: Okay, thanks, because
21 it's not unusual to have seasonality. I just wasn't
22 aware it was an issue here.

23 Mr. Willoughby, Felman has indicated that
24 they likely will not reopen their plant if these
25 orders are revoked. From the standpoint of Eramet,

1 would a permanent closure of the Felman facility tend
2 to improve the domestic market?

3 MR. WILLOUGHBY: Commissioner, that would be
4 a very bad result for us as well as for Felman, for
5 sure. We'd hate to see a good group of employees lose
6 their jobs.

7 From the standpoint of market impact,
8 someone will fill the market. We would not be able to
9 fill the market from Marietta. Our production has not
10 varied very much at all in terms of silicomanganese.
11 Someone would fill the marketplace. And
12 unfortunately, I think based on the information that's
13 on the record, it would be filled with -- based on
14 competition from outside suppliers, who would compete
15 on price, and we would suffer as a result of that.

16 COMMISSIONER PEARSON: Okay. And you expect
17 you would suffer more than competing with Felman?

18 MR. WILLOUGHBY: The issues are the same.
19 Pricing is what drives the ability to stay in
20 business. And as I said earlier, one thing that we
21 have is the ability to have the ferromanganese slag
22 supply our silicomanganese furnace. But that's about
23 the only differentiating factor.

24 COMMISSIONER PEARSON: Okay. Thank you. Dr.
25 Button?

1 DR. BUTTON: Commissioner Pearson, if the
2 cause of Felman's permanent closure were the
3 revocation of the orders and the return of imports
4 from the subject imports, then I think Eramet could be
5 -- anticipate that the closure of Felman would be
6 prologue for its own problems because the loss of the
7 orders would bring prices down, which Mr. Willoughby
8 has already indicated I think would threaten the
9 viability of Eramet as well.

10 COMMISSIONER PEARSON: Okay. Mr. Salonen,
11 you had indicated that -- quoting someone that in
12 essence that state-owned steel mills tend not to have
13 done very well. And as a general statement, that
14 probably is correct.

15 I'm wondering, though, about some of the
16 mills in China and whether they wouldn't lead one to
17 question the definiteness of the statement that you
18 suggested earlier. At least I can recall times when
19 domestic industries have come in front of us and say
20 those state-owned steel mills in China are killing us.

21 MR. SALONEN: Yes, Commissioner, the state-
22 owned mills in China were killing the domestic
23 industry because of the various market-distorting
24 policies carried out by the Chinese government. You
25 had tremendous excess capacity in China, far beyond

1 the -- and the tendency of Chinese producers to
2 ruthlessly ship product at deeply dumped prices into
3 other markets in order to capture market share.

4 So is that a successful strategy? From one
5 perspective, it perhaps is. Does that mean that those
6 steel mills are operating profitably in a sort of
7 market economy fashion? Probably not.

8 COMMISSIONER PEARSON: Yeah. Well, and, of
9 course, you're well aware that I'm not a great fan of
10 state ownership of businesses. But I just -- I was a
11 little concerned about what seemed to be a fairly
12 definite statement that you made, and I just wasn't
13 sure that it was not without some exceptions.

14 MR. SALONEN: And I was just citing to Mr.
15 Phelps from the AISI and the experience that they have
16 had.

17 COMMISSIONER PEARSON: Yes. Okay. Shifting
18 for a moment to the SIDOR steel mill in Venezuela, I
19 acknowledge that Venezuela is a really challenging
20 place to do business, just generally. I have a little
21 bit of past experience there myself. Given that in
22 excess of \$300 million is being invested to upgrade
23 that mill, wouldn't it be reasonable to assume that
24 consumption of silicomanganese by that facility would
25 likely return to more normal levels within the

1 reasonably foreseeable future, thus reducing the
2 likelihood that we would see Venezuelan product going
3 out on the world market? Dr. Button.

4 DR. BUTTON: Chairman Pearson, I would say
5 that the \$300 million is an aspiration. They actually
6 have to make the investment and execute it. And
7 whether they -- they've been talking about this sort
8 of activity for some time, and it hasn't taken place.

9 I believe also that the overall economic circumstance
10 of the country may play a role with respect to demand
11 and the economy as a whole in terms of residential
12 construction and the like, which would require the
13 steel product with which you use silicomanganese.

14 That aspect of their economy is not doing
15 well at all.

16 COMMISSIONER PEARSON: So would I be taking
17 -- would I be interpreting the record poorly if I was
18 to conclude that the circumstances with SIDOR are not
19 entirely dissimilar to the circumstances being faced
20 by Felman in its U.S. facility, where it made a
21 decision to shut capacity in order to upgrade it? And
22 I think there is at least some information on the
23 record to suggest that that's what is going on with
24 SIDOR, that they've taken capacity down to upgrade it,
25 and that that will be a temporary phenomenon, and

1 things will revert to a more normal situation soon.

2 DR. BUTTON: I would probably take a
3 different perspective on that. My view of the
4 management of the Venezuelan economy and the capacity
5 of that economy to actually execute investment, get
6 the investment resources to do it, I'm highly
7 skeptical of that. I believe we've already been asked
8 to provide some written analysis in the posthearing
9 brief about the prospects for the Venezuelan steel
10 industry. I'd be happy to go into further detail at
11 that time.

12 COMMISSIONER PEARSON: Okay. Posthearing is
13 fine. Ms. Lutz?

14 MS. LUTZ: I would just add that we've been
15 sort of reading articles where SIDOR has been quoted
16 estimating how much steel they were going to produce
17 in 2013. And in January, they said 4.45 million tons.
18 In April, they were forecasting 3 million tons. As
19 of June, they had produced less than a million tons.
20 It doesn't sound like it's -- these projections don't
21 make it sound as if it's because they're taking their
22 capacity offline.

23 Also, Venezuela has been experiencing a
24 pretty significant increase in imports of steel from
25 China. So SIDOR may have more deal with than just

1 their own production problems.

2 COMMISSIONER PEARSON: Okay. Thank you.

3 Mr. Chairman, I think I have one additional question
4 that --

5 CHAIRMAN WILLIAMSON: Go ahead.

6 COMMISSIONER PEARSON: -- might be short.

7 Okay.

8 Are there any differences in conditions of
9 competition that would argue in favor of decumulating
10 Venezuela? I know you've indicated that on the whole,
11 you think we shouldn't. But if we look at conditions
12 of competition, are there some that would argue in
13 favor of decumulation?

14 DR. BUTTON: Commissioner Pearson, in our
15 testimony and the exhibits, if we are able to get back
16 to that, we've gone down the list catalogued by Ferro
17 Ven, and there have been a variety of assertions as to
18 what the conditions of competition are that would be
19 different and so forth, or other noncumulation
20 conditions. And we don't see it. We see the facts
21 being very different from that.

22 COMMISSIONER PEARSON: And would it be
23 correct to understand that that was the same position
24 you took last year with regard to Brazil?

25 DR. BUTTON: I think the circumstances of

1 the two countries are different, and one of the
2 important ones, I think, has already been identified
3 by Mr. Schaefermeier.

4 COMMISSIONER PEARSON: Right. But I don't
5 recall that you were identifying for us then
6 differences in condition in competition that would
7 have justified decumulating Brazil.

8 DR. BUTTON: Well, I think one of the things
9 that certainly Brazil exported -- and I daresay today
10 Venezuela is exporting substantially, substantial
11 quantities and increasing quantities. And, you know,
12 those exports need to go somewhere. And without the
13 orders in the United States, the single, most
14 important condition of competition is the fact that
15 the U.S. market is the most attractive in the world.
16 I think we would see those exports that exist
17 redirected to the U.S. market.

18 COMMISSIONER PEARSON: Okay. Thank you, Dr.
19 Button. And I would just note that I didn't say
20 anything about hyperinflation until now because I
21 don't think it's applicable in these investigations.
22 I know it was an issue the last time when we discussed
23 this topic.

24 Mr. Chairman, thank you for the additional time.

25 CHAIRMAN WILLIAMSON: Thank you.

1 Commissioner Aranoff?

2 COMMISSIONER ARANOFF: I just two additional
3 questions. First of all, I know that you put on kind
4 of a point-by-point rebuttal to a number of the points
5 that Ferro Ven raised. But one question I had, in
6 Ferro Ven's brief, they do a calculation of what they
7 refer to as the maximum available export volume, by
8 which they mean sort of the theoretical capacity of
9 the Venezuelan plants less home market shipments. And
10 I wanted to get your assessment of whether you agree
11 that that's the maximum available export capacity from
12 Venezuela.

13 DR. BUTTON: Commissioner Aranoff, Ken
14 Button. We disagree. The data are confidential, and
15 we'd be happy to address that further in the
16 posthearing brief.

17 COMMISSIONER ARANOFF: Okay. Mr. Salonen?

18 MR. SALONEN: Commissioner, the other point
19 in Ferro Ven's brief, they're very careful to address
20 separately how much unused capacity they have with
21 what their inventories are. Obviously, those two
22 could be combined to increase their exports.

23 COMMISSIONER ARANOFF: Okay. So I'm --

24 MR. SCHAEFERMEIER: Commissioner, could I
25 add one point?

1 COMMISSIONER ARANOFF: Oh, certainly.

2 MR. SCHAEFERMEIER: And I'm sorry to
3 interrupt you. Martin Schaefermeier for Eramet. One
4 point that's public is on the web site Ferro Ven
5 explains that they produce ferromanganese and
6 silicomanganese on the same furnace. So you can
7 simply increase the available capacity by continuing
8 to produce silicomanganese and holding off on the
9 production of ferromanganese.

10 So if there is a need to export, all they
11 need to do is run that furnace longer on
12 silicomanganese. You don't incur additional costs.
13 You just do the same thing that you've been doing.
14 You just continue doing it longer.

15 COMMISSIONER ARANOFF: Okay. All right.
16 That's helpful, and I'll look forward to what you can
17 say looking at the confidential record.

18 And my last question goes to nonattribution
19 with respect to nonsubject imports. In the review
20 that we did last year when we addressed that issue, we
21 focused mainly on the fact that nonsubject imports
22 had declined since Felman's entry into the U.S.
23 market, and so we said the record provided no basis
24 for conclusion that nonsubject imports are likely to
25 increase after revocation.

1 But it seems that circumstances may have
2 changed some now, and given the significant volume of
3 nonsubject imports, can you point me to any evidence
4 in the record that would permit the Commission to
5 distinguish the likely price effects and impact of
6 subject versus nonsubject imports if the orders were
7 revoked? Mr. Salonen?

8 MR. SALONEN: As I mentioned in an answer to
9 an earlier question, I think that if you look at the
10 average unit values of the subject countries' exports,
11 compare those to -- and we actually have public
12 information from one source where we looked at the
13 average unit values of the imports of Indian,
14 Kazakhstan, and Venezuelan product into other markets,
15 compare to the average unit value of nonsubject
16 imports into the U.S. They're consistently lower, and
17 by significant margins.

18 And so what that would suggest is that if
19 the orders are revoked, and they come into this market
20 at those lower prices, they're the ones that are going
21 to have the adverse impact.

22 COMMISSIONER ARANOFF: Right. But does it
23 tell us whether they would take market share from
24 domestic production versus nonsubject imports?

25 MR. SALONEN: Well, certainly with the

1 amount of capacity that they -- excess that they have,
2 we believe that they would. That's what happened in
3 the original investigation. They took market share
4 away from both the domestic industry and from
5 nonsubject imports, and they can do that by selling at
6 much lower prices.

7 COMMISSIONER ARANOFF: Okay. Well, if there
8 is anything you want to add posthearing, think about
9 helping the Commission to write that piece of our
10 opinion in a way that it's going to withstand scrutiny
11 under recent court decisions on nonattribution. You
12 know, is it enough to say, you know, the U.S. market
13 is a price magnet, and subject imports will take
14 market share from everybody? So if there is anything
15 that you can add --

16 MR. SALONEN: We'll be happy to do that.

17 COMMISSIONER ARANOFF: Okay. Thank you very
18 much. With that, I don't have any further questions,
19 so I do want to thank all of the witnesses on this
20 panel for your answers. Thank you, Mr. Chairman.

21 CHAIRMAN WILLIAMSON: Okay. Thank you.
22 Commissioner Pinkert?

23 COMMISSIONER PINKERT: I just have a few
24 followup questions. This one is probably for
25 posthearing because you'd have to look at some

1 proprietary information. But looking at the market
2 share data, was there a long-term shift in the market
3 in 2009? And if so, did that reflect the impact of
4 the orders?

5 (No response.)

6 COMMISSIONER PINKERT: Shall I just assume
7 that that's a posthearing?

8 MR. SALONEN: Yes. We'll be happy to do
9 that.

10 COMMISSIONER PINKERT: Okay. Dr. Button,
11 what role does the inelasticity of demand play in your
12 overall price effects argument?

13 DR. BUTTON: The product silicomanganese
14 faces inelastic demand, and the short of it is that
15 the quantity demanded by the U.S. consumers of
16 silicomanganese does not increase as a result of the
17 decline in the price of silicomanganese. Therefore --
18 in other words, the steel industry is generally not
19 going to use more because it is such a small component
20 of the overall cost of production to make a ton of
21 steel.

22 Therefore, to the extent that a new entrant,
23 such as one of the subject imports, were to enter the
24 U.S. market and push price down, that would not have
25 the effect of expanding the U.S. apparent consumption

1 of silicomanganese. It would simply lower the prices
2 available on the product that was being sold in the
3 market.

4 COMMISSIONER PINKERT: So is that strictly a
5 price depression market, or is it also a price
6 suppression argument?

7 DR. BUTTON: Well, to the extent that you
8 are -- well, for a new entrant it almost is by
9 definition going to be a price depression because a
10 new entrant to a market such as this can only gain
11 market share by offering a lower price than the
12 current incumbents in the market. So that's price
13 depression.

14 To the extent that in an otherwise rising
15 market -- for example, let us assume positively that
16 later this year the domestic steel industry expands
17 demand, quantity demanded, for silicomanganese,
18 increases from the steel industry, then the prices
19 start to recover.

20 An injection at that time of new entrant
21 volumes from the subject imports would then prevent
22 increases in price that would otherwise take place,
23 and that would be price suppression.

24 COMMISSIONER PINKERT: Thank you very much.
25 If there are no other comments on that issue on this

1 panel, I appreciate the testimony today, and I look
2 forward to the posthearing submission.

3 CHAIRMAN WILLIAMSON: Thank you.

4 Commissioner Johanson, any additional questions?

5 Commissioner Pearson? Good.

6 Okay. Since there are no further questions
7 from the commissioners, does staff have any questions
8 for this panel?

9 MR. MCCLURE: Jim McClure, Office of
10 Investigations. Mr. Chairman, staff has no questions.

11 CHAIRMAN WILLIAMSON: Thank you. Do those
12 in opposition to continuation of the order have any
13 questions for this panel?

14 MS. MENDOZA: We do not.

15 CHAIRMAN WILLIAMSON: Okay. Thank you. In
16 that case, it looks like it's time for our lunch
17 break. So we will break until 1:30. I just want to
18 remind everyone that this room will not be secure, so
19 if you have any business proprietary information,
20 please take it with you. And with that, we'll suspend
21 until 1:30. Thank you.

22 (Whereupon, at 12:28 p.m., the hearing in
23 the above-entitled matter was adjourned, to reconvene
24 at 1:35 p.m. this same day, Thursday, July 18, 2013.)

25 //

26

(1:35 p.m.)

3 MR. BISHOP: Will the room please come to
4 order.

5 CHAIRMAN WILLIAMSON: Okay. Welcome, Ms.
6 Mendoza. You all may begin when you're ready.

7 MS. MENDOZA: Good afternoon, Chairman
8 Williamson and members of the Commission. I am Julie
9 Mendoza again for the record, and we're appearing on
10 behalf of Ferro Ven, one of the Venezuelan producers
11 who is subject to this investigation.

I'd like to address the issue of cumulation.

13 Of course, the Commission knows that cumulation is
14 discretionary in a sunset review. And I can't imagine
15 a case in which it's clearer the conditions of
16 competition facing the Venezuelans are so dramatically
17 different from those that are faced by India and
18 Kazakhstan.

19 Not only is Venezuela's excess production
20 capacity so small that it could have no discernible
21 impact on the domestic industry, even in its totality,
22 there is no basis in any ITC record to assume that
23 Venezuela could or would ship even that quantity or
24 any quantity to the U.S. market.

25 Venezuela is not a low-cost producer. It

1 lacks mines and it faces frequent shutdowns and
2 electricity shortages. Given its disadvantageous cost
3 structure, it simply makes no sense for companies to
4 sell silicomanganese to the U.S. market under these
5 conditions.

6 Furthermore, there is no basis to assume
7 that Venezuelan producers would sell subject
8 merchandise into the U.S. at prices that undercut U.S.
9 prices. Not only has Venezuela always been an
10 extremely small producer even in the original
11 investigation, Venezuela only undersold the U.S.
12 product in 2 out of 12 quarters, and at margins that
13 were extremely small even in those two instances.

14 Venezuela has never been a major supplier of
15 silicomanganese to this market or any other market in
16 the world. In its 1994 investigation, the Commission
17 did not cumulate imports from Venezuela with imports
18 from China, Ukraine, and Brazil. This is the only
19 occasion in which the Commission has had the
20 opportunity to directly examine the impact of imports
21 from Venezuela on their own merits. And the
22 Commission found no injury from Venezuela.

23 In the 2002 investigation that resulted in
24 the current order, the Commission made an affirmation
25 present injury determination based on cumulating

1 imports from Venezuela with those of India and
2 Kazakhstan. However, it is clear that the
3 contribution to that injury finding from Venezuelan
4 imports was minimal at best.

5 Venezuela's U.S. market share was small, and
6 the absolute increase in imports over the period was
7 only 6,000 tons. And even then the Commission staff
8 noted that due to a breakdown in a major power
9 transformer, the industry, which at that time
10 consisted only of Hovensa, was able to operate at only
11 40 percent of its installed capacity.

16 The present record confirms that Venezuela
17 is likely to compete under very different conditions
18 of competition. As noted, Venezuela remains a very
19 marginal supplier. Venezuela's capacity actually
20 declined over this period of investigation.
21 Venezuela's capacity, production, and shipments of
22 silicomanganese are a small fraction of those in India
23 and Kazakhstan.

24 Table IV-13 and 14 of the Commission staff
25 report, both of which are based on public data, are

1 particularly illuminating. Venezuela is one of the
2 most insignificant producers and exporters of
3 silicomanganese in the world. In 2011, the most
4 recent period for which data is available, Venezuela's
5 production accounted for a mere two-tenths of 1
6 percent of worldwide production.

7 In contrast, India was the second largest
8 producer in the world after China, and Kazakhstan was
9 the sixth largest producer in the world, and accounted
10 for nearly 2 percent of world production, still 10
11 times bigger than Venezuela.

12 In terms of exports, India was the world's
13 largest exporter in 2012, accounting for over 1
14 million tons of exports, while Kazakhstan exported
15 200,000 tons. Venezuela in contrast -- and I'm using
16 public data now -- exported less than 20,000 tons,
17 according to the *Global Trade Atlas*.

18 It's pretty clear that the Venezuelan
19 producers bear no relationship or similarity to those
20 in India or Kazakhstan. Venezuela's limited capacity
21 on an absolute basis is further reduced and
22 constrained by persistent supply and production
23 disruptions. These disruptions are detailed in our
24 confidential brief and in the foreign producer's
25 questionnaire. So Venezuela isn't even able to

1 produce at its theoretical level of capacity.

2 Third, Venezuela's industry is not export-
3 oriented. As our company representatives will
4 testify, the focus of Ferro Ven's investment in
5 Venezuela has been to supply the domestic market in
6 Venezuela, primarily the Venezuelan steel producers,
7 SIDOR -- and in particular, SIDOR.

8 For the industry as a whole, while the exact
9 figure is confidential, a substantial majority of
10 domestic production has been dedicated to Venezuelan
11 domestic market.

12 Fourth, Venezuela's producers' focus on
13 domestic supply is dictated by a number of structural
14 features of the market in Venezuela. Imports into
15 Venezuela are restricted by the government through
16 import substitution policies and licensing
17 requirement. As a result, domestic prices in
18 Venezuela are significantly higher than in the United
19 States or other export markets.

20 In addition, as our witnesses will testify,
21 government currency controls and other political
22 events are also making exports very difficult.

23 Fifth, the present market situation makes it
24 extremely difficult for the producers in Venezuela to
25 be competitive in international markets because -- and

1 this is a key feature of the market today -- they lack
2 a dedicated, captive source of supply of the manganese
3 ore that they need in order to produce this product.
4 That is a very substantial feature of competition in
5 this market today, as our witnesses will explain. And
6 I would note that our witnesses will also explain,
7 although Felman says that it does not import from
8 Georgia, we believe that it does, and it in fact
9 confirmed today that it does import from its
10 affiliated suppliers in South Africa and Gabon.

11 Simply put, the silicomanganese industry in
12 Venezuela is extremely marginal and is nowhere near
13 the capacity, competitiveness, or global reach of the
14 much larger silicomanganese industries in India and
15 Kazakhstan. And I would note that Ferro Atlantica
16 currently has silicomanganese production facilities in
17 South Africa and in Spain, and they are not exporting
18 a ton of that to the United States.

19 Simply put then, we urge the Commission to
20 find that there is no basis on which to cumulate the
21 producers from Venezuela with those of India and
22 Kazakhstan. And we urge the Commission to find that
23 these imports are not causing injury. Thank you.

24 MR. PLANERT: Good afternoon. I'm Will
25 Planert of Morris Manning & Martin, appearing on

1 behalf of Ferro Ven. I would like to briefly address
2 the issue of nonsubject imports and their implications
3 for purposes of the Commission's analysis of the
4 likely effect on the domestic industry of subject
5 imports from Venezuela in the event the order were
6 lifted.

7 As the Commission is aware from previous
8 investigations of this industry, the domestic industry
9 lacks the capacity to supply U.S. demand for
10 silicomanganese, and as a result, nonsubject imports
11 are a necessary and permanent feature of this market.

12 During this period of this sunset review, U.S.
13 domestic capacity increased substantially due to the
14 entry of Felman into the U.S. industry. And yet
15 despite this, nonsubject imports still accounted for
16 more than two-thirds of domestic consumption
17 throughout the period, and the share of nonsubject
18 imports, actually Georgia for the most part, has
19 increased significantly during the first five months
20 of 2013.

21 As has been reported in *Ryan's Notes*,
22 Felman's parent company, Georgian American Alloys, has
23 acquired Georgian Manganese, a producer and exporter
24 of silicomanganese in the Republic of Georgia.
25 Through this acquisition, Georgian American Alloys

1 obtained not only the silicomanganese refining
2 operation, but also a manganese ore mine and a power
3 plant.

4 In a recent interview in *Ryan's Notes*, the
5 CEO of Georgian American Alloys, Mr. Mordechai Korf,
6 discussed the significant cost synergies from this
7 operation and stated that through the access to
8 Georgia Manganese Chiatura manganese ore mine, he
9 expected to be able to reduce production costs at
10 Felman's domestic U.S. operations as well. Mr. Korf
11 also acknowledged that between Felman's domestic
12 production in the United States and its imports from
13 Georgia, Felman now controls more than half of the
14 U.S. silicomanganese market. A copy of that interview
15 was provided in Exhibit 1 of our prehearing brief.

16 Felman has demonstrated that it will shut
17 down its domestic capacity and substitute supply with
18 imports from Georgia. During the first five months of
19 2013, imports from Georgia have increased 38 percent
20 compared to the same period in 2012.

21 In evaluating the impact of these and other
22 nonsubject imports, the Commission should bear in mind
23 three significant conditions of competition. First,
24 as has been discussed already extensively this
25 morning, silicomanganese is a fungible commodity

1 product. This makes imports from various sources near
2 perfect substitutes for one another.

3 Second, as has also been discussed, the
4 market is highly transparent with respect to prices,
5 which are published in *Ryan's Notes* and other
6 publications, so that both buyers and sellers have
7 near perfect information on market prices, and even
8 long-term contracts are pegged to published price
9 benchmarks. This means that market prices will
10 rapidly adjust to changes in supplier demand, and that
11 all imports will trade at approximately the same
12 prices in the U.S. market.

13 Third, a large portion of nonsubject imports
14 are controlled by Felman, which is also the largest
15 domestic producer of silicomanganese. Given these
16 conditions of competition, the Commission needs to ask
17 itself how it can distinguish the likely effects of
18 subject imports if the orders are revoked from the
19 current and continuing effects of the very large
20 volume of nonsubject imports already in the U.S.
21 market.

22 From the standpoint of a Bratsk Metal
23 analysis, it is clear that the so-called Bratsk
24 triggering factors are present here. You have a large
25 volume of fungible, price competitive, nonsubject

1 imports already present in the market, and that volume
2 will only be increasing with the shutdown of Felman's
3 domestic production.

4 Whether or not the Commission concludes as a
5 legal matter that a Bratsk Metal analysis is warranted
6 in the sunset reviews, the Commission's practice is
7 clear that it considers the likely role of nonsubject
8 imports in its sunset analysis. Such an analysis is
9 particularly important in this case, in which the
10 largest producer is also one of the largest importers
11 of nonsubject merchandise, and has the ability to
12 shift seamlessly between domestic and nonsubject
13 imports in supplying its U.S. customers.

14 In the July edition of *Ryan's Notes*, it was
15 reported that the recent shutdown of Felman's
16 production will have little impact on the U.S. market,
17 and that Felman has not declared *force majeure* on its
18 contract shipments and is instead expected to fulfill
19 its contractual obligations in large part from its
20 affiliated Georgian silicomanganese plants.

21 Given these facts, the Commission needs to
22 ask itself how to evaluate the likely impact of
23 whatever small volume of imports from Venezuela it
24 might plausibly deem to be likely if the order were
25 revoked.

1 Specifically, there is no reason to conclude
2 that such imports would displace domestic production
3 rather than Felman's imports from Georgia or other
4 nonsubject imports. The U.S. producers have
5 competitive advantages in terms of being closer to the
6 market, but all imports are highly fungible.

7 In terms of price, the aggregate increases
8 in supply from Venezuela would be too small to move
9 the needle, and could in any event be easily offset by
10 even a modest reduction in Felman's imports from
11 Georgia. And given the absence, as Julie discussed a
12 moment ago, of any significant history of underselling
13 from Venezuela during the original investigation,
14 there is no basis to project that Venezuelan imports
15 would enter the United States at prices that would
16 undersell the domestic industry.

17 Now, in its prehearing brief, Felman
18 presented an analysis of average unit values of
19 nonsubject imports compared to domestic shipments, and
20 that analysis appeared to show nonsubject imports
21 entering the United States at significantly higher
22 prices than the domestic industry is selling.

23 Commissioner Pearson asked a very good
24 question, which is what explains this. The answer
25 appears to be largely because in calculating the AUVs

1 for the nonsubject imports, they used Census data
2 rather than the questionnaire data reported in the
3 staff report. The Census data would include imports
4 of nonsubject, low-carbon silicomanganese, which sells
5 at a significantly higher price.

6 If you take the average unit values from
7 tables 4.1 of the staff report and insert them into
8 that chart in Felman's brief rather than using the
9 Census data from table C3, you will see that the
10 spread between the AUVs of nonsubject imports and
11 domestic shipments doesn't completely disappear, but
12 becomes considerably more narrow. Thus, a comparison
13 of AUVs also does not provide, when done properly, any
14 support for the notion that nonsubject imports are
15 somehow trading in a different manner and are somehow
16 less injurious than subject imports would be. Thank
17 you.

18 MS. MENDOZA: We'd just like to also just
19 point out that in fact the Commission staff was very
20 diligent in every chart that they produced,
21 specifically noting that the import data would include
22 this low-carbon silicomanganese, which would
23 necessarily result in prices seeming higher than they
24 would if you in fact eliminated that, and yet
25 Petitioners obviously used the data that included the

1 low-carbon silicon, hence producing this inexplicable
2 difference between U.S. producer prices and imported
3 nonsubject prices.

4 MR. HOPKINS: Good afternoon. My name is Ed
5 Hopkins, and I'm the general manager of Ferro
6 Atlantica North America. I'm in charge of Ferro
7 Atlantica's North American operations, and I have been
8 working with Ferro Atlantica for more than 14 years.

9 I appreciate the opportunity to be here
10 today to address the Commission on the antidumping
11 duty order on silicomanganese from Venezuela. I'd
12 like to begin by telling you a little bit about Ferro
13 Ven, then I will describe the U.S. market for
14 silicomanganese in the United States.

15 I believe it will become evident from this
16 description why revocation of the antidumping duty
17 order on silicomanganese from Venezuela would not lead
18 to a continuation or a recurrence of injury to the
19 domestic silicomanganese industry.

20 Ferro Ven began production of
21 silicomanganese in 2006, well after the ITC's original
22 antidumping investigation. Ferro Ven operates a
23 single furnace in Puerto Ordaz, Venezuela that is
24 dedicated to the production of manganese alloys, that
25 is, silicomanganese and ferromanganese.

1 Since production began in 2006, Ferro Ven's
2 production has been primarily dedicated to supplying
3 the domestic market in Venezuela. Ferro Ven has never
4 exported silicomanganese to the United States, and
5 therefore was not involved in the original
6 investigation. As I will discuss in a moment, given
7 current market conditions, we do not expect to begin
8 selling to the United States at any time in the
9 reasonably foreseeable future, regardless of the
10 outcome of this sunset review.

11 Ferro Ven is nevertheless concerned about
12 being branded as an unfair trader that is subject to
13 antidumping duties, even though Ferro Ven has never
14 been found to have dumped silicomanganese or to have
15 caused material injury to the U.S. domestic industry.

16 Ferro Atlantica, our European parent, is firmly
17 convinced that these sunset reviews must be taken very
18 seriously, and therefore they have decided to fully
19 participate in this proceeding.

20 I'd like to turn to look at the U.S.
21 silicomanganese market. As the Commission is aware
22 from previous investigations of the market, the end
23 use of silicomanganese is as a deoxidizer and alloyer
24 in the production of steel. Consequently, demand for
25 silicomanganese is a derivative of the U.S. steel

1 production.

2 As the Commission is also aware from
3 previous investigations, there is nowhere near enough
4 domestic capacity to supply the U.S. demand for
5 silicomanganese. As a result, large quantities of
6 imports are an essential feature of the market. This
7 fact has not changed since the entry of Felman into
8 the domestic industry during the period of the
9 Commission's review. The largest import supplier to
10 this market over the past five years have been South
11 Africa, Georgia, Norway, and Australia.

12 In recent years, Georgia has replaced South
13 Africa has the largest import supplier. Collectively,
14 imports have supplied well over half of the U.S.
15 demand.

16 The U.S. steel industry is one of the most
17 dynamic and highly competitive industries in the
18 world. Steel producers in the United States have
19 access to large quantities of imports from a wide
20 variety of nonsubject sources, as well as from
21 domestic silicomanganese producers, and
22 silicomanganese accounts for a small share of the
23 total cost of steel production.

24 Silicomanganese is a commodity product, and
25 silicomanganese from all sources is generally

1 interchangeable as long as it meets grade
2 requirements. Information on silicomanganese prices
3 is reported in *Ryan's Notes*, *Platts*, and other trade
4 publications, and as a result both buyers and sellers
5 have nearly perfect pricing information.

6 As a result of these factors, the price of
7 silicomanganese is primarily a function of supply and
8 demand. From the standpoint of producers supplying
9 this market, this puts a premium on being able to
10 manage your overall cost to obtain a competitive
11 advantage. As the Commission is aware, there are two
12 domestic producers of silicomanganese in the United
13 States: Felman, whose production is located near New
14 Haven, West Virginia; and Eramet, located in Marietta,
15 Ohio, whose output has generally been sold to U.S.
16 Steel Corp.

17 Felman is by far the dominant domestic
18 supplier of silicomanganese. In addition to its large
19 domestic production, Felman is also known to be the
20 largest supplier of imported silicomanganese in the
21 United States. Felman's distribution arm, known as
22 Felman trading, provides an efficient and competitive
23 distribution network that distributes both Felman's
24 domestic and imported silicomanganese throughout the
25 United States. It has been reported in the trade

1 press that between domestic production and imports,
2 Felman alone supplies more than half of the U.S.
3 market for silicomanganese.

4 Through May of this year alone, Felman's
5 imports from the Republic of Georgia are at 56,000
6 metric tons, 16,000 metric tons above last year's
7 pace, as they are closing their own U.S. operations.
8 So a few weeks ago, Felman announced that it is idling
9 its domestic production facility for a period of at
10 least three months. Based on our understanding of the
11 market, this will not affect Felman's role as the
12 dominant U.S. supplier.

13 Felman can easily substitute with its
14 captive imports. As has been widely reported in the
15 trade press, Felman's parent company recently
16 completed the acquisition of Georgia Manganese, a
17 major producer of silicomanganese in the Republic of
18 Georgia. Georgia Manganese owns its own manganese ore
19 mine in Georgia, and given the competitive cost
20 advantages, it makes sense for Felman to rely
21 primarily on that supply to service the U.S. market
22 based on current price levels.

23 As I mentioned a moment ago, because the
24 price of silicomanganese is primarily a function of
25 supply and demand, the most effective competitive

1 strategy for selling profitably in this market is to
2 control costs. Domestic producers have a natural cost
3 advantage with respect to freight and logistics
4 because they are located closer to their customers and
5 can respond quickly to customer orders. Imports in
6 contrast feature longer lead time and incur higher
7 freight costs.

8 On the other side of the cost equation, one
9 of the most significant costs in components of
10 silicomanganese production is the primary raw
11 material, manganese ore. There are two kinds of
12 silicomanganese producers, those that are integrated
13 into the manganese ore production, and those that are
14 not. Through their relationships with their parent
15 companies, both Felman and Eramet are integrated
16 producers who have access to captive sources of
17 manganese ore.

18 The same is true of producers in most of the
19 major sources of exports to the United States,
20 including Georgia, South Africa, Norway, and
21 Australia. The same is also true of the major
22 producers in India and Kazakhstan. Ferro Ven is not
23 an integrated producer, which places Ferro Ven at a
24 competitive disadvantage with respect to the U.S.
25 industry, major nonsubject suppliers, and subject

1 producers in India and Kazakhstan.

2 As my colleague, Antonio Salinas, will
3 explain in a moment, Ferro Ven's parent company does
4 not own manganese mines anywhere in the world, and
5 there is no local production of manganese ore in
6 Venezuela. This means that Ferro Ven must source its
7 ore on the open market and incur the costs of
8 importing the ore into Venezuela. The cost of not
9 being integrated into silicomanganese production can
10 be severe, as market prices for ore can be volatile.

11 For example, between 2004 and 2008, the cost
12 of manganese ore increased from approximately \$1.48
13 per manganese unit to \$18. Integrated producers can
14 mitigate such cost increases and thus do a better job
15 of controlling their costs than nonintegrated
16 producers.

17 Through its acquisition of Georgia
18 Manganese, Felman now has the best of both worlds. As
19 a domestic producer, it's located close to its
20 customers, has a strong, nationwide distribution
21 operation. And through Georgia Manganese, Felman now
22 controls a large manganese ore mine, which has the
23 potential to supply both its U.S. and Georgian
24 operations. Felman thus has the luxury of seamlessly
25 shifting between domestic production and imports based

1 on market conditions and its own internal cost
2 calculations.

3 This is exactly what we believe is taking
4 place with the decision to temporarily idle Felman's
5 plant in West Virginia.

6 In light of my discussion of the structure
7 and operation of the U.S. market, I would hope it is
8 now clear why revoking the order on silicomanganese
9 from Venezuela would not lead to the continuation or
10 recurrence of material injury to the domestic
11 silicomanganese industry. This small industry in
12 Venezuela is simply in no position to compete with
13 either domestic producers or with the large,
14 nonsubject import sources that supply this market,
15 including those controlled by Felman.

16 Quite frankly, even without the antidumping
17 order, supplying the U.S. market would make no sense
18 for Ferro Ven for the foreseeable future. Ferro Ven's
19 parent company, Ferro Atlantica, produces
20 silicomanganese in Spain and is not subject to
21 antidumping duties. However, Ferro Atlantica is not
22 exporting silicomanganese to the U.S. from Spain.
23 Ferro Atlantica also owns a plant for producing
24 silicomanganese in South Africa. Again, there are no
25 antidumping duties on silicomanganese from South

1 Africa, yet Ferro Atlantica has chosen to let that
2 plant sit idle rather than to use it to produce
3 silicomanganese for export to the United States.

4 The overriding economic reality is that
5 without being integrated into manganese ore, and given
6 the cost of freight, the regular Customs duty of 3.9
7 percent, and the low market price in the United
8 States, it simply makes no sense to attempt to compete
9 in this market. If Ferro Atlantica is not shipping to
10 the United States from its production facilities in
11 Spain or South Africa, which currently enjoys a very
12 favorable exchange rate vis-à-vis the U.S. dollar,
13 then it would certainly make no sense to do so from
14 Ferro Ven in Venezuela.

15 Thank you. I'd be happy to answer any
16 questions you have.

17 MR. SALINAS: So good afternoon. My name is
18 Antonio Salinas. I'm the export manager of Ferro
19 Atlantica. I have been with Ferro Atlantica for more
20 than six years. Unfortunately, the head of Ferro Ven
21 is not able to be here today, but I am familiar with
22 our plant in Venezuela, and if I don't know an answer
23 to your questions, I will work with our people there
24 to get you an answer.

25 The silicomanganese industry in Venezuela is

1 very small, and has extremely limited capacity and
2 global reach. Frankly, given the enormous
3 difficulties we have faced due to political situation
4 in Venezuela, our investment there only makes sense if
5 we intend to serve the Venezuelan market. We have
6 found that our investment has been significantly
7 diminished by government controls over electricity and
8 the sourcing of raw materials.

9 These policies have significantly impeded
10 our production and capacity utilization because we
11 have lacked raw materials, electricity, and access to
12 parts and components to keep our plant operating.
13 Frankly, the policies of the current government of
14 Venezuela have imposed a number of hardships on our
15 investments.

16 There are only two producers of
17 silicomanganese in Venezuela, Ferro Ven and Hovensa.
18 Together, we and Hovensa account for only a tiny
19 fraction of the worldwide capacity and production.
20 The public staff report estimates that as of 2011,
21 Venezuela accounted for two-tenths of 1 percent of
22 world production. I would estimate that if anything,
23 the number is even smaller in 2013. In this regard,
24 the industry in Venezuela is very different from that
25 of India, which is the second largest global producer

1 and is estimated by the staff to have accounted for 11
2 percent of world production; and of Kazakhstan, whose
3 industry is also at least five times larger than that
4 of Venezuela. Both of those countries are global
5 suppliers.

6 It is also important to understand that the
7 practical capacity of the industry in Venezuela is
8 substantially less than the nameplate capacity that
9 you may find listed on company web site or in
10 estimates of CRU and similar sources. In the case of
11 Ferro Ven, we have experienced frequent periodic
12 shutdowns over the past five years due to electricity
13 shortages. The government in Venezuela regulates and
14 limits electricity usage, and during times of
15 shortage, we are sometimes forced to shut down the
16 furnaces.

17 We have also faced limitations and shortages
18 of manganese ore and of auxiliary materials. As my
19 colleague, Ed Hopkins, noted, Ferro Ven is not
20 integrated into the production of manganese ore, and
21 there is no domestic supply of manganese ore in
22 Venezuela. This means that we must obtain our ore on
23 the open market, primarily from suppliers in South
24 Africa and Australia. The currency controls operated
25 by the government makes the process of importing these

1 materials difficult and costly, and as a result there
2 has been many times when we had shortages of ore that
3 limited our production.

4 While I'm not privy to the details of
5 Hovensa's operations, Hovensa is also not integrated
6 into ore production, and it is well-known in our
7 industry that Hovensa has also experienced shortages
8 of electricity that have forced periodic shutdowns of
9 its furnaces. We are also aware that Hovensa has
10 experienced chronic breakdowns and other problems in
11 keeping its furnaces operational. Over the past five
12 years, I would estimate that Hovensa has rarely, if
13 ever, had all of its furnaces up and running at the
14 same time.

15 The only offsetting factor has been our
16 proximity to our customers and the fact that import
17 restrictions made it difficult to import
18 silicomanganese into Venezuela. We have therefore our
19 competitive advantage over foreign suppliers in
20 serving these Venezuelan steel producers. As a
21 result, prices for silicomanganese in Venezuela are
22 higher than in the United States or most other export
23 markets.

24 Our biggest home market customer is SIDOR,
25 the government-owned steel company in Venezuela, which

1 is located only a few kilometers from our plant. Over
2 the past few years, SIDOR has experienced chronic
3 operational difficulties, and as a result its output
4 of steel declined. Under these conditions, we have
5 made some limited exports to customers in Mexico and
6 Colombia. However, the prices in those markets are
7 not as attractive as in Venezuela, and we face
8 substantial obstacles in exporting to those markets
9 due to the currency exchange controls. Therefore, our
10 tonnage has been very limited. Our strong preference
11 remains to supply the domestic market in Venezuela.

12 Over the past 12 months, the government of
13 Venezuela has made significant new investments in
14 SIDOR, and as a result, SIDOR's production has
15 improved dramatically in 2013 compared to the recent
16 years. In May of this year, SIDOR's production was 50
17 percent higher than in 2012, and the outlook for the
18 remainder of the year is positive. With this
19 improvement in domestic demand for silicomanganese, we
20 anticipate increasing our domestic shipments in 2013.

21 Under no circumstances do we anticipate
22 exporting to the United States market at any time in
23 the reasonably foreseeable future. First, as Ed
24 Hopkins described, prices are at a low level
25 worldwide, and the United States market for

1 silicomanganese is very competitive. We would be at a
2 large competitive disadvantage compared to Felman and
3 Eramet to their geographical proximity. Moreover,
4 major nonsubject suppliers such as Georgia have big
5 competitive cost advantages due to their ownership of
6 manganese mines. Venezuela also suffers from some
7 particular disadvantages due to the fact that the
8 government of Venezuela imposes significant foreign
9 currency controls that make exporting difficult.

10 Finally, I would like to reiterate the point
11 made by Ed Hopkins at the beginning of his remarks.
12 Ferro Ven has never exported silicomanganese to the
13 United States, let alone sold it at less than fair
14 value. We are also far too small a participant in the
15 silicomanganese markets to have any possible impact.
16 We are confident that our company and the
17 silicomanganese industry in Venezuela pose no
18 competitive threat to the United States. We therefore
19 urge the Commission to revoke the antidumping order on
20 silicomanganese from Venezuela.

21 And finally, I would be happy to answer any
22 questions you may have. Thank you.

23 MS. MENDOZA: That concludes our testimony.

24 CHAIRMAN WILLIAMSON: Okay. Thank you very
25 much. And I express our appreciation to the witnesses

1 for coming today to present their testimony. It's
2 always very helpful to have people in the exporting
3 country here. And this afternoon we'll begin our
4 questioning with Commissioner Broadbent.

5 COMMISSIONER BROADBENT: Thank you, Mr.
6 Chairman. Thanks to the witnesses, appreciate your
7 testimony.

8 Ms. Mendoza, can you describe to me why
9 Venezuela's exports to the U.S. increased in the
10 original period of the investigation? That was 1998
11 to 2000, and it went up probably I guess 40 or 50
12 percent in those three years.

13 MS. MENDOZA: I think that if you -- I don't
14 know the reasons. That was -- our client did not
15 exist at that time. I'm happy to ask Hovensa, that
16 was the exporter at that time, if they could give us
17 any information about that.

18 I would note that the quantities were -- on
19 an absolute basis were very small. I think it was
20 6,000 tons or something like that over the whole
21 period. So I think our point is kind of to focus on
22 -- and particularly in a commodity-driven product like
23 this, volume is an extremely important factor. So I
24 think that I'm happy to ask them and see if there was
25 some particular circumstance. It may have been that

1 demand in the U.S. was up. I don't know. But I'm
2 happy to ask and get back to you.

3 COMMISSIONER BROADBENT: Sure. That would
4 be helpful for the record. It seems like Venezuela
5 gets targeted fairly regularly here. You had a
6 petition in 1994, where you got a negative
7 determination, and then there was a new petition in
8 2001 that has remained in effect until today.

9 Why is it that Venezuela seems to be a
10 target?

11 MS. MENDOZA: Well, I guess the way I would
12 look at it is -- personally, my interpretation is in
13 1994, when it was first looked at, at that point in
14 time, the statute did not require mandatory
15 cumulation, and the Commission looked at it as a
16 present injury case and in fact decumulated Venezuela,
17 and as a consequence found that they were an
18 irrelevant part of the market and terminated that
19 case.

20 The U.S. industry then, the Congress changed
21 the law to make cumulation mandatory in present injury
22 investigations. And in that investigation, you would
23 note that both India and Kazakhstan were included,
24 which were huge suppliers who had very major increases
25 in their imports during the original period of

1 investigation when Vanessa -- when Venezuela -- I'm
2 sorry, my daughter is named Vanessa -- when Venezuela
3 increased only 6,000 tons.

4 So I think that -- I mean, I think it's
5 pretty clear that what happened there is that
6 Venezuela just got -- they waited until, you know,
7 cumulation was mandatory and present in injury, and
8 then they included two huge suppliers through
9 Venezuela, and Venezuela was cumulated, and the
10 Commission had no choice but to look at them as a
11 single entity under the law.

12 COMMISSIONER BROADBENT: Thank you. If in
13 fact we were persuaded by the domestic parties to
14 cumulate in this case, should we still find negative
15 injury?

16 MS. MENDOZA: Yes. It's our position, and
17 one of the reasons we've given all the testimony about
18 conditions of competition in the market, is that we do
19 believe that all imports, cumulated subject imports,
20 would not be a future cause of material injury. I
21 guess our position is that, you know, given that we
22 have participated fully in this investigation, as has
23 the other producer, that you have obviously much
24 better information from us, and all the reasons that
25 we've said we believe we should be decumulated.

1 But if you're asking me do I think on this
2 record that the Commission should revoke the case with
3 respect to everyone, my answer would be yes.

4 COMMISSIONER BROADBENT: Thank you. In
5 general, how restrictive are global tariffs that
6 silicomanganese exporters face worldwide? Where are
7 the tariffs and the trade barriers the highest, which
8 markets?

9 MS. MENDOZA: Tariffs as in dumping duties
10 or regular tariffs?

11 COMMISSIONER BROADBENT: Any, any import
12 restriction.

13 MS. MENDOZA: As far as I know, the only
14 dumping case that exists in Europe, correct, against
15 China. As far as I'm aware, there are no dumping
16 actions against anybody in the world, as far as I
17 know.

18 In terms of tariffs, is the U.S. tariff
19 comparable to tariffs in other parts -- like, how
20 about into Europe, for example, regular tariffs?

21 MR. SALINAS: Actually, I'm not aware of
22 that. As Julie says, we do have antidumping against
23 Chinese silicomanganese in Europe, which is around 8.2
24 percent.

25 MS. MENDOZA: And how about the regular

1 tariff? Do you know what the regular tariff -- we're
2 happy to try to get that information.

3 COMMISSIONER BROADBENT: Yeah.

4 MS. MENDOZA: We don't know off the top of
5 our heads.

6 COMMISSIONER BROADBENT: And then if one of
7 the witnesses could describe to me sort of the import
8 restrictions that are in Venezuela. If the U.S. were
9 to export this product to Venezuela, how would it be
10 treated?

11 MR. SALINAS: It's sort of quite difficult
12 to import into Venezuela. What we are facing, as we
13 were saying before, we are not integrated manganese
14 ore producer. So therefore we need to source our
15 manganese ore from third countries. Therefore, what
16 we need to do is to go through this exchange, foreign
17 exchange control, in Venezuela in order to obtain the
18 permission to buy dollars and to buy the ore.

19 So this makes all the operational very
20 complicated.

21 MS. MENDOZA: Just to add. This is Julie
22 Mendoza. I think that the way it works in Venezuela
23 is that basically if you want to be able to pay for
24 something in dollars, which you have to be able to do
25 in order to import, there is an agency of the

1 Venezuelan government --

2 MR. SALINAS: I believe the name is CADIVI.

3 You have to go through CADIVI in order to obtain the
4 permission and to buy the dollars in the market, and
5 buy your raw materials.

6 COMMISSIONER BROADBENT: So does that
7 function also as an import license?

8 MR. SALINAS: Sort of.

9 COMMISSIONER BROADBENT: Okay. Why is
10 Venezuela focused on the EU market, and why is,
11 according to your testimony, the North America market
12 less attractive than the EU market?

13 MS. MENDOZA: We as a company do not export
14 to Europe, but I'm happy to ask -- I mean, I assume
15 it's the other producer, right, because the data shows
16 it. So I'm not revealing anything confidential. But
17 we're happy to ask them what the circumstances were
18 for those exports to Europe, and include it in our
19 posthearing brief, if that would be helpful.

20 COMMISSIONER BROADBENT: Okay. Speaking
21 back on the topic of cumulation, could you talk again
22 about the similarities between Venezuela and Brazil
23 that might warrant the Commission decumulating
24 Venezuela by a similar rationale?

25 MS. MENDOZA: Yes, I'd be happy to. I mean,

1 the primary point we were trying to make is that in a
2 commodity product, volume and your ability to produce
3 a certain volume is critical, and that we were saying
4 that in the case of Brazil, for example, even though
5 -- and the record is confidential, but it seems to
6 suggest that the production of Brazil is very similar
7 to the production of the two U.S. producers. And the
8 point we're making is that we as a producer are much
9 smaller than that, and therefore on a volume basis
10 would have even a potential of being much less of an
11 impact on the U.S. market.

12 Now, in the case of Brazil, you found that
13 the reason that Brazil was unlikely to export to the
14 U.S. is because the Brazilian market was booming, and
15 they had -- there was a lot of demand, and basically
16 their export orientation had remained relatively flat.

17 There was one. They were exporting. But it was
18 relatively flat.

19 What I guess we're suggesting is we believe
20 the situation here is comparable in the sense that
21 because of all of the difficulties that they face in
22 terms of production and all of that, and the fact that
23 it makes so much sense for them to focus only on their
24 domestic market, what we're saying is that if in the
25 case of Brazil, which had a much larger amount of

1 production potentially that could have been exported,
2 and us, with a much smaller amount, and a lot of
3 production difficulties, it's reasonable to say that
4 we're very unlikely to have any adverse impact in the
5 same way that Brazil was found to -- you decumulated
6 and found they would have no adverse impact on the
7 market.

8 I don't know, Will, if you wanted to add
9 anything to that.

10 But, I mean, we're not saying it's the
11 identical situation. Obviously in Brazil the issue
12 was that the economy was booming. We're not
13 suggesting that here. We know that Venezuela is not
14 in good shape and that there are a lot of problems. I
15 guess what we're saying is that not only is the
16 economy a problem for SIDOR, it's a problem or Ferro
17 Ven and Hovensa also. And it results in them really
18 not being very competitive and not being able to
19 produce anything.

20 And, you know, as Ed was saying, I mean,
21 Ferro Atlantica has production facilities in other
22 parts of the world, and they're not sending it to the
23 U.S., and there is a reason for that. And I think I
24 would say that probably Venezuela is the last place
25 you would export. You would probably export first

1 from Spain or South Africa if market conditions were
2 such that they wanted to export to the U.S. at all.

3 COMMISSIONER BROADBENT: Okay. Thank you,
4 Mr. Chairman.

5 CHAIRMAN WILLIAMSON: Thank you. I was
6 wondering if you could say how, if at all, do you
7 think the recent election of President Maduro will
8 affect import policies and silicomanganese prices
9 within Venezuela?

10 MR. SALINAS: What we have experienced with
11 the change of government is that the situation is the
12 same, more or less. And the forecast is that it would
13 remain as it was. So unfortunately, we do not see any
14 positive change for us for the meantime.

15 MS. MENDOZA: I would say that I think, just
16 to add a little bit, on their side -- he's talking
17 about from Ferro Ven's perspective and Hovensa's
18 perspective. I would say that one thing that is
19 happening -- and maybe this is overly optimistic by
20 the government. But I think there is at least a
21 feeling in the government that they realize that they
22 need to get some of these industries back up and going
23 again, or there is going to be a really big disaster.

24 And so I think there is a push. Whether
25 it's going to be effective or not remains to be seen.

1 But I think there is a push on these basic industries
2 like steel and aluminum and things like that that they
3 realize that they need to get some better in there
4 operating them. And actually, the people running
5 SIDOR have actually been completely changed with this
6 new administration.

7 It remains to be seen whether that will be
8 effective or not.

9 CHAIRMAN WILLIAMSON: And has SIDOR
10 announced any new policies in terms of how it's --

11 MS. MENDOZA: Oh, I think they pretty much
12 announce new policies every day.

13 CHAIRMAN WILLIAMSON: Oh, have they
14 implemented any?

15 (Laughter.)

16 MS. MENDOZA: Yeah. I hope nobody is
17 listening.

18 CHAIRMAN WILLIAMSON: Okay.

19 MS. MENDOZA: But, you know, yes. I mean,
20 SIDOR clearly has stated that they understand that
21 they have got to get people back to work and that
22 they've got to increase production to be able to do
23 that and become more efficient. And certainly the
24 government desires that. Whether they have the
25 ability to do it remains to be seen.

1 CHAIRMAN WILLIAMSON: Okay. Thank you.

2 Felman and Eramet argue that the U.S. market
3 is attractive because of competitive prices and
4 transparency. Do you agree? And if not, why not?

5 MR. PLANERT: You know, Felman's argument is
6 interesting because on the one hand they say that the
7 U.S. market is more attractive than other markets.
8 But then they turn around and say, but things are so
9 bad here that we had to shut down our production. So
10 in terms of relative attractiveness from the
11 standpoint of Venezuela, we certainly don't see it.

12 The average unit values within Venezuela on
13 their domestic sales are substantially higher than
14 they are in the United States. I think that relative
15 attractiveness argument was directed primarily at
16 Europe. And as Julie mentioned, our client isn't
17 selling to Europe. We could look into why others
18 might be.

19 But in terms of relative attractiveness and
20 the United States being some sort of import magnet,
21 you know, I mean, that might go a way to explaining
22 the large volume of third-country imports and
23 nonsubject imports that we're seeing, but I don't
24 think that from the standpoint of Ferro Ven in
25 Venezuela that that's a reason to project that you

1 would see a resumption of imports in the foreseeable
2 future, given current market conditions.

3 CHAIRMAN WILLIAMSON: Would Ferro Ven care
4 to say what markets does it find attractive outside of
5 Venezuela?

6 MR. HOPKINS: I think in today's world,
7 there are no attractive markets for silicomanganese,
8 and I think that's really the reason why the South
9 African facility remains idle. You know, right now,
10 as we mentioned, there are two strata of operators out
11 there in the silicomanganese world, those who have
12 captive ore supplies and not subject to the market
13 fluctuations of manganese ore and those who don't.
14 And if it is -- and I think today's world, I mean, we
15 said it's a fungible commodity. It is supply and
16 demand driven, and it is simply the increase of supply
17 and the decrease in demand in the world that has
18 driven the prices down to the levels are, where really
19 it's not attractive except for the lowest cost
20 producers in the world.

21 CHAIRMAN WILLIAMSON: Okay. If you do
22 export, how would you export it? Is it like a bulk
23 shipment, the containers, or --

24 MR. HOPKINS: Yeah. From Venezuela, Ferro
25 Ven produces ferrosilicon, and that is shipped in bulk

1 ships small ships. They're about 6,000-ton capacity
2 vessels, typically going to Mexico and Houston and
3 Tampa and other places like that with other
4 commodities that come from Venezuela. There is very
5 limited shipping between the U.S. and Venezuela as far
6 as the type of shipping that you would ship bulk
7 commodities on like that.

8 So it typically would come into the port of
9 New Orleans and then on the river system to U.S.
10 warehouses from there.

11 CHAIRMAN WILLIAMSON: Okay. What does that
12 say about your ability to enter the U.S. market?

13 MR. HOPKINS: Do we have the ability to
14 enter the U.S. market? Yes, we do. Is it something
15 that is attractive and we would do at a loss? No.

16 CHAIRMAN WILLIAMSON: Okay. Thank you.
17 Does SIDOR source silicomanganese only from domestic
18 producers, or does it also imports?

19 MR. SALINAS: To my understanding, they are
20 being supplied by local producers, between us and
21 Hovensa.

22 CHAIRMAN WILLIAMSON: Okay. So for anybody
23 trying to export, they have all the problems that
24 you've already talked about. Okay.

25 If SIDOR's performance is poor in the future

1 -- and since I've already asked this, but where would
2 you -- where would you sell your product? You know,
3 if SIDOR doesn't turn around or doesn't expand
4 production to demand more, where do you go?

5 MR. HOPKINS: Yeah. I think it's
6 traditionally Ferro Atlantica and the parent company's
7 standpoint if you're making losses, you can close the
8 furnace, yeah. South Africa is closed. We've done
9 curtailments in our European operations when -- in
10 silicon metal, in all the products that we produce.
11 When the market price is below the cost of production,
12 it's time to shut the furnace.

13 CHAIRMAN WILLIAMSON: Okay. How attractive
14 is the Brazilian market, by the way, for you, given
15 its size and number of steel companies there?

16 MR. SALINAS: Actually, not for the
17 silicomanganese because there is local domestic
18 suppliers. For other products, we do deliver, but
19 very marginal because Brazil is a big ferroalloy
20 producer. They produce manganese alloys, and they
21 also produce silicon metal, other products such as
22 calcium silicon. So it is not an interesting market
23 for us.

24 CHAIRMAN WILLIAMSON: Okay. Thank you. Can
25 you describe the trends you expect to see in raw

1 material costs over the next few years, and what
2 impact do you anticipate these trends to have on the
3 price of silicomanganese?

4 MR. HOPKINS: It's difficult to say. I
5 mean, a lot is going to depend on which way the world
6 economy goes. If Europe begins to recover, if the
7 U.S. construction market recovers, you know, and if
8 there is market discipline among the producers, I
9 mean, the price should go up. That's what I would
10 anticipate.

11 As far as the raw material costs that go
12 into, that's all determined primarily by the
13 electricity suppliers and by the manganese ore
14 producers since they are the ones who set the price of
15 ore.

16 CHAIRMAN WILLIAMSON: Okay. Thank you.
17 That's all the questions I have for this round.
18 Commissioner Pearson?

19 COMMISSIONER PEARSON: Thank you, Mr.
20 Chairman. Welcome to all of you. Thanks for putting
21 up with us this morning and being here into the
22 afternoon.

23 Do you have any idea why Hovensa isn't here?
24 Did you speak to them about the possibility of coming?

25 MS. MENDOZA: Yes, we did. They informed us

1 that they were not interested in participating because
2 they haven't been in the U.S. market in a long time
3 and don't have any intention of getting back into the
4 U.S. market. We did try to encourage them to
5 participate because we believe it's helpful, and I
6 know that they did complete a questionnaire and submit
7 that. But they weren't interested in coming to
8 testify today.

9 COMMISSIONER PEARSON: Okay. It wasn't that
10 they had such bad memories from 1994 that they didn't
11 want to touch it again?

12 MS. MENDOZA: At least not that they said
13 any of that to me, no.

14 COMMISSIONER PEARSON: Could you clarify?
15 Did Ferro Ven build a new plant in 2006, or was it
16 acquiring an existing facility?

17 MR. SALINAS: No. We did not build a new
18 plant. It was one furnace. What we built was one
19 furnace for the production of manganese alloys. These
20 means ferromanganese and also silicomanganese.

21 MR. HOPKINS: When Ferro Atlantica purchased
22 that plant, there were three furnaces that were
23 constructed, and there was one furnace, let's say, in
24 the box, that was not constructed. And then as the
25 economy improved in 2006, and the demand was there

1 from SIDOR for manganese, they constructed -- they
2 built the furnace that was onsite there when they
3 bought the plant. So it's at the existing facility.

4 COMMISSIONER PEARSON: Okay. This was a
5 plant that had been constructed by someone other than
6 Hovensa?

7 MR. HOPKINS: Yes, yes.

8 MS. MENDOZA: This had been a government-
9 owned facility that was privatized.

10 Did you buy it from the privatization?
11 Yes, I believe so, right?

12 So this had been a -- it had been owned by
13 the government prior to 2006, and then it was
14 privatized -- I'm sorry?

15 MR. HOPKINS: The original plant. The
16 original plant was purchased in 1998 from the
17 government.

18 COMMISSIONER PEARSON: By another firm, and
19 then it -- and in 2006 it was purchased by Ferro Ven.

20 MR. HOPKINS: No, no. The plant was
21 purchased from the government by Ferro Atlantica in
22 1998, in which at that time there were three running
23 furnaces and one furnace in the box. And then in
24 2006, Ferro Atlantica appropriated the money to build
25 -- to put together the four furnaces.

1 MR. PLANERT: But the three existing
2 furnaces were not making silicomanganese.

3 MR. HOPKINS: No, no. They never have.

4 MR. PLANERT: They never have.

5 COMMISSIONER PEARSON: Okay. So there is
6 just this one new furnace that makes the
7 silicomanganese. And does that same furnace also
8 manufacture other products, ferromanganese or
9 whatever?

10 MR. PLANERT: Yes.

11 MR. SALINAS: We do use the same furnace for
12 ferromanganese and silicomanganese.

13 COMMISSIONER PEARSON: Are you close to the
14 microphone?

15 MR. SALINAS: Oh, sorry, sorry. We do
16 produce ferromanganese and silicomanganese in the same
17 furnace.

18 COMMISSIONER PEARSON: Can you please
19 describe the process for converting from the
20 production of one to another?

21 MR. SALINAS: I will try. It's something
22 very technical. Basically, what you need to do is
23 change a little the raw materials that you use for the
24 production either for silicomanganese or for
25 manganese. Basically, the difference between one and

1 the other is that the silicomanganese you have to
2 input silicon units and more energy, and for
3 ferromanganese, you do not need to input silicon
4 units, and you consume less energy.

5 Now, at the same time, you need to always
6 produce ferromanganese in order to produce
7 silicomanganese because you need to -- ferromanganese
8 is slag -- to produce silicomanganese. I do not have
9 technical background on that, so I hope this helps.

10 COMMISSIONER PEARSON: Okay.

11 MS. MENDOZA: Also, in our questionnaire
12 response, we did do an explanation of like what would
13 be required in order for us to switch between those
14 two products. We provided some confidential
15 information in our questionnaire response.

16 COMMISSIONER PEARSON: Okay. Would it be
17 confidential just to give us an idea of how many times
18 in the past three years, for instance, you might have
19 switched, or over the period of review? That would be
20 a good time frame.

21 MR. SALINAS: It's difficult to give you a
22 figure because we didn't produce in campaigns, okay?
23 Based upon the situation of the market. So if we see
24 that the market needs are going to ferromanganese, we
25 do produce more ferromanganese. And if we see that

1 the market situation is the other way around, we try
2 to produce more silicomanganese.

3 Also, we have a restriction in energy. As I
4 was saying before, for the production of
5 silicomanganese we need some more energy than for
6 ferromanganese. And depending on the situation that
7 we have concerning energy, we have to go one way or
8 the other.

9 COMMISSIONER PEARSON: Okay. Well, in the
10 posthearing, perhaps you could give us some
11 information on how many times this switch actually has
12 occurred over the period of review. And then are you
13 able to say how long it takes to make this switch? Is
14 the furnace shut down for some days, or is it only
15 hours?

16 MS. MENDOZA: Actually, I'll admit I don't
17 know exactly why, but in Ferro Ven they told us they
18 wanted us to include that information in our
19 confidential submission, our foreign producer
20 questionnaire submission.

21 COMMISSIONER PEARSON: Okay.

22 MS. MENDOZA: And it is actually discussed
23 there. And we'd be happy to give you more details.
24 They explained to us that there is something about the
25 process of switching which is actually relative

1 complicated and time consuming, and it's specific to
2 their operation, so -- but we'd be happy to provide
3 more information in addition to that.

4 COMMISSIONER PEARSON: Perhaps I should have
5 just looked at that part of the record instead of
6 going to the trade prom last night.

7 (Laughter.)

8 MR. HOPKINS: It isn't hours, I will tell
9 you that. It's days.

10 COMMISSIONER PEARSON: Okay. So we have on
11 the record already some information about the cost of
12 doing this so that we have a sense of the economics of
13 switching back and forth.

14 MS. MENDOZA: Yes. And actually not just in
15 our questionnaire but also Hovensa's and I think also
16 in that of the U.S. producers because the staff
17 included a question that required us to explain if we
18 could shift exactly how it was done, how long it took
19 and all of that. I believe everyone responded to that
20 question.

21 COMMISSIONER PEARSON: This also might be
22 confidential but I would be curious about whether a
23 switch requires a change in the refractory, a
24 rebuilding of the oven.

25 MR. SALINAS: No.

1 COMMISSIONER PEARSON: So the refractory can
2 last for many years through some several changes in
3 product.

4 MR. SALINAS: You do not need to change the
5 refractories.

6 COMMISSIONER PEARSON: Thank you.

7 In 1994 I understand that the product that
8 was being imported from Hovensa was largely of a
9 different grade and size than the product that's most
10 commonly used in commerce. I think it was Grade C
11 instead of B, and in the larger sizes.

12 Do we know whether that's still the case?
13 Whether, is some meaningful share of the production in
14 Venezuela of Grade C rather than Grade B? Maybe you
15 can speak only for Ferro Ven, but --

16 MS. MENDOZA: I think Ferro Ven would say
17 that we don't produce the Grade C, do we?

18 MR. SALINAS: We do not produce a Grade C.

19 MS. MENDOZA: We can ask Hovensa to explain.
20 We'll give them the background of what was in the
21 original investigation and ask them whether that's
22 changed or if that continues to be the case.

23 COMMISSIONER PEARSON: Right. Because I
24 think that was seen by the Commission at that time as
25 a sufficient difference such that a competition might

1 have been attenuated, so I was just curious whether
2 that would still be the case.

3 You may have mentioned this already. Do
4 either Ferro Ven or Hovensa produce the no-subject low
5 carbon product?

6 MR. SALINAS: We do not produce low carbon
7 in Venezuela and to my belief Hovensa doesn't produce
8 it either.

9 COMMISSIONER PEARSON: Does the production
10 of that product require a different type of ore or
11 additional processing?

12 MR. SALINAS: It's both. As for your
13 information, we do produce this kind of product in
14 Spain in our Spanish facilities. Only that you have
15 some more background.

16 There are only a few producers of this kind
17 of product worldwide. You have FerroAtlantica in
18 Spain, you have Eramet in Norway, and you also have in
19 Korea, Dongbu, and some also being done in India.

20 Now to produce low carbon silicomanganese
21 you need not only technical expertise, but also to
22 have the correct type of raw materials. You need to
23 have a high grade ore and other reductants in order to
24 come to this kind of special product. It's quite, we
25 do say that it's a tailor-made product, very high end.

1 COMMISSIONER PEARSON: Thank you.

2 Did you have something to add, Mr. Hopkins?

3 MR. HOPKINS: I was just going to say it's a
4 very difficult product to produce because the
5 chemistry is so dramatically different. You've got
6 standard silicomanganese, typically 16 to 18 percent
7 silicon, where a low carbon silicomanganese is almost
8 30 percent. So it's very different. It's not like a
9 high manganese silicomanganese like is produced in
10 Georgia which is interchangeable with standard
11 material just depending on the cost per manganese
12 unit.

13 COMMISSIONER PEARSON: Thank you very much
14 for those clarifications.

15 CHAIRMAN WILLIAMSON: Thank you.

16 Commissioner Aranoff?

17 COMMISSIONER ARANOFF: Thank you, Mr.
18 Chairman. Welcome to the afternoon panel.

19 Mr. Hopkins, or maybe Mr. Salinas, what does
20 Ferro Ven's importing arm currently do?

21 MR. HOPKINS: In the U.S. we provide the
22 sales and logistical support for the FerroAtlantica
23 products that are marketed in the United States.

24 COMMISSIONER ARANOFF: Which are?

25 MR. HOPKINS: Today it consists of some high

1 carbon ferromanganese which is very limited, and
2 primarily silicon metal, ferro silicon, and low carbon
3 silicomanganese.

4 COMMISSIONER ARANOFF: What makes markets
5 for those products in the U.S. attractive that would
6 not be the case for silicomanganese?

7 MR. HOPKINS: Profit margins I think is the
8 short answer.

9 FerroAtlantica is the world's largest
10 producer of silicon metal. It's a very important
11 product. And for ferro silicon, it's a profitable
12 product as well. A lot of demand. And FerroAtlantica
13 is also a very large ferro silicon producer.

14 On the specialty manganese it's a very
15 limited number of producers who can do that, and they
16 are one of them. The second largest. So we have that
17 market available as well here.

18 COMMISSIONER ARANOFF: One of the arguments
19 you made is that logistics are a barrier to exporting
20 silicomanganese to the U.S. market. If you've already
21 got an importing operation in the U.S. market and if
22 you can bring this product in at a major port, put it
23 on a barge, and ship it up the Mississippi, what's the
24 logistics barrier to selling silicomanganese in the
25 U.S. compared to these other products?

1 MR. PLANERT: I don't know that we've argued
2 so much that it's a barrier as that it's a cost. In
3 other words from a cost standpoint there is a
4 comparative disadvantage to trying to supply the U.S.
5 market from Venezuela as compared to domestic
6 producers who are close to the market.

7 So I think it's a competitive factor, and
8 when prices are low it's one more reason why one would
9 be hesitant to enter, but I don't think we've tried to
10 suggest that there's some sort of absolute barrier
11 there.

12 MR. HOPKINS: I think in addition, too, for
13 instance the products that we produce that we're very
14 competitive in, we can bring here to the States. It's
15 similar to the importers of silicomanganese, the
16 nonsubject people.

17 The reason they're here is because there's a
18 profit to be made doing it. And the products that
19 they would not be profitable on they wouldn't bring
20 them. That's essentially how it is with us.

21 That's why we mentioned we have the
22 silicomanganese -- We're a very large producer of
23 silicomanganese in Europe, but we bring nothing to the
24 States because it just doesn't make sense. There's
25 not enough margin to bring them here.

1 COMMISSIONER ARANOFF: Okay.

2 One of the things that you all were raising
3 in your direct testimony is this idea that Venezuelan
4 producers face periodic shutdowns due to electricity
5 shortages or perhaps there were other causes that you
6 mentioned.

7 If you look at the industry-wide capacity
8 utilization data that we have in our staff report,
9 which are confidential. But those numbers seem high
10 to reflect the kind of outages that you're describing.

11 Is that because capacity that was off-line because of
12 these outages isn't included in the capacity that you
13 reported to the Commission? Or is it because these
14 outages while they may happen now and again don't last
15 all that long and aren't that disruptive on an annual
16 basis?

17 MS. MENDOZA: I think that what is going
18 into it is that they're actually operating in some
19 cases at really their maximum possible capacity
20 because of these outages. In other words, the total
21 capacity that's even available, they can't totally
22 utilize that.

23 Now we're not saying that due to outages
24 they can't produce anything. We're just saying that
25 it also has resulted in them having a limited amount

1 that they can produce, even at what would potentially
2 be the maximum capacity of the production.

3 You have to remember too that capacity is
4 based on both ferro silicon and silicomanganese so to
5 some extent what you're seeing is a cutback to both.

6 I'm sorry. Ferromanganese as well as
7 silicomanganese. So what you're seeing is basically
8 both products being cut back due to these outages and
9 problems, et cetera.

10 COMMISSIONER ARANOFF: Can you give us a
11 sense of sort of the scope and duration of these
12 outages? Are we talking about a day every week, a
13 month every year? You mentioned that you sometimes
14 have to shut down the furnace. I'm just trying to get
15 a sense of what we're talking about.

16 MR. SALINAS: It depends. I can go back and
17 check exactly, but what I can tell you is that we face
18 from time to time, when there is not enough rain, that
19 energy is being cut and energy is being given to other
20 strategical industries.

21 It can be one week, two weeks, even one
22 complete month. Or we can be producing without any
23 problem several months until we face this situation.

24 MS. MENDOZA: And to be fully responsive, I
25 think we would also have to consult with Hovensa and

1 give you a confidential response to that, since we're
2 adding the two capacities together.

3 COMMISSIONER ARANOFF: Right. That would be
4 helpful. And obviously one of the things that we need
5 to understand is whether we can rely on the capacity
6 utilization numbers that we have in the staff report.

7 But it also leads me into my next question
8 which is with respect to this product,
9 siliconmanganese, as opposed to other products that
10 FerroAtlantica produces globally, do you consider the
11 company to be a world class producer and competitor?

12 MR. SALINAS: Let me please elaborate a
13 little bit.

14 Concerning FerroAtlantica, we have plants
15 globally. We have plants in Spain, in France,
16 Venezuela, in South Africa and China. And as my
17 colleague was saying before, we are biggest, I would
18 say number one producer of integrated silicon metal
19 producer in the world.

20 Now as regards to manganese alloys, and I
21 would say globally, we are not a major player. We do
22 our quite important in Europe, both in the
23 siliconmanganese and for manganese production. But
24 again, these bolts of both of them, being commodities,
25 we sell them in the local markets, especially in

1 Spain, Germany, Italy. So it doesn't make sense, as
2 we were saying before, to export to the States, to the
3 United States.

4 Did that answer your question or --

5 COMMISSIONER ARANOFF: That helped.

6 What I'm trying to figure out is here we've
7 got producers who the switch gets turned off every now
8 and then, you can't predict it. How does that affect
9 the company's reputation with potential customers both
10 within Venezuela and outside Venezuela in terms of
11 being a reliable partner with whom you can do
12 business? It may be there are enough global sources
13 and sources even within your company of this product
14 that people think well, if I can't get it from there
15 I'll get it from somewhere else, so it doesn't matter
16 if I can't reliably get it all the time from this
17 particular plant. But that's what I'm trying to
18 understand. Normally you would think that someone
19 would not want their supply chain to depend on a
20 company where the power could go out at any time and
21 you don't know when it's coming back on.

22 MS. MENDOZA: You're exactly right, in fact
23 that's something that we talked about specifically.
24 The point is that the only reason, and correct me if
25 I'm wrong, but the only reason FerroAtlantica invested

1 in this facility when they did was because they had
2 the expectation that they were going to be able to
3 supply the local steel makers. That's what that plant
4 was purchased for. That's what the objective of that
5 plant remains. And they are not intending to make it
6 a world class facility or to supply out of that
7 facility, as they said, even if the market came back
8 and prices went way up. They would use supply from
9 South Africa or from Spain because you're right. They
10 do have a reputation to maintain and they're not going
11 to supply from Venezuela.

12 So the point of that facility has always
13 been for Venezuela and nowhere else, and in fact that
14 facility has never exported anything to the U.S.

15 COMMISSIONER ARANOFF: Has it ever exported
16 anything anywhere?

17 MS. MENDOZA: They exported -- I don't think
18 it's confidential, right? They export a small amount
19 to Colombia and to Mexico. But even though Colombia is
20 a very strong market, and the demand is there, they
21 have a steel industry. They haven't exported there
22 because frankly, it's just not intended to be an
23 export facility.

24 COMMISSIONER ARANOFF: So we'll have to see
25 what we can do posthearing to answer the same series

1 of questions with respect to Hovensa. Because they
2 apparently are the ones who are responsible for the
3 export data that we see on the record.

4 MS. MENDOZA: We'll be happy to try to do
5 that.

6 COMMISSIONER ARANOFF: Thank you very much.

7 CHAIRMAN WILLIAMSON: Thank you.

8 Commissioner Pinkert?

9 COMMISSIONER PINKERT: Thank you, Mr.
10 Chairman. And I join my colleagues in thanking you
11 for testifying today.

12 I'm just curious about whether you have a
13 view on no discernible adverse impact. I know that
14 you focused your arguments on cumulation on conditions
15 of competition, but since you do say at some points in
16 your brief that there is no adverse impact likely as a
17 result of imports from Venezuela, do you have a
18 position on what I would regard as the threshold
19 cumulation issue? No discernible adverse impact?

20 MS. MENDOZA: Yes. Certainly we do believe
21 that we would have no discernible adverse impact. I
22 believe that the focus of our brief was more on other
23 cumulation issues since it traditionally has been very
24 much the unusual circumstance the Commission finds no
25 discernible adverse impact based on the law and the

1 fact that the factors and all that are not all that
2 clear.

3 So yes, we certainly think given the small
4 amount of our quantities that we would fit into that
5 exception to cumulation if anyone would in any case
6 that we've seen.

7 So yes, the answer is yes, we believe we
8 would have no discernible adverse impact. But in the
9 event the Commission feels constrained by the lack of
10 clarity in those provisions, we think that there is
11 still, there are still a number of reasons to
12 decumulate Venezuela.

13 COMMISSIONER PINKERT: What about the other
14 producer in Venezuela? I think it's Hovensa. Does
15 that present a problem for you in regard to the no
16 discernible adverse impact argument?

17 MS. MENDOZA: No, I don't believe so at all.
18 In fact when we talk about things like Venezuela's
19 capacity and Venezuela's shipments and Venezuela's
20 exports, we are in fact referring to both companies.

21 I heard a lot of characterizations this
22 morning about how there were substantial exports and
23 substantial capacity. But the fact of the matter is
24 that if you look at this record, and obviously it's
25 confidential, but if you look at this record that

characterization just cannot be made about anything including the data on total exports by country.

3 Venezuela, this is both companies in
4 Venezuela, is less than 20,000 tons of exports to all
5 these other markets in the world. And in terms of
6 they're a factor in the original investigation, I
7 think that they were extremely small then, and if
8 anything the situation in Venezuela, even for Hovensa,
9 has been very bad in terms of shutdowns and
10 electricity shortages and all of that. So therefore I
11 think there's every reason to conclude that Hovensa
12 isn't intending to target this market either. Nor
13 does it have the capacity or wherewithal to do so.

14 So yes. It does not present any problems at
15 all for us to argue no discernible impact from
16 Venezuela as a whole.

17 COMMISSIONER PINKERT: Thank you.

18 Turning to this issue of potential product
19 shifting between ferromanganese and silicomanganese,
20 is one product generally more profitable than the
21 other?

22 MR. HOPKINS: They all follow the general
23 manganese markets. Ferromanganese is much less power
24 intensive to produce, so there's a lower cost of
25 production. There's typically a lower sale price as

1 well on that material. But I think in today's world
2 you would argue that ferromanganese is a more
3 profitable product to produce than silicomanganese.

4 As in the case of Eramet's testimony today,
5 for us they are the same situation. They require the
6 ferromanganese slag to produce their silicomanganese,
7 and we have the same situation.

8 COMMISSIONER PINKERT: I would ask that the
9 Petitioners comment on that issue as well for the
10 posthearing.

11 You said in your response, Mr. Hopkins, that
12 given current market conditions you would think that
13 the ferromanganese would be more profitable generally
14 than the silicomanganese. Can you give me some idea
15 of how robust that analysis is? In other words, if
16 there's a slight change in market conditions does that
17 mean that your answer to that question might be a
18 little different?

19 MR. HOPKINS: I would tell you today they're
20 both not good arrangements as far as profitability
21 goes. But yeah, if the market -- it's a tough answer.

22 MS. MENDOZA: You're talking about the
23 international --

24 MR. HOPKINS: Yeah, the international
25 markets when I speak of this. Yeah. So

1 internationally I would say that if you are a high
2 carbon manganese producer today you are probably doing
3 better than if you are a silicomanganese producer
4 today. That's in general.

5 COMMISSIONER PINKERT: What about if one is
6 producing just for the U.S. market? Would you have
7 that same conclusion?

8 MR. HOPKINS: Yes, I think I would.

9 COMMISSIONER PINKERT: Thank you.

10 I want to go to a hypothetical question, and
11 I apologize for asking a hypothetical but I'm stating
12 it up front.

13 Assume that the subject imports increase
14 once the order is removed and they take market share
15 in the U.S. market. And I understand that you
16 wouldn't agree that that's going to happen. But if it
17 did, why wouldn't the subject imports take market
18 share both from nonsubject imports and the domestic
19 industry given that this is a commodity product?

20 MS. MENDOZA: Let me answer it this way and
21 I can let them give specific examples in this
22 industry.

23 The one thing to remember here is that all
24 the parties to this proceeding agree on one thing and
25 that is that there are logistical advantages to being

1 a domestic producer. They testified to it. They said
2 this is the best place in the world to locate because
3 they're close to their customers and they can supply
4 them. So we all agree about that.

5 Then the question is, on what basis are you
6 competing in the U.S. market if you do not have that
7 logistical advantage?

8 So I think what we're saying is that
9 assuming that it's a fungible commodity, the first
10 place that imports are going to come out of is other
11 imports because they don't have that logistical
12 advantage. I think that's just obviously a factor.

13 There's a second thing going on, and that is
14 that Felman is the dominant supplier in this market
15 and that is a very real market phenomenon and it's
16 very important.

17 If you think about customers who are looking
18 at getting a supply, first of all the preference for
19 domestic, right? And you don't have even enough
20 domestic supply in this market to supply all the
21 customers that want it.

22 So if that's limited, and you also control a
23 majority of the imports such that you control half of
24 the market, you have a lot of market power to be able
25 to impress upon your customers exactly why they should

1 buy from you. I think that's sort of undeniable.

2 I agree it's a commodity product and
3 commodity products tend to equalize in terms of prices
4 and all of that. But the fact is markets still work
5 the way markets work and people are dependent up
6 suppliers that are dominant suppliers, particularly in
7 a market that can't even produce enough.

8 MR. HOPKINS: I was going to say to be one
9 of the major suppliers in the market is a huge
10 competitive advantage because the customers know who
11 they can rely on and everyone else can be a flyer
12 They may be opportunistic today, but are they going to
13 be there tomorrow when you really need the material?

14 So to be a domestic producer, and certainly
15 we can speak to this, Antonio in particular, in
16 Europe. FerroAtlantica is a dominant player in the
17 European market. There are premiums to be had for
18 being that local guy who will be there with his
19 production. That's always the case. It's always the
20 case that way.

21 So when an importer wants to come into the
22 U.S. you're typically fighting against the other
23 importers. Because if you've got a limited production
24 capacity like the two domestic producers do, then you
25 can easily sell out your material to your key

1 customers. That's what you do. Then you can play
2 with the market with some marginal tons that you have
3 available.

4 So traditionally that's what you're fighting
5 for is those -- You're fighting against the other
6 importers.

7 COMMISSIONER PINKERT: In talking about
8 dominant suppliers and the kind of advantage that they
9 get from the market power that they might have, don't
10 we also have to think about the other side of the
11 equation and whether there are dominant purchasers in
12 the market and what the relationship is between the
13 market power of the suppliers and the market power of
14 the purchasers?

15 MR. HOPKINS: Absolutely, but the largest
16 mills are the ones most dependent on having a
17 substantial, reliable source.

18 So that is the case. And certainly the
19 buyers have become much more sophisticated, and the
20 introduction of the publications like Ryan's Notes and
21 Platt's and American Metal Market, et cetera, have
22 made the process far more transparent and the buyers
23 have, let's say the large buyers. As the U.S. steel
24 industry has consolidated with the Nucor's and the
25 Gredau's and the Mittal's, the U.S. Steel's, it's not

1 as fragmented a market as it used to be.

2 So certainly these guys hold some power and
3 they hold sway, but at the end of the day they have to
4 have reliable supply and the first place they look for
5 that, at least to some percentage of their needs, is
6 going to be the domestic producer.

7 COMMISSIONER PINKERT: Mr. Salinas, I saw
8 you shaking your head as I was asking the question.
9 Do you want to answer that as well?

10 MR. SALINAS: No. I do agree with what was
11 said. As we were saying before, we are biggest
12 integrated producer of silicon metal and we face
13 exactly that situation with major customers on the
14 silicon side, on the chemical side for silicon metal.

15 They do need a reliable partner. We do also
16 need a reliable customer. It's, I would say it's
17 quite a symbiotic relationship between both parties.

18 MS. MENDOZA: And just also to point out
19 another reason, if I could, just two seconds. In
20 terms of why it is that we think that imports are so
21 fungible. We heard Felman talking about this high
22 manganese content ferro silicone that they're
23 supplying from their Georgia facility -- I'm sorry,
24 silicomanganese that they're supplying from their
25 Georgian facility. I'd like Mr. Hopkins just to

1 explain exactly what that is. I think it goes to --

2 COMMISSIONER PINKERT: I'm way past my time,
3 but if you can do it in about 30 seconds, go ahead.

4 MR. HOPKINS: I think they argued earlier
5 that it was all interchangeable material, and the high
6 manganese content will only replace the lower
7 manganese content if there's a cost advantage. I
8 should say the other way around.

9 So at the end of the day silicomanganese is
10 silicomanganese, whether it's 65 percent or 68
11 percent. It's silicomanganese and it's completely
12 interchangeable. And the only reason people would
13 want the higher manganese product is if it was a lower
14 cost per manganese unit than the lower manganese
15 material. So, in other words, it's a like product.

16 COMMISSIONER PINKERT: Thank you.

17 Thank you, Mr. Chairman.

18 CHAIRMAN WILLIAMSON: Thank you.

19 Commissioner Johanson?

20 COMMISSIONER JOHANSON: Thank you, Mr.
21 Chairman.

22 Given Venezuela's location, do you happen to
23 know the price difference in shipping silicomanganese
24 to major U.S. ports such as Houston and New Orleans
25 from Venezuela than from Felman and Eramet's inland

1 U.S. plants?

2 MS. MENDOZA: We don't have that
3 information, but we'll try to look for it and get some
4 sources for it if we can.

5 COMMISSIONER JOHANSON: Thank you. That
6 would be helpful.

7 And is it safe to assume that Venezuela has
8 advantages in shipping silicomanganese to the United
9 States over India and Kazakhstan given, once again,
10 its location?

11 MR. HOPKINS: I would guess yes.

12 COMMISSIONER JOHANSON: Okay. And following
13 along that train of thought, looking at page 431 of
14 the staff report, of the world's major silicomanganese
15 exporting countries, Venezuela is located closest to
16 the United States. So is not Venezuela in a good
17 position possibly to replace imports from nonsubject
18 countries due to its location?

19 MR. HOPKINS: Yes. Provided it's a
20 competitive producer, that would be the case.

21 COMMISSIONER JOHANSON: Okay. Thank you.
22 And we're heard a fair amount today about Venezuela's
23 policies which impact production and possibly exports
24 of silicomanganese from that country. Could one of
25 you please explain a bit further exactly what

1 Venezuela's policies are in this area regarding import
2 substitution, currency controls, import licensing, et
3 cetera?

4 MR. SALINAS: I would like to, but I do not
5 have all the background. We have to -- we will
6 elaborate and come back.

7 COMMISSIONER JOHANSON: That would be
8 helpful because that's something which, to be honest
9 with you, I just don't think I've seen anywhere in the
10 record to date, and since that is a major part of,
11 since that is something which apparently impacts the
12 situation of silicomanganese producers in Venezuela.

13 MS. MENDOZA: We'd be happy to get that. I
14 assume that there are sources out there that we can
15 use as a general matter.

16 COMMISSIONER JOHANSON: That would be
17 helpful. I assume those policies might change fairly
18 regularly anyway. I just don't know.

19 Do you all know, are there -- We've heard
20 about the certain policies in Venezuela regarding
21 imports, but how about the possibility of export
22 restraints such as export taxes or something along
23 those lines? Which might impact exports from that
24 country.

25 MR. SALINAS: We do face also some kind of

1 restrictions as regards to exports. Basically they
2 are more or less similar as what we are facing for the
3 imports. But again I would like to elaborate in
4 detail and this will come later.

5 COMMISSIONER JOHANSON: All right.

6 MS. MENDOZA: We'd be happy to do that. I
7 think he's referring to the fact that there are also
8 currency controls on. Once you get paid in dollars,
9 how you can get them back into the country and all of
10 that. So we'd be happy to elaborate on it.

11 There are no export taxes per se from
12 Venezuela but obviously there are -- You have to go
13 through a process of getting the exports approved and
14 all of that because everything is pretty controlled.

15 COMMISSIONER JOHANSON: Mr. Hopkins?

16 MR. HOPKINS: I was going to say there is a
17 time limit on the dollars from the time the material
18 is shipped to the time the dollars have to come back.

19 So it's typically an unrealistic time frame by the
20 time you would ship it to the U.S., get it into a
21 warehouse and shipped to a customer, you would already
22 have to have all of the money back to the government
23 that's required for the export.

24 COMMISSIONER JOHANSON: If you could once
25 again try to do a bit more research on that for the

1 posthearing brief, I think I would find that useful.

2 MS. MENDOZA: We'd be happy to do that.

3 COMMISSIONER JOHANSON: All right, thank
4 you.

5 You all have stated that FerroAtlantica
6 produces silicomanganese in South Africa and Spain and
7 none of that production is shipped to the United
8 States.

9 Could you possibly tell us to where that
10 product is going, if that's confidential if you can
11 address that in the posthearing brief?

12 MR. SALINAS: We do have facilities in South
13 Africa which are idle. We are not currently producing
14 any kind of manganese alloys in South Africa.

15 We do have production in Europe, in Spain.
16 We produce in the north of Spain silicomanganese.

17 COMMISSIONER JOHANSON: I'm sorry, can you
18 repeat that? I did not hear that.

19 MR. SALINAS: Sorry?

20 COMMISSIONER JOHANSON: Can you repeat that
21 sentence?

22 MS. MENDOZA: He said they produce mostly in
23 northern Spain.

24 COMMISSIONER JOHANSON: Okay.

25 MR. SALINAS: So we are delivering basically

1 to the domestic market, Spanish market, Germany,
2 Italy, UK. Those are basically the markets in which
3 we are active with silicomanganese.

4 COMMISSIONER JOHANSON: So basically it's
5 all, or most of it is staying in Europe.

6 MR. SALINAS: Europe, yeah.

7 COMMISSIONER JOHANSON: How healthy is the
8 steel industry in Spain at this time? Sorry to bring
9 up that subject.

10 MR. SALINAS: We used to be a major steel
11 producer in Europe. now the situation has changed a
12 lot.

13 I would say that formerly in '06, '07, we
14 were the fourth biggest steel producer in Europe,
15 being the biggest one German, Italy, UK. Again, those
16 are the countries I was saying before, the ones that
17 we are delivering to mostly. So we have been forced
18 to also reduce our production due to the fact that
19 there is not much steel consumption.

20 As we were listening this morning,
21 silicomanganese is quite I would say hedge against
22 steel production. So every time that we face or the
23 steel industry faces downturn or a reduction, we also
24 have to follow.

25 COMMISSIONER JOHANSON: The Petitioners this

1 morning had a slide, I believe had a slide this
2 morning which slowed production of steel down fairly
3 significantly, not very significantly, but down in
4 Europe. If that's the case and if the United States,
5 if our steel production is higher from what I
6 understand, why would Venezuela not want to ship to
7 the United States? I know you have internal issues
8 within Venezuela but it seems to me the United States
9 would be a better market than at least Europe.

10 MR. SALINAS: First, because our production
11 capacity is quite limited. Why we would not send from
12 Spain, for instance, provided that the market
13 condition is interesting.

14 COMMISSIONER JOHANSON: All right. I
15 understand.

16 MR. SALINAS: Even from South Africa.
17 Again, we have an idle capacity over there.

18 COMMISSIONER JOHANSON: Ms. Mendoza?

19 MS. MENDOZA: I was just going to add that I
20 think the message that they're trying to convey, and
21 actually I think it's true for not just them but for
22 producers around the world, which is in these
23 commodity type products when you're met with a decline
24 in demand, particularly one that you don't see
25 recovering quickly, the reaction has been to reduce

1 capacity, reduce production, and even idle facilities.

2 So it's not one of these industries where it
3 makes a lot of sense to make it up in volume because
4 you're just losing more and more money because,
5 particularly for producers who have to buy their raw
6 materials, because if you have to buy your raw
7 materials and the cost of that exceeds any kind of
8 profit you can get on the end product, it just doesn't
9 make any sense. There's just not enough value added
10 that goes into the product to justify that.

11 In steel products and things like that, you
12 have instances in which people are prepared to produce
13 a lot of steel just because they've got to keep those
14 machines running and they've got to keep that, and
15 they've got a lot of value added and they've got
16 employees and all of that.

17 In this industry there's a very tight
18 relationship between the cost of raw materials and
19 electricity and the cost of the final product such
20 that that makes absolutely no sense. Not just for
21 FerroAtlantica but in general.

22 COMMISSIONER JOHANSON: I'm going to bring
23 up a point, Ms. Mendoza, you addressed this a little
24 while ago but I want to bring it up again, and that is
25 the issue that the Petitioners raised this morning and

1 in their brief stating that Venezuela is export
2 oriented.

3 If you could go on and explain again why you
4 state that is not the case. Because that is
5 something, once again, we've read and heard quite a
6 bit about.

7 MS. MENDOZA: The staff report says that our
8 degree of export orientation increased, so we're not
9 disagreeing with that.

10 I think what we're saying though is that if
11 you look at the absolute amount of those exports, it
12 is just a very small amount and we're obviously going
13 to get some more information from Hovensa about their
14 presumed exports to Europe and to understand what
15 that's about. But the fact of the matter is when they
16 put those charts up and you look at how much is really
17 being exported, it's just tiny.

18 So I think that's our point. It's true that
19 as the domestic market in Venezuela has declined in
20 the recent past, exports as a function went up, in
21 percentage terms, because domestic supply went down.

22 But I think what we're saying is that even
23 with that the amount that we're talking about is a
24 very small amount.

25 COMMISSIONER JOHANSON: My time has expired.

1 I have a few more questions kind of along that line,
2 but I'll come back to them. Thank you.

3 CHAIRMAN WILLIAMSON: Thank you.

4 Commissioner Broadbent?

5 COMMISSIONER BROADBENT: Thank you.

6 Could you talk a little bit about the cost
7 trends in this industry?

8 It seems to me that your import cost of the
9 steel industry, you sell to the steel industry, seems
10 to track steel industry trends and pricing. But at
11 the beginning of this market or the beginning of the
12 chain on the input cost that you face in electricity,
13 in raw materials, there seems to be rising prices. I
14 think between '98 and 2000 prices are going up 30
15 percent or something on input costs that are not --
16 It's difficult to recover those on the pricing side
17 for the final product.

18 Can you talk to me a little bit about the
19 trends and the connections in this market?

20 MR. HOPKINS: In general, as we heard this
21 morning, while everyone is anticipating lower
22 electricity costs, so far that hasn't been the case.
23 In a lot of areas of the country anyway, due to
24 captive costs and --

25 COMMISSIONER BROADBENT: Due to what?

1 MR. HOPKINS: Due to costs that are paid to
2 many utilities for let's say unused generating
3 capacity and things like that. So it's been tough.

4 Coking coals and things like that have
5 fluctuated with demand. Right now they've actually
6 gone down a bit in some cases. Other people say
7 they've done up. I don't know.

8 I think other than that, some of the other
9 inputs, it's simply manganese ore, there's been a lot
10 of fluctuation in the price of that. So if you're not
11 a manganese ore producer, those are where we've seen
12 the most fluctuations. That has generally lately been
13 a rising price.

14 COMMISSIONER BROADBENT: It seems to be
15 pretty high. Okay.

16 I'm going to push you a little bit to talk
17 about, since we have so little information on India
18 and Kazakhstan, sort of why these countries are such
19 big producers. For example, Kazakhstan seems to be
20 land-locked and far away. What is it that makes them
21 so competitive in this product? And why is India's
22 capacity going so far up?

23 MR. HOPKINS: I think the short answer there
24 is they have favorable electricity rates and they also
25 --

1 COMMISSIONER BROADBENT: You mean Kazakhstan
2 or India?

3 MR. HOPKINS: I can't speak to India. I
4 think Kazakhstan, from what I understand, has
5 relatively lower power costs. How they operate, I'm
6 not sure in some ways, but what they all share is they
7 are manganese ore producers. They're integrated in
8 their manganese ore sources, and that's critical.

9 COMMISSIONER BROADBENT: Mr. Salinas?

10 MR. SALINAS: Yes. As regards to India, my
11 understanding is that also they have a very
12 competitive and attractive electricity tariffs, and
13 also as Ed was saying, they are integrated producer
14 because they have their own access to manganese ore.

15 COMMISSIONER BROADBENT: Okay. I always
16 think of India as have electricity shortages and
17 problems with their electricity, but you think it's
18 sort of low priced and pretty readily available.
19 Okay.

20 Mr. Chairman, I think that's all the
21 questions I have right now. Thank you.

22 CHAIRMAN WILLIAMSON: Thank you. I just
23 have a few questions.

24 What are the trends in the silicomanganese
25 intensity of steelmaking in Venezuela? And do you

1 have any information on the silicomanganese intensity
2 in other markets?

3 There was some discussion this morning in
4 fact that the demand for more intense --

5 MR. SALINAS: Excuse me. I don't understand
6 the question.

7 (Discussion held off the record.)

8 MR. SALINAS: In general terms I can say
9 that for each ton of steel you need something like ten
10 kilos of silicomanganese.

11 CHAIRMAN WILLIAMSON: I guess there was some
12 testimony this morning that some companies were
13 wanting a more intense or I guess a higher content of
14 manganese. For example, that was one of the reasons
15 why they were bringing the product in from Georgia, I
16 think.

17 MS. MENDOZA: I think they weren't so much
18 talking about intensity, but they were talking about
19 the high manganese content of the product from
20 Georgia. I think you were explaining previously that
21 it's really just a pricing function, right? That it's
22 actually identical product --

23 CHAIRMAN WILLIAMSON: I remember that
24 answer.

25 MR. HOPKINS: I think in general what we've

1 seen is, there's a lot less -- The two practices to
2 get silicon and manganese into steel, silicon for the
3 deoxidation factor, manganese for the alloying
4 strength. The two practices you have are
5 silicomanganese or you have the ferro silicon and high
6 carbon or medium carbon ferromanganese practices.

7 More and more steel mills are going to
8 silicomanganese and less and less to the high carbon
9 manganese, ferro silicon --

10 CHAIRMAN WILLIAMSON: Is that true for the
11 Sidor in Venezuela?

12 MR. SALINAS: Yeah, I would say so. It's
13 also the case.

14 CHAIRMAN WILLIAMSON: Thank you.

15 In your posthearing brief could you please
16 respond to the discussion of Venezuela industry data
17 on the first full paragraph on page 28 of the Felman
18 prehearing brief?

19 MS. MENDOZA: We'd be happy to do so.

20 CHAIRMAN WILLIAMSON: Thank you.

21 With that I have no further questions.

22 Commissioner Pearson?

23 COMMISSIONER PEARSON: Thank you, Mr.
24 Chairman.

25 Allow me to begin by offering some

1 observations on the business climate in Venezuela.

2 I understand that in the World Bank's doing
3 business survey in 2013, Venezuela finished 180th of
4 185 countries. But they were ahead of Chad, Congo,
5 the Democratic Republic and the other Congo, so both
6 Congos, Eritrea and the Central African Republic.

7 Their second worst score for 181st place was
8 in protecting investors.

9 Then if you want a different perspective on
10 it you go to the Heritage Foundation where they
11 publish an annual ranking of economic freedom. There
12 Venezuela finished 174th out of 177 countries, but
13 they were ahead of Zimbabwe, North Korea and Cuba.

14 I share this with you only in part to let
15 you know that I did some reading, despite last night's
16 great party.

17 But the question for you is given that
18 FerroAtlantica deals with a number of countries around
19 the world, do your experiences in dealing with
20 Venezuela, do they fit with these rankings? Is
21 Venezuela a really challenging place to do business?

22 MR. SALINAS: Yeah, you can say so.

23 (Laughter.)

24 MR. SALINAS: AS you say, we are very active
25 around the world. We do business in South Korea, not

1 North Korea. Also in places such as Taiwan. And
2 there is no major problems. But in Venezuela is
3 completely different. Even we are Spanish. It should
4 be something, but --

5 MS. MENDOZA: And one thing they did share
6 with me this morning was that one of the issues for
7 them in terms of supplying Sidor is that the
8 government of Venezuela as you indicated there, has
9 had a tendency recently to just take over companies
10 that aren't carrying out government policy. In fact
11 they took over Sidor and they took over Sivensa and
12 they took over a whole range of companies in the steel
13 sector.

14 So one of the requirements is that if you're
15 operating in Venezuela that these guys know that they
16 have to supply Sidor and that's an obligation, and if
17 for any reason the government feels they aren't
18 properly carrying out that obligation, there's always
19 the risk that they could also be nationalized. So
20 that's a very real concern. That's happened in many,
21 many sectors of the Venezuelan government.

22 COMMISSIONER PEARSON: A company with which
23 I used to be affiliated had one facility expropriated
24 by the Venezuelans and there the Venezuelan government
25 agreed to pay a share of what it was worth. The last

1 I'd heard that money hadn't been paid, but at least
2 there was the commitment, right?

3 (Laughter.)

4 COMMISSIONER PEARSON: So I would suggest,
5 if possible, avoiding expropriation. That would be
6 recommended.

7 Do these uncertain business conditions in
8 Venezuela have some effect on the level of inventories
9 that Venezuelan producers would choose to hold? And
10 the reason I ask this, those of you who have access to
11 the confidential record would be able to look at Table
12 4-11 on page 4-26 which lists the end of period
13 inventories throughout this period of review.

14 My observation, and I of course won't
15 mention any specific numbers, but in the first four
16 years there was a relatively lower level of
17 inventories. In these last two years there's been a
18 relatively higher level of inventories, in 2011 and
19 2012. There can be different explanations for that, I
20 suppose. One is that the consumption by Sidor has
21 gone down and thus there is some extra product that
22 was manufactured. But it's also possible that in
23 order to be certain of supplying Sidor it was a
24 necessary business decision for Ferro Ven and Hovensa
25 to hold larger inventories than you really wanted to

1 in order to be able to have certainty of supply.

2 Could you comment on that? Was there some
3 thinking that went into this higher level of
4 inventories that we see on the record?

5 MR. HOPKINS: I think you've pretty much
6 given the reasons there.

7 There's no question in 2011 and 2012
8 Sidor's, everyone's seen Sidor's production went down.

9 In 2012 when they announced the increased
10 investment in Sidor, the change of the directors of
11 the company, and the anticipation of higher demand for
12 the silicomanganese, there would be a requirement to
13 have additional tons available for them. So I think
14 that's part of the reason for that.

15 Certainly some uncertainty in what things
16 are going to be like, whether it's electricity wise,
17 production wise, raw material wise.

18 When you are in an uncertain environment
19 like that it certainly behooves you to have some
20 material on the ground to be able to supply.

21 MS. MENDOZA: And I'd suggest that this
22 strategy's not all that different from Felman's. In
23 the sense that if they know they've got to go through
24 these, updating of their facilities and all that kind
25 of thing, you've got to sort of stock more inventory

1 to be able to get you through that period so I think
2 it's the same exact situation that's going on. They
3 don't know exactly when they're going to have
4 shutdowns or problems or whatever, and therefore as a
5 consequence they have to have these inventories. It
6 sounds like Felman was a little bit more planned than
7 that, than theirs are, but I think the situation is
8 analogous.

9 COMMISSIONER PEARSON: If, for purposes of
10 the posthearing, you're able to put on the record any
11 internal communications within Ferro Ven, Hovensa too,
12 if they would, discussing this issue of inventories
13 and what thinking went into it, that would give us a
14 clearer understanding of whether it's driven by the
15 need to be a reliable supplier or, my gosh, we just
16 don't have anywhere to sell this stuff.

17 MS. MENDOZA: Right. We'd be happy to do
18 that.

19 COMMISSIONER PEARSON: Thank you.

20 It's been touched on before, but either now
21 or in the posthearing can you give a sense of what
22 percentage, or to what degree did the increase in
23 Venezuela's exports of silicomanganese in 2012, to
24 what degree was that related to production problems at
25 Sidor? Is there a fairly direct relationship there?

1 MS. MENDOZA: You mean the exports to --
2 COMMISSIONER PEARSON: Exports to third
3 countries, yes.

4 MS. MENDOZA: Okay, because Colombia,
5 Mexico, we'd have to answer with respect to Europe
6 from Hovensa because we didn't export anything to
7 Europe, but they can answer on Mexico and Colombia.

8 COMMISSIONER PEARSON: Okay. I'm trying to
9 understand the link between whatever is going on at
10 Sidor and whatever is going on with the marketplace,
11 the markets available to Venezuelan produced
12 silicomanganese.

13 MR. SALINAS: I would need to check. I will
14 have to come back with the information. I have to
15 check.

16 COMMISSIONER PEARSON: And do you have
17 thoughts on the prospects over the next two years for
18 purchases of silicomanganese by Sidor? Any way to
19 interpret what's going on there? Will their
20 investment project be successful? Will they get the
21 plant up and running? What's the expectation of those
22 of you who are operating in that challenging business
23 environment?

24 MR. SALINAS: It's very challenging but we
25 have to be positive. They have been doing a lot of

1 investments and we therefore should be positive in the
2 way of thinking that this will be also a very positive
3 impact in us.

4 COMMISSIONER PEARSON: Again if in the
5 posthearing you have any additional information on
6 that. Obviously you've put quite a bit into your
7 prehearing brief, but if there's more that we should
8 know, that would be --

9 MS. MENDOZA: We'll be happy to try to
10 provide that.

11 COMMISSIONER PEARSON: Thank you.

12 I think my last question is to inquire once
13 again about what's caused the decline in profitability
14 of silicomanganese lately? I think both the morning
15 panel and your panel indicate that it's not that great
16 a business right now. And so has demand for the
17 product gone away? Has supply increased unnaturally
18 or exceptionally? Or is there a cost factor? Has the
19 ore just become so expensive? What's cooking?

20 MR. SALINAS: I would say it's a question of
21 the global situation of the economy and the downturn
22 in the demand, and the downturn in steel production.
23 That should be the explanation.

24 If you go back to '06, '07, '08, the
25 situation was completely different. You could see

1 that steel production was increasing month after month
2 and therefore the supplies of silicomanganese and
3 other ferro alloys were also increasing.

4 So for the meantime the situation is as it
5 is, especially now in Europe. But again, it has to
6 change in my opinion. And it should at least
7 gradually come back to more or less the same levels
8 that we had in '05, '06.

9 COMMISSIONER PEARSON: And has the price of
10 ore come down then with the weakness in demand?

11 MR. SALINAS: Currently the price of
12 manganese ore is going down. If you check the CIU,
13 for instance, you can see what is the trend of the ore
14 right now.

15 MR. HOPKINS: Compared to 2008, the pricing
16 is down. It fell dramatically in 2009 with, as you
17 look at any import or any production statistic for
18 '09, it's an off-the-cliff sort of thing with the
19 situation that was at hand.

20 You had the steel industry very unsure of
21 supply as their demands were increasing, so they
22 bought up everything they could possibly get, and then
23 were sitting on huge inventories of material when the
24 bottom fell out of the market.

25 When you really look at these total U.S.

1 imports, for instance, 364,000 tons in 2008, and
2 that's probably with almost nothing coming in towards
3 the fourth quarter, and in 2012 with lower steel
4 production we see almost the very same imports as back
5 then. That's really what's led to, to speak to the
6 U.S. market in particular, the decline in price is
7 simply the fact that steel demand since 2008 is down;
8 steel production since 2008 is down; and
9 silicomanganese supply in the U.S. has remained almost
10 the same.

11 COMMISSIONER PEARSON: Thank you very much
12 for those explanations.

13 Mr. Chairman I have no further questions.

14 CHAIRMAN WILLIAMSON: Thank you.

15 Commissioner Aranoff?

16 COMMISSIONER ARANOFF: Thank you. Just two
17 questions.

18 First, I wanted to give you an opportunity
19 to address this, whether there's any evidence in the
20 current record that should lead the Commission to
21 reconsider its finding in their recent reviews of
22 silicomanganese from Brazil, China and Ukraine, that
23 the domestic industry's currently in a vulnerable
24 condition.

25 MS. MENDOZA: I think given the fat that

1 obviously the worldwide situation is such, I don't
2 think though that the industry is vulnerable to import
3 competition because I think that imports are already a
4 significant share of the U.S. market. And the fact is
5 that if you use the correct AUV datas and compare
6 Venezuela's prices to other world prices, you can see
7 that they're very, very similar.

8 So in essence, obviously the market in the
9 U.S. is not strong and We're not suggesting otherwise,
10 but we don't believe that the industry is vulnerable
11 to any future import competition.

12 COMMISSIONER ARANOFF: So without putting
13 words in your mouth I'll take that as an argument not
14 that facts have changed since last year, but that we
15 applied them wrong.

16 (Laughter.)

17 MS. MENDOZA: I don't think, for us
18 obviously we are sitting here saying that the U.S.
19 market, the international market's not good, pricing
20 isn't strong. If that means that the U.S. industry is
21 vulnerable then I guess it means the U.S. industry is
22 vulnerable. I don't see that they're necessarily
23 vulnerable to import competition from subject imports.

24 COMMISSIONER ARANOFF: Fair enough.

25 The last question, I asked this one this

1 morning. The Commission is to make a determination in
2 the review about what's likely to happen in the
3 reasonably foreseeable future, and one of the things
4 it would be good to know is who exactly is the
5 domestic industry in the reasonably foreseeable
6 future?

7 So given what's going on at Felman right
8 now, should we find that in the reasonably foreseeable
9 future they are or are not part of the domestic
10 industry?

11 MS. MENDOZA: Just given the testimony this
12 morning which so strongly suggested that this was not
13 at all clear what was going to happen in the future,
14 even though they said their hope was to reopen, I
15 think we'd like to think about that and address it in
16 our posthearing brief.

17 We heard a lot of testimony this morning and
18 I want to make sure that we analyze it properly and
19 come back to you on that point.

20 COMMISSIONER ARANOFF: That would be fine.

21 Thank you very much, and thank you to all of
22 the witnesses for being here this afternoon.

23 That's it, Mr. Chairman.

24 CHAIRMAN WILLIAMSON: Thank you.

25 Commissioner Pinkert?

1 COMMISSIONER PINKERT: Only a few small
2 things.

3 First of all you heard the testimony earlier
4 today about how the U.S. industry is located in areas
5 that historically would have enabled the industry to
6 supply the steel producers, but that now the steel
7 producers are not quite so conveniently located for
8 the industry.

9 What affect does this have on the prospects
10 of the U.S. industry going forward?

11 You can talk about it in terms of the next
12 year or so, or even further on down the line.

13 MR. HOPKINS: I think while the
14 concentration of the steel industry is not as great as
15 it used to be, let's say in the Ohio Valley, at the
16 end of the day there are still a number of steel
17 producing companies, major ones, that are located not
18 that far away.

19 So assuming they run their businesses well
20 and take advantage of their local production status,
21 their domestic producer status, I would see them
22 continuing to be able to be successful.

23 COMMISSIONER PINKERT: I think you all had
24 emphasized earlier some of the competitive advantages
25 that the U.S. industry has in operating in the U.S.

1 market. Doesn't this locational advantage get watered
2 down over time because of the developments that we're
3 talking about?

4 MS. MENDOZA: No, I don't think so. I think
5 it doesn't matter -- Being in the same country and
6 able to supply is still a huge advantage even if
7 they're not across the street anymore. And certainly
8 like Eramet's main customer at least traditionally has
9 been US Steel, right? So we really don't see that
10 that has changed things substantially.

11 The fact that they have to transport the
12 material by rail or by truck or by barge a little bit
13 farther, I think our belief is that they still have a
14 big advantage as a domestic producer. They don't need
15 to pay a tariff to bring it in, they don't need to
16 ship it over the ocean or transport it from another
17 country with all the issues that that entails. So
18 yeah, I think there's still an enormous advantage to
19 being a domestic producer.

20 And I think in fact the investment by
21 Georgia Alloys confirms that. They didn't just
22 purchase this facility to be able to produce
23 silicomanganese. They also purchased their
24 distribution assets. So they obviously believed it
25 was in their best interest to do that and it would

1 give them advantages to be located here and to be able
2 to supply customers here from their domestic facility.
3 And then to be able to use their distribution network
4 to supply the customers that they couldn't produce
5 sufficiently for. I don't know their second tier
6 customers or whatever. And so this has obviously been
7 their business plan in purchasing this facility for
8 \$20 million. I wouldn't disagree with their judgment
9 that being here in the United States does give you a
10 big advantage.

11 We're seeing, in fact next week we're going
12 to see that a lot of foreign companies want to invest
13 in the United States because they want to be here and
14 being able to supply the product. And I think it's
15 the same in this industry as well.

16 COMMISSIONER PINKERT: I see that you're
17 looking over to Mr. Hopkins for any additional
18 comments. And I am too.

19 MR. HOPKINS: I would just say that being on
20 the river is a big advantage, both for the delivery of
21 your raw materials and for shipping out of your raw
22 materials.

23 If you have rail links and you have barge
24 links, that's a tremendous advantage over trucking.

25 For instance anything you bring into New

1 Orleans, if you want to get it to Chicago by truck
2 it's going to cost you 100-and-some dollars a ton. By
3 barge, 16 bucks. So it's a bit advantage to be there
4 in those locations.

5 To ship to a lot of the producers, there's
6 still a number of steel producers in the Pittsburgh
7 area, there's a lot in Northern Kentucky. There are
8 major new investments in other places that are not
9 that far away. So when you really look at where they
10 are, it's not the worst geographical place to be.
11 It's a good central location.

12 COMMISSIONER PINKERT: Thank you.

13 With that I have no further questions. I
14 appreciate the testimony today and I'm looking forward
15 to the additional information in the posthearing.

16 CHAIRMAN WILLIAMSON: Thank you.

17 Commissioner Johanson?

18 COMMISSIONER JOHANSON: Thank you, Mr.
19 Chairman.

20 I understand that the Venezuelan
21 government's economic policies might be difficult for
22 some of us to understand, but why would that
23 government seek to inhibit exports? After all, I
24 assume they would welcome hard currency through the
25 U.S. dollar, and some of Venezuela's allies, close

1 allies such as, even some of their close allies such
2 as Cuba and Ecuador certainly welcome the U.S. dollar.

3 Ms. Mendoza?

4 MS. MENDOZA: Well, we're happy to respond
5 more fully, but there are a lot of governments around
6 the world that I can think of, particularly a lot of
7 them located in South America, who while they would
8 prefer to have exports, their greater interest is in
9 controlling currency related issues and their own
10 national interests. So I think that what's happening
11 isn't that the government doesn't want to have
12 exports, they do. It's just that the policies and
13 procedures that they put into place have a very
14 chilling effect on those exports.

15 So they know that if they allow people to
16 freely bring in and out dollars and to arbitrage that
17 relationship that people are going to make a lot of
18 money on that in the country, and frankly the
19 government wants to make that money I think. So there
20 are a lot of -- I don't think it's that they set out
21 to try to discourage exports at all. I think it's
22 just that they make it so difficult that in effect it
23 chills exports.

24 It's kind of like the U.S. industry
25 complains about U.S. export policies because of all

1 the restrictions that we have on exports, that it has
2 a chilling effect on exports. Obviously we want to
3 increase exports as much as we can, but by putting
4 restrictions and regulations and things on them, it
5 just has that effect.

6 MR. HOPKINS: I would say the biggest thing
7 particularly these governments fear is currency
8 flight. If you open up your ability to take money out
9 of the country easily those with means will do so in
10 let's say less than certain times, which has certainly
11 been the case under former President Chavez and now
12 with President Maduro.

13 COMMISSIONER JOHANSON: But while they might
14 not want currency to leave the country, exporting
15 would bring currency in.

16 MR. HOPKINS: True. But the same controls
17 that keep the currency in also limit exportation. It
18 just makes it more difficult. It's possible. You can
19 do it. Certainly we have experience in that. But
20 it's not an easy thing.

21 COMMISSIONER JOHANSON: It's kind of hard
22 for me to get my mind to think about this. But once
23 again if you could try to expand on this at least a
24 little bit.

25 MS. MENDOZA: What he's saying essentially

1 is that when you export the preference would be you'd
2 export the product, keep the money outside of
3 Venezuela, right? Therefore be able to protect that
4 money. And what the Venezuelan government's trying to
5 make you do, it's trying to force you to bring that
6 money back into the country and keep it there and
7 exchange it into bolivars. That's how it works.

8 So companies as a consequence have to go
9 through all this paperwork and jobs to be able to take
10 the money out bring it back in and comply with all of
11 that because they'd just prefer to take it out and
12 leave it out.

13 COMMISSIONER JOHANSON: And could you all
14 please explain or discuss the steel industry in
15 Venezuela and how large it is and what products are
16 being produced? Because I would think at least at
17 this point in time, given the economic and political
18 situation in that country, there would not be much
19 steel production, and thus not much of a market for
20 silicomanganese in Venezuela.

21 MR. SALINAS: I would need to check that out
22 and come back certainly with some information, some
23 figures.

24 MS. MENDOZA: I will say that Sidor is a
25 fully integrated producer so it does make all of the

1 products -- You remember that Sidor was owned by
2 Tenaris up until the government expropriated it as
3 Commissioner Pearson called it.

4 That was a very big and very robust company
5 prior to that. Tenaris produced a big range of
6 products out of that facility. Although they had a
7 lot of problems in Venezuela with it they still were
8 producing at -- We can get you the exact figures. But
9 it's not like this is a small company that doesn't
10 have much production capacity. It's not. It's a very
11 large company with a big production capacity.

12 COMMISSIONER JOHANSON: Do you know how long
13 ago Tenaris was expropriated by the government of
14 Venezuela?

15 MS. MENDOZA: Two or three years ago, I
16 believe. We can get you that. I always should add
17 five years to what I think, but it was within the last
18 five years.

19 COMMISSIONER JOHANSON: Thank you.

20 One of the Petitioners, Eramet, discusses at
21 page nine of its prehearing brief one issue. Let me
22 just read to you what they write.

23 They write that prices of transactions as
24 small as a truckload sale are quickly reflected in
25 published prices and that sales of even small volumes

1 of low-priced imports from India, Kazakhstan or
2 Venezuela would quickly drive down spot and contract
3 prices throughout the U.S. market.

4 Could one of you possibly discuss your
5 reaction to that? They're basically saying that a
6 very minimal amount of imports will negatively impact
7 U.S. prices.

8 MR. PLANERT: There's a bit of a
9 contradiction in what they said this morning, because
10 they did say that and they say it in their brief.
11 Then they also said that the very, very large volumes
12 of imports coming in from Georgia and South Africa and
13 other places aren't having any adverse impact on the
14 domestic industry and are simply complementing
15 domestic production.

16 So I think there's a certain contradiction
17 there. Yes it's true that this is a commodity
18 product, prices clearly can be translated quickly into
19 the market. So if you make the assumption that you're
20 going to have imports coming from Venezuela and coming
21 at lower prices, then that theory works to some degree
22 but it begs the question first of all on what basis
23 are you to presume that Venezuela would resume
24 shipping, on what basis is there in the record to
25 assume that prices, that imports from Venezuela would

1 enter at lower prices? And it does beg a bigger
2 question which is look, there's been a lot of
3 discussion today about how bad this market is and the
4 problems they're having.

5 The domestic industry testified this morning
6 that their returns are sinking back to the levels of
7 2009 at the height of the recession.

8 Certainly demand, while it's not what anyone
9 would like it to be, is better today than it was in
10 2009. So what's going on?

11 We know it's not subject imports from
12 Venezuela or Kazakhstan or India because there aren't
13 any. The orders have remained in place on China and
14 Ukraine. According to the staff report there have
15 been no resumption of imports from Brazil.

16 So what explains this? And yet we see
17 nonsubject imports going up and up and up, increasing
18 when Felman was increasing its domestic production;
19 increasing faster now that they've idled those
20 facilities. So I think there's a real causation
21 problems here in terms of how you make the link that
22 these large volume of nonsubject imports is not a
23 source of any problem, even though Felman finds it
24 necessary to actually shut down its domestic
25 production at the moment.

1 But the infinitely smaller quantity that one
2 could reasonably project to enter from Venezuela
3 would, even if it's just a truckload it would bring
4 the whole market crashing down.

5 I think there's a real problem with that
6 theory.

7 So I take their point, and as a general
8 observation of how this market works there's something
9 to that idea that prices get transmitted very quickly.
10 But as a causal theory of how you could conclude
11 under current market conditions that revoking this
12 order would in the foreseeable future lead to a
13 continuance or a recurrence of injury from Venezuela,
14 I don't think it works.

15 COMMISSIONER JOHANSON: Mr. Hopkins, did you
16 want to add something?

17 MR. HOPKINS: I will say everything well
18 said, first of all.

19 The second reason was, when times were good
20 and the spreads between production costs and selling
21 prices were large, the producers in order to lock in
22 the business for the year went out to the consumers
23 and instead of the traditional quarterly, semi-
24 annually or annual contracts that were bid on a fixed
25 price basis, thought it wise to lock up all of the

1 tons on a formula price based on Ryan's Notes or
2 Platt's Metals Week Index.

3 So when prices are going up and each
4 individual spot sale is higher than the last one, you
5 take advantage of all these things. But being a
6 double-edged sword, now that prices have started to
7 fall down, over-supply in the market, these prices
8 have come down. So each sale does have that effect to
9 a degree. And most of these major suppliers have also
10 taken these indexes to be a discount to their major
11 customers from the low price reported in the market
12 place.

13 Completely foolish. Completely foolish and
14 completely short sighted. But that's the nature of
15 almost the entire alloy market, whether it's
16 silicomanganese, high carbon ferromanganese, any other
17 product you want to put out there today. But that's
18 really what has happened. It's been bad marketing.
19 Terrible, terrible marketing ideas.

20 COMMISSIONER JOHANSON: All right, thank
21 you.

22 Did anyone want to add anything else to
23 that?

24 Thank you for appearing here today. That
25 concludes my questions.

1 CHAIRMAN WILLIAMSON: Thank you.

2 Commissioner Broadbent?

3 COMMISSIONER BROADBENT: No, thank you. No
4 more questions.

5 CHAIRMAN WILLIAMSON: Does any other
6 Commissioner have any additional questions?

7 Does staff have any questions for this
8 panel?

9 MR. MCCLURE: Mr. Chairman, Jim McClure,
10 Office of Investigation.

11 Staff has no questions.

12 CHAIRMAN WILLIAMSON: Thank you.

13 Do those in favor of continuation of the
14 orders have any questions for this panel?

15 MR. SALONEN: No questions, Mr. Chairman.

16 CHAIRMAN WILLIAMSON: Thank you. I guess
17 that brings us to closing statements.

18 Those in support of continuation have 13
19 minutes from direct and five from closing for a total
20 of 18 minutes. Those in opposition have 27 minutes
21 from direct and five from closing for a total of 32
22 minutes. Traditionally we combine the times.

23 So I want to thank this panel for coming in
24 and presenting your testimony today. It's been very
25 helpful.

1 You can take your seats and we will proceed
2 with closing statements.

3 MS. MENDOZA: Thank you very much.

4 CHAIRMAN WILLIAMSON: Thank you.

5 (Pause.)

6 MR. KRAMER: I'd like to make a few brief
7 factual points.

8 First of all with respect to the Venezuelan
9 industry.

10 This is an industry that has significant
11 excess capacity, greater than it had during the
12 original period of investigation because of the
13 addition of a second producer.

14 In addition, as I said in my opening
15 statement, we believe that the capacity reported to
16 the Commission understates the actual industry
17 capacity.

18 One factor that contributes to that
19 understatement has to do with how the capacity of the
20 furnace that is used to produce both ferromanganese
21 and silicomanganese has been reported.

22 We think that reporting should reflect the
23 reality that Mr. Hopkins acknowledged when he stated
24 that that furnace can produce either product based on
25 the situation in the market.

1 In addition to significant excess capacity,
2 the industry has significant and increasing
3 inventories. The Venezuelan industry has excess
4 production in relation to the ability of the domestic
5 consuming industry in Venezuela to absorb that
6 production.

7 Not only can that industry not absorb it
8 currently, it's not likely to be able to do so during
9 the foreseeable future. For that reason the higher
10 market prices to which the Respondents point are not
11 of any consequence. It's fine to be able to sell at a
12 higher price, but if you can't make sales, you can't
13 direct your production to that market.

14 The steel industry in Venezuela is
15 struggling and also is facing increasing Chinese
16 import competition. Venezuelan imports of finished
17 steel from China increased 113 percent from the first
18 quarter of 2012 to the first quarter of 2013 to
19 109,000 tons.

20 In addition, the overall Venezuelan economy
21 is deteriorating. I believe it was counsel for
22 Respondents who described it as not in good shape, as
23 having a lot of problems.

24 As a consequence of the inability of the
25 Venezuelan market to absorb the production of the

1 Venezuelan industry, the industry is forced to export
2 and in fact they have been exporting increasing
3 volumes of silicomanganese and have become more export
4 oriented.

5 The experience in the original period of
6 investigation also suggested significant volumes of
7 silicomanganese would be shipped to the United States.

8 Counsel for Ferro Ven described the exports at that
9 time as extremely small.

10 There was a 36 percent increase in volume
11 over the original period of investigation to a level
12 of 26,000 short ton which we would not consider to be
13 small. And that's in circumstances in which before
14 you had the capacity and production added by the
15 second producer.

16 So the question then is to what market would
17 the excess production be directed? Everyone appears
18 to acknowledge that prices are higher in the United
19 States and that the steel industry is in better
20 condition than the industry in the European Union,
21 Venezuela's primary export market currently.

22 I believe as Mr. Hopkins described, the U.S.
23 steel industry is one of the largest and most dynamic
24 industries in the world.

25 As to whether Ferro Ven would export to the

1 United States, Ferro Ven has an established
2 distribution network in the United States through
3 which it is currently selling another steel input,
4 ferro silicone, to the same customer base.

5 It's selling large and increasing volumes of
6 ferro silicone so that it's apparent that the outages
7 that they've described at that plant are not affecting
8 its ability to produce and export ferro silicone to
9 the United States.

10 What impact would these increased exports
11 have? Given the nature of this product, how it's
12 sold, how prices are set, we believe it would have a
13 very serious adverse impact. There would be increased
14 volume in the market. There would be some volume lost
15 that would be somehow not confined solely to
16 nonsubject imports. But more importantly, in order
17 to, there would be an increased number of bidders in
18 the formal bidding process, a new entrant or resumed
19 entrant would have to sell at lower prices to make
20 sales, as they're doing already in the European Union.

21 As we've explained, because of the way in
22 which pricing works and as was just described, even a
23 small incremental volume at a low price would have an
24 affect across the entire market. So we think that the
25 imports would have a very serious adverse affect.

1 MR. SALONEN: Mr. Chairman, Commissioners,
2 thank you first on behalf of the domestic producers
3 for your close attention today during today's hearing.

4 WE'D also like to thank the staff for the hard work
5 they've done in compiling a staff report which we
6 believe presents a fairly straightforward case for
7 cumulation of imports from all three countries and for
8 an affirmative determination.

9 As you heard from our witnesses today, it is
10 critically important that the antidumping orders
11 remain in place if the domestic industry is to
12 survive. The market for silicomanganese is extremely
13 depressed at the present time. Prices are so
14 depressed that Felman Production has temporarily
15 ceased producing silicomanganese altogether until
16 market prices recover and it further reduces its
17 production costs. We'll get into some of the
18 assertions made by Ferro Ven regarding the nature of
19 that shutdown and what's behind it.

20 Most of the data is obviously confidential
21 but there are several facts that are clear. First,
22 each of the countries has the ability to resume
23 exporting significant volumes of silicomanganese at
24 dumped prices to the U.S. That's one word we never
25 heard this afternoon from the other panel, the word

1 dumping or the word dumped. That is what
2 distinguishes these imports from other imports.

3 The question was asked, why is Venezuela a
4 target? Why was Venezuela a target back when the
5 first case was brought and why is Venezuela a target
6 again? Because the Venezuelan producer resorted to
7 dumping in order to gain access to this market.

8 Indeed in their brief, Ferro Ven says well,
9 we have a relatively low dumping margin. I would
10 submit to you that a dumping margin of about 26
11 percent is a fairly significant margin in this kind of
12 a price sensitive market with a fungible commodity
13 product.

14 There are a number of points that have been
15 repeated many times which I'm not going to bother
16 taking time up with now.

17 In response to some of the points made by
18 Ferro Ven, first, counsel for Ferro Ven seems to
19 believe that the buildup of inventories by Felman
20 Production was in anticipation of a planned shutdown
21 of the plant so it would be able to continue to supply
22 their customers. That is not the case.

23 The reason for the buildup in inventories
24 was because of a downturn in orders. The decision to
25 shut down the plants was made two days, two days

1 before the announcement on June 28th. So the buildup
2 of inventories you see early in the period was not
3 part of some grand plan to take the plant out of
4 operation.

5 We heard counsel for Ferro Ven talk about
6 how the average units values of imports from
7 nonsubject countries are higher because of low carbon
8 silicomanganese. And then we heard Mr. Hopkins say,
9 and I believe the gentleman from FerroAtlantica Spain,
10 say that in fact there are a relatively small number
11 of producers and that it's very difficult to produce
12 the low carbon product.

13 So we doubt that, since you can't, since the
14 import statistics don't permit us to break out the low
15 carbon silicomanganese manganese from the other
16 silicomanganese and see what impact that would have on
17 the average unit values, we'll see what we can do with
18 that as part of our posthearing brief. But I think
19 there was an important concession that in fact the low
20 carbon product is not something that's very
21 predominant among nonsubject imports.

22 You just heard Mr. Kramer talk about the
23 exports of ferro silicone by Ferro Ven to the United
24 States. We heard Mr. Hopkins say that more and more
25 steel mills are shifting to using silicomanganese and

1 away from ferro silicone. So I think that's another
2 factor to be taken into account, that, another reason
3 why they would have an incentive to increase shipments
4 of silicone manganese to the U.S. market were you to
5 wind up revoking the order.

6 We heard repeatedly this argument about the
7 logistical advantages that the domestic producers have
8 in this market. But in fact there is not the
9 logistical disadvantage that Ferro Ven suggests.

10 Mr. Sossonco told me after looking into this
11 that it costs about the same, in terms of the
12 logistics costs, for Venezuelan product to be shipped
13 to Houston as it does for product from Felman
14 Production in West Virginia. The fact that it would
15 come in at a dumped price means they would be able to
16 take those sales away from Felman Production.

17 Counsel for Ferro Ven repeatedly argued
18 about how volume is such an important factor in this
19 market and in this industry. And she's absolutely
20 right because it takes a very small volume to have a
21 rapid affect on prices throughout the market.

22 The other important point is that it is not
23 the case that Felman Production and the
24 silicomanganese coming in from Georgia can be
25 seamlessly shifted back and forth. That's not how

1 Felman does its business. That product is being
2 supplied to the customer that prefers to have the
3 higher manganese ore content. It's not taking sales
4 away from Felman Production but, and this is a very
5 important point, that higher content product can be
6 rapidly substituted by the so-called standard grade
7 product, and that's exactly what would happen if you
8 were to revoke and the imports start coming in.

9 My final point is, we heard about how the
10 Venezuelan industry and Ferro Ven in particular are at
11 a disadvantage because they're not an integrated
12 producer. They don't have their own mine. They have
13 to purchase their product, their inputs. Well, that's
14 exactly what Felman Production does here in the
15 States, and they're not bringing it in from Georgia.

16 If you take a look at the import statistics,
17 there have been virtually no imports of manganese ore
18 from Georgia. We'll supply those in the posthearing.

19 The important point is what the record does
20 show is there is a geographic overlap of exports from
21 Venezuela and India and Kazakhstan. The particular
22 markets are confidential, but there is evidence of
23 geographic overlap.

24 What does that mean? It means that the
25 Venezuelan producers are in fact able to compete with

1 these integrated producers from Kazakhstan and India
2 and other markets. If they can do it there, they can
3 do it here.

4 Thank you for your attention.

5 CHAIRMAN WILLIAMSON: Thank you.

6 You may begin when you're ready.

7 MR. PLANERT: Thank you. We're going to try
8 not to talk for the remaining 33 minutes.

9 Just a few points. The place I think I want
10 to start with again is I alluded to it earlier in
11 response to Commissioner Johanson's question. That is
12 the sort of almost schizophrenic approach that they
13 have to imports and volumes.

14 We just heard that 26,000 tons, that's a
15 really big volume. That is not insignificant.

16 Well, based on the first five months of this
17 year Georgia is on pace to increase its supply to this
18 market, not supply this market but increase its supply
19 to this market over last year by 40,000 tons.

20 Apparently though, that's not significant. Apparently
21 that, in a market where we keep hearing the real issue
22 here is supply and the real issue is really ultimately
23 price. And even the small incremental supply drives
24 down price. Forty thousand tons of additional supply
25 coming from Georgia, that's not causing any problems.

1 Now I will say when the question was posed
2 this morning from Commissioner Pearson, I'm not sure
3 Eramet views that the same way. But you can look at
4 the transcript on that one.

5 Furthermore, the suggestion that geez, the
6 reason this product is coming in from Georgia is
7 because we've got one customer and they really prefer
8 the higher manganese content product, so that's for
9 them. We're not shifting back and forth. But of
10 course understand that that product is entirely
11 substitutable for other imports. It's not
12 substitutable for Felman's domestic production I guess
13 because they'd rather idle their domestic production
14 than try and supply that customer with that.

15 But imports from Venezuela would take it
16 away like that.

17 There's a problem here with the causation
18 theory and there's a problem with the statements about
19 how substantial Venezuela would be when you've got
20 this huge volume of nonsubject imports coming into the
21 market at a time when everybody seems to be agreeing
22 that the market is very depressed and it's over-
23 supplied. Yet they're asking you to basically make
24 the assumption that under these conditions any
25 incremental increase from Venezuela that one might

1 hypothesize would be injurious while these big volumes
2 of nonsubject imports apparently are not problem at
3 all.

4 This goes back to the question that
5 Commissioner Pinkert asked this morning about what's
6 the significance of Felman being a dominant supplier.

7 That is the significance. There's been a
8 lot of talk about conditions in this market and the
9 market conditions and how those are the source of the
10 domestic industry's problems. But when the largest
11 domestic supplier is also one of the largest if not
12 the largest importer and is bringing in nonsubject
13 imports at a time when the market, as everyone seems
14 to agree, is oversupplied, that's relevant. That's a
15 very relevant condition to competition and that is we
16 think very significant and it's something the domestic
17 industry just wants to ignore, but we don't think that
18 you can.

19 On the issue of the AUVs that were in
20 Felman's brief and their statement that well, the
21 import data don't permit us to segregate out the
22 effect of the low carbon -- Simply not true.

23 The staff has already done that for you.
24 The staff has presented import statistics based on
25 questionnaire data in Table 4-1 that give you AUVs

1 that are limited to the subject merchandise. And if
2 you substitute those figures for the figures that they
3 used in their brief which they drew from the C tables
4 which had the census data, I think you'll see that the
5 spread between the AUVs of nonsubject imports and the
6 domestic AUVs almost goes away. They're still a
7 little bit higher but it's not the dramatic difference
8 that was presented in their brief.

9 So they don't have to go look for anything
10 else, they can just take that from Table 4-1 from the
11 staff report.

12 On the point about how there's just no
13 logistical advantage to being located in the market
14 close to your customer, again, they testified this
15 morning that there's no place better than they would
16 rather locate a mill than here in the United States
17 because they're close to their customers. I think
18 that's pretty self-evident.

19 I think that's everything I have.

20 MS. MENDOZA: I just had one final point and
21 again it goes to these fundamental inconsistencies in
22 so many statements by the domestic industry including
23 the one that was made during the closing by Felman's
24 counsel in which they suggested that there was a
25 downturn in the market and that is the reason that

1 they had so many inventories.

2 The only problem with that explanation is
3 that while they were building those inventories, they,
4 as Will said, increased the amount of imports from
5 Georgia by over 40,000 tons.

6 So it's very difficult to reconcile these
7 two versions of what's going on because you constantly
8 are coming into contact with the fact that they are
9 shifting between their imports and their domestic
10 production, whether it's a planned strategy or not.

11 The fact of the matter is it may well be
12 that Felman Trading has certain customers and Felman
13 Production has other customers, but it's all Felman
14 customers.

15 So at the end of the day if they really are
16 building inventories and they're increasing imports
17 from Georgia, the fact of the matter is that they have
18 to be shifting between those two sources of supply.
19 There's just no other explanation.

20 Thank you very much. We appreciate the
21 Commission's time.

22 CHAIRMAN WILLIAMSON: Thank you. And I want
23 to thank everyone who participated in today's hearing.

24 Time for closing statement.

25 Posthearing briefs, statements responsive to

1 questions and requests of the Commission and
2 corrections to the transcript must be filed by
3 July 29, 2013.

4 Closing of the record and final release of
5 data to parties, August 13, 2013.

6 Final comments are due August 15, 2013.

7 Again, I thank everyone for your
8 participation, and this hearing is adjourned. Thank
9 you.

10 (Whereupon, at 4:15 p.m., the hearing in the
11 above-entitled matter was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Silicomanganese from India, Kazakhstan, and Venezuela

INVESTIGATION NO.: 731-TA-929-931

HEARING DATE: July 18, 2013

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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

DATE: July 18, 2013

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: Sofia Misenheimer
Signature of Court Reporter