

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
STEEL CONCRETE REINFORCING) Investigation Nos.:
BAR FROM BELARUS, CHINA,) 731-TA-873-875, 878-880,
INDONESIA, KOREA, LATVIA,) and 882 (Second Review)
MOLDOVA, POLAND, AND UKRAINE)

REVISED AND CORRECTED TRANSCRIPT

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Thursday,
 April 25, 2013

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

The hearing commenced, pursuant to notice, at 9:32 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:

IRVING A. WILLIAMSON, CHAIRMAN
 DANIEL R. PEARSON, COMMISSIONER
 SHARA L. ARANOFF, COMMISSIONER
 DEAN A. PINKERT, COMMISSIONER
 DAVID S. JOHANSON, COMMISSIONER

APPEARANCES: (Cont'd.)

On behalf of the International Trade Commission:

Staff:

BILL BISHOP, SUPERVISORY HEARINGS AND INFORMATION
OFFICER
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
JOANNA LO, INVESTIGATOR
ALAN TREAT, INTERNATIONAL TRADE ANALYST
CRAIG THOMSEN, ECONOMIST
CHARLES YOST, ACCOUNTANT/AUDITOR
MARY JANE ALVES, ATTORNEY
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

Congressional Witness:

THE HONORABLE GREGG HARPER, U.S. Representative,
3rd District, Mississippi

In Support of the Continuation of Antidumping Duties:

On behalf of Rebar Trade Action Coalition:

JOHN J. FERRIOLA, Chief Executive Officer and
President, Nucor Corporation
JAMES DARSEY, Executive Vice President, Nucor
Corporation
JOSEPH ALVARADO, Chairman of the Board, President
and Chief Executive Officer, Commercial Metals
Company
TRACY PORTER, Senior Vice President and President,
Commercial Metals Company Americas Division
JERZY KOZICZ, Managing Director, CMC Poland sp.
z.o.o
JIM KERKVLIT, Vice President of Sales &
Marketing, Gerdau Long Steel North America
BURKE BYER, President and Chief Executive Officer,
Byer Steel Group
LINDA ANDROS, Legislative Counsel, United Steel,
Paper and Forestry, Rubber, Manufacturing,
Energy, Allied Industrial and Service Workers
International Union (United Steelworkers)
SETH T. KAPLAN, Senior Economic Advisor, Capital
Trade Inc.

APPEARANCES: (Cont'd.)

In Support of the Continuation of Antidumping Duties:

On behalf of Rebar Trade Action Coalition:

ALAN H. PRICE, Esquire
JOHN R. SHANE, Esquire
TIMOTHY C. BRIGHTBILL, Esquire
Wiley Rein LLP
Washington, D.C.

In Opposition of the Continuation of Antidumping Duties:

On behalf of JSC Liepajas Metalurgs (LM):

ALEX ZAHARIN, Vice-Chairman of the Council, LM
KIRILS POLOVENKO, Trade Remedies Advisor to the
Executive Director Telecommunication and IT
Department Head, LM

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

I N D E X

	PAGE
OPENING STATEMENT OF ALAN H. PRICE, ESQUIRE, WILEY REIN LLP	7
OPENING STATEMENT OF DONALD B. CAMERON, ESQUIRE, MORRIS MANNING & MARTIN LLP	16
TESTIMONY OF THE HONORABLE GREGG HARPER, U.S. REPRESENTATIVE, 3RD DISTRICT, MISSISSIPPI	12
TESTIMONY OF ALAN H. PRICE, ESQUIRE, WILEY REIN LLP	20
TESTIMONY OF JOHN J. FERRIOLA, CHIEF EXECUTIVE OFFICER AND PRESIDENT, NUCOR CORPORATION	26
TESTIMONY OF JOSEPH ALVARADO, CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER, COMMERCIAL METALS COMPANY	31
TESTIMONY OF JERZY KOZICZ, MANAGING DIRECTOR, CMC POLAND SP. Z.O.O	37
TESTIMONY OF JIM KERKVLIT, VICE PRESIDENT OF SALES & MARKETING, GERDAU LONG STEEL NORTH AMERICA	42
TESTIMONY OF BURKE BYER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BYER STEEL GROUP	48
TESTIMONY OF LINDA ANDROS, LEGISLATIVE COUNSEL, UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION (UNITED STEELWORKERS)	51
TESTIMONY OF SETH T. KAPLAN, SENIOR ECONOMIC ADVISOR, CAPITAL TRADE INC.	53
TESTIMONY OF ALEX ZAHARIN, VICE-CHAIRMAN OF THE COUNCIL, LM	171
TESTIMONY OF KIRILS POLOVENKO, TRADE REMEDIES ADVISOR TO THE EXECUTIVE DIRECTOR TELECOMMUNICATION AND IT DEPARTMENT HEAD, LM	181

I N D E X

	PAGE
CLOSING STATEMENT OF ALAN H. PRICE, ESQUIRE, WILEY REIN LLP	280
CLOSING STATEMENT OF JULIE C. MENDOZA, ESQUIRE, MORRIS MANNING & MARTIN LLP	286

P R O C E E D I N G S

(9:32 a.m.)

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos.

731-TA-873-875, 878-880, and 882 (Second Review), involving Steel Concrete Reinforcing Bar From Belarus, China, Indonesia, Latvia, Moldova, Poland, and Ukraine.

The purpose of these five-year review investigations is to determine whether revocation of the antidumping orders on steel concrete reinforcing bar from Belarus, China, Indonesia, Latvia, Moldova, Poland, and Ukraine would be likely to lead to continuation or reoccurrence of material injury within a reasonably foreseeable period of time.

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

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

Secretary.

Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into the microphone and state your name for the record for the benefit of the court reporter. If you will be submitting documents that contain information you wish classified as business confidential, your requests should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Yes, Mr. Chairman. With your permission, we will add Linda Andros, legislative counsel for the United Steelworkers, to page 2 of the witness list. This is in place of Mr. Conway.

CHAIRMAN WILLIAMSON: Okay. Thank you. And we'll begin with opening statements since our congressional witness hasn't arrived yet.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of the orders will be by Alan H. Price, Wiley Rein.

CHAIRMAN WILLIAMSON: Okay. Welcome, Mr. Price. You may begin when you're ready.

MR. PRICE: Good morning, Mr. Chairman and Commissioners. I am Alan Price of Wiley Rein here this

morning on behalf of the domestic rebar industry.

As the Commission has long recognized, rebar is a basic commodity steel product that is produced to standard specification and sold in a few standard sizes. We have some examples there. As a result, competition is based almost entirely on the basis of price. The staff report and numerous prior Commission investigations confirm that price is by far the most important factor in the purchasing decision.

Rarely, if ever, has the Commission seen such a resounding confirmation that price dominates the purchasing decision. The majority of purchasers list price as the most important factor. Because price is so important, antidumping duties can provide and have in fact provided meaningful relief against these unfairly priced imports.

The foreign producers in Belarus, China, Indonesia, Moldova, Ukraine did not submit briefs and are not participating in the hearing. Moldova actually withdrew its appearance the day the briefs were due.

We expect that Latvia will argue in the afternoon that the Latvian producer will be a responsible participant in the U.S. market as it has been in other markets. Nothing -- I repeat, nothing -- could be further from the truth. For the reasons that

we will discuss this morning, we respectfully submit that cumulation is appropriate for all seven countries.

If the orders are revoked, imports will increase and the vulnerable domestic industry will be injured. The subject countries have a combined excess and divertible capacity of almost 50 million tons. That number bears repeating. Almost 50 million short tons of excess and divertible capacity. Just a small fraction from China alone would swamp the U.S. market.

But this is not just a China case. Indeed, the Commission rejected arguments along this line in the prior sunset. These particular producers are extremely export oriented, particularly Ukraine, Latvia, Belarus and Moldova, all of which are export platforms with little or no home market. What's more, these seven countries have a history of pervasive underselling and are nimble, opportunistic suppliers that readily shift large volumes from one export market to the next, often relying on global trading companies and auction style bidding systems.

Most of their home markets are insignificant or declining, making the subject producers desperate to find alternate export markets. Other export markets such as Europe, Russia and Algeria will provide no solace for future exports. These factors make it more likely that subject imports will return to the United States if the

orders are revoked.

The United States is an open and large market that is characterized by attractive pricing. There are significant and persistent gaps between the domestic producers' prices and subject producers' export prices to alternative markets, demonstrating that the U.S. market is a price magnet.

The surge in nonsubject Turkish imports in 2012 establishes that the U.S. market is attractive to imports and that subject imports will follow suit if given the opportunity. Freight costs are less of a barrier now than at any point since the imposition of the orders. The Commission has detailed actual freight quotes provided by the domestic producers' international trading arms showing that it's cheaper for them to ship to the U.S. than most of the other markets that are available to the subject producers.

In the first sunset review, the Commission determined that the domestic industry was not vulnerable, but nevertheless made affirmative determinations based upon the commodity nature of the product and significant likelihood of injurious imports causing material injury.

On this record, it is clear that the domestic industry is vulnerable to unfairly traded imports. U.S. producers are beginning a slow and rocky recovery from the

Great Recession. Many performance indicators such as production, employment and profitability are well below pre-recession levels, and the industry is operating at only 67 percent capacity utilization.

Just as telling, a significant percentage of the industry continues to lose money. Under these circumstances, allowing these seven countries to re-enter the U.S. market will have injurious volume and price effects and negatively impact workers and producers. Thank you.

CHAIRMAN WILLIAMSON: Thank you. Our congressional witness has arrived so, Mr. Cameron, if you don't mind we'll --

MR. CAMERON: Very good.

CHAIRMAN WILLIAMSON: Thank you. Okay. Welcome, Congressman.

MR. BISHOP: The Honorable Gregg Harper, United States Representative, 3rd District, Mississippi.

CHAIRMAN WILLIAMSON: Welcome, Congressman. You may begin when you're ready.

MR. HARPER: Thank you so much. It's an honor to be here with you, Chairman Williamson and members of the Commission. It's a great responsibility that you have, and I'm honored to be here today on behalf of the people of the 3rd Congressional District of Mississippi.

I'm here to support Nucor Steel Jackson and its workers in their request that the trade relief on rebar be maintained. I believe that if this relief is removed, the United States industry and its workers will once again be injured by unfairly traded rebar imports.

If you've ever visited my district, you know that manufacturing and steel production is very important to its economy. The 3rd District is home to Nucor Steel's plant, a world-class rebar facility in Flowood, Mississippi. This mill has been operating for over five decades, and it is a staple in Jackson. It provides a good wage for hundreds in our community. If the trade remedy is removed, these jobs will be jeopardized, which will be bad for Jackson, where one out of every 10 residents is already out of work.

In 2001, the Commission imposed the trade remedy to prevent unlawfully traded rebar from continuing to harm the domestic industry. The trade remedy was necessary back then and is even more so now, especially given the weakened state of the industry. The U.S. rebar industry is struggling to recover from one of the worst economic recessions in history, and demand remains well below what it once was.

Prospects for the future are not significantly brighter. While there appears to be some improvement in

the construction sector, public construction spending remains sluggish and is unlikely to recover in the near future. The industry is suffering as a result. I understand that the industry is operating at under 70 percent of capacity. This means that too many workers are not making steel and that those that have jobs are taking home less pay in certain situations.

The seven countries you are investigating are ready to return to the U.S. market, and they can make more rebar than ever before. Despite their already significant overcapacity, these producers are planning even further capacity expansions. Where are they going to sell all of this rebar? It won't be in Europe. Their economy is in shambles in many places. And it won't be in the Middle East either.

Instead, I have no doubt that these export-oriented producers will come back to the U.S. market as quickly as they can. These countries are able and willing to send large shipments of rebar to attractive export markets. The Latvian producers in particular are capable of diverting large volumes to the U.S. market in a short period of time.

During the original investigation, Latvia more than doubled its volume of exports to the United States, sending more rebar to our market than any other country

included in this case. I understand that there is evidence on the record indicating that the Latvian industry may have engaged in questionable practices to increase exports.

These practices include altering the chemical composition of the steel to evade the trade remedy and engaging in widespread tax evasion in order to sell its rebar in Poland at below market prices. I also understand that Latvia's only rebar producer is essentially insolvent and that the Latvian Government has indicated its willingness to bail the company out.

I urge you to examine the record carefully for indications that unfair trade will resume if the remedy is eliminated. The workers of Nucor Steel Jackson are productive and innovative and can out-compete even the strongest foreign competitor so long as the competition is fair. However, we cannot compete against industries that are subsidized by their government, that are not run on a commercial basis or that engage in dumping. Our trade laws are designed to prevent the negative effects from exactly these types of behavior.

As I said earlier, Nucor Jackson has been in my community for more than 50 years. My hope is that it will continue for many generations to come. By fully enforcing the U.S. trade laws, the Commission can help ensure that

this happens. I thank you very much for allowing me to be here and to share my views on this very critical issue. Thank you.

CHAIRMAN WILLIAMSON: Thank you, Representative Harper.

MR. HARPER: Thank you.

CHAIRMAN WILLIAMSON: Are there any questions from members?

(No response.)

CHAIRMAN WILLIAMSON: Okay. Thank you very much for coming. We appreciate your testimony.

MR. HARPER: Thank you, sir.

MR. BISHOP: Opening remarks on behalf of those in opposition to continuation of the orders will be by Donald B. Cameron, Morris Manning & Martin.

CHAIRMAN WILLIAMSON: Okay. Welcome, Mr. Cameron. You may begin when you're ready.

MR. CAMERON: Mr. Chairman, members of the Commission, thank you very much. We are appearing here on behalf of Liepajas Metalurgs, LM for short, of Latvia. Petitioners' case is relatively simple. The U.S. market is the highest priced market in the world, and absent the antidumping orders imports from subject countries are going to flood back into the market. It's a price magnet.

Rebar is the epitome of a commodity product.

Rebar produced in subject countries is always interchangeable with domestically produced product. Finally, there are no significant barriers to imports, which compete with domestic production on the same basis. Okay. I mean, we understand Petitioners' argument, but we suggest to you the Petitioners' position is not supported by the record in this case and they're not vulnerable. I mean, I'm real sorry, but that doesn't work.

With respect to the attractiveness of the U.S. market, this seems to hinge on the fact that prices in the U.S. are higher than other markets in the world and that the U.S. recovery is stronger. That may be true, but we would suggest that there are a number of other factors that make it difficult for imports to compete in this market, and there are a number of other factors that make import shipments of rebar expensive relative to its low value.

And the proof is in the import data. For instance, Petitioners argue in their brief that rebar markets in Europe, Middle East, Africa, Asia, Russia have all dried up. The U.S. is the only thing that's left. Okay. But if that's true, why are the only significant imports from Turkey and Mexico? I mean, where is the ROW?

Poland and Latvia are covered by antidumping orders. I get it. But where are the imports from the rest

of Europe that are not subject to dumping orders? Let's look at the data over the last 12 years. Before 2006, there were four countries in Europe that exported to the U.S. In 2004, the Czech Republic and Italy dropped out of the U.S. market. In 2006, Germany, Romania and Russia left the U.S. market.

Where are the imports from Korea, by the way? They're no longer subject to the dumping order. This is a price magnet. Hey, they're Koreans. This is a price magnet. Where are they? Where, for that matter, are the Latvian exports of rebar to Canada? Canada lifted the orders on rebar in 2005, but even with no antidumping order there aren't any Latvian exports to Canada. Something here doesn't compute.

Part of the answer has to do with the structure of the U.S. market today. As our confidential handout makes clear, U.S. purchasers overwhelmingly purchase and prefer domestic production for a variety of reasons. That means it's not an easy market to crack. In fact, the only imports into the market are Turkey and Mexico, and Turkey has made it clear that the economics of shipping are overcome by the fact that they ship scrap to Turkey and then use the same boat to come back. Okay.

With respect to the question of whether subject imports and U.S. produced rebar are interchangeable, very

few purchasers said that they are always interchangeable. While all purchasers agree that ASTM quality bar is physically interchangeable, the market is more complicated than that. In fact, LM's customers have specifically rejected rebar produced using the Thermex process when LM was producing it into the U.S. market.

Now, this doesn't mean that LM can't produce ASTM quality rebar and export it to the U.S. We're not saying that. But it does mean that the product that LM currently produces is not acceptable in the U.S. market and so in order to produce for the U.S. they would have to do separate production runs with higher costs and then they would have to sell a higher cost product in the most competitive market in the world, and that's problematic.

Finally, with respect to whether the domestic industry has a strong inherent market advantage over the imports, we submitted a confidential exhibit tabulating the results of the purchaser responses to the question of whether the purchasers have preferences for domestically produced rebar. The chart shows the percentage of domestically produced rebar purchased by these companies.

The purchaser responses demonstrate an overwhelming preference for domestically produced material. Most purchasers indicated that there was sufficient U.S. supply, and given the inherent issues with

importing, as well as the legal and customer requirements, it's no surprise that domestic purchasers prefer domestic supply.

But if it's true that the market is a price magnet, all other markets are foreclosed and the products are fungible and interchangeable, why did the purchasers overwhelmingly prefer domestically produced rebar? We suggest to you that the answers to those questions tell you why it is that imports from Latvia are not likely to cause a recurrence of material injury. Thank you very much.

CHAIRMAN WILLIAMSON: Thank you.

MR. BISHOP: Will the first panel, those in support of continuation of the orders, please come forward and be seated? Mr. Chairman, all witnesses have been sworn.

(Witnesses sworn.)

CHAIRMAN WILLIAMSON: Thank you. I want to welcome this panel. Mr. Price, you may begin when you're ready.

MR. PRICE: Good morning. I am Alan Price, counsel for Petitioners. Here's a picture of rebar imports on the docks in the United States. These pictures were taken in 2000 with the subject imports.

Rebar is kind of unique in that it's imported,

goes to distributors and just sits on the docks until it's sold to fabricators. The same thing is happening in 2013. No fundamental change in the nature of the way this product gets to market. It is the commodity product in the steel industry.

Let's look at the key issues. Price is of paramount importance. All seven countries should be cumulated. Subject producers have massive excess and divertible capacity. Subject producers face challenges in alternative markets. The U.S. is an open, large and attractive market. The domestic industry is vulnerable, and revocation will materially injure the U.S. industry.

Now, rebar is the ultimate commodity product in the steel industry. Rebar is a highly fungible product with domestically produced products being readily interchangeable with imported products. This is what the Commission found. Nothing has changed in this industry. It's found that over and over again since 1996. Price is by far the most important factor. This comes right out of your staff report. It's the most important factor, it's the second most important factor, and everyone rated it as an important factor.

This goes to the substitutability issues. There's a high degree of substitution. As you see here, the majority of purchasers all rated this as always or

frequently substitutable, and virtually all rated the rebar from imports and domestic being always, frequently and sometimes substitutable. This is a highly substitutable product.

Now, I'm sure Mr. Cameron will try the same Buy America argument that's been made in every single rebar case in the last five investigations since 1996, but guess what? The Commission has evaluated this over and over again. Domestic suppliers charge the same price for all products regardless of whether or not there's Buy America or domestic preference policy. There is no insulation. Nothing has changed.

Let's look at some of the cumulation issues. This is a fungible product. The record shows from the original investigation there are overlapping geographic markets, overlapping channels of distribution, simultaneous presence. Now let's look at some of the other key conditions of competition. We have small or slowing home markets. These producers are export-oriented, the subject producers. We have export markets with demand slowing, and we have excess in divertible capacity.

Now, the subject producers are export platforms and so even without China you see the subject producers increasing the amount of export and divertible capacity

over this period. In the original investigation this was the amount of export and divertible capacity. This is it in 2006. This is it in the current period. Significantly, there's also significant unused capacity.

Next slide? So let's talk about the alternative markets for one second, and we'll do this briefly. It's outlined in our brief, but LM has acknowledged that the European market has collapsed. It wasn't fully acknowledged in the brief, but now it has acknowledged it in its securities filings, and we'll address many of the other markets in our direct presentation.

The U.S. market is an attractive market. It's an open market. It's an available market, it's convenient to ship to, and it is a very attractively priced market, and the gap between domestic and imported prices show that it is attractive. Freight is less of a factor than any time since 1996, and Petitioners actually have shown this four different ways in various parts of their brief. Turkish rebar imports show that the U.S. market is attractive. You can see the surge of nonsubject imports from Turkey coming into the U.S. market.

Let's look at the U.S. industry's vulnerability since the beginning of the period of review. Consumption is down 28 percent. Production is down 18 percent.

Capacity utilization is down 13 percent. Production workers are down 33 percent. Productivity is down 4 percent, and operating income is down 77 percent.

Let's look at the U.S. market conditions. Demand in the U.S. market is now less than when the order was imposed. It's dramatically less than the construction bubble in 2006, and you can see how low it is. It'll take many years for recovery, as our witnesses will tell you. And consumption has actually stalled in the first quarter. This is a combination of SMA data and the official import data. So consumption in the U.S. is showing that this will be a long and slow recovery.

Now, revocation will result in significant volume effects, and you can see how these imports are opportunistic and can quickly move in and out of markets. We're going to use Latvia as our example for this. In the original investigation you saw from '97 to 1999 a huge surge of Latvian exports to the United States.

Now, Latvia claims to have all kinds of good customer relationships and stable markets, but in fact it surges in and out of markets constantly. It did with Algeria. It did with Poland. So this is a company that goes in and out of markets, and it's pretty representative of this group of countries. They are very nimble. Rebar shifts around readily.

A lot of this is facilitated by global trading companies, and I urge you to go to an interesting website from Stemcor, which is the largest trading company in the world. They detail all the services they can provide, but this facilitates a lot of the nimbleness and the opportunism that exists in this market. We know that revocation will have significant price effects from the original investigation. The underselling was near uniform in the original investigation without an order.

Now let's just briefly address a couple of the points from the Latvian brief. I'm going to skip through most of these slides and just summarize them as follows: The Polish market, which they say is their dedicated market, has been lost to them. LM acknowledges that the EU market has collapsed outside of its brief. LM does not have long-term customer relationships, according to Ernst & Young, which audited this company recently for the Latvian Government. Freight costs are not a barrier to shipping to the United States.

I urge the Commission to spend some time looking at confidential Slide 25 where a major importer impeaches most of the key claims of LM. The bottom line here is that producers in Belarus, China, Indonesia, Latvia, Moldova, Poland, Ukraine will have the opportunity, motive and incentive to surge into the U.S. market if these orders

are revoked. Our witnesses will address these issues in more detail.

I now want to introduce Mr. John J. Ferriola, president and CEO of Nucor.

MR. FERRIOLA: Good morning. Thank you. Thank you, Chairman Williamson and members of the Commission. I'm John Ferriola, CEO and president of Nucor Corporation. I am here to talk with you today about the current conditions and future prospects of the U.S. rebar industry. It is imperative that the trade orders under review remain in place.

First, let me give you Nucor's assessment of market conditions. The state of the U.S. steel industry, and rebar in particular, is tenuous at best. While much of the U.S. economy seems to be recovering, albeit slowing, from the Great Recession, the steel industry has not.

The stock market provides one point of reference. While the stock market may have recovered from the recession and is at record levels, steel stocks remain roughly 50 percent less than their value from five years ago. The low valuation is a result of a number of factors, including import levels that are increasing faster than domestic consumption. The low valuation also reflects the fact that the steel industry is not earning adequate rates of return. The 5 percent operating margin achieved

by the rebar industry in 2012 is not acceptable. It does not cover our cost of capital, which means the industry is not financially sustainable.

For steel products such as rebar that are dependent upon the nonresidential construction market, recovery remains elusive. The U.S. construction market plummeted during the 2009 recession, falling to historically low levels. While other sectors of the economy have made a comeback, construction has not. Although there was minimum improvement in 2012, construction demand remains well below the 2006 levels and well below levels that existed in 2000 when the ITC made its injury finding. Any recovery in 2013 and beyond is projected to be slow and rocky.

Because it is largely dependent upon construction, the rebar industry has followed a similar trajectory. The industry has suffered major setbacks on almost every performance indicator from 2007 to 2012. Domestic consumption has dropped by almost 30 percent, production fell by almost 20 percent, and gross profits fell by an alarming 67 percent.

Prospects for the foreseeable future are also bleak. The industry is currently operating at 67 percent capacity utilization, and Nucor's rebar utilization rates are lower than our other product lines. I don't see full

recovery for nonresidential construction any time soon. As I noted during our last earnings call, imports continue to be an anchor around the neck of the steel industry.

Rebar is a primary example of this, as the domestic industry is currently being hammered by low-priced imports. Turkish imports in particular are surging into the U.S. market, increasing by almost 50 percent in 2012. Turkish rebar is currently piled high on the docks throughout the United States, and it is available for purchase at dumped prices. Turkish imports have almost doubled their share of the U.S. market at the expense of U.S. producers and U.S. workers. This shows just how quickly unfairly traded imports can penetrate this market and capture market share.

One reason rebar imports can rapidly enter markets with injurious volumes and price effects is that rebar is a commodity. Rebar is mostly sold in single grade and in a very few standard sizes. It is one of the most price sensitive products in the market. Producers and traders shift from one market to the next virtually overnight, depending upon price, and customers purchase based almost exclusively on price and generally don't care where the products come from.

In addition, U.S. rebar producers are not insulated from volatility in scrap pricing, nor do the

domestic industry's scrap operations somewhat insulate it from the harmful effects of imports. Nucor does not own scrap sources like integrated producers own veins of iron ore. Instead, we must purchase scrap on a daily basis on the open market and are subject to the same swings in scrap pricing as everyone else.

These factors make it all but certain that a return of dumped subject imports will quickly penetrate the U.S. market, capturing market share at the expense of U.S. producers and resulting in injurious buying and price effects for the industry. We are seeing this play out right now with Turkish and Mexican rebar imports, and it will happen to an even greater degree with subject imports if the orders are revoked.

Subject producers are dependent on exports for survival and are desperate for new sales and new markets. Given the opportunity to sell into the most open and easily accessible market in the world, they will take it in a heartbeat. If the orders are revoked, subject producers will quickly divert substantial volume here at dumped prices, taking market share from U.S. producers. We will be forced to cut production and slash prices in response or both. In any case, it will inevitably cause injury.

Our production and capacity utilization rates will be further harmed, preventing any potential recovery

for the industry in the foreseeable future. Given weak U.S. demand, these effects will be all the more injurious. If we are not able to maintain production, our company's bottom line will be injured and our employees, our teammates, will be injured.

The take home pay of our teammates would decrease as a significant portion of their pay is based on production. Even now, with our mills running at low levels of capacity utilization, our teams are working fewer hours and taking home less pay than they were a few years ago. Revocation will only cause further harm.

At a time of high unemployment, a reduction of hours worked and income due to dumped products, imported products, is bad for our teammates, it's bad for our company, it is bad for our communities and it is bad for our country. Preserving good paying jobs should be the highest priority.

The bottom line is that Nucor and the rest of the domestic industry are fully capable of supplying the U.S. market. We have plenty of additional capacity to supply the needs of the market. Not one ton of imports is needed. Every imported ton is a ton that we are not producing.

On behalf of Nucor, our teammates and their families, I urge the Commission to leave the orders in

place. Thank you.

MR. ALVARADO: Good morning. Thank you, Chairman Williamson and members of the Commission. I am Joe Alvarado. I'm chairman of the board, president and CEO of Commercial Metals Company, CMC. I appreciate this opportunity to appear before you to explain why the orders under review are critical to CMC and the U.S. rebar industry.

This morning I will share CMC's perspective on conditions and global rebar markets and the impact of revocation on the domestic rebar industry. CMC is a global metals recycling, manufacturing, fabricating and trading enterprise. Our corporate headquarters are in Irving, Texas, but we operate at over 200 locations and in more than 20 countries, including a rebar production facility in Poland. Our global reach gives us a unique perspective on conditions in rebar markets around the world.

Demand for rebar in subject countries and in their traditional export markets is significantly depressed. Demand dropped dramatically in most of the subject countries during the review period and has slowed significantly in China, which already has a rebar capacity overhang of almost 40 million tons. Countries such as Belarus, Latvia, Moldova and Ukraine are export platforms

where capacity greatly exceeds demand, which means that they must export to survive. The problem for subject countries is that their primary exports are depressed and increasingly unavailable.

I've read the Latvian submission to the Commission. Most of what they alleged was completely divorced from reality, including the idea that their primary export markets are strong. Nothing could be further from the truth. The EU is in disarray with growth rates plummeting in recent years and negative growth projected for 2013. Construction activity in the EU contracted in 2012 and is forecast to contract again in 2013. At this point, producers selling into the EU are literally fighting for survival.

Other markets are similarly depressed. Despite what the Latvians would have you believe, conditions in the Middle East and North Africa have deteriorated as the global financial crisis and political unrest engulf the region. Prospects for 2013 and beyond remain bleak as financing has dried up and construction projects have been put on hold.

In response, the UAE and Egypt recently imposed duties on rebar imports, further ensuring that these markets will no longer be available to subject producers. In Algeria, a major new domestic mill is starting up which

will displace imports. Brazil too has imposed duties on rebar in response to a surge of imports.

In Russia, new rebar capacity far exceeds demand, and the country is expected to become a net exporter of rebar in the near future. This means that it will no longer be able to absorb imports from subject producers. Claims that Russia will be an attractive market for rebar exports in the future are simply not credible. In short, subject producers are desperate for new markets for their excess supply.

Subject producers have massive excess capacity that they can divert to the U.S. market. Subject producers have added substantial volumes of new capacity in the past several years. For example, China's rebar capacity has grown by more than 100 percent since 2006, reaching 200 million tons in 2012. A fraction of this would swamp the U.S. market.

I've absolutely no doubt that much of this excess capacity will be targeted at the U.S. market if the orders are revoked. The United States is the most attractive and stable market in the world, given its size, openness and comparatively attractive rebar prices. The recent surge of Turkish rebar imports shows just how attractive this market is.

In addition, rebar is the most basic commodity

steel product sold on the basis of price. As a result, subject producers simply look for the most attractively priced market in which to sell their rebar. They are able and ready to divert their products to whichever market will provide them the best potential profit margin.

The channeling of product through global trading companies such as Stemcor and electronic and nonelectronic auction systems facilitate the rapid diversion of product to the highest priced market. Rebar is not sold pursuant to long-term contracts so there's little, if any, exchange rate risk, and even that risk can be hedged at minimal cost. There are short-term sales where it is merely a question of which export market offers the most attractive price.

For these reasons, subject producers have every incentive to ship here if the orders are revoked. Subject producers are simply not being forthright if they tell you that they have no interest in our market. Subject producers are highly opportunistic, and their fundamental behavior has not changed. They will quickly shift volume to the United States simply to earn a buck if given a chance.

Indeed, the Latvian producer has a proven history of engaging in any conduct to move volume, even if that conduct relies on highly questionable activity.

Such conduct includes circumventing the orders under review and, as Jerzy Kozicz of CMC Poland will discuss, the impact of Latvia's imports in Poland, Latvia's only major EU destination.

Freight costs will not prevent Respondents from shipping here. Given our global trading operations and our facility in Poland, we have detailed information relating to global freight rates. We have put this data on the record in our prehearing brief.

What it shows is that the United States is often freight advantaged and that it is more economical to ship to the United States from subject countries than to most other markets, including Algeria, Russia and even within the EU. Specifically, ocean freight rate from Latvia to the United States costs less than \$30 per ton.

By contrast, shipping overland through Europe can be a very expensive proposition. Moreover, the Latvians operate their own port in Riga, making them ideally situated to ship to the U.S. by ocean freight for less than it costs them to ship to other export markets.

Additionally, it is not true that European rebar manufactured using the Thermex process is not accepted by U.S. customers. Our Mesa, Arizona, facility produces rebar using a quench and temper process that is virtually identical to the Thermex process, and the product is well

accepted by our U.S. customers.

Respondents' claim they are disadvantaged because scrap costs are higher in Europe than in the United States is also not true. Scrap is a global commodity traded on a global market. The base price of scrap in the EU is comparable to the price in the United States and elsewhere.

Revocation of the orders and a renewed surge of subject imports will cause material injury to the domestic industry and its workers. Even a fraction of the excess capacity in subject countries would overwhelm our market and deprive U.S. producers of the recovery we are struggling to achieve.

CMC is particularly vulnerable. Three of our four U.S. mills are designed specifically for rebar to be the primary product, and rebar comprises a significant portion of their overall shipments. A small decrease in selling prices and shipment volumes would result in a large reduction of our collective mills' operating profit and reduce our already low capacity utilization rates. This would force us to reduce shifts, lay off workers and potentially shutter facilities.

This would be devastating for CMC, the local communities in which we operate and for the country, especially in this time of high unemployment. Indeed,

this constitutes injury by any measure. For the sake of CMC and our workers, I urge the Commission to leave the orders for all seven countries in place. Thank you.

MR. KOZICZ: Good morning. I'm Jerzy Kozicz, Managing Director of CMC Poland, the largest long steel producer in Poland. I appreciate this opportunity to appear before you to share CMC Poland's perspective on the European market for rebar and to discuss negative effects the Latvian imports have had on the market in Poland during the last two years. I will also address certain statements made by the Latvian producer, Liepajas, in their submission to the Commission.

During the last two years, the Polish rebar market encountered substantial rebar imports from Latvia that accounted for more than 20 percent of Polish domestic apparent rebar consumption. In 2011, based on the Eurostat data, Latvia exported nearly 300,000 metric tons of rebar to Poland, while the Polish Ministry of Finance data showed only 20,000 metric tons of rebar reported from Latvia.

The same is true for the first 11 months of 2012. Latvia exported 237,000 metric tons of rebar to Poland, while the Ministry of Finance data showed only 12,000 metric tons of rebar imported from Latvia. As this data show, along with private investigation reports and media

reports, it indicates that the majority of rebar exported by Latvia has been sold in Poland pursuant to a fraudulent VAT evasion scheme that allows Latvian rebar to be sold in Poland at prices lower by nearly the value of the VAT, 22 percent.

As documented by the Polish Steel Association, some of the Liepajas customers in Poland undersell the market by 5 to 20 percent and disappear after two to three months of operations. This has had devastating effects on Polish producers. Because those imports evade the VAT and therefore were low priced, they capture a large share of the Polish rebar market at the expense of Polish producers.

In 2012, rebar production in Polish steel mills decreased by 15 percent as compared to 2011. The massive scale of VAT fraud on rebar in Poland made it impossible for CMC Poland to compete with Liepajas' goods in our Polish domestic market. CMC was forced to export at marginal prices and reduced production and employment.

With the discovery of this fraud, the Polish authorities are now taking the steps to end this practice and are pursuing legal actions against these fraudulent schemes. In fact, media reports state that some of the distributors of Liepajas rebar in Poland have been arrested. For this and other reasons, Latvia imports of

rebar into Poland have recently declined.

Liepajas is in severe distress and needs new markets as it seeks to increase sales. The situation is so serious that Liepajas has sought financial support from the Latvian Government, which had previously guaranteed the loans to buy its furnace.

Before this hearing I read Liepajas' submission to the Commission, and I am quite skeptical about some of the Liepajas assertions. For instance, Liepajas claims that its primary markets -- the European Union, Algeria and Russia -- are doing extremely well and will be strong markets for Liepajas' rebar exports over the next few years. This is certainly not true for the Polish market. The Polish economy is struggling with the Eurozone prices, and the Polish construction market faces huge difficulties.

In Algeria, rebar capacity is increasing substantially with new capacity coming on line as early as this year. This means that there will be less of a need for imports from Latvia, and Latvian rebar must compete with rebar imports from Spain and Italy. Both of those countries have a substantial freight cost advantage due to the close geographic proximity to Algeria.

Russia is also boosting its rebar production capacity, which will displace imports of rebar into

Russia. In fact, as its capacity increases Russia is expected to again become a net exporter of rebar.

Finally, Liepajas claims that it doesn't have the incentive to ship to the U.S. market. In my opinion, with other markets closing it's quite probable Liepajas will look for new rebar outlets. The U.S. market is attractive to foreign producers, and given Liepajas' very poor financial condition and need to raise cash immediately it's probable that Latvian rebar will return to the U.S. in large quantities. This is particularly true given the low freight costs involving shipping to the U.S. market, especially when using large loads.

In conclusion, Liepajas is forced to be export-oriented due to a small domestic market, and it's quite likely that Liepajas will take different measures to increase revenue. In my opinion, if the order on rebar from Latvia is lifted Liepajas might dedicate half of its production towards the U.S. market with low-priced rebar.

Producers in Poland are still coping with the effects of a large volume of VAT evading, low-priced Latvian rebar that destabilized the Polish market. Thank you.

MR. KERKVLJET: Good morning. I'm Jim Kerkvliet, Vice President of Sales and Marketing for Gerdau Long Steel North America. I really appreciate this

opportunity to appear before you to explain why the rebar orders under review are critical to Gerdau and the U.S. rebar industry.

I would also like to thank Commissioners Broadbent and Johanson and the Commission staff who visited our plant in Sayreville, New Jersey. As the Commissioners saw at our Sayreville plant, rebar is the most basic commodity steel product and is highly interchangeable regardless of where the rebar is being produced. It is mostly produced to one grade and sold in a handful of sizes. Rebar customers have few, if any, special requirements.

Rebar is made to such common standards that architects, engineers and contractors can use rebar from any source, domestic or foreign. Indeed, rebar is pretty similar around the world. While different national standards exist, these differences are minimal, and a mill can readily shift from one standard to another and from imperial to metric sizes, depending on what a trading company specifies. As a result, if these orders are revoked subject producers will have no technical barriers from entering the United States market immediately.

Because of this interchangeability, rebar is sold on a spot basis and price is far and away the most important factor in securing sales. This makes the

domestic industry particularly susceptible to injury from subject imports. If these orders are revoked, subject producers will again return at dumped pricing and will immediately gain market share at the expense of the domestic industry. We saw this happen during the original investigation with devastating consequences. It will happen again if the orders are revoked.

The U.S. industry is operating at very low capacity utilization levels. Rebar demand is largely driven by nonresidential construction demand. It is entirely derived demand. The U.S. construction market took a huge hit in 2008, falling to historically low levels. While there has been a small positive movement off the bottom, the construction market remains very weak. It continues to be far below pre-recession levels and even far below the levels in the original period of investigation.

Recovery is expected to be slow and uneven. In fact, we estimate that nonresidential construction demand will not return to pre-recession levels until 2019. And as I mentioned at the Sayreville plant tour, I personally have my doubts that rebar demand will ever recover to the previous level of 9.5 million tons.

Critically, given the ongoing budgetary concerns public sector construction is declining, which

is offsetting the small improvements in the private sector. Removing the orders during a time of weak demand will result in certain material injury to Gerdau, its workers and the rest of the domestic industry.

There are no market barriers to imported rebar, meaning that subject imports will again surge into the U.S. market if these orders are revoked. We see this today with Turkish imports, which took a large portion of the modest demand growth in 2012. These imports prevented Gerdau from improving our metal margins across all sales.

Also, the vast majority of our sales are on a spot basis and are not covered by Buy America. Further, Buy America may not apply if a large price gap exists and often does not apply to Poland and Latvia as members of the EU.

Also, as I mentioned in Sayreville, rebar constitutes a unified market. Virtually all of it is ultimately fabricated, goes into construction and is sunk in cement. Imports do not create demand or service special needs. They just take our sales and our market. I have no doubt that if orders are revoked subject imports will return in substantial volumes. Subject producers are dependent on exports for survival. The only reason they are not here now is the current orders.

Producers in Belarus and elsewhere utilize

auction bidding systems, facilitating large volume sales to the highest bidder, and well-known trading companies buy the product of export-dependent mills and simply ship it to the most attractively priced markets in the world.

I understand the Latvians are arguing that they will not export here because the Thermex process they use to produce rebar is not accepted in the United States. That is simply not true. Gerdau uses the Thermex process to produce rebar for sale in the U.S. market at our Knoxville, Tennessee, facility. It is a process fully accepted by our U.S. customers.

The surge of Turkish imports currently pounding the U.S. market is further proof that subject imports will return in substantial volumes with very negative effects if the orders are revoked. Turkish rebar imports more than doubled in 2012, gaining significant market share at the expense of U.S. producers.

We continue to see piles of Turkish rebar on the docks in every major U.S. port available at extremely low prices. These imports have quickly penetrated the U.S. market, given the highly price sensitive nature of rebar and because more than 80 percent of U.S. consumption is on our coastline. Indeed, as I mentioned during the plant tour, the total freight expense from Turkey or Riga, Latvia, to Baltimore is often the same or less than the

expense of shipping rebar from Sayreville, New Jersey, to Baltimore.

The surge of low-priced imports during the period of weak demand has already had a significant negative impact on Gerdau operations. Our production, sales and financial performance have all taken a significant hit, and we've been forced to operate our facilities at far below optimal capacity utilization.

Our workers unfortunately have also suffered. We have been forced to shut down mills in Perth Amboy, New Jersey, and Sand Springs, Oklahoma, and to operate with reduced crews at our mills in St. Paul, Minnesota; Rancho Cucamonga, California; and Sayreville, New Jersey. The closure of our Perth Amboy and Sand Springs mills forced us to lay off approximately 550 employees, and as recently as February we had to lay off 31 workers at our plant in St. Paul because we didn't have enough orders again due to imports.

During the plant tour, the Commission met Francis Decelle in the caster pulpit. Francis knows firsthand the effects of layoffs. He told us about he and his fellow workers banded together in 2009 to keep the plant running by developing a plan with management to efficiently operate the mill with only two shifts. While Francis was lucky enough to keep his job during the

recession, his 21-year-old son, Anthony, was not.

Anthony was laid off from the mill in 2009 when it went from four shifts to two. He enlisted in the Army and served in Afghanistan, where he was wounded by a sniper. Fortunately, Anthony survived and recovered and is now back in the United States, but he still faces every day challenges. He is working at a job earning just above minimum wage, and he wants to return to the mill so that he can earn enough money to support his family.

For this to happen Gerdau, not imports, must capture the benefits of any improving demand so that we can recall our third and fourth shifts at the mill. Revoking the order in whole or in part will not create construction demand. However, keeping the orders will allow American workers to benefit as demand recovers.

For the sake of Francis and all of the Gerdau workers, including Anthony and others who want to return to work, we urge you to keep this order in place against all of the subject countries. Thank you very much.

MR. BYER: Good morning. Thank you, Chairman Williamson and members of the Commission. I am Burke Byer, president and CEO of Byer Steel. I welcome this opportunity to explain why the orders under review are critical to the viability of Byer Steel.

Byer Steel is a family owned and operated

business that manufactures rebar using 100 percent recycled materials. The company has been in my family for four generations, spanning more than a hundred years, and I am proud of what we have accomplished. We're located in Cincinnati, Ohio, employing 135 employees, down from 175.

Byer Steel is a small company, much smaller than the other companies here this morning. Rebar is the only product we manufacture, and we are not able to produce other products on our equipment. As a result, if we are not able to profitably produce rebar I would be forced to shut the business down. These orders have enabled us to continue to operate. They have kept dumped subject imports out of the U.S. market and allowed us to maintain reasonable levels of production, sales, prices and ultimately profitability.

Like everyone else, we were hit hard by the recession of '09 and have struggled to regain our footing. While there have been some improvements in 2012, it was not a strong year for us. Our operations have been hurt by weak construction demand and rebar imports, which were surging into this market all through 2012.

Unfortunately, given our market position, we are at the mercy of low-priced imports. Our market is easily penetrable, and in fact imports come right up the

Mississippi River by the boatload. We have nowhere to hide from these imports, and we are forced to match their prices dollar for dollar. If we do not match import prices, we don't get the sale pure and simple. As a result, dumped imports force us to lower our prices and cut back on production, thereby hurting our market share. We are currently harmed due to the surge of Turkish imports.

If the orders are revoked, I have no doubt that the dumped subject imports from the seven countries under review will return to our market in large volumes. This will have devastating consequences for Byer Steel. To state it more bluntly, I am most likely out of the business if dumped subject imports return to the market.

Subject imports will put downward price pressure on the U.S. We would be forced to drop our price just to compete with the imports. It wouldn't take much downward price pressure to exceed the tipping point where rebar is no longer a profitable product for us to manufacture and sell.

Dumped imports would also cause us to cut our sales volume, resulting in further reductions in our profits. In short, subject imports would likely make it no longer economically feasible for us to produce rebar profitably. I would have no choice but to close our rebar

facilities and lay off our mill, service center and fabrication workers. Our 100-year-old family business would come to an abrupt end.

So on behalf of my family business and our workers, I ask that you maintain the orders on the seven countries under review. Thank you.

MS. ANDROS: Good morning, Chairman Williamson and members of the Commission. I am Linda Andros, legislative counsel for the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union or the United Steelworkers or USW. We are the largest industrial union in North America, and we represent 850,000 active members who work across a broad swath of the nation's manufacturing sector, including rebar.

Tom Conway, our International Vice President, was expected to testify here this morning, but sends his apologies as unfortunately there was unavoidable conflict that came up with his bargaining unit and he's not able to attend. He asked that his prepared statement be submitted for the record and also that I make sure I convey the urgency of the matter for our members in rebar.

The U.S. rebar industry and this case in particular are very important to our members. The USW represents workers in much of this industry, including at

Cascade and at Gerdau. These and other jobs in the rebar industry are at risk from unfairly traded imports.

Steelworkers have sacrificed tremendously over the past five years in this sector as a result of the Great Recession in 2008. Shifts were reduced, our workers were laid off and mills were closed. While the industry is clawing its way back, it's hardly out of the woods.

As you've heard today, production and sales remain below pre-recession levels. Capacity utilization in the rebar industry is under 70 percent, and there are currently 1,800 fewer workers in this industry than there were six years ago. The number of hours worked and wages paid are all down over this period as well. Fewer of our workers are making steel, and those that have jobs are taking home less pay and receiving less benefits. The bottom line is this means USW members in this sector are extremely vulnerable today.

A return of subject imports will only cause greater harm to the domestic industry and its workers, as you've heard here today, and will inevitably mean fewer shifts, shuttered mills, more layoffs for USW members. As the industry is attempting to get back itself on its feet our members simply cannot afford unfair imports. They and their families have suffered enough from unfair trade.

Our members are dedicated. They work hard.

They play by the rules. They expect others to do so as well. They rightly expect that our government will make foreign producers play by the rules by fully enforcing our trade laws. The orders under review here have ensured the competition in the U.S. rebar market has been fair. That's all we want. By keeping these orders, the Commission will help ensure that the market stays fair as the law intends.

So on behalf of the steelworkers who make rebar, the retirees that depend on the health of the industry and all the communities they support, we urge the Commission to grant our workers and the industry the relief they so need and deserve by continuing these orders on these seven countries.

Thank you. And I would now request that Mr. Conway's full statement be placed on the record.

MR. KAPLAN: Good morning. I am Seth Kaplan, a senior economic advisor at Capital Trade, Inc., and I'm here today to apply the economically sound traditional Commission analysis in sunset reviews to analyze the data in this investigation.

What the Commission typically does and which I believe makes economic strong sense is to look at three factors in the sunset reviews -- opportunity, motive and effect. By opportunity, I and the Commission has meant

to look at the volume of divertible and excess capacity available to enter the U.S. market.

For motive, the Commission and economists look at whether or not prices in the United States are higher compared to the alternative export markets and traditional markets of the subject producers, as well as to look at demand in those alternative markets. And finally in effects, to look at the effect of a return of subject exports to the U.S. market.

With respect to divertible export supplies, I have two slides. The first shows the amount of divertible capacity only from the subject countries from 2007 to 2012. The U.S. market currently is only about seven million tons or it would be 7,000 on this slide. You could see that divertible capacity swamps total U.S. consumption. If you remove China, you still see that it accounts for the great share of U.S. consumption in the market, and it's made up of all of the subject countries.

The next slide looks at in addition to divertible capacity excess capacity. You could see in 2006 there was significant divertible capacity, as well as excess capacity. The bottom is the home market shipments. You could see by 2012 the amount of excess capacity is increased, and the divertible capacity is nearly as large.

These numbers are confidential, but I hope you can see from the scale of the 2000 subject import level that excess and divertible capacity is multiple times of what caused injury in the original investigation and now, given the recession and the vulnerability of the U.S. industry, things are worse.

With respect to divertible subject supply, it's clear that exports could shift freely from one end market to another from the subject countries. There's no long-term contracts. It's spot sales. As the Commission recognized in the past, trading companies facilitate the exportation of the product. There's few import restrictions in the United States. There's none. In other markets there's import restrictions that have now forced any exports that are now allowed into the country, if there's a removal of the orders, to enter straight into the United States.

And further, there's a large number of export destinations over the period of review. The ease at which these exporters can switch between markets is evidenced by the number of countries that they ship to over the POR -- 54 for Belarus, 183 for China and in particular over 40 or 40 countries for Latvia. There are no barriers to country switching. The opportunity that the Commission examines in these cases is present here.

Let's look at motive. What I have done here is note first that rebar is a highly fungible product that is sold on price, as the Commission said in its views in the last investigation. So what are these prices? One way to look at them is to look at the price in the United States, which is the red bar, and the transportation adjusted price of exports from the subject countries, and we could see that there are in excess of five million short tons of product from the subject countries that were sold in the world market below the U.S. price.

Looking at China, we can see that there are itself over four million tons of product sold on the market below the U.S. price. I want to emphasize that this is taking account of transportation costs, so I've adjusted the prices upwards to get the product to the United States in an extremely conservative manner.

The U.S. Commission's own data from its prehearing report shows that the U.S. price is above the price in alternative export markets. The details of this are seen in the Commission's report. I left the countries out for confidentiality reasons, but the U.S. prices are higher, suggesting the motive to enter the U.S. market.

Further, the export markets traditionally in Europe are closing down. GDP growth is low. I'm sure all of you have been reading in the *Financial Times* and other

places about the austerity measures in Europe.

Government expenditures are down. This is not a viable future market for the exporters.

Further, in Russia they now have announced capacity increases that are greater than all the subject exports to Russia in 2012, so Russia no longer should be considered a viable market. Latvia in particular has sent in -- has exported -- over 700,000 tons at below U.S. prices, and the potential profits for exporters are very high for trading companies to send it here relative to other markets. This is pure profit for the trading company because once again this takes account of transportation costs.

Latvia has also particular problems. They have very severe problems in Poland, which was their main export market. Due to the VAT evasion scheme, Latvian rebar is no longer welcome in Poland. There are civil and criminal actions being contemplated. Further, after the discovery of the scheme in Latvia production in Latvia has fallen, so Latvia has considerably more current excess capacity than has been discussed previously, and we welcome questions on that issue.

Finally, the effects. I've conducted several studies that I've turned in to the Commission. We've looked at what would happen over the period of review if

subject imports were at 2000 import levels compared to what they were during the period. My study shows that revenue would be down over 10 percent, labor compensation down nearly 10 percent. The percentage point change in profits would essentially drive current profitability to zero and cause significantly greater losses during the previous several years and that market share losses would be near double digits.

Further, with respect to the ability to invest we used a bond model that shows that the bond ratings of the hypothetical rebar industry, if it were a company, would fall by one to two bond rating levels over the period of investigation, reflecting the difficulty of the ability to invest.

Finally, my conclusion. Subject imports should be cumulated. They are all priced below U.S. markets. They should come here. There's divertible and excess capacity from each of the countries. The products can substitute. The current industry is vulnerable, given its inability to raise profits that cover its cost of capital and its return on investment.

Revocation of orders leading to a resumption of dumped imports at pre-recession levels will have significant negative effects on shipments, prices, revenues and profits, as well as employment and labor

compensation. Thank you very much, and I'll be happy to answer your questions.

MR. PRICE: Alan Price. One final slide here. This compares many of the major issues between the last sunset review and this sunset review, and basically all of these issues essentially are either the same or we have a more compelling case for an affirmative determination in this review, and we'll be happy to answer questions as you proceed. Thank you.

I'd like to reserve the remainder of our time for rebuttal.

CHAIRMAN WILLIAMSON: Okay. Thank you very much. I want to express the Commission's appreciation to all of the witnesses for taking time from their businesses to come today.

Commissioner Broadbent could not be present at this hearing, but she will be participating in the case and will be following the transcript, and so I will begin the questioning this morning with me.

One of the things that was not discussed and I think the Respondents have raised is energy cost in the United States. They've argued that the U.S. industry enjoys lower cost for electricity and steel scrap. And so either now or posthearing I wonder if you could provide an approximate share of the total cost of rebar that is

accounted for by electricity and steel scrap.

And what I'm trying to get at, I guess most people argue the lower gas prices have really been advantageous for the U.S., so to what extent does the price of gas affect your cost of electricity and how does that impact the competitiveness of the industry?

MR. FERRIOLA: Commissioner, a couple of comments. First, you touched upon scrap so I want to be clear about the cost of scrap. Scrap is a global commodity. It trades on a global basis. It's purchased and sold on a global basis, so there is no advantage to scrap pricing in the United States.

Scrap pricing is volatile around the world and it's volatile in the United States. Nucor owning its own scrap processing company is not insulated from that volatility. We must go out and purchase our scrap as a raw material just as everyone else does. We do it on a global basis and we pay a globally traded price.

Energy, particularly gas prices, have certainly come down in the United States, but gas cost as a percentage of our total cost of production is extremely low. Sixty to 65 percent of our costs come from scrap, as we just discussed. The next largest one would be either labor or electrical costs, and then gas is a distant fourth in terms of cost structure.

So the impact of the lower cost of gas that we've been enjoying is a very small percentage -- represents a very small percentage -- of our total costs, and I can tell you that, speaking personally, my energy costs, my electric bill at home has not gone down because of the lower cost prices, and my electric bill at Nucor has not gone down because of the lost gas prices.

So in terms of energy consumption, certainly in our industry electricity represents a much larger percentage of our cost than gas, and we have not seen a significant change in that. Thank you.

CHAIRMAN WILLIAMSON: Thank you for that answer. I do want to come back to a couple points, but let's see who else has comments on this, maybe someone who maybe their electrical supplier uses more gas than others?

MR. ALVARADO: Yes. I'm Joe Alvarado. No. I'd really like to just reinforce what John said. Scrap is by far and away the largest cost of manufacture in an electric arc furnace, and despite the fact that energy costs are significant because electricity is expensive, it's probably less than 10 percent, well under 10 percent of the total cost of scrap, not the total cost of manufacture.

So we incorporated other raw materials, alloys, the portion or percentage of energy, totally energy,

including electricity, is probably less than 5 percent, and gas is a small component of that. Electricity would be the larger component.

CHAIRMAN WILLIAMSON: Okay. Now, the low gas prices. Have you seen any effect on the price of electricity?

MR. ALVARADO: Virtually not, no. You know, our biggest energy cost is electricity, and there are many plants that haven't been converted as yet. The U.S. utility industry is still going through a conversion. Even in Texas where much of this shale gas is produced, the majority of the electricity that's generated in Texas is coal generated.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. FERRIOLA: Just to add to that, Commissioner, you raise a great point. Believe me, I pose that very question to our electrical energy suppliers about once a month, and they are quick to inform me that there's a tremendous cost to converting the plants.

They're also suffering under tremendous cost increases because of additional regulations that have been placed on their coal-fired power plants, and as they are public utilities they are at liberty to pass those costs along so we have not seen a significant -- frankly, we haven't seen any reduction in our electricity energy costs

as a result of the abundant supply of gas to date.

CHAIRMAN WILLIAMSON: Okay. Thank you for that answer. Yes?

MR. KERKVLiet: This is Jim Kerkvliet. The other thing that I would say is relative to the current cost structure and the forward look of the cost structure, if you look at the forward cost curves for electricity and gas they're both in a state that they're anticipated to be going up.

CHAIRMAN WILLIAMSON: Okay. Thank you. Mr. Price?

MR. PRICE: One quick comment on scrap for a second, going back to the first part of your question. Europe actually is a major exporter of scrap in the world market. Again, this is an integrated, globally traded product, scrap. Latvia is actually a major scrap exporter, and to the extent there are comments from Liepajas or LM that its scrap prices are high that may have nothing to do with legitimate business activities.

I refer you to page 23 of our handout, the second bullet of that, and so there's a lot of odd things going on in this company and I just want to point that out. To the extent the argument is based upon that it doesn't necessarily represent anything dealing with the real market.

CHAIRMAN WILLIAMSON: Thank you. Mr. Cameron made reference to Turkey having an advantage, a unique advantage I guess in the sense that they can ship the steel, the rebar here, and their ships go back I guess with scrap. To what extent is that unique? Are other countries able to do that?

I used to work at the Port Authority in New York and New Jersey, and when we looked at our exports it was a lot of scrap and also a lot of used cardboard cartons. We used to ship the cartons back after importing the VCRs. So I was just wondering. Is there something unique about that dynamic?

MR. ALVARADO: This gets to the issue of shipping large quantities at a single time.

CHAIRMAN WILLIAMSON: Okay.

MR. ALVARADO: Larger quantities of scrap and/or rebar going either way help to reduce freight costs. So the Turks are taking advantage of locking up container -- not container space. Storage space on large ships and shipping large volumes.

And it's that point exactly that we raise that would make any of the subject countries a potential threat to stability of pricing and volume or demand in the sense that large quantities are typically taken in U.S. ports, in particular in southern ports where there's no

seasonality to shipping, nor is there much seasonality to construction.

So it would be an ongoing threat and issue facilitated by the fact that this is a large market and open market where large shipments can be supported by good financial instruments as well.

CHAIRMAN WILLIAMSON: So volume of shipping makes a big difference in the price of shipping between two points?

MR. ALVARADO: Absolutely. Yes.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. FERRIOLA: John Ferriola with Nucor. Just to build upon Joe's comments, that is why the U.S. market is so attractive to these countries. The point was mentioned earlier during the testimony from one of the subject countries that they aren't importing into Canada. Why would we expect them to come into the United States? They haven't flooded Canada with imports after the AD orders were removed from that country.

And the difference is obvious. When you look at the size of the market in the United States versus that of Canada, it would make absolutely no sense to ship into Canada. The size of the market is too small to support the volumes that give you the freight advantages that Joe mentioned. The much more efficient way would be to import

it into the United States and bring it up to Canada, and we believe that is exactly what will happen.

The U.S. ports have the ability to unload great volumes of product at a single time. Our ports have the ability to store great volumes of imported product at a single time, as you saw in some of the pictures. I would suggest today that the Port of Houston is probably in danger of breaking off and falling into the sea, given the large amount of imported steel that's sitting on that dock right now.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. KOZICZ: Jerzy Kozicz, CMC Poland. The proof that the scrap is commodity, if you look on Turkey they don't buy scrap only from the U.S. They buy also from Europe. So that's a clear indication that the scrap is really the commodity.

Also, even if you look at Europe, for example, Poland is not an exporter of scrap, and the majority of this goes to Germany, who is at the same time the biggest exporter of scrap in Europe. So that's clearly there is an indication that scrap is a global commodity. Thank you.

MR. PRICE: Alan Price, Wiley Rein. We have documented scrap costs multiple -- not scrap costs. Excuse me. Transportation costs multiple different ways

in this record. So in Exhibit 8 to our brief we gave actual quotes for volume shipments, noting the volumes often related to how you would ship to the actual locations showing the U.S. was actually an attractive and more attractive location to ship to.

We have the data from the official import statistics. I might actually refer the Commission to the data from the official import statistics from the original investigation. Transportation costs for Latvia to the U.S. were \$18 a ton when they were moving 300,000 tons during that period, so it gets very inexpensive.

The U.S. and the Baltic dry bulk index, which basically is what you're talking about here, has dropped dramatically for shipping costs. There's an excess of ships. Shipping is faster. Our port facilities are incredibly efficient and some of the most efficient in the world, so this is a great market to ship to and encourages high volumes of imports, which is why we saw that from the subject imports in the original investigation, including that piece of Ukrainian rebar that we still have in my office from the original investigation, and why we see that today.

This market is a market where volume can be moved. So it's not just price. It's the overall ability to get large volumes here is critical.

CHAIRMAN WILLIAMSON: Okay. My time is expired, so I want to thank you all for those answers. Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman. Permit me to extend my welcome to all of you. I have had opportunities in the past to visit at least two rebar plants, but not recently. I assume the technology hasn't changed too much, so I have at least some basic familiarity with it.

Let me start with a question about demand because I have the general impression that you are not optimistic about the possibility for demand growth. And this is a little unusual for me, but let me read for you a paragraph from the public version of the staff report, which I found interesting because it was the most optimistic comment on steel demand that I think I had seen since the recession. It starts at page 218.

The Architectural Billings Index, a leading indicator of construction activity reported by the American Institute of Architects, increasing in January 2013 at its fastest pace since November 2007. The January ABI was 54.2, up sharply from 51.2 in December, and continued to climb in February, reaching 54.9. The new projects inquiry index reached its highest point since January 2007 of 64.8 and was higher than the reading of

63.2 in January 2013.

The AIA's chief economist stated that, "We have been pointing in this direction for the last several months, but this is the strongest indication that there will be an upturn in construction activity in the coming months."

AIA notes that recent upwards trends in residential construction may have positive effects on nonresidential construction. An average forecast of seven panelists, AIA projects nonresidential construction spending to increase 5.0 percent in 2013 and to further increase to 7.2 percent in 2014. Okay. So that's the paragraph.

How do you respond to that? Does AIA just have it wrong, or have you guys been maybe a little bit underestimating what you think might happen in the market? Mr. Byer?

MR. FERRIOLA: Mr. Byer?

COMMISSIONER PEARSON: Mr. Byer was seeking recognition there beyond you. Yes?

MR. BYER: Thank you. Burke Byer. That is a fantastic observation. I actually sit on the board of an architectural company in Cincinnati, Ohio. The Architectural Billing Index is a fantastic index at just that.

There's a big difference between quoting and ordering, and the architectural industry unfortunately falls victim to a lot of quoting and we do see surges in it, but through the last recession we have seen where there'll be surges in the Architectural Billing Index, and once it crosses 50 we all get very interested.

But unfortunately they don't always turn into orders, and one of the causes for that, my friends in Cincinnati tell me, is because a lot of private owners or industries will come back to the architectural firms for re quoting or revisiting to see where things are, and hence they bill hours and it goes into that index. So it unfortunately can be misleading, and it is not always the truest bellwether.

COMMISSIONER PEARSON: Mr. Ferriola?

MR. FERRIOLA: Thank you, Commissioner. I'd also point out that it is a good indicator, and if you look at the most recent number you would see that it has dropped significantly. While remaining over 50, it dropped to 50.3 last month, which just points to the statement that I made in my comments about the recovery being rocky at best.

Over the last two years, we've seen these small surges in potential orders that look promising to us. We get excited about them, only to be disappointed in the next

several months, so we see it as rocky.

I would also point out you mentioned the anticipated growth rate in nonresidential construction of 5 and 7.2 respectively. If they're achieved, and that's a big if, but if they are achieved please remember that that would take us up to somewhere around 62 to 65 percent of the level of construction that existed in 2006.

So although it looks like a large number when you say 5 or 7 percent, we're working off of such a small starting point that it only takes us to a fraction of where our industry needs to be in order to be sustainable, and as a result we are vulnerable to any surge of imports. Thank you.

COMMISSIONER PEARSON: Mr. Kaplan?

MR. KAPLAN: Yes. I just want to echo that and point to readjustments and adjustments of some of the forecasts since the staff report was issued.

So as was just pointed out, the architectural index fell back significantly since the staff report was released. Further, Mr. Price in his presentation showed that the first quarter of 2013 relative to the first quarter of 2012 is up only marginally, and the growth rate is much slower than the change from full year 2011 to 2012.

Most of the rebar goes into construction in the nonresidential area, so increases in residential

construction are really not a very strong certainly current indicator of what the demand for rebar will be, and given sequestration and issues both here and in Europe with austerity and the lack of or slowdown in government spending, this creates concerns as well.

So while there is some expected improvement, it is off a very low base. A very low base. And second, the most recent information suggests that the improvement is less than what was anticipated even several months ago. Thank you.

COMMISSIONER PEARSON: Mr. Price?

MR. PRICE: I would ask Mr. Kerkvliet to provide the square footage at the peak of the market compared to the square footage this year of nonresidential construction.

MR. KERKVLIT: Thanks, Alan. If you go back, Commissioner Pearson and look back at 2007 --

COMMISSIONER PEARSON: It's a great year.

MR. KERKVLIT: If you look at 2007 --

MALE VOICE: Yes, it was.

MR. KERKVLIT: -- and even prior to that, 2006, the construction put in place in 2007 was 1.88 billion square feet. The construction put in place in this last year was 794 million square feet. So when we talk about the recovery or we talk about a percentage, building on

John's comments, the percentage of 8 percent, 5 percent is on such a low base.

And if you look at the projected curve, which we'll put in the posthearing brief, as I said in my testimony it does not look like the nonresidential construction market, based upon the curve, and it's a very halting growth. It's not a solid, straight line growth. It doesn't look like it's going to recover back to the pre-recession levels until 2019.

COMMISSIONER PEARSON: All right.

MR. KERKVLIIET: Further, to build on Professor Kaplan's comments, one of the other areas that we have, the small gains that we have in nonresidential have been somewhat offset by the reduction in institutional or publicly funded.

If you look at the publicly funded projects year over year from both a state and a federal standpoint, the construction that is federally or state funded continues to decline. And frankly, rebar is more intensive in state and federally funded projects because of the nature of the product than it is in nonresidential.

COMMISSIONER PEARSON: Could anyone provide an estimate of the percentage of rebar that goes into residential construction versus nonresidential construction? How would that split out?

MR. KERKVLIIET: I apologize. We have the numbers. I just don't remember them currently. We have it from the CRSI, the Concrete Reinforcing Steel Institute, does a rebar intensity model, and we've just updated that model so we can put that in the posthearing brief.

COMMISSIONER PEARSON: Okay. Thank you. And there probably are differences in size of rebar that go into residential versus nonresidential construction? Yes. Okay. Just tell us what you can about that.

Any other comments on demand? Dr. Kaplan?

MR. KAPLAN: In the context of the vulnerability of the industry that the Commission considers, I want to call attention to the halting cycle here and the forecasts here and call attention that the Commission should not anticipate that a normal cycle was like the last cycle. That was a construction bubble. It led to the largest decline in output since the Great Recession.

COMMISSIONER PEARSON: It was the Great Recession. Since the Great Depression.

MR. KAPLAN: Yes, since the Great Depression.

COMMISSIONER PEARSON: I just wanted you to know I was paying attention.

MR. KAPLAN: There you go. So I just wanted to

put that in context that the vulnerability that we see is based on a normal cycle and the overhang from the last cycle and the stress of an incomplete recovery due to the lack of government spending and anticipated demand.

COMMISSIONER PEARSON: Okay. Well, your point is well taken that we are now not at a high level and so growth from this level, it would take a while to get back to a more reasonable, desirable level. Nonetheless, we can hope at least that the trend is up. Did you have a quick comment, Mr. Ferriola?

MR. FERRIOLA: Yes, a quick comment. Just a very general comment. You asked about how we see it going forward, and one of the areas of course we look at is infrastructure build. A large amount of the rebar goes into infrastructure projects. Given the current state of the federal and state budgets, we don't anticipate infrastructure rebuilding current for quite some time.

COMMISSIONER PEARSON: Okay. Thank you.
Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Thank you.
Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr.
Chairman, and welcome to all the witnesses on this morning's panel.

There was some discussion this morning and

certainly in the briefs about the role of global trading companies in this industry and in moving this product around the world, so I wanted to ask some more questions about that to fill out the record a little bit.

Can anyone describe to what extent is global trade in this product carried out entirely or mostly by large global trading companies, or do a lot of manufacturers have their own marketing arms that handle international sales?

MR. ALVARADO: Joe Alvarado, Commercial Metals. I'll gladly answer your question as we do engage in global trade activities for steel products. Most of the products that we trade are not necessarily produced by ourselves, but opportunities that we have to bring buyers and sellers together.

There was a much larger community of traders in the past than there is today, but principally those that exist today do facilitate trade, and the key ingredient to what traders provide is financing mechanisms. Moving 40,000 tons of rebar or any steel product at a time requires some financial resources, and so in order to alleviate some of the risk associated with producing in those large quantities foreign producers will use traders to facilitate not only the financing of those cargos, but also the logistics and the documentation for bringing it into

a country.

So, traders play a very significant role. It's rare that -- it would be very rare that a company would want to engage in shipping those large quantities without having the financial resources to do it or that are provided by trading companies.

COMMISSIONER ARANOFF: So, you're describing the financing and risk-reducing function that trading companies provide, and so my question to you is, does that mean that the trading company actually in between the seller and the buyer actually takes title to the product?

MR. ALVARADO: Yes, they do.

COMMISSIONER ARANOFF: Okay. Okay. Well, there is some reference to the idea of trading companies buying through an auction process. Can someone describe that auction process and how prevalent it is?

MR. PRICE: Sure. We put information in the brief on the auction process. You can see that in the confidential brief Belarus in particular, for example, just has an open auction. They have a monthly auction. You can see it referenced in their public website, and we have shown you how that auction is working.

You put a bid in, you get the sale, you don't get the sale. And so it's a new thing in this market as you see auctions now occurring in this marketplace.

COMMISSIONER ARANOFF: So this wasn't occurring during the prior review period as far as anyone can recall?

MR. PRICE: In terms of this particular product, I mean, I think that's one of the things that the trading companies help to do, they facilitate -- they understand market prices and where to move things. This is a new thing that is going on in addition.

COMMISSIONER ARANOFF: I'm trying to understand what the incentives are around this auction process. If you have a manufacturer in some country, they just said, you know, this month we're going to have this many tons of product. What will you give us for it? And the highest bidder gets the product. But yet, you know, there is this argument that with demand down, there is global oversupply, there is new capacity coming online. Why would people ever bid in an auction?

MR. PRICE: Well, no, John.

MR. FERRIOLA: Well, what they will bid is an extremely low price, okay, seriously. You know, it's almost a whim. We've had experience with what they call reverse auctions, and this is exactly what we're looking at here. In the case where there is an oversupply, we see a producer actively going out and putting a product on auction. That's telling you if you are buyer that this

person has a lot of excess capacity. He's looking to get rid of this product. You throw a number out on the auction, you make it an extremely low number. If you get it at that low number, great. If you don't, you move on and purchase it through another source.

So, when I look at the things that are happening today in rebar with the auction process and to touch upon Joe's comments about the trading companies, that points to me just how interchangeable the product is. When you are auctioning and bidding for something on an auction, you don't necessarily know anything about the product. You might know who is producing the product when the trader comes in and does a buy off of an auction, or presents a product to a buyer, here is a trader purchasing from a producer offer to a customer often he won't even tell you where it comes from.

A product by Rebar is completely interchangeable and buyers really don't care where it came from or who produced it.

MR. PRICE: And let me just add from this perspective. The seller doesn't care where it's going. This is not about long-term customer relationships. You know, this market -- this product is going to move wherever it's going to move on the auction, and that's what happened with the trading companies too. It just moves around.

I think you saw the radical shifts in volumes in various -- for example with Latvia that we had. This stuff will just move around. It's very opportunistic, and so these trading companies help facilitate all of those difficulties of moving through the market.

I really urge you to go to Stemcor's web site. I mean, it's quite interesting to do because they will manage all of the risk factors and reduce them and they will do it where they take title or they will do it where you keep your title to the product. You know, they actually -- they will do it both ways.

But they will manage all of those risk factors and minimize those risk factors so it just moves from market to market to market, keep your volume up. They will buy your scrap if you need it on a countertrade. They will buy -- they will hedge the product. They will hedge the scrap cost with various derivatives if they need to. Everyone of those factors, risk factors is removed, and this is a product that trades really quickly, so you get the order, it's produced, it's on the water, it's in someone's hands in, you know, a month or two maximum. So, there is not a lot of risk factor there, helps move that product to facilitate rapid movement.

COMMISSIONER ARANOFF: Mr. Kerkvliet, did you want to add something?

MR. KERKVLIIET: Just a couple comments to build on what John and Alan have had to say.

I think part of it as well in the past if you look at how the product was traded, there were auctions. It's just what you would call a Dutch auction. It was where people would submit e-mails and continue to look and see who had the highest bidder.

As technology evolves traders are using the most latest tools of technology, and as capacity has grown, there is a greater need to move material around the globe, and that's why you have seen with Alan's comments on his presentation about the amount of excess divertible capacity that's been traded globally.

I will just quickly comment from an anecdotal standpoint. I, as a vice president of Long Steel for North America Gerdau, I get e-mails on a daily basis from China asking if we would like to buy capacity from their steel products.

So, to Alan's point, don't really care who the buyers are. They just want to make sure the product gets sold.

COMMISSIONER ARANOFF: Dr. Kaplan.

MR. KAPLAN: Going to your question about why would a seller would be interested, or why would a buyer be interested is the buyer could go out, look at the offers

coming in from the fax, make phone calls, and then with that information offer a lower price at the auction, so they get the alternative price information in advance.

From the seller's point of view that wants to fill up the mill, you know, they might have a minimum price at which below they won't sell, but then they just fill the mill up.

So, from both parties' points of view it makes sense. One party filling the mill, the other one offering a lower price than they could get everywhere else with that knowledge in advance. If they didn't have that knowledge in advance, your point is well taken. But if they have it in advance, why not offer less in a public auction?

COMMISSIONER ARANOFF: Okay. So other than Stemcor who are the large global traders? Are you talking about a handful of companies or are we talking about dozens of companies?

MR. PRICE: There are a number listed in the report and in the brief, and so there are a large number out there. For the purposes of a public hearing, I think we will just keep their names, but we will give you a full listing of the major producers out there.

COMMISSIONER ARANOFF: And you believe they account for the vast majority of global trade in this product?

MR. ALVARADO: Yes.

THE COURT: Yes.

MR. PRICE: Yes is Mr. Alvarado's answer.

MR. FERRIOLA: If I may just make one comment on this point.

You know, you asked about large traders. Bear in mind though to be a trader you need a basement and a computer and a telephone, and that's really all you need.

COMMISSIONER ARANOFF: It sounds like you might need a large line of credit, too.

MR. FERRIOLA: You need access to credit. Yes, you do.

COMMISSIONER ARANOFF: Okay. My time is up but thank you very much for those answers.

CHAIRMAN WILLIAMSON: Thank you.
Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Mr. Chairman, and I thank all of you for being here today and helping us understand these issues.

I noted the testimony about the increase, the recent increase in non-subject import market share, but I also note that the non-subject imports had a smaller share of the U.S. market in 2012 than they did prior to the great recession. Can somebody help me understand why that might be the case?

MR. KERKVLIIET: I'm having a little difficulty understanding the question. Could you restate it, please?

COMMISSIONER PINKERT: Well, in other words, the role of the non-subject imports are playing in the U.S. market right now may have been enhanced over the past few years, but it's still not the role that non-subject imports played prior to the great recession. So, what's going on here?

MR. KERKVLIIET: I think there are several things going on. I think the first is I believe there is an understanding in the marketplace of the consequences of selling at less than fair value in the United States. I think that Turkey, however, has in fact reentered the market, and the industry is looking closely at the effects of Turkey.

Right now, given the low level of overall consumption, the U.S. is able to supply the local market and the countries that you would expect to enter, other than Turkey, are under order, which makes the concern so high. I think that earlier there were higher levels of demand and greater participation.

MR. PRICE: Alan Price, Wiley Rein.

As you look back at the earlier period you see a market as it basically shuts down, frankly, as we saw

in many product lines in 2009-2010. As we see recovery, you see the imports coming back in and really becoming an anchor on that recovery, as John Ferriola has said. It's not like any of these -- as the imports recover, as the imports come back into the market, as people are taking more risk with recovery and buying or feel comfortable with imports, as people have lines of credit back in their hands, which they often didn't have in 2009 and 2010, they are buying more imports, and as they do that that diminishes and prevents a recovery of the domestic industry. It doesn't take a lot to do it in this weakened condition.

The industry is operating at much, much lowerer capacity utilization levels. Production is much, much lower. None of these imports are stimulating any demand. You know, the rebar is about 1 percent of the cost of a building. All it does is it takes a sale away from the domestic producer.

But what it does indicate and what distinguishes, I think, this case from some of the other recent ones you've seen is we are seeing non-subject imports start to return in a fairly substantial way if you look at the volumes, and they are very substantial in comparison to the capacity utilization that exists in this industry currently.

COMMISSIONER PINKERT: Let me broaden the question a little bit. We've had testimony about the decline in some of the other export markets, Turkish export markets as well as Latvia and subject country export markets.

Given the decline, for example, in Europe in terms of economic activity have we seen the kind of flood into the United States with respect to non-subject imports that would be commensurate with the problems in those other export markets?

MR. KAPLAN: The Commission has a long history of seeing certain countries behave certain ways when their home markets decline, and certain countries export a lot at really low prices, and other countries historically don't, and that's why you've seen certain cases where when people are choosing what countries to file against they leave some out and they leave some in, and then you see cases where there is excess capacity in some countries and another country gets an order, and yet you still don't see the imports coming from that country given the pricing and the fact that they might have to be unfairly traded.

So, to expect every country to react the same way is something the Commission is not used to seeing, and what's happening here is consistent with that practice. For example, in the last investigation the petitioners

felt that the conditions of competition with say Korea did not warrant a continuation of the order because Korea was becoming a net importer. We were correct. It turned out not to be a problem and that's the situation today.

In contrast, the remaining countries that are subject countries have shipped to a lot of alternative markets as I've shown in my slide, 150 for China, 40 for Latvia, and given the conditions they face in Europe and the whole market pressures for both employment in Latvia and to keep the mill running since it's in the capital all the conditions are expected these countries would return relative to other countries that may have excess capacity but weren't here before or didn't return during the whole period since the mid-nineties.

So, I don't think you should expect every single country to be the same. The Commission doesn't assume that, and I think the countries that have been the problem are the ones that are the subject ones.

MR. ALVARADO: Commissioner Pinkert, I'll try to comment on this.

We, of course, monitor all imports and clearly we're concerned that if the subject companies were allowed to ship to the United States it would only be added to what's coming in from Turkey and Mexico, and we would only be speculating, so I'll speculate as to what the reasons

might be and knowing some of our competition in Europe is significantly and severely financially distressed.

In some instances banks have become actively involved in overseeing the activities of our competitors. It may be a limiting factor or a governing, I'll call it a government switch over the activities of those companies wherein they are not allowed to take business that would be below their cost of production, and with very low operating rates production costs go up significantly.

I can use Spain as an example where unemployment is at 25 percent. Our competitors are financially distressed and not only because of the social costs that are associated with being in the steel business in Europe, but the fact that they've had to rely so heavily on bank financing to run their business on a day-to-day basis.

So, again, that's speculation on my part. We'd have to ask those who have chosen not to ship to this market their reasons for not shipping to this market. They can only tell us the real answer.

MR. PRICE: Yes. I'll just add I think there are a lot of reasons not to speculate as to why people choose not to dump in various markets, okay. Some countries have a track record of doing that. We know that LM, for example, according to the government has been selling below cost. They choose to dump. They choose to

do that in their other markets right now. You know, it's the basic definition of dumping, putting aside price discrimination here.

You don't have to listen to me about it. You can read. There is an Ernst & Young audit report on them, acknowledging the fact that this is a money -- that this operation has been run basically to maximize tonnage and they have not cared about anything other than employment. It's in the capital of Latvia. Whatever is going to happen with this facility going forward is pretty clear that the Latvian government is going to want to keep this facility going, to keep it around.

There is an old comment we used to use in this industry back in the late nineties and 2000 period, social tons, you know. Ms. Andros remembers that word. It exists here. We're dealing with export platforms. We're dealing with companies that bid their tonnages to move it. They don't care where it goes.

So, as we look at these particular countries they are particularly problematic and the U.S. is essentially a large market. It's an open market. It's an available market. It is attractively priced.

Now, it may not always be the highest priced market in the world. There are actually higher priced markets often that are closed, that don't allow imports.

Here we allow imports in, so it's available. So, the imports will come here from these countries, and that's what we believe in.

Last time we came in, as Mr. Cameron well knows, as the Petitioner and said Korea, conditions of competition have fundamentally changed. They became a huge net importer. They were taxed, they were capacity short, not a little capacity short, dramatically capacity short. So we said there is no point in keeping this country in the order. They weren't an export platform anymore. They didn't have massive excess and divertible capacity. These countries do.

COMMISSIONER PINKERT: I'm at the end of my round but I wanted to ask Mr. Kaplan to comment in the post-hearing on whether he would characterize Latvian government policy as one of hypersterity, and if that's true, how does that affect the overall argument of Latvia versus the European countries as a whole?

MR. KAPLAN: I will answer that in the post-hearing brief.

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

CHAIRMAN WILLIAMSON: Thank you.
Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Mr.

Chairman, and I would also like to thank all of the witnesses for appearing here today, and I'd like to especially recognize the employees of Gerdau at its plant in Sayreville, New Jersey. I visited that plant about two weeks ago and I found it very informative. I learned quite a bit about the rebar industry which helped me to prepare for today's hearing. So thank you again.

Petitioners note in your brief that the rebar industry is expanding internationally. More capacity is coming online in the world. I was wondering why is that the case if the industry -- if the economy right now is in a recession in many countries of the world? Why are certain countries expanding production?

MR. ALVARADO: Excuse me. We can use the example of Algeria which had been well prior to the political unrest there a growth economy because of energy, which was an importer of rebar products. It's not uncommon for countries to want to have their own domestic production and utilize that domestic production to create employment opportunities.

So, I would just venture to say that, as we understand it, it's the Turkish sponsor that's building in Algeria. It was an export market for them and perhaps for them the decision to build in Algeria was to protect access to that market and to preclude others from building

in the Algerian market. So it's not an uncommon practice to see rebar facilities pop up nearly anywhere in the world as they have in China.

In China, it was driven by demand, demand for construction products and an infrastructure build that the Chinese government is dedicated to.

So, again, a lot of jobs can be created through steel manufacturing. Commodity products are easier to produce and it's a logical entry point into the steel business for anyone that wants to create opportunities and service their home market, and if the home market can't absorb it all, then they turn to export and that's certainly what we're concerned about with each of the subject countries, and the fact that they have excess capacity that can be exported.

COMMISSIONER JOHANSON: Yes, thank you, Mr. Alvarado. Mr. Ferriola.

MR. FERRIOLA: Yes, thank you. I would add, Commissioner, that steel is a product that's easy and lends itself well to exporting, particularly rebar. It packs well, it's dense, it's easy to get onto a ship in a large volume, so it's a good export product. If you're looking for a product to develop to support your economy through exportation steel is a good one to do it, particularly rebar.

COMMISSIONER JOHANSON: But if the market is depressed you can produce a product. I mean, you have a product at the end of the day, right?

MR. FERRIOLA: Again, when you look at markets like the United States that are very large and very open, it at least gives you that opportunity to sell the product more so than in your home markets.

MR. KERKVLIIET: Commissioner Johanson.

COMMISSIONER JOHANSON: Yes, Mr. Kerkvliet.

MR. KERKVLIIET: A couple comments. I think some of the production -- first of all, some of the production was announced at a period of time before the collapse, and so it takes typically two to three, maybe three to four years for capacity to come online once the investment was announced, so that's one piece.

I think the second piece is relative to some of the capacities are driven by other than clearly market dynamics. There are state-owned enterprises that do it from an employment standpoint. There are state-owned enterprises that have certain subsidization, tax, relief, if you will, that makes the cost/benefit of installation of capacity a different dynamic than what is here in North America.

And when you were at the Sayreville plant, we showed the graph that showed that since 2007 there has been

a 19 percent growth in global capacity, and unfortunately from a global capacity utilization it's dropped about 10 to 12 percent. So, there is excess capacity globally chasing limited demand, and as Joe had said, the United States is an open, attractive market so we tend to see imports from subject and non-subject countries coming here.

The one thing that we also talked about while you were in Sayreville, and it's in the comments, is the concern that we have right now. Even though there is an order in place for China specifically, we start to see now that China exports as a percentage of their production has grown four-fold in the last three years. So on bar production they are not exporting about 10.5 percent of their capacity. That 10.5 percent of a 200 million capacity, if that comes to the United States that's roughly three and a half times what our total rebar market is today.

COMMISSIONER JOHANSON: Yes, Mr. Price.

MR. PRICE: So, just a couple technical points. As we talk to the Commission staff, the staff report looks at what are the official rebar exports out of China. Unfortunately, that is not the accurate data. China has, like it has on so many products, has this whole complicated system of VAT rebates and taxes in place, and so in 1998, or 2008, there was a change in the tax regime that put taxes

on rebar exports.

So what happened? Everything had a minuscule amount of boron dumped in it. It all became hot-rolled bar. And so they just shifted to hot-rolled bar because they had to export. These guys wanted to export. They had to export no matter what until you see massive amount of hot-rolled bar exports that are alloy hot-rolled bar.

We have the same thing going on in plate where there is massive circumvention going on. You see this in product after product. It's well documented. So, there are lots of things going on. These guys need to export. They will work around any scheme. They will cheat around any scheme, and those exports are literally flooding markets.

You hit submarkets, you know, you hit the SOE issue which I think was very well described. There is a lot of state-owned enterprises here. There is a lot of government subsidies involved. You have companies that have to be kept around because they are large parts of an individual economy, such as Latvia. So, these are very important. You see things along these lines also in Ukraine where you have no domestic steel consumption but it keeps getting produced no matter what because they need the volume.

Russia has substantial, by the way, column one

tariffs in place. Nothing in the WTO accession actually changed that. There is no, you know, FTA between the EU and Russia on steel. Big problem getting into Russia. They are building capacity out right now to meet domestic demand. People will throw, oh, I want to build the World Cup, or I want to build these things. There are always projects out there that are completely irrelevant. Bottom line is you have Russia building out demand.

The Middle East, which was a major focus for imports, government-sponsored mills being built-out all over the place. Again, eliminating the need for imports.

So, there is a macro issue of governments building capacity in general, and then you have very specific isolated pockets of demand where there is an imbalance and that gets met pretty quickly, and most of the export destinations that have been attractive in the past are radically changing in a very short-term period, and the staff report acknowledges many of these that are occurring, but there is a number of them out there.

COMMISSIONER JOHANSON: All right, thank you for your responses. I got a lot of mileage out of that question.

(Laughter.)

COMMISSIONER JOHANSON: And actually I want to follow up. My next question kind of tails off of that one.

Mr. Price and Mr. Kerkvliet mentioned what is happening in China with production there. Looking at the staff report at page 28 it lists the largest markets for Chinese rebar exports. In 2012, those markets were Equatorial Guinea, Angola, and North Korea. And I'm wondering, what do those three countries being the export markets for China tell you about the export market for Chinese product? Mr. Price.

MR. PRICE: Absolutely nothing, okay, because you actually have to look at the alloy hot-rolled bar numbers which are not in the staff report.

COMMISSIONER JOHANSON: Okay.

MR. PRICE: And once you do that you see them exporting to 183-odd countries.

COMMISSIONER JOHANSON: Do you happen to know what major markets these would be?

MR. PRICE: Unfortunately, I do not have them burned in my brain.

COMMISSIONER JOHANSON: Okay.

MR. PRICE: But we will look at that for the post-hearing brief.

COMMISSIONER JOHANSON: Yes, I thought it was really quite -- it kind of struck me. I mean, Equatorial Guinea, I know there is oil production there, but there can't be a whole lot of rebar being sold. I just don't

know, and North Korea, we all know they've got issues. Okay, thank you.

We've heard testimony regarding rebar transactions being conducted largely on a spot basis and also being subject to auctions. Petitioners noted that rebar is one of only two finished steel products that are sold on a futures exchange. Could you all please elaborate on this method of sale, the futures exchange for rebar? Thank you.

MR. PRICE: Rebar is now on the Shanghai exchange along with hot-rolled sheet. These are the two baseline commodity products. I think the point of Mr. Alvarado. Those exchanges are largely functioning right now for the domestic market in China, and what is interesting here is that it communicates to you why these are commodities. These are the basic products out here, you know, and the fact is that whether it's China or the U.S. or Poland or Latvia or anyone of these countries, it's essentially this very basic product that can be put on an exchange.

MR. ALVARADO: Joe Alvarado from Commercial Metals.

Essentially what our traders report to us from Hong Kong where a lot of export rebar product is shipped to is that transactional prices are reflective of what's

going on in the Shanghai Futures Market, not only in terms of current pricing but expectations of where prices might be going. So, there is a lot of rebar that moves out of China in particular because of the excess capacity, local buyers in Hong Kong, Singapore, and those in China will reflect or will respond to those price movements in the futures exchange and to try set the current daily prices.

There obviously is an effect on a global basis of the demand from China being consumed locally in Southeast Asia, but in terms of day-to-day pricing I'm not aware of circumstances in North America where those prices might be set on a day-to-day basis according to what's going on in China.

COMMISSIONER JOHANSON: All right, thank you. My time has expired, and thank you again for your responses.

CHAIRMAN WILLIAMSON: Okay, thank you.

Mr. Alvarado, you noted in your testimony that there is a U.S. rebar facility that uses the Thermex process and that this rebar is accepted by you as purchasers. Can a production using this Thermex process meet ASTM standards, and do most purchasers require that, you know, use ASTM?

MR. ALVARADO: Joe Alvarado. I'm going to ask Tracy Porter who is responsible for America's operation

who services this product.

CHAIRMAN WILLIAMSON: Thank you. You might also explain what is different about the Thermex process.

MR. PORTER: Yes, Commissioner. My name is Tracy Porter with Commercial Metals.

There is virtually none in the process. It's just a methodology or a process that we use to quinch the outside of the bar to stiffen the bar. It allows us to not alloy the bar. Other domestic producers, such as Gerdau as Jim mentioned earlier, uses the same process. It's a relatively generic process that it's just trademarked under different names. Thermex is one of the names that it goes by. The process we use is called quinch and timber the bar. So, it's just a very simple process.

We market, we market our bar throughout the western part of the United States. Very accepted by all of our customers.

CHAIRMAN WILLIAMSON: Does the ASTM -- can you still use ASTM standards?

MR. PORTER: Yes. It meets the ASTM standards that are set for rebar.

CHAIRMAN WILLIAMSON: Okay, good.

MR. KERKVLIIET: Jim Kerkvliet with Gerdau.

CHAIRMAN WILLIAMSON: Mr. Kerkvliet.

MR. KERKVLIIET: I'll just echo Tracy's

comments. Our facility in Knoxville, Tennessee, uses the Thermex process and the Thermex processes completely conforms to ASTM requirements, and it's used by customers in the markets that we serve in the United States.

CHAIRMAN WILLIAMSON: Okay. Does it make a difference outside of the U.S.? The Latvians made this point.

MR. PORTER: It is a low-cost substitute for alloy in the bar. It was a technological breakthrough a number of years ago that allowed people to conform to the ASTM standard without adding the cost of alloy to the bar.

CHAIRMAN WILLIAMSON: Okay, thank you.

MR. ALVARADO: It is not a significant cost differential but it's another cost-saving method to take pennies out of the manufacturing process. I believe the Latvians were making the point that Thermex is not accepted in the United States, and so the reason that we raise this is that it's an accepted product even if by a different name.

CHAIRMAN WILLIAMSON: Okay, thank you.

MR. PRICE: I'll just point out two things. Look at Exhibit 3, look at the date of Exhibit 3. Look at the customer in Exhibit 3 of their brief, and look at what we hand out in our slide on page 25 today of our slides.

CHAIRMAN WILLIAMSON: Okay.

MR. PRICE: I think that tells you everything you need to know.

CHAIRMAN WILLIAMSON: Okay, thank you. Good.

On the question of technology, Commissioner Pearson had noted that it had been a number of years since he had been in a factory, and he said things hadn't changed. Often we here things are changing rapidly, but I haven't heard it mentioned with respect to this product, and so there is two questions.

Are there any technological changes that we should be taking into account? Ms. Andros, you might want to address this kind of question. Currently, you know, the records aren't coming back as maybe as fast as -- you know, the developability. Maybe the workers are the most vulnerable part of the industry in this respect, and so I wanted to comment on how efforts to, you know, keep them competitive. There is two questions there.

MR. PORTER: My name is Tracy Porter with Commercial Metals.

Our industry continues to evolve and we believe that we are the lowest cost producers in the world. We travel the world literally looking at other facilities in other countries. Many of the suppliers to our industry today are foreign suppliers of equipment, and as a result we believe we truly are the lowest cost producers in the

world.

Part of the problem that we have experienced over the years is just what we're talking about here today -- dumping of product below cost.

Technology continues to move on, and it is an industry with a tremendous amount of transparency relative to the technology we use. So what's developed is quickly sold to competitors by the equipment manufacturers and others. Our efficiencies and our cost per ton on absolute inputs, not inclusive of cost but the inputs themselves, the consumption of power and other things, is equal or better than anybody in the world.

CHAIRMAN WILLIAMSON: Okay. Mr. Ferriola.

MR. FERRIOLA: Commissioner, John Ferriola with Nucor.

The technology to produce the product might change but it's important to remember that the product itself really has not changed. It's a very basic commodity product, hasn't changed either in the makeup of the product or its applications for many, many years, so it's a true commodity product. Technology might change, the product has not.

CHAIRMAN WILLIAMSON: Okay.

MR. ALVARADO: Commissioner, Joe Alvarado.

CHAIRMAN WILLIAMSON: Yes.

MR. ALVARADO: I guess what I would like to add to the comments is the very reason that we're here is to look for the support of the Commission to not bring the subject country product into this country because it has a devastating or detrimental effect on margins. We invest in huge capital in our projects and it's hard to justify investment with the kinds of returns that are being generated.

Looking at the period, the time period in the report, between 2006 and 2004, we generated an average unit profit of about \$98 per ton. In the four subsequent years that profit fell to about \$13 a ton. I'm going off of memory. Those are not sustainable rates of return in which to invest in equipment, and so hence you have seen that there has been very little addition of new capacity in North America because the economics don't justify it, and that's partly driven by the lower margins that result from low-priced imports from subject and other countries.

CHAIRMAN WILLIAMSON: Good. Thank you. Mr. Ferriola.

MR. FERRIOLA: If I may make just one more point. We talked about the technology. One thing I do want to mention we talked earlier about the 5 percent operating margin, and the question was is that a good margin, is that a sustainable number for our industry.

Anyone who makes rebar will tell you that rebar is probably one of the most damaging products to produce in terms of equipment wear. Extremely high maintenance. It beats up the equipment terribly. extremely high maintenance costs associated with producing rebar. It's tough on the equipment. A 5 percent operating margin does not allow for a sustainable financial return to produce rebar.

CHAIRMAN WILLIAMSON: Okay, thank you.

Ms. Andros, did you --

MS. ANDROS: Thank you, Commissioner. I think I would just key off of what others have said. We have workers at Gerdau who testified here today how competitive and cost effective and cost efficient he thinks our industry is here today, and of course, as one of the Commissioners indicated earlier when he went to Gerdau recently that the workers were really well trained. Well, those are all workers there.

So, of course we work with our industry, whatever the industry is, for whatever training needs to keep occurring so we continue to be as competitive as possible, and I think our workforce is always looking to do that, and I assume that that was reflected in your visit to Gerdau, and that's what I would say on that.

MR. KERKVLIIET: Jim Kerkvliet. To build on the comments, I think that the Commission and the staff saw

the process improvements that we have made in Sayreville, which is really, frankly, indicative of other facilities.

As John has mentioned, running a rebar mill is a very capital-intensive process. You've got a lot of hot molten steel moving at high speeds, and it has a really tough effect on the equipment.

The other thing that I would say is that the rules from which we engage in North America we have certain standards from a safety perspective as well as an environmental perspective that perhaps are not the same standards around the globe. So, many of the investments that we have to make in our facilities are more towards compliance. There is a requirement from a compliance requirement versus investments in other places when your return is in the low single digits.

And as we talked when we were at the mill, we've made significant investments in safety and significant investments to make sure that the footprint that we have as a representative of our industry, that the footprint that we have in the industry and to the communities in which we participate is very, very small.

CHAIRMAN WILLIAMSON: Okay, good. Thank you for those answers.

Just a quick question. Mr. Kozicz, what is the status of the legal proceeding and the investigation

regarding the VAT evasion from Latvia?

MR. KOZICZ: So, basically just to give you a little kind of background information, the Polish Association received information about more than two years ago about that -- from the producers that is very hard to sell the goods domestically because there is a lot of imported material sold at a substantially lower pricing.

So as a result of that the Polish Association tried to find out, you know, what are the reasons and to validate that, and we have been looking at basically two kinds of major statistics. Eurostat, which is the European statistical where producers from the European Union provide how much goods they sold to the countries. And in my testimony, as I mentioned, like in 2011 was 300,000 pounds of rebar --

CHAIRMAN WILLIAMSON: Can we interrupt you because my time has expired?

I guess I'm really curious, has the Polish government taken any action --

MR. KOZICZ: Yes basically --

CHAIRMAN WILLIAMSON: -- conclude the investigation or anything?

MR. KOZICZ: Basically there has been -- there was some of the material, there has been delivered or will be delivered, but basically we -- there was a lot of arrests

of the companies, so the actions, there was also the Polish Association filed certain notification to the European Union office to investigate the case, so there are things which are kind of ongoing, and also because of the -- and also just to -- there was basically from minister of finance, and I had the pleasure to meet with the minister of finance, who described what is the impact of this low-price import to Poland, but there has been the change of the -- legislative changes, for example, joint and sever liability to avoid this fraud, and also application, actually the Polish government applied to the European Union to reverse charge for rebar to European Union. So, there has been substantial actions.

CHAIRMAN WILLIAMSON: Substantial actions taken. Okay. Thank you.

My time -- Mr. Price, I'm sorry.

MR. PRICE: Look at Exhibit 19. It's in Polish, but there is a video there.

(Laughter.)

MR. PRICE: It's an interesting video. You can see some of the Polish traders being arrested.

CHAIRMAN WILLIAMSON: Okay, thank you. Nothing like having a graphic demonstration.

Commissioner Pearson.

COMMISSIONER PEARSON: Thank you, Mr.

Chairman.

I'd like to follow up on the Chairman's question regarding the Thermex process, and perhaps, Mr. Kerkvliet, you would be the reasonable person to ask.

Are there some customers for rebar that for some applications would have reservations about rebar produced by the Thermex process?

MR. KERKVLIIET: I can't think of a reason with the exception of maybe the cosmetic piece of rust. It rusts probably a little bit quicker, but rust is actually from a concrete adherence standpoint is actually a positive. The more that it rusts the better. So from a technical perspective, absolutely not. From a perception perhaps from someone that's really uneducated.

COMMISSIONER PEARSON: Okay. But would it be correct to understand that the Thermex process is producing a rebar that would be somehow more closely equivalent to an alloy rebar?

MR. KERKVLIIET: It meets the same physical standards of ASTM. There is really no difference. The only difference is the process in which it's made.

COMMISSIONER PEARSON: Right.

MR. KERKVLIIET: That's it.

COMMISSIONER PEARSON: Okay, but help me out then because from the testimony I thought I had understood

that the reason for going through the Thermex process was that it was a somewhat less expensive way of producing the rebar than using an alloy, and so is that correct?

MR. PORTER: No, you're correct. But we were talking earlier about the input costs this morning. This is less than probably a dollar to two dollars a ton difference.

COMMISSIONER PEARSON: Right, and I'm not worried so much about the cost. I'm really wondering whether --

MR. PORTER: I understand.

COMMISSIONER PEARSON: -- functionally is there some change in the product tensile --

MR. PORTER: ASTM standard states the tensile and what we call the ultimate strength of the bar. This bar by the process that it goes through qualifies for that, and it's readily accepted. There is no difference in the bar in terms of its physical properties. It's the chemical properties.

COMMISSIONER PEARSON: Mr. Ferriola.

MR. FERRIOLA: Let me try to answer it this way. In terms of application there is no difference at all. Okay?

COMMISSIONER PEARSON: Okay.

MR. FERRIOLA: In other words, it's the same

product produced with two different methods of production to end up with the same product that performs the same applications.

COMMISSIONER PEARSON: Okay. How long has this process been used? How long has it been available in the marketplace?

MR. PORTER: Our first use of it was in our mill in Arizona, and that went to about 2008, but my knowledge in the industry has been that it's probably gone back to the 1990s because when I first heard of it I don't know if that's when it was developed.

COMMISSIONER PEARSON: Okay. So, was there some concern in the marketplace historically when this process was introduced? I mean, I'm trying to understand what has prompted the Latvian Respondents to raise this issue, and so I'm wondering when it first came out was the marketplace concerned about it?

MR. PORTER: None that I'm aware of.

MR. FERRIOLA: My only comment was going to be that we're wondering the same thing. We haven't been able to figure it out either.

MR. KERKVLIIET: From a market perspective I can't really see anything that would be different from the product, anything from an exception standard or acceptability of the product, so I can't see why the

Latvians would say that there is a difference in the process and the acceptability in the market. It's been shown by Gerdau, it's been shown by Commercial Metals, that product is readily acceptable in the United States market through every level of channel of distribution in the U.S. market.

COMMISSIONER PEARSON: Okay. Well, thank you. I assume we will ask these questions this afternoon and learn more from the Respondents.

Mr. Price, let me shift to page 10, slide 10 of your original show. On that slide it's noted that LM had actually stopped production for some period of time, including apparently just this spring. Now, given that they have a history of ceasing production when they don't have orders why should we think that in the face of revocation they would suddenly start up production and send it all here?

MR. PRICE: I'll start for a second and then we'll hand it off to --

COMMISSIONER PEARSON: Okay.

MR. PRICE: -- folks who actually know more. This company has been run for volume for years and years. It actually has not had a history of switching production on and off in general. As it lost the Polish market, and as it ran into financial difficulties because it's been

losing money forever, it ran into a point where it essentially had to reduce production for financial reasons. It has no demand for its market or demand, and as a result of shortage of orders from Poland, to be precise, and so the bottom line here is this company is in -- you know, it has reacted to that.

Now, at this point, okay, these guys are in the midst of a very complicated negotiation with the Latvian government, and some of it involves law enforcement activities. Some of it involves a variety of other things which we all -- you know, this is eye-opening as you read it. The bottom line is the government in Latvia ultimately -- you know, this is as large part of the economy and they need to keep this mill running. The only question is whether they can get the current owners to put some of the money back into the mill that they may have appropriated with in other ways and so forth.

MR. ALVARADO: Joe Alvarado from Commercial Metals.

To the best that we can deduce and we're not involved in the negotiations in any way, shape or form, but certainly the fact that the Polish market has become more problematic for the Latvians to ship to as Polish officials are now aware of the VAT scheme. It would certainly put a lot of pressure on the Latvians from a

financial perspective.

So, early in March there were reports in the press that LM was seeking relief from their debt obligations. That's been going back and forth in the press. There has been some suggestion from other investors that the shareholders would need to put money in before the government would do that, and ultimately it resulted in the shutdown as reported two days ago of the facility for lack of orders and principally lack of financing, a financial capability to, I'm sure, purchase raw materials.

So, until that's resolved I believe April 30th is the debt payment requirement of about 8.5 million Euros, and the proposal was that the shareholders pay 1.8 million Euros. Those are just general details, so there is a bridge that needs to be built between what the shareholders would like to do versus what's required by the government.

COMMISSIONER PEARSON: Okay, but the --

MR. PRICE: And the government, by the way, has guaranteed the loans that he's talking about here, too, so it's a negotiation going on.

COMMISSIONER PEARSON: Right, but we have some experience with companies that are in financial stress that instead of just standing aside and negotiating they go ahead and produce as long as they can -- do what they

need to cover their payroll.

In fact, we might have had some of that in this country in the steel business in the not so terribly distant past. I'm getting to you, Mr. Ferriola. Because I know you earlier had addressed the reasons why the Latvians did not ship product into Canada, and yet from the earlier testimony I have the sense that they are a nimble exporter able to respond quickly to opportunities that present themselves, being rather opportunistic, and not terribly committed to long-term customer relationships.

So, why didn't they move some product into Canada? Canada is, I think, quite a bit larger economy than Algeria, for instance, where they have been sending a lot of stuff. Both those countries have big energy industries that are growing. I mean, I'm not sure that I'm entirely persuaded that the fact that they didn't ship into Canada doesn't tell us something. Please.

MR. FERRIOLA: I'll address that point first. We have a downstream rebar application business that is based in Canada, so I can speak to some points about the Canadian market.

Number one, it might be larger than Algeria, but it's not very large, okay. Particularly difficult importing. You struggle through some weather conditions

importing into Canada. There are times of the years where the ports are either closed or very difficult to bring product into, so it is not an easy country to export into.

I'd like to make a general comment. You asked why would they shut down. Well, their customer base has gone away. They are looking to find new customers and new markets. They have been blocked out of Poland because of the activities that have taken place, and right now they are prohibited from coming into the largest, most attractive market due to the AD orders that are in place.

To me it's pretty obvious that if those AD orders go away this is a market they will come to. They will come to quickly, and they will surge into the American market, and they will be able to restart their mill.

COMMISSIONER PEARSON: Okay. Mr. Chairman, my time has expired so I think I'll turn it over to you.

CHAIRMAN WILLIAMSON: Thank you.
Commissioner Aranoff.

COMMISSIONER ARANOFF: Just to follow up on the question that Commissioner Pearson was asking. As this discussion was going on about why subject producers who may be distressed or just short of customers right now because of the economy haven't been shipping into Canada, for example. The conversation was proceeding as though they get to decide what country and target that country.

But just in my last round of questions we had a conversation that there are traders out there who will take low-priced product and place it, and it's not the companies themselves who decide where the product is going.

So, in that light can you revisit your answer to the question? If the plant is operating or can be operated and a trader can get a very advantageous price from a plant that is desperate to make sales, then again it maybe not just cold weather that's keeping the product out of Canada.

MR. FERRIOLA: You are correct. It's not just cold weather. That's one of many factors. I mentioned the size of the market. I mentioned that a lot of the rebar fabrication or applications that rebar goes into in Canada is affected by the weather as well as shipping into the country.

Traders, certainly the producing countries do not decide where the product goes. Traders have a large impact upon that. But traders can't buy product if they don't have a place to sell the product. So if they are restricted either because of activities by the subject country, or by AD orders in potential markets from delivering product into those markets, they won't buy the product.

COMMISSIONER ARANOFF: One of the things that

LM suggested in their brief, and some of you touched on in your testimony was that when a producer is in distress for reasons that, you know, can vary they don't have access to the credit that they need to buy inputs, to buy scrap or maybe even energy because there is no certainty that they are going to pay their bills. And if that's the case, if production is not operating because there is no money to buy the inputs to production then there is no opportunity to go searching for that next customer wherever to keep the plant operating.

Is that some of what we're observing because certainly that I think LM was arguing in their brief? They were saying, well, we're not going to export a lot in the reasonably foreseeable future because we can't afford to pay for scrap.

MR. ALVARADO: Yes. This is Joe Alvarado from Commercial Metals.

As Alan pointed out in some of his comments, there are instances where traders will step in and effectively use a mill for conversion. They will buy the scrap, have that product converted, obviously squeezing the producer as much as they can on their conversion cost to preserve as much of the margin for themselves as financial agents for that kind of transaction. The benefit for a mill in distress is that they get to run and

pay their payroll.

Ultimately, back to the question about Canada, it takes significant quantities to get the benefit of lower freight by shipping large quantities. We talked about the Gulf Coast, for example, taking large 40,000 ton quantities. In order to ship those kinds of quantities to Canada would require some inward transportation, particularly in the wintertime when the St. Lawrence Seaway is closed, and even in the summertime when it's open those kind of shipments require lakers as opposed to larger ocean-going vessels. Lakers have higher transportation costs, smaller quantities makes it more difficult to conclude the transaction in addition to the construction season, in addition to the size of the market. It makes it more problematic.

Now, we've suggested that the Turks can serve the Canadian market really by combining shipments, and without knowing the exact data it certainly affords them the opportunity to be able to ship product into Canada once it's arrived in North America or the United States.

COMMISSIONER ARANOFF: Okay. Let me change the topic a little bit because I want to get to something else while I still have time in this round.

Latvia stopped exporting rebar to the United States in I believe it was September of 2005. At the time

that the Commission voted in the first review, that event was fairly recent and I know that I, for one, indicated in the opinion that I couldn't tell from the record whether they had ceased exporting due to a change in the antidumping deposit rate or due to a corporate decision by LM to redirect its exports into the European Union when Latvia had at that point recently joined the European Union.

Is there any additional information in the record now in this second review that would help the Commission assess the reasons for LM's exit from the U.S. market in 2005 and how that would influence the likelihood that it would re-enter the market if the order were revoked?

MR. ALVARADO: Commissioner Aranoff, again, I may be just speculating here, but if you look at the subject time period, 2005 was the beginning of -- 2004-2005 -- significant global demand. The European Union was strong, China was growing and demanding more and more steel for its infrastructure, input prices went up significantly. In the end, in making an economical decision about where to sell tonnage, using the example of selling into Poland as opposed to shipping to Canada, the economics are in the favor of making as much money by keeping transportation costs low and optimizing the

economics of the environment.

2004, '05, and '06 for a period of time, and '07, Commissioner Pearson, you said those were the good old days -- they certainly were -- which afforded more opportunities, I would assume, for them to consume internally, as well as ship or export to more immediate markets.

Again, that's speculation. You'd have to ask the management team as to why they redirected.

COMMISSIONER ARANOFF: Okay. Did anybody else want to add something on that?

MR. FERRIOLA: I guess I would just add, Commissioner, that we constantly look long term, and I know it's one of the charges of the Commission to look long term, on the impacts. When you look at Joe's points about what's happened in the European Union, and of course Europe, in terms of the economic conditions there, we expect them to be struggling for quite some time.

MR. PRICE: Alan Price with Wiley Rein. So the question is today, looking forward, if there are changes in the conditions of competition that exist because Europe is now essentially a basket case, something that was acknowledged in the brief submitted by LM, okay, putting a fine point on it.

We have a change in the conditions of

competition, you have a loss of the major export market, we gave you the freight rates not only to the U.S., and we've done it three, four different ways -- the economists did it, we did it looking at other markets, we did it with actual quotes this market pays to comes to -- and it's actually cheaper than transporting to many other places or comparable to transporting to more distant places in Europe, comparable or reasonable relative to other markets in Algeria, for example.

Given the changes of condition of competition today, we think it's far more likely, in fact it's probable, that they're going to come here because this is an attractive market compared to the markets in which they have been losing money in.

I don't need to speculate that they're losing money. They've lost money in three of the last five years, and Ernst & Young just did an audit of them and found that they're, basically they have no long term relationships with any of their customers, and that they have been losing money in the various transactions.

So I think it's very logical, and probable, and much more likely than not that, given the legal standards, today they should be cumulated.

COMMISSIONER ARANOFF: Okay. Well, good. That leads right into my next question that I was going

to ask, which was look at the prior review. In the prior review three Commissioners, myself included, cumulated imports from Latvia with those from Poland and voted in favor of revoking those orders.

The decision to cumulate imports from those two countries with each other and not with the other countries had a lot to do with their ties to the European Union and the market conditions in the European Union at the time.

What evidence in the record would you point to that would either support making that same decision in the current reviews of reconsidering that decision?

MR. PRICE: So I'll start, Mr. Kaplan will continue, our witnesses can continue. I think this could actually go on for a little while in a certain sense, and I know the light is yellow.

COMMISSIONER ARANOFF: I probably shouldn't have asked it right at the end.

MR. PRICE: Okay. So first of all, we have extensive evidence in the record that we have provided regarding construction demand in the European Union, we have extensive evidence also showing that the Polish market in particular has collapsed, we have extensive evidence that at least Latvia's access to the Polish market in the way it was accessing it has essentially ended. That calls into question their ability to economically ship

there going forward, if at all, because it was largely based upon a VAT avoidance scheme.

We have evidence in this record that the EU market at this point is a low priced market. It is lower priced than the U.S., and the attractiveness of this market is now far more than it was at the time of the original investigation, the first sunset review.

You add up all of those factors and it's pretty clear that there is a fundamental change from the last investigation, and therefore, it warrants, given the standard that you have at every single sunset case, it is what is it now, okay, and now it is a very different set of factors out there.

MR. KAPLAN: Thank you, Commissioner. From my reading of the opinion, and please correct me if, it seems that there were two aspects that were cited that led to the negative determination.

The first was that Latvia had a special relationship with the EU that it hadn't had previously and compared to other countries. The second one was that the EU was performing particularly well, so unlike other countries, they had access to a high growth, high performing market, and that was different about them than other people, and therefore you decided that they should be treated differently because of that.

It's my understanding, and I think it's pretty much universally recognized, that the second part of that two parter, the performance to the EU, is no longer strong. In fact, it's weak. There's austerity measures there, the growth is low, construction is down. So the first part really doesn't matter if the second part's not there.

Having access to a place with no demand doesn't make you any different than someone who has no access to a place with no demand, so it's really the demand component change that I think really affects your analysis.

With that decline, now they're like everybody else. They're searching for other markets, as all of them are, they're shipping, willing to ship anywhere as the countries that they ship to are many and equivalent to other countries, they face the same conditions outside of the EU that all the countries face, so those conditions end toward a commonality which lends toward cumulation.

So that one fact that, you know, could arguably make them different and decumulate them, as you did, is no longer the case.

Please follow up if you think I'm reading your opinion incorrectly.

COMMISSIONER ARANOFF: No. I appreciate those answers, and I have gone way over my time.

MR. ALVARADO: If I may, Commissioner, I'd just

like to summarize real briefly. This is Joe Alvarado again.

Imports are at double digit levels presently and this is from nonsubject countries. Any addition to that will only make the situation worse. Our capacity utilization rates are less than 70 percent, our economic returns as an industry are five percent, which is unacceptably low.

Revocation of any part of the orders or all the orders would only have a devastating effect on the domestic industry, which affects not only the companies that are involved, but the employees and communities where we all have plants and facilities. That's why we're asking that the orders not be lifted.

COMMISSIONER ARANOFF: Okay. I appreciate that.

Mr. Chairman, I apologize for going so far over time, but the good news is that I think that was my last question.

CHAIRMAN WILLIAMSON: Thank you.

COMMISSIONER ARANOFF: Thank you to the panel.

CHAIRMAN WILLIAMSON: Okay. Thank you.

COMMISSIONER PINKERT: Thank you, Mr.

Chairman.

As you know, most purchasers indicate that they

prefer to buy U.S. rebar. Whether that's for Buy America reasons or other reasons is not material to my question. My question is does that provide a competitive advantage to the U.S. industry in dealing with the imports?

MR. KERKVLJET: This is Jim Kerkvliet from Gerdau. I would perhaps say that all things being equal, they would prefer to, but price is, as you can see in Table II-5, price and availability are the number one and number two issues.

We work really hard at providing a good quality product and relationships, having good relationships with our customers, but the thing that that relationship gets us, unfortunately, is just a last look. We get the last look at the price. And if we want to meet that price, we can get the order, if we don't meet the price, whether it's domestic or import, we don't get the order.

MR. BYER: Burke Byer from --

COMMISSIONER PINKERT: Mr. Byer.

MR. BYER: So we're in Cincinnati and I have a very close relationship with some of our biggest customers, and to your point, there is always a but. They would love to buy our product, but the price for said foreign product is so much cheaper. So it does not get us anything but, to follow up his point, the last opportunity to meet the lowest price, and it's very

unfortunate.

MR. FERRIOLA: It's extremely important to have good relationships with your customers, and they appreciate it. They will use it as a factor in making the decision on where to buy, provided that you have the lowest price, okay? You must meet the price.

I'd like to address your other point that mentioned about availability. Today, with the amount of imports that are stocked in our docks, availability is not an issue, long lead times is not a concern at all for a buyer. They can drive a truck into our plants, pick up a product and drive it to the construction site, they could drive to the dock and pick up a ton of imported steel and drive it to the construction site.

Price is the determining factor when it comes to a commodity product like rebar. Availability is a factor, and today, with the amount of imports we have sitting on the docks, that is not a concern. Thank you.

MR. PRICE: And as we showed you with the picture, the subject countries who were sitting all over the docks, that's just how it's going to be if you revoke these orders, we're going to have the exact same situation as in 2000. We literally had hundreds of thousands of tons on the docks throughout the United States.

What was amazing in the first investigation is

the importers, by the way, reported that they had absolutely no inventory, and so there were all these arguments. All these products are consumed, except they're sitting on the docks somehow in someone's hands. We never could figure out who had title to them, but they sit on the docks, they directly affect prices.

This product, you know, if this order is revoked, the imports are going to come in, they're going to sit on the docks, hammer away at domestic prices, take away domestic volume. They're not going to expand demand, they're just going to injure the domestic industry.

MR. KERKVLIIET: Commissioner Pinkert, one just last comment about it to build on Alan's comments. Had a conversation with a customer yesterday or the day before, and anecdotally, at AMBESA, which is just one terminal in the Port of Houston, there's between 80,000 and 100,000 tons of rebar that's sitting there right now.

MR. KAPLAN: Going to your original question, as an economic matter, what you'd look at is some type of advantage to domestic production for that preference to be meaningful. The Commission's own past opinions list the 10 conditions of competition that they recognized.

Those conditions are ones that lead to a last look type of negotiation. They're short term contracts, the product's a commodity product, it's sold close to port,

it's a small value share in the final product, there's not strict specifications relative to other steel products, it does have to meet a standard, the standard is easy to reach, the product switches between countries, no one cares about the source of the product. So all those things contribute to the price competition.

While Mr. Byer's customers who he has long term relationships with going back generations would certainly like to do business with him, at the bottom, at the end of the day, at the end of every conversation, because of the conditions the Commission has recognized in its past opinions, and the staff has recognized, he is forced to meet the price. So it's not meaningful in a price context as it might be in other investigations where those conditions don't exist.

COMMISSIONER PINKERT: Staying with you, Mr. Kaplan, given the importance of price, and we've heard that from virtually every witness on this panel, given the importance of price, would you expect to see more purchasers reporting changing suppliers? That is, in the period since 2007, my reading of the record is that relatively few purchasers report having changed suppliers. Is that consistent with the story that we're hearing from this panel?

MR. KAPLAN: Well, I believe so, and I think for

two reasons. First, the largest unfairly traded producers have been restricted from the market so they cannot make credible price offers for shipment due to the dumping orders. The orders have been very effective.

Second is the understanding that was recognized by all the executives at the table today that unless they meet what they consider a credible price, they'll lose the business. So they meet the credible price, and you see a very tightly knit price and relationships staying in place.

That doesn't mean that these executives aren't, their customers don't come back to them and say you're going to have to lower your price, the Turks are in town, demand is falling off, but if they are responsive, there is not necessarily a need for the customers to shift. I think they should speak to this as they work on this on a daily basis.

MR. ALVARADO: Joe Alvarado from Commercial Metal. I think it's been stated quite clearly and succinctly that at the end of a transaction, we have to be competitive. That changes from day to day, and the more imports there are, the greater the pressures are for lowering, for having to lower prices to meet competitive situations. That's detrimental on the bottom line and squeezes margins for all the domestic producers.

MR. KERKVLIIET: To build on Joe's comments, from a bottom line perspective, we have to meet the price to be competitive, to retain the volume, to retain viability.

We've already talked about that our capacity utilization is 65 percent, we've already talked about that Gerdau, as a company, as a representative of this industry, we've had to shut down two plants, we've had to reduce crews, we have to -- so that's why you see the supply being in limited hands, or, I wouldn't say limited hands, but because of the lack of the subject imports, if those subject imports come in, you know, we'll see that that capacity utilization goes from 65 to a much lower level.

COMMISSIONER PINKERT: Mr. Ferriola?

MR. FERRIOLA: And in addition to the capacity utilization going down, I'm convinced that you'd see pricing continuing to go down. It is already at an extremely low level, a low level that does not allow us to return our cost of capital. I know that I've said that several times, and I apologize for beating the drum, but at the end of the day, this is a business. If we cannot return our cost of capital, we will not be in business.

We talked about technology, we talked about the need to repair equipment that rebar continuously beats up because of the nature of the process. That takes capital.

We have to be able to maintain a return on that capital to stay in business. For the long term sustainability of our businesses, for the long term benefit of our teammates, we need these to stay. We need these orders to stay in place.

MR. BYER: Burke Byer. I also would remind you of the supply chain. So you do not need to change your supplier if you're buying from say a broker or a wholesaler because they have access to all of these countries.

So you're buying from the same source, but the manufacturer is nameless or faceless, and you do not care. I compete with those people every day. You don't have to buy direct from any one of us. These brokers buy from us. So the data would lead you in that direction, saying you wouldn't change supply, but those brokers are coming in today -- in Cincinnati, for a fact, there's thousands of tons sitting on the port in Cincinnati and it's Turkish rebar that is anywhere from \$80 to \$100 a ton below the domestic priced market.

The brokers own that material, are distributing it in the heartland, and it's traveled all the way from Turkey, coming up the Mississippi, and is the main reason we do not have the jobs that we have. A little over 1,000 tons equals a job to us, so if there's 10,000 tons sitting in Cincinnati right now, somewhere in the range of 10 jobs

that we cannot have.

COMMISSIONER PINKERT: Thank you. I'm at the end of this round of questioning. I don't think I have any additional questions for this panel so I want to thank all of you for your testimony.

CHAIRMAN WILLIAMSON: Thank you.
Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr.
Chairman.

I have a question which is probably best answered by Mr. Kozicz. My question is with regard to what is happening in the Polish economy right now. Just from my readings in the newspaper I know that the European Union on the whole is in very bad shape, but it's my understanding that the Polish economy is doing a bit better than a number of other countries in the EU, perhaps because Poland is not in the Eurozone. I was wondering if you could address my question on this.

The reason I'm asking is because, as you know, a number of countries under the order, Moldova, Ukraine, Latvia, and Poland itself, are located fairly close to Poland so they could conceivably sell in that market.
Thank you.

MR. KOZICZ: Sir, I would say that Poland used to do quite well. If you look on the GDP, basically 2011

there was basically four percent GDP growth. But basically if you look -- and it's even in my testimony, that this week the minister of finance revise GDP growth to 1.5 percent.

So basically it means that if you -- it's not only GDP growth but also because of the EU funding, which basically it has affected the construction, and basically if you -- so Poland become also the victim of the Eurozone crisis.

So overall, if you look, and if you look specifically on the steel production and consumption, Europe in 2012 has been the only continent where the broad production and consumption in 2012 decreased comparing to 2011. Every other continent has been slightly growing.

So clearly I would say that there is a lot of interaction, and I would say on the economists that it's like the whole Europe is slightly bigger than Texas here, so if you look from this, there's also a lot of interaction.

German is not doing as good. So there is a lot of correlation that despite the one country was doing much better, but if you look, you know, from more than four percent growth, it went down to below two percent. Thank you.

COMMISSIONER JOHANSON: Is the construction sector depressed as well?

MR. KOZICZ: It's basically negative. It's about the decrease. It was decreasing. The peak was really in 2011. 2012 was already decreasing and it would decrease further in 2013. So it's on the downward trend.

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

MR. KOZICZ: Thank you.

MR. KERKVLIT: This is Jim Kerkvliet from Gerdau.

COMMISSIONER JOHANSON: Yes.

MR. KERKVLIT: Looked through some statistics from the World Steel Association and the World Steel Association revised forecasts for the EU. Their forecast in October for 2013 consumption of steel was going to be an increase of 2.4 percent steel consumption, and their forecast that just came out in April was that the EU was going to have a contraction of 0.5 percent. So you can see that just in a short period of time how much that has dropped.

COMMISSIONER JOHANSON: Right. Thank you for your responses, for both your responses.

I'd now like to get back to something which was mentioned this morning by Mr. Cameron in his opening statement. If rebar is truly a commodity product that sells only on price, why aren't we seeing more foreign

suppliers in the U.S. market? I mean right now it is basically Mexico and Turkey and I think there might be some coming in from the Dominican Republic.

Mr. Alvarado?

MR. ALVARADO: Yes. Commissioner Johanson, Joe Alvarado, Commercial Metals. I mentioned earlier when the question was asked, a similar fashion, about the interest in North American or the U.S. market that we monitor all imports and take note of exceptions and always are mindful of the fact that this is a large, open market where imports can have a devastating effect on domestic producers.

What I speculated was I used the example of Spanish producers and competitors who are financially strapped and more limited perhaps by their banks and what kinds of transactions they can engage, in using the unemployment rate in Spain, which is 25 percent, puts a lot of pressure on not only social costs for steel producers, but limits their ability to be competitive as their costs go up because utilization rates are so much lower.

Similar phenomena exists in Italy. The Italians were at one time also very active exporters of rebar product. I can only speculate, and I can't quantify, only they could answer the questions why this

market isn't sufficient or attractive, but my speculation revolves around the financial health and well-being or the lack of financial health and well-being of many of the steel producers in the EU and their reliance on backs who are interceding in their commerce.

MR. FERRIOLA: I would also like to make a comment that, you know, as these imports, these unfairly traded imports come in, the domestic producers such as Nucor and others, we don't simply roll over and die. We need to maintain certain volume levels in our operations to merely be able to stay in business.

When you look at an operation capacity utilization level under 70 percent at the pricing levels that we have today you can see the impact that the imports that are already coming in are having upon our industry.

COMMISSIONER JOHANSON: Yes, Mr. Price?

MR. PRICE: Alan Price. A couple of things. So first of all, as we look at reactions of various countries, I don't think we should be speculating as to why some countries may choose not to dump in the United States. What we do know is that these countries have a history of dumping in the United States. We know that these countries in particular are export platforms. We know that Latvia, for example, their producer is literally on the port, so it's there to export. It has no market

domestically.

So these particular countries are positioned to export to the United States. They have a history of being disruptive, they have a history of underselling and they have a history of coming here and causing injury.

The fundamental conditions of competition are that you have a very weak domestic industry that is very vulnerable at this point. In our posthearing brief we're going to submit to you first quarter financial information. We're doing that because it will tell you a lot about our vulnerability and what's changing in this industry. So please don't let these particularly disruptive countries come here and harm this industry.

COMMISSIONER JOHANSON: Yes, Mr. Kaplan?

MR. KAPLAN: Yeah. I mean a part of what you're looking at as well is, you know, recent changes in the industry. So, for example, you know, Latvia had a lot of access to Poland through 2012. They were sending half their exports there. They weren't looking at, if they even could have, maybe the United States at the time.

These other markets have shut down, so the conditions of competition on the ground today would tend to suggest that the United States will start seeing more imports. They started seeing recently more nonsubject imports. In my discussions with the industry, they're

closely monitoring this. Those are of great concern and they affect the market.

Given the export orientation and the lack of home markets in all the subject countries, and now the shutting down of the EU and the concern with Russians' increased capacity and Algeria's increased capacity as well, the U.S. is the logical market, and you're starting to see these things you're starting to talk about.

The historical participants in the market, like Turkey, are entering in greater quantities and historical participants, like the subject countries, will also enter in greater quantities given the conditions of competition they face in alternative markets, and given the fact of their export orientation and their small --

COMMISSIONER JOHANSON: Yes, Mr. Price? Then I'd like to move on to one more question. Thank you.

MR. PRICE: And one more quick note. Turkey's integrated into the EU, particularly in steel where there's a free trade agreement, and so, you know, Turkey is indicative of European producers as far as we're concerned. I know Mr. Cameron somehow or other thinks not and there are sub issues in various free trade agreements and the way they operate, but Turkey has a large degree of integration into the EU. I think it helps to show that, what these producers will also do.

COMMISSIONER JOHANSON: All right. Thank you. I actually have another question or two but my time has about expired so I will end at this point.

CHAIRMAN WILLIAMSON: Thank you. Unless you want to --

COMMISSIONER JOHANSON: Yes, I'll just finish up then, if that's okay. I didn't know if the fellow Commissioners had questions first. Okay. I'll just follow up.

This next question basically follows up to what I was just speaking on. Other than the rebar industry in China, do any of the rebar industries in the remaining subject countries compare to the rebar industries in Turkey and Mexico in terms of size? Because I know at least Turkey is a major producer. Mexico, I assume, is. I'm just not too sure.

MR. PRICE: Ukraine is also a huge producer of rebar. It has no domestic market. In the last sunset review this was, Ukraine was very actively litigated with five of the six Commissioners cumulating Ukraine, and so they are a major, major producer with massive amounts of excess and divertible capacity, but all of these countries individually have excess and divertible capacity. The U.S. industry will suffer from the hammering effects of all of these producers if this order is lifted. Even some

of these producers can have huge effects.

The chart we showed earlier that showed the rapid surge of Latvian imports, those were not, that's pretty substantial quantity. The quantity is actually, you know -- we'll point out in the record that the quantities actually may surge even higher than what's here, okay?

So there are huge portions of their market that convert. As Mr. Kaplan indicated, for example, it makes sense that most of their production, or at least 400,000 or 500,000 tons, maybe 600,000 tons will be shipped to the U.S. at this point given the relevant price differentials.

MR. ALVARADO: Yeah. Joe Alvarado, Commercial Metals. I would just add that Alan cited 50 million tons of divertible capacity. That's five times the annual consumption of rebar in the United States. So there's ample divertible capacity to have a significant and serious impact to swamp, if you will, the availability of domestic producers in the United States.

COMMISSIONER JOHANSON: All right. Thank you. Mr. Ferriola?

MR. FERRIOLA: If I may, just a quick comment. Given the condition of our industry today with the low operating rates and the low pricing, we are in the cusp of unsustainability. We are. So please don't think we

need a large amount of imported product on top of what we're getting today to push us over the edge. Even a small amount of unfairly traded imports will push us off of that edge.

So it's not a question of size. At this point, frankly, even a small increase in the amount of unfairly traded imports would push us over the edge.

COMMISSIONER JOHANSON: All right. Thank you. Then I have just one more question, and that is what is happening with Buy America? The Petitioners and Respondents have very divergent views as to the impact of Buy America on imports. I know -- for example, I actually worked on Buy America. This is old history, but back in 2008, 2009 I was on the Hill and I went to work one day not knowing much about it, and by the end of the week I knew more than anybody about anywhere. That's the way Congress works. A number of people in the room have worked on the Hill before and you kind of know that routine. What has happened with Buy America? Could you explain why you all have a different view than do Respondents on this issue? Yes, Mr. Byer?

MR. BYER: Yes. So due to our infrastructure, lack of spending, that is massively affecting the, "Buy America", because that only applies to any sort of a project that has any sort of federal dollar attached to

it. That particular portion of the rebar consumption market is shrinking.

COMMISSIONER JOHANSON: Is that in part because of the stimulus package about spending has done?

MR. BYER: Yes.

COMMISSIONER JOHANSON: Okay. That's what I assumed.

MR. BYER: Yes. Usually I think somewhere in the range of, I mean I'm pulling from my head here, but somewhere in the range of 25 percent of the U.S. consumption goes into infrastructure. That's a vast amount, and that number has shrunk as total accumulative tonnage.

Multiply that with the fact that if I'm a buyer of rebar and I'm going to buy from a foreign supplier, I'm going to hang that over their head, whether it be true or not, to force them to give me a better price, but I'm not going to show my cards to a domestic producer because that does me no advantage. So in the basics of negotiating on the spot price, they will use that information loosely.

None of our customers come to us and say it has to be Buy America, please charge me more. It just doesn't happen, unfortunately.

COMMISSIONER JOHANSON: All right. Mr. Price?

MR. PRICE: So, Commissioner Johanson, I think

you accurately recognized and perceived there was a spike up, in essence, in the collapse, and now a real collapse down because there's just a collapse of federal, state and local spending, so the Buy America portion of the market is declining in importance going forward.

Just as fundamentally here, nothing has changed -- you know, the Commission has looked at this issue in multiple investigations on rebar. Nothing has changed. Commission has -- in the law, nothing has changed, in the fundamental marketplace it's still used the exact same way, so, you know, bottom line here, it's not like we have a legal change or anything else. The Commission has dealt with this issue over and over again and come out with the same conclusion over and over again. As much as Latvia would like to try to reargue a settled issue, I think it's a pretty settled issue at this point.

COMMISSIONER JOHANSON: Okay. Mr. Kaplan, then Mr. Shane, and then I should probably wrap up.

MR. KAPLAN: Right. I just want to refer you to the Commission's last several opinions where they discuss the conditions of competition. Buy America is mentioned, and it's also mentioned that the prices are the same in all segments of the market, so that while there is a small Buy America segment, any price offers made by imports will affect prices throughout all of the sales,

whether they be Buy American or not, on the domestic side. As Alan said, the Commission is well-aware of this from its previous analysis.

COMMISSIONER JOHANSON: All right. Thank you. Mr. Shane, and then I should probably end my questioning. Thank you.

MR. SHANE: Thank you. Just one additional point on the Buy American restriction. It's generally waived for signatories to the WTO government procurement agreement, which includes Latvia and Poland. In addition, most states also recognize that same waiver as well.

COMMISSIONER JOHANSON: All right. Thank you. And thank you all for bearing with me. I went way over my time, but I found your responses very helpful. Thank you.

CHAIRMAN WILLIAMSON: Good. Okay. Thank you. You did answer several of my questions. Thank you.

Just briefly, are imports from Mexico and Turkey fairly priced?

MR. PRICE: I'm sure Don is listening with great interest at the moment.

CHAIRMAN WILLIAMSON: I said briefly.

MR. PRICE: So the simple answer is we are evaluating the current situation. If we believe that it

is appropriate to file a new case, you will be hearing from us at that time, okay?

CHAIRMAN WILLIAMSON: Thank you. Okay. Thank you. There's been discussion in the, and during I guess the last review there was discussion of the consolidation of the domestic industry, both vertically and horizontally. I was just -- what has been the impact of that consolidation since 2008?

MR. ALVARADO: Since 2008, Commissioner -- this is Joe Alvarado from Commercial Metals -- there's been no further consolidation that I'm aware of in long products or rebar production, so I don't think that it's a factor.

CHAIRMAN WILLIAMSON: They're vertically and horizontally the same, yes?

MR. ALVARADO: Yeah. You know, we've always been a vertically integrated company, and I guess I should defer to Mr. Ferriola on this.

MR. FERRIOLA: Commissioner, I mentioned earlier that on the upstream side, on the scrap, we have to compete on a global basis for that scrap material, so there is no advantage. We are not insulated in any way from the pricing or the volatility of that pricing.

On the downstream side, we have to be competitive in our downstream businesses or, frankly, they won't stay in business. So we gain no insulation on the

impact, negative impact, on pricing, low pricing, that's forced into the market through imports on our downstream businesses.

If we don't price the product to them either from our facilities or if we do not allow them to buy from any facility at a competitive price, they will not be able to stay in business. So we gain no insulation either upstream or downstream on pricing from vertical integration.

MR. KERKVLIIET: Mr. Chairman, just to build on Mr. Ferriola's comments. Unfortunately, consolidation for Gerdau has meant that we've had to close down plants. That's the bottom line.

The second thing that I would say from a vertical integration perspective, again, building on John's comments, is that the vertical integration from a scrap perspective on the raw material infeed, whether it's PNS, or it's cars, whatever it might be, that is a globally traded commodity.

If you go back to 2007, there was, the global trade of scrap from the United States was about 14.8 million tons. This last year it reached another record at about 24.334 million tons. We have to pay the same price for a car body, for scrap that Turkey has to buy it for, that it goes to China, or it goes overseas, so we have

no advantage from a infeed price cost of scrap.

CHAIRMAN WILLIAMSON: Okay. Thank you. Mr. Kaplan?

MR. KAPLAN: Yes. Just two quick points. The first is the lack of change since 2008 has been discussed, and the second is that, you know, mergers and acquisitions have to be reviewed for any anticompetitive effects, and all of the transactions were allowed. So no change from the transactions, and no change since the transactions for 2008 other than what's been discussed. Thank you.

CHAIRMAN WILLIAMSON: Good. Okay. Thank you. Another brief question. If we're going to talk about the transportation costs from, you know, between overseas and the U.S., I was just wondering about how it compares with say the transportation costs within the U.S. when you're competing with imports. Is there anything relevant to be said there?

MR. ALVARADO: Yeah. Transportation costs in the U.S.?

CHAIRMAN WILLIAMSON: Yes.

MR. ALVARADO: You know, transportation costs in the U.S. shipping over land are generally more expensive than shipping rates from, the example we would give you is from Riga to Houston. That information is in the prehearing brief. We've talked about that extensively.

Transportation costs are a significant part of our cost of doing business in the United States.

CHAIRMAN WILLIAMSON: Okay. Thank you. Yes?

MR. BYER: Burke Byer. I know specifically. It is actually far cheaper to ship rebar from Latvia to the United States than it is for me to ship rebar from Cincinnati to Louisville.

CHAIRMAN WILLIAMSON: Wow. Okay.

MR. BYER: It's a shocking, shocking amount. And then, to boot, it comes up the waterways from Texas all the way to Cincinnati or Louisville, adding on more freight because it's a very cheap way to go, and will still handedly be priced somewhere in the range of 10 percent below our domestic prices. So it's covering all that freight and beats us handedly in Cincinnati or Louisville.

CHAIRMAN WILLIAMSON: So you're saying that in the waterways, shipping is not that expensive relative to --

MR. BYER: Massively inexpensive.

CHAIRMAN WILLIAMSON: Okay.

MR. BYER: All these countries have facilities that are on the water, so their canals effectively are pointed in one direction. They're not in land, so it is very easy and very simple. Quite honestly, it is their main and main objective to go by water. So, and hence,

it reviews our point that our country is extremely advantageous to get to by water and dump these things extremely in large volumes very quickly and we have no ability to hide from it.

CHAIRMAN WILLIAMSON: Okay. Thank you for that.

MR. KERKVLIIET: Mr. Chairman, just building on Burke's comments and Joe's comments, you know, the ocean freight is the dry bulk commodity, and as Alan said, that index is continuing to decline based upon the global movement of products.

I would also say that within North America, as a person that transports products from New Jersey to Baltimore, New Jersey to Ohio, we're subject to a little bit different regulations. We have CSA 2010 and we have hours of service that regulates how many hours those truckers can be on the road.

Because those regulations have become more stringent, it actually increases the cost to move a product from Sayreville, New Jersey to Baltimore, Maryland than it did last year and the year before. So our costs, because of the compliance regulations that we have in North America and the United States, tend to be higher and tend to be increasing as we look forward.

CHAIRMAN WILLIAMSON: Okay. Thank you. Just

one last question. This actually can be for posthearing. Moldova, when it withdrew its participation in this review, made a long statement about, you know, they're, basically they were not going to be producing anymore, at least right now, and that revocation of the order would not have any affect on that, so I was wondering if posthearing you could comment on that statement.

MR. PRICE: Happy to.

CHAIRMAN WILLIAMSON: Okay. Thank you. With that, I have no further questions. Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman.

For purposes of the posthearing, I'd like to follow up on the question posed earlier by Commissioner Aranoff. Mr. Price, Mr., or Dr. Kopeland, Koplan, Kaplan -- I'm accustomed to Kopelands too, you see. This had to do with cumulation.

In the review five years ago I took an even somewhat more complicated approach than my colleague and I did manage to exercise my discretion to cumulate Belarus with Moldova and Latvia with Poland, okay, but I treated the others individually. Given the changes in the marketplace, let me know in the posthearing whether I should change my thinking, okay? Because, you know, some things have changed and perhaps I should take a different

approach.

MR. PRICE: We will do so in the posthearing brief. Thank you.

COMMISSIONER PEARSON: Okay. Thanks. A somewhat related question which you could address now. There is a related industry issue here with ArcelorMittal having firms in three of the member countries.

At the time we did this review before, I don't think the Commission ever had really relied on that as a reason to find in the negative on the theory that you wouldn't have ArcelorMittal importing from one of its affiliates in a way that costs it money with its operations here, in the United States, and we have, in other steel products, testimony from ArcelorMittal that, indeed, they have a veto in the United States over imports from other countries, so we've used that as a reason not to vote in the negative, and the Courts have been supportive of that as a reasonable approach.

Now that we have that history and we're here with rebar, should we rethink whether imports from those countries where ArcelorMittal has a significant presence, whether we should find in the negative on those because of the fact that they're related companies?

MR. PRICE: First of all, I think you actually found in the negative in all of those in the original

determination anyway.

COMMISSIONER PEARSON: Well, I may have, but I was unpersuasive with my colleagues.

MR. PRICE: Let me say, actually, the Commission had already, in other cases had already reached that decision. Rebar is very different. ArcelorMittal, as we've explained, in this product line has a very, very, very, very limited footprint, okay, so it is a very different position here than it is in other products. We'll explain it more in our brief, but this is quite a different situation.

In fact, this was litigated, you know, this was probably the focus of much of the litigation in the last review. The Commission looked at this extensively and five of the six Commissioners rejected it for the Ukraine, and three of the six Commissioners rejected this issue in Poland where it was never really argued.

But it was extensively argued, actually, with Ukraine and what to do with it, and ArcelorMittal was saying decumulate us there. The Commission looked at the facts in this case given the nature of that plant in the Ukraine -- which is entirely an export platform also, very much like these other export platforms -- and said in this case, the majority, five of the six, said this situation we will cumulate.

It did so also in a somewhat similar, in similar situations, actually, in rebar, or, excuse me, in wire rod, another case out there. So each case is sui generis. I know that that statement is overused, but the facts in this case are quite different.

We'll go into it more in the posthearing brief, but we did address it in the prehearing brief.

COMMISSIONER PEARSON: Okay. Thank you. Another cumulation question, if I could.

In terms of rebar, China's production and its excess capacity may be in the neighborhood of an order of magnitude larger than any of the other subject countries. Does your industry face a greater risk from China than the other countries if we did revoke the orders? All of them, okay? I mean you're looking around the world. Do you see China differently than the others?

MR. ALVARADO: Commissioner, Joe Alvarado from Commercial Metals. Certainly China has significantly greater capacity than any of the others, but as John said in his comments earlier, it's not about size, it's the impact that even the smallest quantity of imported product from subject companies would have on the market. It would have a detrimental effect that would be no different than the Chinese effect. All of them individually or cumulatively would have the same impact on our margins,

and competitiveness, and pricing, and the financial results.

I think what's different about China is just how large the number is of excess capacity. With an overhang of 40 million tons, that would be a four year supply, and quite frankly, that's beyond comprehension of what the impact might be if it were only China, so it really doesn't matter. What matters is the fact that any lifting of the order would have an impact on --

COMMISSIONER PEARSON: You make an interesting argument regarding the potential for any of these countries to put you out of business if we were to revoke the order, and yet, you know, we're charged with determining whether it's more likely than not whether revocation of an order would lead to recurrence of material injury, and so as I do that, I have tended, and I think the statute supports this, to kind of weigh the size of the risk, if you will, in the various countries.

So, in my thinking, I wouldn't generally tend to see greater risk to the domestic industry if we were to revoke with respect to China than if we were to revoke say with respect to Belarus, which is a much smaller producer.

You're saying that I shouldn't do that and I should look at them all equally, is that correct?

MR. ALVARADO: Yes. Well, my, what I'm suggesting is that, as John has said, and I concur with, and I'm sure that Gerdau would as well, it's not about the size, it's about what the impact is of the cumulative effect of what's already a problem with Turkey and Mexico: We don't become exacerbated by any incursion or additional imports into the United States, whether it's from China, Belarus, Moldova, or Poland, or from Latvia.

COMMISSIONER PEARSON: Okay. Mr. Ferriola, you had a -

MR. FERRIOLA: You covered it very well, Joe. I would just like to say that you have to consider the vulnerability of our industry today and the condition that we are in. Ten tons, 50 tons, 100 tons, 1,000 tons of import, regardless of where they come from will have a devastating impact upon our industry given the condition that we are in today.

Please remember we're talking about operating margins of five percent. When you equate that to the cost of capital, it doesn't even cover the cost of capital. Please remember we were operating at capacity levels of 65, 67 percent capacity utilization, which means, okay, that 30 to 35 percent of our people are either unemployed or underemployed. Those are very precarious positions to be in. So any ton coming from any country would be a

problem.

COMMISSIONER PEARSON: Okay. Mr. Price and Dr. Kaplan, perhaps for the posthearing you could explain how or whether we should take this factor of the difference of size of the subject countries into consideration as we address cumulation.

MR. PRICE: We will address it in the posthearing brief.

COMMISSIONER PEARSON: Thank you. Then I think my last question for Mr. Kozicz -- and apologies for the pronunciation -- do you support revocation of the antidumping duty order on U.S. imports of rebar from Poland?

MR. KOZICZ: Maybe I will refer to Joseph Alvarado.

COMMISSIONER PEARSON: Mr. Alvarado, could you respond, please? Your microphone, please.

MR. ALVARADO: Joe Alvarado, Commercial Metals Company. That was very slick, but we were prepared for that.

COMMISSIONER PEARSON: I thought you might have anticipated it.

MR. ALVARADO: I didn't realize he could hand off that fast, though. The reason that I take that from him is clearly the duty from Poland, the 50 percent, is

a significant number. Ultimately, as the CEO and the Chairman of Commercial Metals, I'm responsible for, I have a fiduciary responsibility of the shareholders of the corporation in managing the business effectively and to optimize the use of the assets, as John talked about.

We're about trying to figure out how to earn a cost, a return that's above our costs of capital, which the industry's not doing, so I wouldn't want to hurt our earnings potential in any way. But I can't speak for ArcelorMittal, I can't speak for Celsa. They're equally large. We are the largest rebar producer. They are nearly our size and have the capacity to ship large quantities of product to the United States.

So while we are not supporting revocation of the order, I can't speak for the others, nor could I speak to what effect it would have, other than to again assume that because of the distress of some of those companies, Celsa in particular, this would be an attractive market if 50 percent of the duty were taken off.

COMMISSIONER PEARSON: Okay. Excuse me. I temporarily lost my train of thought. It must be getting close to lunch time.

In the event that we were to revoke with respect to Poland, would you, as chairman of CMC, have veto authority over imports that might potentially enter the

United States from CMC Poland?

MR. ALVARADO: Yeah. Absolutely. I'm responsible for the business, and so it's my job, my duty, my obligation as CEO and chairman to make sure I look after the interests of Commercial Metal Companies, all the companies, to optimize utilization of all the assets and to effectively maximize the returns.

COMMISSIONER PEARSON: Okay.

MR. ALVARADO: So, you know, I would look at every instance on its own merit, but we certainly wouldn't want to hurt the domestic industry or hurt our own bottom line by doing something foolish and stupid.

COMMISSIONER PEARSON: Okay. Now allow me to display my ignorance in a multicountry hearing where I've kind of lost track. Can you say in public, give me some rough idea of the percentage of production in Poland that comes from CMC Poland as compared to other producers? If you can't say it here, just point me to it and I'll go back and look at it because I know it's in the record.

MR. ALVARADO: It's roughly a third of the market. Little bit better than a third of the market.

COMMISSIONER PEARSON: Okay. So more or less two-thirds you could not veto, and one-third you could.

MR. ALVARADO: That's correct.

COMMISSIONER PEARSON: Okay. Thank you.

MR. ALVARADO: That's a ballpark and we can get you --

COMMISSIONER PEARSON: No. I just wanted to have some sense of that, so that's helpful.

MR. PRICE: The record is very, explains what the Selsa volumes are, too.

MR. ALVARADO: One other comment I'd like to make is, you know, we were not too long faced with a similar situation in another product category, and ultimately decision was made to exit that business -- it's a European business based in Croatia -- again, because it was in the best of the corporation's bottom line. So exporter or nonexport opportunity, we do what's right for the business and right for the shareholders to optimize the return on investment.

COMMISSIONER PEARSON: Okay. Well, thank you very much for those responses. That concludes my questions.

Mr. Chairman, my apologies for having run over. I join others who are also worthy.

CHAIRMAN WILLIAMSON: Fine. Are there any Commissioners have any further questions?

(No response.)

CHAIRMAN WILLIAMSON: Does staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Chairman Williamson. The staff has no additional questions.

CHAIRMAN WILLIAMSON: Thank you. Do those in favor of revocation have any questions for this panel?

(No response.)

CHAIRMAN WILLIAMSON: Good. Okay. Think someone mentioned lunch. I think it's about time for lunch.

I want to thank everyone for their contribution today. We appreciate very much your coming. We'll take a lunch break until 2:10. Please remember that this room is not secure, so if you have any business proprietary information or confidential, please take it with you. We'll see you at 2:10. Thank you.

(Whereupon, at 1:08 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 2:10 p.m. this same day, Thursday, April 25, 2013.)

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

(2:11 p.m.)

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

CHAIRMAN WILLIAMSON: Okay. Good afternoon.
Mr. Cameron, when you're ready.

MR. CAMERON: Mr. Chairman and members of the Commission, thank you very much. I'd like to turn first to Alex Zaharin of LM, and then to his colleague, Kirils Polovenko, to discuss the thermex process.

Alex?

MR. ZAHARIN: Good afternoon, Mr. Chairman, members of the Commission. My name is Alex Zaharin and I'm currently the vice chairman of the council of Liepajas Metalurgs. I've been with LM for nine years.

As some of you may recall, I testified before the Commission during the last sunset review in 2007. I appreciate the opportunity to be here today again to explain to you why I believe the revocation of the antidumping duty order on rebar from Latvia would not injure the U.S. domestic rebar industry.

When I testified before you in 2007, I explained that with Latvia having recently joined the EU, LM had made a strategic decision to exit the U.S. market and to instead focus on our natural markets in the EU. The reason had nothing to do with the antidumping duty order as our

dumping margin was quite low. Rather, we decided to exit the market because the economics no longer made sense.

The same underlying economics caused us to exit the Canadian market at around the same time, and we have not resumed our exports to Canada despite the fact that the antidumping duty order in Canada was lifted in 2005.

These basic economics mean that we're simply not competitive in the U.S. market and these conditions are not likely to change in the foreseeable future. I would like to discuss these underlying economics that render us uncompetitive in some detail.

Freight costs. The domestic industry has made some rather extraordinary claims regarding ocean freight costs. The fact is that for quantities that LM typically is able to sell, which is in the range of 10,000 to 15,000 metric tons, the freight cost from Latvia to the U.S. Gulf Coast, including discharge fees, is approximately \$80 per metric tons, or just under 73 U.S. dollars per short ton.

By way of comparison, when we sell to Algeria, our primary overseas export market, the cost is \$50 to \$55 per metric ton, or an equivalent of \$45 to \$50 per short ton.

Truck freight to our primary EU market, Poland, is typically on the order of 20 Euros per metric ton, which works out to be around 23 and a half U.S. dollars per short

ton at today's exchange rate. These are significant cost differences.

In terms of the credit terms, the lag of time from customer order to when we can deliver to the United States is at least 75 days. We cannot finance this period. Therefore, to sell in the U.S. market we would need to deal either on the cash-in-advance basis, or require letter of credit financing, or some kind of the bank guarantee. This makes us uncompetitive with the U.S. domestic mills who are located much closer to the market and can offer shorter delivery times and better credit terms.

On the subject of product differences, I heard this morning from the domestic industry witnesses that rebar is the ultimate commodity product and that all rebar is 100 percent interchangeable. This is not correct. LM currently uses thermex production process. Our product is not produced to ASTM specification and is not interchangeable with air-cooled rebar produced to ASTM specifications.

My colleague, Kirils Polovenko, will discuss the differences between thermex process and the air-cooled process required for us to produce ASTM rebar in more detail.

What is important to understand, however, is that our U.S. customers will not accept water quenched

rebar. To be clear, LM has the technical capacity to produce air-cooled ASTM rebar. We produced it in the past when we did sell to the United State market, and we could do so again, if so required. However, to do so we would need to modify our current production process.

This would increase our costs as the air-cooled ASTM process is more expensive and would also create inefficiencies as we shifted back and forth between the air-cooled process for customers in the U.S. market and the thermex process for everyone else. Once again, the economics make little sense for us, particularly since we are currently able to operate at full capacity by producing water quenched rebar which we can sell to the EU and in our primary markets.

Taken collectively, these competitive factors have led us to conclude that it does not make sense for LM to try to compete in the U.S. market against the very efficient and highly competitive domestic U.S. rebar producers. However, attractive the U.S. market may be in the abstract, we need to consider these economic factors and these factors are not unique to LM.

There are many major producers of rebar in the EU who are not controlled by ArcelorMittal or Commercial Metals and who are not under any antidumping duty order. The U.S. import statistics confirm that several European

suppliers exited the U.S. market in 2004, and most of the remaining producers had exited by 2006. These figures are provided in the exhibit that we have provided with the testimony.

Despite the relatively depressed state of the construction market in the EU over the past four years, none of these EU countries have exported more than minuscule quantities of rebar to the United States during the last five years. Rather than export to the United States, over the past five years LM has found it more profitable to focus on its natural markets in the EU, Russia's Baltic Coast, and Algeria, where we benefit from a free trade agreement. We enjoy significant competitive advantages in each of these markets.

As a member of the EU, we enjoy zero VAT tariff within the EU. In addition, the truck freight rates from Latvia to Poland are particularly advantageous. There is very substantial inbound trade from Poland to Latvia in whole range of products and commodities, but considerably less outbound trade. This means that in order to avoid having trucks making the return trip empty, trucking companies offer favorable rates on transportation from Latvia to Poland.

As a consequence, our freight rates to Poland are often more favorable than freight rates from Polish

mills shipping to many locations within Poland. Latvia's geography is ideally suited to supplying to Baltic coastal regions of Russia, including St. Petersburg in the north and the area around Kaliningrad in the east on the Baltic Coast between Lithuania and Poland.

Even as Russian domestic production of rebar increases, we will continue to enjoy significant geographical advantage in supplying these areas. In addition, freight tariffs in Russia have declined following Russia's accession to the WTO. Furthermore, demand in Russia is booming, led by construction for the 2014 Winter Olympics in Sochi and the 2018 World Cup.

As I mentioned, the EU has a free trade agreement with Algeria. As a result of this agreement, EU producers, such LM, enjoy 15 percent tariff preference compared to non-EU suppliers, including Turkey. Algeria continues to be a strong market for LM. Algeria represents over 90 percent of LM's non-EU sales.

Before concluding my testimony I would like to address briefly two issues concerning LM that have been raised by the domestic industry: LM's current financial situation and the VAT fraud investigation in Poland.

Much of this testimony you heard today on these points is inaccurate, and, in some cases, scurrilous. I appreciate the opportunity to set the record straight.

First, on LM's financial situation, as has been widely reported, LM has recently taken some temporary curtailments of its rebar production. The reason for these curtailments has been a liquidity problem caused by the high cost of electricity and the size of our short term credit facilities.

LM currently faces the highest electricity cost in Europe, in large part as a result of an excise tax levied by the Latvian government to fund energy infrastructure and green energy projects. LM is currently in negotiations with the government to try to have this tax adjusted. LM is also negotiating with its financial institutions to increase its short term lines of credit to increase our working capital.

I want to stress that the issue has been financial liquidity and not our order book, which remains strong. Simply put, we need to have the cash to pay our scrap suppliers and to pay our electricity bill, and we have used these temporary curtailments as means of addressing our short term liquidity situation.

On the issue of VAT, it has been known for some time that there is a widespread problem in Poland and other recent entrants to the EU with regard to VAT fraud. As I understand it, this involves both companies in Poland claiming VAT refunds on goods that are reported to the

Polish authorities as exports but that never leave Poland, as well as companies charging VAT on sales within Poland and then failing to remit the taxes to the Polish government.

I would like to make three important points concerning this VAT fraud issue. First, this is not an issue about LM, or even about Latvia, it's an issue about Poland. Indeed, I was personally told by an executive of CMC Poland that CMC became concerned about this problem when they discovered that their own rebar was being reported to the Polish authorities as exported and thus exempt from the VAT, but was then making its way back into Poland and being sold domestically.

Second, I can state categorically that LM is not involved in any way in these VAT fraud schemes and there has been no finding from any competent authority that LM is implicated. LM, like every producer in the EU, is subject to zero VAT when shipping to Poland or any other third export destination.

LM's sales to Poland are all made to unaffiliated customers and it is the responsibility of the importer in Poland to collect the VAT on its resale and to remit the proceeds to the Polish government.

LM complies with all recordkeeping requirements with respect to its sales and its customers in Poland. LM

has been cooperating with other European producers through Eurofer and with the Latvian tax authorities in their investigation of this matter, and LM has been given a letter from the tax authority in Latvia confirming that it has found no evidence of fraud by LM. We will be submitting that letter for the record.

Third, LM's business in Poland has not been affected by this issue. LM has had significant sales in Poland for many years, and Poland remains one of our strongest export markets today. Thus, the suggestion that the VAT investigation will somehow cause LM to lose its business in Poland is simply false.

Having listened to the Petitioners' presentations, I'd like to take, I'd like to point out that 12 years is a long enough period of time for substantial market changes to take place. With respect to LM, and in connection to this hearing, I'd like to point out the following.

LM joined the EU in 2004, and as a direct consequence, our cost structure has changed dramatically. As already mentioned, we enjoy today the highest electricity cost in the European Union. Other costs, such as labor, went up significantly. Environmental regulations became very strict in order to meet the EU standards. Latvia's currency, Lat, is fixed to Euro.

More so, Latvia plans to join the Eurozone as of January 1, 2014.

On the issue of freight, it's been said that the cost of ocean freight from Latvia to the Gulf area of the United States is a mere \$18. That was true in 1999 when the price of rebar on the FOB basis was \$180 per metric ton.

On the other hand, with respect to the EU, we have open access to Algeria due to the free trade agreement and there are no customs within the EU, which makes trade very, very easy.

This concludes my prepared testimony, and I'll be happy to answer any of your questions. Thank you very much.

MR. POLOVENKO: Good afternoon. My name is Kirils Polovenko of Liepajas Metalurgs. I am the director of IT and the trade remedies advisor to the managing director. I have been with LM for 16 years.

I would like to address in a little more detail the different technical standards applicable to the EU and the United States, thermex production process LM uses for rebar, and the implications this has for selling rebar in the United States.

As my colleague Alex Zaharin explained a few moments ago, currently LM produces rebar in Latvia using

the thermex process. The thermex process involved cooling the rebar using a water quenching process. The water quenching allows us to obtain the necessary mechanical properties that would otherwise require a billet with a more demanding and expensive chemical composition. The rebar we currently produces using the thermex process does not meet ASTM standard.

First, as mentioned, the billet has a different chemistry from the billet used when producing air-cooled rebar for the U.S. market. Second, the rib pattern is different. To produce air-cooled rebar for the United States market we would need to use a different roller.

As my colleague Alex mentioned, LM has the ability to produce air-cooled rebar and has done so in the past. However, the cost is higher. In addition to the higher cost billet of itself, there are efficiency costs involved in producing to two different standards.

Currently we are able to sell our thermex rebar throughout the EU, as well as throughout principal export markets in Algeria and Russia. However, the United States has never accepted our thermex product.

We submitted with our prehearing brief examples of customer orders that expressly stated no thermex. This was a requirement on all of our sales to the United States for the past 20 years, and it is my understanding that this

has not changed.

I am aware that in this morning's testimony the domestic industry asserted that there are producers who are able to sell thermex rebar in the United States.

As I mentioned a moment ago, the thermex product use water quenching to achieve certain mechanical properties that otherwise would require a more expensive billet. The resultant rebar is more porous and therefore more prone to rust. Given the fact that the rebars take approximately 30 days via ocean transport to reach the United States, rust can be a problem.

It may be that domestic producers who can ship directly from the mill do not incur this problem. Whatever the reason, all we can say, that our customers in the United States, as well as in Canada, have always refused to accept thermex.

Thus, in order to re-enter the United States market, we would need to produce air-cooled rebar. This would require us to shift between production processes, one for the United States and one for all other markets.

Given the fact that we have been able to operate at full capacity over the past five years by serving our existing markets, and given all of the other economic factors that Alex discussed in his testimony, it makes no sense for us to undertake this additional cost.

In conclusion, while the different standards in the United States are not an impossible technical barrier, the thermex standards issue is an additional incremental reason why we have chosen not re-enter the United States market and why we do not anticipate doing so in the foreseeable future.

I would be happy to answer any questions you have.

MR. CAMERON: Just a few comments. First of all, it was suggested by counsel for the Petitioners this morning that you should compare our Exhibit 3 with their page 25 of their exhibit. We agree with them. We think you ought to compare it.

What we provided in Exhibit 25 was two separate purchase orders from two different purchasers. I'm not sure if both of their names are on it. If not, we will be glad to provide those names at the, in our posthearing brief. They specify no thermex. That's not vague.

This is not checking off a box with respect to, generally, is everything competitive, this is an issue of whether or not they're accepting thermex being shipped overseas by ocean freight. In our case, the answer has been no, and our exhibit is fairly clear on that. We recommend that you look at it.

Secondly, with all due respect, this case isn't

about the VAT issue in Poland or the fact that LM is a strong competitor in the Polish market. This case is about LM's competitiveness in the U.S. market, and that's a far different story from what you've heard this morning.

Our witnesses have described the different issues that they have with competing in the U.S. market, but I'd also like to discuss, just for a moment, a couple of other factors that insulate the U.S. producers.

First let's discuss vertical integration and industry consolidation. There are very few producers in this market and a significant percentage of the market is controlled by U.S. producers who are integrated back to scrap supply.

While they've suggested here today that vertical integration has no effect on costs, I mean it's a miracle that they even bought these companies. I mean I don't understand why they bothered since it doesn't provide them any advantage. Of course, that really doesn't stand the laugh test.

What the purchase of the scrap processors does is it provides them with insulation from fluctuations in scrap prices, and it enables vertically integrated suppliers to pass along the profits from those operations and the variations in scrap price.

I mean this is not a revolutionary concept and

the Commission has dealt with it before. Frankly, as we note in our brief, they have been more candid in other fora with respect to the fact that, yeah, vertical integration does provide us with some degree of advantage. It helps us in terms of managing our scrap costs and managing scrap volatility. There's nothing wrong with that. That's a good thing. But don't deny it. I mean this is a fact. It is an advantage.

Frankly, fluctuations in scrap prices are one reason you heard this morning about how our client, LM, sell on a short term basis. Yeah, that's right, they do sell on a short term basis. Why is that? Because they're buying scrap on a short term basis. They don't have any certainty with respect to their raw material costs, they're not able to even them out and give more predictability to it, so they're not going to enter into long term contracts when they don't have long term contracts with an assured price of scrap.

Vertically integrated producers do have the ability to stretch this out and to insulate themselves, to a degree, on the variations.

Concentration of the industry. Petitioners provided in their brief at page 52 a map of the U.S. facilities. I mean it's interesting, frankly, and it's very impressive. This industry has established new

facilities all over the country and they're located close to their users.

I mean it's not a coincidence that, I think it was CMC, is now somewhere in Arizona or something like this. I mean this is good. These are growth areas. All of these make sense. They're near their customers. They're near the people that they're selling to.

There's an advantage in doing that. It's called just in time inventory. You see some of that in the purchaser questionnaires where the purchasers have said, yeah, I mean it's an advantage for us to buy domestically, and one reason we buy domestically is because there's an advantage in inventory management. Lowers our cost. Good. But that is advantage for the domestic industry, and they do have an advantage over imports with respect to that.

For LM, the time between order and delivery is 75 days. Several purchasers hinted the desirability and the advantage of short delivery times from their domestic suppliers, and they discussed the fact that these short lead times reduce the need to manage inventory and thereby reduce cost. This is not a new concept.

The concentration of the industry, combined with their geographical locations, provides the industry with an overwhelming market advantage, and that gets into

the next issue, which is domestic preferences.

Domestic industry has suggested that this product is a simple commodity product, it's generic commodity, you couldn't get more commoditized than this, and that the industry really has no advantages in the market.

The purchasers' survey though suggests, I think, quite the opposite. We have 11 of 23 purchasers indicated that they purchase 100 percent of their purchases from domestic producers, and a couple were over 97 percent.

Fourteen purchasers indicated explicitly that Buy American requirements require purchases of domestic supply, to some degree, while some others didn't check the box but they noted in other parts of the questionnaire that, well, of course there's Buy America and we have to make sure that we have domestic supply for that. That's fine.

Distributors. Distributors are going to need to segregate their stock if they buy both import and domestic material because they do have to be able to certify that they are supplying American goods.

A number of other purchasers indicated that their customers require domestic purchasers for other reasons, including just in time delivery, inventory

control.

So with respect to the Petitioners' comments regarding Buy American, they suggest, well, this is an old story, you've looked at it before, and Buy America doesn't insulate us because we charge the same price for Buy American projects as we do for all other projects, so what's the problem? What's the issue?

Well, I actually don't know that that was the issue in other cases, in the past cases. If it was, fair enough. But that's not the point we're making. We're not making a point about price discrimination. The point about Buy America is that there is a clear domestic preference that is given, and it obviously has an impact on the ability of the industry to control the market.

We also heard this morning that these domestic preferences, whether they be Buy America or whether they be customer preferences, are really, they're largely irrelevant because this case is all about price, this product is all about price, price is the most important thing, look at the questionnaires. Fair enough.

We don't doubt that price is important. We've never said that it isn't important. That's not really the point. The fact that price is important to the purchasers does not mean that price is necessarily the most important factor in determining whether purchasers will purchase

from domestic suppliers or import suppliers. It doesn't necessarily say that.

The only way that I think that you can harmonize the two facts that you have, the one that there is overwhelming preference by purchasers for domestic supply, with the observation that it's price, price, it's all about price and nothing else matters, is that what they're really saying is that price is the most important factor in determining which domestic producer they're going to purchase from, but it doesn't appear to have had very much impact on the competition between imports and the domestic suppliers.

We've heard this morning that the industry is vulnerable. We don't agree. This is the most competitive steel producers in the world. This is the most competitive steel industry that we have of all of the steel industries in this country.

Since the last Sunset Review the economy has been through some difficult times. I guess that is somewhat of an understatement, and that hit the construction industry quite hard. We're not disagreeing with any of this. But that said, the economy is recovering and the construction sector is recovering. This industry is recovering with it.

All of the economic indicators over the past two

years are up including capacity, production, shipments, employment, productivity and profit. In other words, this industry is recovering with the economy.

Finally, while Petitioners have emphasized that this market is a price magnet and all other markets are foreclosed, and that imports are going to surge here, the question remains, where are all the non-subject imports? This is a question that was asked a couple of times this morning and there wasn't, frankly, I've never heard answers like that in my life.

At one point we had a witness from CM said well, the reason they're not exporting is because you know, they're broke and the banks are managing them, they don't have, they're really down on their luck. It sounded like they were describing our clients, to be quite honest with you, so I didn't understand why the description of why the Spanish can't export here didn't apply equally to our clients.

Suffice it to say that the market doesn't seem to be reacting in the way that has been predicted by the industry. Part of that has to do with the competitiveness of U.S. producers and their built-in market advantage. For instance, again, being close to their customers.

U.S. producers also have a freight advantage over most foreign competitors. And just as LM has an

advantage in the European markets. Again, when we're talking Europe, Europe's a big place. Russia's a big place. When we say that we sell to Russia, that doesn't mean we are going from Latvia and going over to Siberia right across the strait from Alaska. That's not what we're talking about. We're talking about a little slice of Russia that is very near to Latvia.

When we talk about Poland, that's part of Europe. These guys aren't selling to Europe. Why? They're selling to a part of Poland where actually they do have a geographic advantage. These sales are local to them. They are exports. We're not suggesting otherwise. But again, when you look at the economics of what they have been doing and how they have been doing it, these are more akin to local supply. They are nearby markets. And Algeria, the fact of the matter is, they've got a 15 percent tariff preference in Algeria because of the EU and they can ship it there economically and it's a good market for them.

Again, that's 90 percent of the non-EU exports.

Well again, we're talking about local sales. Why is that? Because that's the significance of a product that is a low value product, where freight actually is a significant component of it.

So we heard the Petitioners this morning about

freight. Honestly, I looked at that exhibit. I did not understand the methodology, I didn't understand the sources of it and that it was their own -- I mean according to them this morning, they developed this. I don't know where the numbers come from, but they're not our numbers and we stand by ours. Freight is a significant advantage for U.S. producers in comparison to our guys.

When LM last appeared before this Commission in the last Sunset hearing, they indicated that despite the low dumping margins they would not be exporting to the United States. They also noted that the revocation of the dumping order, that the dumping order had been revoked in Canada, but they weren't going to be going there either. The reason they gave was that the underlying economics no longer made sense and that was the case then and it remains the case now.

They haven't exported to the U.S. They haven't exported to Canada. We heard this morning about Korea. Well, fair enough. There were underlying economics they say is the reason that they agreed that Korea wasn't going to come back in the market. I've never seen them so easily persuaded in the past, I will say. But the reality is that we didn't think that they would be because the Korean imports have been a function of the Asian Financial Crisis and for their own reasons the domestic industry chose to

agree with that.

But the reality remains the same. Again, this is a price magnet. This is where everybody wants to be. Everybody in the world. I mean this is the first hearing that I've been at with counsel for Petitioners in the last 20 years where I've heard that Korea is not an export oriented nation. It's good to hear. I'm going to use it in my next set of testimony. But I've got to tell you, that was a unique statement.

Again, where are the imports? And this story just doesn't work. The fact of the matter is that the reason the imports aren't here has more to do with the fact that this market itself has changed. This industry is very strong and frankly, they're able to deal with competition. It may be that as Dr. Kaplan said, the rest of the world understands that the U.S. industry understands the unfair trade laws and therefore they are abiding by the unfair trade laws having taken their lesson.

Our guys have learned that lesson too, if you want to take that.

But the reality is that it's the structure of this market and the strength of the industry. That's the reason that others aren't here.

I think Julie has a couple of things that she'd like to say.

MS. MENDOZA: Julie Mendoza.

It's not usual that we have this much time, so I promise not to go on, but it is a luxury we don't usually have.

I just wanted to point out to you that the last page of the testimony is the exhibit that Alex was referring to on the shipments.

I think that there seems to be, this case seems to revolve around a very central issue about freight, or at least in Petitioner's mind it seems to. Just by way of background with the whole Canada issue, I'm sure the Commission remembers, but the way this arose was that the U.S. industry at the hearing involving the Turkey Sunset case, made a big deal out of the fact that Turkey was already in Canada, and therefore that indicated that Turkey would also be coming here.

I think what we suggested was that even though we have open access to the Canadian market, we in fact aren't there.

In response to that the U.S. industry said well, they can't be there because it's too expensive to ship to Canada because you don't have large quantities so you can't get economies of scale so it wouldn't make sense for anyone to ship to Canada. But then later in their testimony they said oh no, ocean freight, no big deal. That's really

declined and it really isn't a factor. So I'm not sure which, how those stories come together into a consistent argument.

Also if exporters around the world are just so nimble and so able to move markets and they've got these brokers and they can just go here and they can go there, why aren't they in Canada?

I think those are questions that they didn't answer.

Also if it's so easy to export and ocean freight rates into the United States are so cheap, are they only into the U.S.? Because as far as I know the U.S. industry is talking about the fact that they have this capacity, and that it's not utilized and what are they going to do? But they don't export. And I would suggest that maybe one of the reasons they don't export might be related to ocean freight. We'd have to see what they say to that.

But if they are not exporting under current market conditions and if ocean freight is not any impediment at all to shipping, in fact freight rates are so low, I guess the only explanation is that they're only low coming into the United States and not going back out of the United States.

CMC Poland testified that they had to export and I talked to our clients and they told us that Poland in

fact does export. They export to Germany, which makes a lot of sense logistically for them to do it. And I think the implication was that somehow Latvia had taken part of their market and then they had to export to Germany. But you know, I would submit that the whole purpose of the EU agreement is to try to encourage trade between member states and that it's not necessarily an indication of bad practices if a country chooses to not only sell in its own market but to sell in other markets of the EU. In fact I think that's what the agreement's all about.

We did not say that scrap is more expensive in Europe. I don't remember anyone saying that, frankly. I read some responses where people suggested that it was more difficult for them to obtain scrap. I think it's confidential so I won't say who, but that I think, and Alex can speak more to this, but that I think has more to do with internal restrictions and requirements in some of those countries than it does with any price differential.

Certainly we're having trouble obtaining scrap for the reasons that Alex explained. I mean we have a lot of difficulty in terms of our financial situation to get scrap and therefore to produce any product let alone be looking around for new markets to sell to.

I'd just echo Don's comment on the freight rates that Petitioners have submitted. We can't discuss it

because everything is confidential, but it was not very transparent to us exactly what the source of those rates were and who it was based on and what kind of shipper we're talking about. You can imagine that big huge companies might be able to negotiate better freight rates than others, and quantities would make a difference. Anyway, we couldn't make too much out of that exhibit.

Also I'd just like to clarify that LM is not an SOE. It's not a state owned enterprise. In fact the only producer in this case that's a state owned enterprise is in Belarus.

Just one final comment on pricing in the market. I would just say this. If U.S. producers -- It's pretty clear if you look at responses in terms of the static nature of the supply relationships that U.S. customers are not looking at price as a determining factor from who they're going to buy from. Because after all, there are U.S. producers, there are various U.S. producers. If price is price, it's always about price, then it's got to be that customers would switch to the lowest priced U.S. producer. In fact you don't see that at all.

You don't see Turkey and Mexico entering in a big way in this market. Even though Mexico obviously has a logistical advantage to supplying to this market, you're not seeing them gaining market share at the expense of the

domestic producers.

So I guess the question at the end of the day is what in the data supports the assertions that have been made by the domestic industry and it suggests that there are some pretty big holes in their case because the assertions just don't match the data.

Thank you.

MR. CAMERON: That concludes our testimony.

CHAIRMAN WILLIAMSON: Thank you very much.

We want to express our appreciation to the witnesses. We appreciate Mr. Zaharin and Mr. Polovenko who have come from so far to testify. We really appreciate your being here today.

I guess we begin with me this afternoon, according to the schedule.

On the question of -- Is it fair to say that you and the Petitioners both agree that scrap is a global commodity, it's a world market price for it in terms of --

MR. ZAHARIN: We would agree with that for the most part, for the large part. But we should say that is under the condition of absolutely no trade restrictions being in place which is not the case in many countries.

An example would be Russia, which still has an export duty on scrap that's going down over the next few

years but as a matter of fact it still is in place. The same applies to Belarus where no exports of scrap are allowed by law. And there are other examples which, around the world. But in general we would say yes, that's a commodity.

CHAIRMAN WILLIAMSON: I think Mr. Cameron, remembering your opening statement, you talked about Turkey has special, they're able to ship a lot to the U.S. and fill it up with something and ship it back. I want you to elaborate on that, why no other countries seem to be so favorably disposed.

MR. CAMERON: That's a good question. I don't know.

Actually I think we cited in our brief, this was a statement from one of the Turkish producers in an article I think in the American Metal Market, in an interview. One of the questions was how come, the same question you're asking. So how come the other European suppliers aren't doing this? And their answer was because they're not competitive with us. And they're not exporting, they can't even export to Egypt I think was the example that they were giving. But they are apparently purchasing scrap by the boatloads, or a lot of it from the U.S. and then using the same ship back and getting some freight advantages from that.

LM does not purchase scrap locally, I mean from the U.S. They purchase it locally and actually Latvia is a net scrap exporter.

CHAIRMAN WILLIAMSON: I guess the other question I have in the area of freight rate, both sides post-hearing, maybe you could give us something so we could figure out what really are the freight rates back and forth.

MS. MENDOZA: We'd be happy to do that. We'd be happy to document the basis of ours.

CHAIRMAN WILLIAMSON: Okay. Good.

MR. CAMERON: That's a reasonable question.

CHAIRMAN WILLIAMSON: It also would be reasonable to get some insight on the arguments in the domestic industry this morning. The fact that the inland waterway rates are such that it makes, imports can be very competitive almost all over the U.S., at least where we have an inland waterway system.

MR. CAMERON: I've got to tell you, Cincinnati and Louisville are pretty close. I would love to see the data for the cost, the inland freight cost to go from Cincinnati to Louisville, because you're talking about a \$20 discharge, I mean discharge, out of Houston. So I'd like to see how much they're paying. That didn't make any sense.

CHAIRMAN WILLIAMSON: Thank you.

The other question on transportation costs was the argument about -- Canada, you do have weather, you do have inland transportation. Any comments on that in terms of why the Canadian market would not be as attractive as one might think otherwise?

MR. CAMERON: They can answer this as well, because they were exporting to Canada in fairly substantial quantities. That's the reason they had a dumping case against them. They had a dumping order against them in Canada that was lifted in 2005.

So clearly that wasn't hindering their ability or their interest in the Canadian market previously. But the order was lifted and the fact that the order was lifted didn't change their equation in terms of whether or not this made any sense.

MR. ZAHARIN: Our experience suggests that apart from the technical differences and between the material that is being sold in the United States and Canada, they are very similar in essence in terms of the customer base, the buying patterns, the payment terms. Those are all very, very similar markets.

So we can't think of any major difference that would suggest that in the recent years this market somehow went separate ways and should be treated very different

as part of their approach to sales.

CHAIRMAN WILLIAMSON: What changed before you got the Canadian orders that made it an attractive market that no longer made it an attractive market after the orders were lifted

MR. ZAHARIN: As I said, I can't think really of a change that could explain other than the fact that it just doesn't make economic sense today to sell to Canada. I can't think of any other reason why.

We're not shipping to Canada because it doesn't make sense. Our cost structure doesn't allow us to sell to Canada.

CHAIRMAN WILLIAMSON: But it did at one point.

MR. ZAHARIN: It did because our cost structure prior to joining the EU was very much different.

MR. CAMERON: He's referring to the factors that he had testified to at the end of his testimony about the labor costs.

MR. ZAHARIN: The electricity. We made very specific --

CHAIRMAN WILLIAMSON: Okay. I was trying to fill in the gap.

MR. CAMERON: It's the same reasons that they're not selling to the U.S. now. The U.S. was a good market for them at one point. It did make sense. It made

economic sense for them. But that's not the same once they -- Joining the EU had a lot of benefits for them, including Poland, including Algeria. But the cost structure is different, and therefore their markets are local with the exception of Algeria, largely.

MS. MENDOZA: May I make one other comment too, which is that I think what his overall point was, that he, by joining the EU they had to go to EU standards. Before they were kind of operating as a separate country and they could do whatever they wanted in terms of their currencies and their labor charges and environmental costs. Now that they're part of the EU they have the same problem everybody else in the EU has which is that they have a very high cost structure and they're not competitive in Canada or the U.S.

CHAIRMAN WILLIAMSON: Let's go back to something that was said this morning regarding rust. I think the Petitioners said this morning, rust is almost desirable?

MR. ZAHARIN: We tend to agree for the most part with what's been said about rust. But what was admitted is a key in this respect. I think there was a statement made earlier today that about 25 percent of the rebar consumed in the U.S. goes into concrete. And rust and concrete are friends. That's good. But what is not good is rust with respect to welding, and that is where 75

percent, the remaining 75 percent of the rebar is used. There are only two applications. You either put it in concrete or you weld.

CHAIRMAN WILLIAMSON: Okay.

MR. ZAHARIN: While the certain amount of atmosphere rust is allowable and doesn't affect the customer's reaction with respect to the quality of the material. Over-rusted material is subject to rejection and claims on the basis of weldability.

CHAIRMAN WILLIAMSON: Thank you. I didn't understand that at first.

MR. CAMERON: And that is directly related to the issue of ocean freight, because if you're staying on the boat for 30 days, you have more rust, and that is, we believe, the reason that our customers reject Thermex from us, whereas the domestic producers who are selling locally who are not using ocean freight can sell Thermex in this market.

It's not about Thermex per se, it's about Thermex when it gets here. And the acceptability of their Thermex and ours is not the same. We've put evidence on the record to demonstrate that.

Actually, until this hearing I didn't think that was a controversial point.

CHAIRMAN WILLIAMSON: One other question.

There was a lot of talk about the amount of inventory that's stored in docks in the U.S., particularly I guess in Houston where it does rain. Do you want to comment on that as to -- I assume it's not Latvian material, but --

MR. CAMERON: There hasn't been any imports from Latvia since 2005 I think. That's not our material.

CHAIRMAN WILLIAMSON: I guess the question is the fact that people do store rebar on docks, I guess it can be readily available.

MR. ZAHARIN: As has been said, to trade rebar in volume you have to have the variety of assortment. I mean different sizes, different length. Yes, there is a clear preference in terms of the usage of certain diameters. Three-eighths, four-eighths, half an inch, but in order to satisfy all of the requirements of the cut and benders in the U.S. you have to have the whole range present in order to trade.

I think what matters from this point, that if LM were to reenter and try to close the gap as far as the customer's preference between the domestic material versus the import material, we would really have to have a certain amount of inventory available for prompt shipments. And as those shipments in order to make economic sense have to be in the range of 10,000 to 15,000 metric tons. It's quite a lot of inventory to keep in

stock in terms of costs, in terms of space, and the financial restraints just wouldn't simply allow for it.

MR. CAMERON: That is as opposed to what they currently do. When they export, they produce to order. In other words, if they don't have an order, they're not producing it, they're not exporting it. What you're suggesting and what Petitioners are suggesting is that I suspect trading companies is what they're referring to, but are purchasing for inventory. That is not what these guys are engaged in and in order for it to make economic sense he's suggesting that they would have to basically create a supply chain that they're not willing to make the investment in.

CHAIRMAN WILLIAMSON: Thank you.

I've gone over. Mr. Pearson?

COMMISSIONER PEARSON: Thank you, Mr.

Chairman.

My welcome also to all of you. Mr. Zaharin, welcome back.

I was about to say I hope you get to visit Washington more often, but I'm thinking you know, he really doesn't want to be here in five years.

(Laughter.)

I'm sorry.

Allow me to begin with a clarification. Mr.

Zaharin, did I just understand you to say that about 25 percent of rebar actually goes into concrete and the rest is used for welding or other purposes?

MR. ZAHARIN: That was quite useful information that I heard today in the morning. I may have misunderstood, but I believe that's what was said in the morning testimony.

COMMISSIONER PEARSON: I don't think I understood that. I thought there was some discussion of how much goes into non-residential construction versus residential construction.

But for purposes of the post-hearing, Mr. Cameron and representatives of the domestic industry also, could we please clarify that? Because I note that the product itself for purposes of our investigation is called Steel Concrete Reinforcing Bar rather than Steel Welding Bar or something.

Thanks.

MR. CAMERON: Sure.

COMMISSIONER PEARSON: Some estimate of how much goes into concrete and how much goes for other purposes.

Okay, Thermex. This is a really interesting investigation. Normally there's a little greater congruence of views between parties that have differing

views. And here I'm really not finding it. I understand the domestic industry to say that the Thermex that they produce in this country all meets ASTM standards. And I think I understand you to say that the Thermex you produce simply does not meet ASTM standards. Is that correct?

MR. CAMERON: Just to clarify, I don't think that the incongruence is all that great. The Thermex that they produce does not meet ASTM standards because they're not producing to ASTM standards. Can they produce Thermex to ASTM standards? They can, but they can't sell it in this market. Therefore, in order to meet ASTM standards they have to use hot rolled bar, use the ferro alloys and do a different rolling process.

So can they meet ASTM with Thermex? Yes, they can, but they can't sell it in this market because their customers have told them they will not accept Thermex ASTM. Okay. So then in order to sell here what they used to do is they made ASTM using hot rolled bar. Fair enough.

Does that --

COMMISSIONER PEARSON: Well, that reiterates what I thought I understood the witnesses were saying.

MR. CAMERON: I think the difference is we are not saying that we cannot produce ASTM with Thermex. That's not what we're saying.

What we're saying is if we produce ASTM with

Thermex, we can't sell it in the United States market because our customers have told us they won't accept it. We suspect it's because of the ocean freight and the rust that builds up.

Therefore, we can also make ASTM standards using the hot rolled process. It's not a problem. We could do it. It's a higher cost. And if we do that it disrupts our production schedule and it's, you're doing it for one market because everybody else, all the others are being, were using the Thermex. That's the difference, but we haven't said that we don't make ASTM.

COMMISSIONER PEARSON: Okay.

MR. ZAHARIN: Just to clarify. I'm not a technical person so I have to --

COMMISSIONER PEARSON: Neither am I, so that makes two of us.

MR. ZAHARIN: Just to try to keep things simple, ASTM is a standard. How you reach that standard, you read it by either air cooling the material in which case you have to get a different type of a billet to begin the rolling process with. Or you can get the mechanical properties defined by the ASTM standard using water quenching.

So to answer your question, yes, we can produce ASTM material using water quenched process. But we cannot

sell it. Our customers will not accept it. It's exclusively stated in the orders. Water treatment is not allowed.

On the cost difference I also would like to make a comment and we'll submit it in the post-hearing brief. The actual cost difference on two levels.

First, the difference in the production of the billet and the difference in the rolling cost. I agree with what was said in the morning that it's quite an insignificant cost difference as far as the production, the rolling part of the process is concerned, but it's quite a significant difference in respect to the cost of the billet. Because you achieve, you're able to achieve the chemical properties of the finished product by using ferro alloys.

COMMISSIONER PEARSON: It has been a number of years since LM has sold rebar into the United States. Is it possible that the requirements of the U.S. consumers have changed such that now they might be more willing to take Thermex produced in the United States or elsewhere than they used to be?

MR. CAMERON: When we checked this out, the answer that came back to us was no, it's still not acceptable and we'll be glad to submit that for the record.

COMMISSIONER PEARSON: And does anyone have

knowledge of whether Thermex rebar produced in other countries than the United States is imported successfully into the United States for customer use?

MR. CAMERON: There aren't that many non-subject suppliers, as you know.

COMMISSIONER PEARSON: Right, but if we think in terms of the Mexicans or the Turks --

MR. CAMERON: But the Mexicans is going to be a different situation because that's overland freight. The problem occurs with respect to the ocean freight. With Turkey, I don't know the answer to that.

COMMISSIONER PEARSON: I still have somewhat the sense that we have two ships, perhaps both loaded with rebar, passing in the night and not -- Okay.

What is your sense of the demand prospects for rebar both in the U.S. market and globally? And I know you've not been in the U.S. market lately, but you read what's happening in the business newspapers and have a sense of how the economy is doing in various parts of the world.

MR. ZAHARIN: We probably have a better feel for the prospects of demand in Europe as our home market would say. In this respect I think it's a fair comparison at this point between the European Union and the United States. It's two separate markets. And yet forgive my

ignorance, I don't know the distance between New Jersey and Baltimore, but I would allow myself to assume that it's quite similar to the distance between Latvia and the Polish border.

So the inland transportation I would also argue is somewhat comparable. That doesn't answer your question, but --

COMMISSIONER PEARSON: Two or three hundred kilometers.

MR. ZAHARIN: In respect of the prospects, no two ways about it, we've had some difficult years recently. We don't expect any significant reduction in the effective consumption in the European Union. We truly hope that the worst is behind us. We also have to distinguish between the mature Western European states and the Eastern European, the new entrants, as we would call Latvia, for example, was the second fastest growing economy within the EU in 2012. Okay. In absolute terms this may not mean much, but again, we're not the largest producer in the European Union. Seven hundred thousand tons is not that bit of a production by European standards.

As far as Asia is concerned, what we are hearing and our sense is that largely depends on how China feels in the upcoming years. There seems to be quite a bit of concern with respect to the government's behavior towards

the budgetary cuts. We haven't seen significant exports of long products from China that would reach the European Union. There are other reasons for that. The European Union has quite restrictive control measures with respect to the certification of the product.

We will be submitting also a copy of our label that goes onto each and every bundle supplied within the European Union showing the number of certificates that we have to obtain in order to make our products sellable in each and every market within the European Union. For example, Poland, we have three different certificates depending on the application. So there are barriers with respect to imports coming to the European Union.

North Africa, we have to take Algeria separately in the context of today's hearing for two reasons. Politically Algeria has not felt part of this unrest in the Middle East. They're quite stable and their consumption has been growing steadily for the past five years. They reached over three million tons in effective consumption in 2012. This number is predicted to grow in the next at least two years.

There is capacity coming on stream this year in the city. Oran, which is the western part of Algier, this is, we don't supply our material to that destination. We expect that capacity is about 800,000 tons, so this will,

even if the demand stays flat, this would still allow for over two million what we'll call for two million tons per year of imported material to come in.

In a nutshell I hope that answers the questions.

Russia, of course, we also have to touch upon their demand prospects. New capacity coming on streams. It's growing demand. I would probably agree that they will be balanced in the next 12 to 24 months but the industry in Russia is quite consolidated. It's four main producers controlling over 75 percent of the production capacity.

So it's hardly, they would not allow the market to collapse. I think they will do everything possible to --

COMMISSIONER PEARSON: So in aggregate, I would be correct to understand that your view is the markets that LM serves, the primary markets, the EU and the others that you've mentioned, that you are not expecting an aggregate decline in consumption over the next year or two? Or a slight decline but not a huge one?

MR. ZAHARIN: Overall we would characterize a stable demand.

COMMISSIONER PEARSON: Stable demand. Okay. Thank you very much.

Mr. Chairman, thank you for your indulgence.

CHAIRMAN WILLIAMSON: You're welcome.

Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr.

Chairman, and welcome to this afternoon's witnesses

Mr. Zaharin, in your prepared testimony you talked about how LM has been operating at near full capacity. But you also said that right now the company has closed down some production. Can you clarify to us, so you're not operating at full capacity today? How long that's been going on and if you are able any prediction about how long you expect that to last.

MR. ZAHARIN: With respect to the capacity utilization, we have to mention that we did quite a bit of work in the last 24 months. We basically rebuilt our hot and we installed a new melting capacity and went from being the last open hearth furnace producer in Europe to the most advanced electric arc furnace producer.

It's quite a process. I lost a lot of hair, as you can see, in the last five years. But nevertheless, it's still a learning curve for us.

With respect to the rolling capacity, we did enjoy and somehow managed to fully utilize our capacity up until February of this year when we went to the level of about 70 percent capacity utilization. In March we just barely broke 50 percent. In April we went below 50

percent.

I hope I've made it clear the reasons for that. It's a liquidity issue for us right now, which doesn't allow us to buy scrap in sufficient quantities. When this will end, hopefully within the next one to two months we'll be able to resolve now the liquidity issue and also to settle the dispute that we're having with the state over the green tax so-called. That would allow us to get back to the full capacity utilization.

Again, I'd like to reinforce it has nothing to do with the order book.

COMMISSIONER ARANOFF: So the customers who would like to order from you but are not able to get perhaps the full amounts that they're requesting because you're operating at half capacity, they're turning, I assume, to other suppliers. How are you going to get them back?

MR. ZAHARIN: That's a good question. It's going to take time. For sure it's going to take time, and especially in the case of the European supplies. As I mentioned, we have to be very, very cautious with whom we say no to these days so we try to keep our foot in the door in as many markets as possible. But it will take time for us to regain our grounds.

COMMISSIONER ARANOFF: I was talking with the witnesses this morning about the role of global trading

companies in exports of rebar. Can you explain when LM exports its product, either within the European Union or outside the European Union, are you doing that yourself with direct contact with the customer? Or are you going through a trading company? Can you just explain how all that works for each of your major markets?

MR. ZAHARIN: Thank you for the question.

For us, making the decision whether or not to employ the service of a trading company, we look at it always from the perspective of added value. It was very much I think rightfully recognized today, what does a trader do? In many instances they finance transactions. They take some risks off the shoulders, be it the buyer or the seller. Some trading houses, especially the big ones, are able to enjoy transportation rates, e-freight rates that are unattainable for producers or the end customers.

In our case, adding that value begins with the risks associated with each particular transaction. So the payment terms, if we get the letter of credit as a means of payment, then we can probably do 90 percent of the business ourselves. If it requires taking customers' credit risk and we are not familiar with the market or we don't have an insurance policy that provides protection, then we would probably again involve a trading company.

We don't have any exclusivity with any of the customers, with any of the traders. We don't employ traders in our European Union sales. However, if a trader comes and offers us somehow a business that makes sense, we'll consider it. Just like any customer.

I would say in today's environment, whether is different for other European suppliers, I wouldn't think so. In case of, if I can use the example of CMC, CMC today is a producer, it's a trader, it's a cut and bender, it's all in one. How is that different? It really isn't.

COMMISSIONER ARANOFF: Just to make sure I understand, you're telling me that as a general rule when you're making sales within the European Union, you would do that directly by dealing directly with a customer.

MR. ZAHARIN: Correct.

COMMISSIONER ARANOFF: What about with respect to sales in Russia?

MR. ZAHARIN: Russia would also in most cases, the majority of cases we would do direct sales because Russia prepays. So as long as the customer is able to prepay and there are no particular requirements with respect to the custom clearance, we would trade directly. The same is the case for Algeria. We would trade directly.

MR. CAMERON: We ought to point out that Exhibit 3, both of the customers that we gave you the purchase

orders for are trading houses. We used trading houses back when they were in the U.S. market back then. But both of those exhibits, both of the examples in Exhibit 3 are sales to trading houses.

COMMISSIONER ARANOFF: Okay.

We also had some discussion this morning about auctions with producers putting some portion of their capacity basically up for bid. Is that a practice that LM has engaged in?

MR. ZAHARIN: No. We don't have an auction practice or any kind of platform. To this regard I can only say that we know of only one producer today, the countries under the order, that's Belarus that does employ the scheme or the platform of trading through auction.

We also have to say that in our understanding this has to do with the fact that Belarus, BM Zed is the government owned company. It does provide certain degree of transparency, and frankly speaking, I don't know of any major foreign customer of BM Zed that uses auction as a means of buying material from the mill. It's more for the domestic sales in Belarus.

But no, to answer your question, we don't employ auction as a method of sales.

COMMISSIONER ARANOFF: Thank you.

Mr. Zaharin, you also mentioned that despite

whatever is going on in Poland with respect to VAT taxes, that Poland remains just as good a market for LMS. It has been during the period that we're looking at.

Do we have data in our record that's recent enough to see that?

MR. ZAHARIN: We will submit our data for the first quarter of 2013 as well as the data for the previous years. In this respect I'd like to concur with our colleagues from CMC in Poland, that the demand in Poland did peak in 2011 and then we saw a reduction in demand 2012. The reason being is that there were projects dedicated and financed on both the European Union level and the Polish state level in preparation for the European championship that the hosted together with Ukraine.

We do expect, however, that the Polish demand will improve in 2013 and 2014 due to the financing package that was passed and targeted at energy projects in Poland.

This is a done deal. The financing is again provided by the European Union and this is expected to translate into the increased consumption of rebar for the purpose of this program.

COMMISSIONER ARANOFF: If there's anything additional you can give us that would help us to quantify what kind of demand you expect that to generate, that would be very helpful.

MR. ZAHARIN: Okay.

COMMISSIONER ARANOFF: With that I'll say thank you and pass it back to the Chairman.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman. And I thank all of you. Especially those who have traveled quite a long distance to be here today. Thank you for being willing to answer our questions this afternoon.

I want to begin with some questions about third countries. First of all, was there in fact a large decrease in Latvian exports to Algeria in 2011? If so, can you help us understand what was going on there?

MR. ZAHARIN: As we already mentioned, we shut down our melting capacity in 2010, so we were working off the broadened billet, third party billet produced and supplied for rerolling purposes.

We produced, if I'm not mistaken, we can verify the data, but we produced in the range of 560,000 tons of rolled material in 2011.

Our focus remains to be European Union, so we dedicated as much material as we could provided the market environment in 2011 to the European Union and then sold the residual to the third markets, and Algeria was part

of it.

The reduction in sales in general was direct impact of the modernization program.

MR. CAMERON: Commissioner, if you look at the questionnaire submitted by LM, you will note at page 17 that the capacity in 2011 takes a dip and it's because of this modernization. Then it bounces back up. That's, I think, what we're talking about.

COMMISSIONER PINKERT: Okay.

Turning to imports into the United States, what caused the increase in imports from Turkey over the last couple of years? And what does that tell us about any comparabilities or dissimilarities between Latvian incentives to export to the United States and Turkish incentives to export to the United States?

MR. ZAHARIN: We can only speculate in this respect. We don't know the true reasons why they ship as much as they do or as little as they do to the United States.

Turkey managed, as a matter of principle, to increase capacity despite the difficult times in the industry and that remains to be the case for the last two to three years. Their capacity is ever-growing.

They probably are the largest taker of the U.S. scrap. This practice of bringing scrap to Turkey and putting the finished product on the same boat, shipping

it back, it certainly provides benefits in terms of the transportation, and transportation is quite an important component of the overall cost structure.

So in our opinion it makes sense, their costs allow to ship product to the United States.

MR. CAMERON: The other thing that we thought was interesting when you look at the import statistics that are attached to Alex's testimony is the coincidence of trends between the spike of imports from Turkey in 2004, 2006 and the retreat from the U.S. market of European suppliers who had been here in the past. That interview that we were referring to earlier, and we referred to it in our brief, of the Turkish supplier basically said well, the Europeans can't compete with us. We're very competitive and we don't have any apologies for being competitive and that's where we are. Obviously if the Europeans could compete with us then they would, but they're not, so that's our conclusion from it.

The Turks being competitive in this market does not translate into everybody else being competitive in this market, and certainly not our clients.

Our clients, LM is obviously having difficulties, but aside from that, the additional costs that Alex was referring to as a consequence of joining the EU, of course it did give them market advantages within

the EU, and yet it appears to have made LM more competitive in local markets and in Algeria where they have a tariff preference and less competitive in overseas markets such as the United States.

So the Turks obviously think that they are competitive with Europe and with all due respect to my colleague representing the Petitioners, it will be a real surprise to the Turks if they are now considered to be Europeans and de facto members of the EU because the last time I looked that was a rather contentious issue. But I'll be glad to pass that on to the next Turks that I meet.

No, I don't think the experience of Turkey translates I think. Actually it's more indicative to look at the performance of other non-subject producers.

What's striking about the data is how few non-subject producers there are given the number of producers there are in the world. That's what's striking.

So what is it? What is it about them or the market? What we are suggesting to you is that yeah, part of it probably does have to do with the Turks and their competitiveness, but a lot of it also has to do with the nature of the U.S. industry and the strength of the U.S. industry.

Don't get us wrong. We're not suggesting that the U.S. industry is somehow, these are bad or that it's

an industry that is in dire need of protection because they're on their last legs. These guys are good. They are historically profitable. They are extraordinarily efficient, and they know how to make rebar, they know how to make steel. They're very good at this. That's great. I'm happy about that. Seriously. We do need industry in this country and that's fine. They're good at it. But their strength is one of the reasons that many of the other countries cannot compete efficiently in this market.

We think the proof is in the import statistics. And with all due respect, I didn't hear an answer to the question that you posed or the question that Commissioner Johanson posed to them this morning about where is all the non-subject imports? You've got a price magnet. Everybody wants to come here, there's no markets anywhere else, so where is it? The answer they had was gee, I don't know.

COMMISSIONER PINKERT: Let me see if I understand your testimony and the testimony of the panel particularly on this question of competition between Turkey and Latvia in the European Union.

Does Latvia have, does LM have a competitive advantage against Turkey in the European Union?

MR. ZAHARIN: We have to distinguish between Northern Europe and Southern Europe. In Northern Europe

I would say we do have a clear competitive advantage over Turkey because it costs us in terms of freight just as much to ship to Germany as it is to ship to North of Africa. We can do small deliveries, truckloads, hundred ton orders. It's our market. We treat it today as if you were treating sales from Texas to Mississippi. That's the idea behind the customs union. We want to be like the United States and we're almost there. We just don't want to join the euro. If we could avoid that we'd be better off.

That's off the record. Thank you.

COMMISSIONER PINKERT: Sorry. The question was off the record, so I suppose the answer is off the record as well.

You said that in Northern Europe that's kind of the advantage. What about the rest of Europe?

MR. ZAHARIN: Southern Europe really has not been our market. We haven't sold significant quantities to Southern Europe. There is plenty of capacity, plenty of local producers.

Spain is a good example. Spain had six million tons of consumption back in 2008 and 4.5 million tons of local production. In 2012 they barely broke a million tons in consumption. Why wouldn't they ship to the States if it was so good? Three and a half million tons of spare capacity.

COMMISSIONER PINKERT: But is it your testimony that Turkey has an advantage in shipping to other parts of Europe besides the northern part of Europe that you said is where you've got the competitive advantage?

MR. ZAHARIN: No, our testimony was particularly about the United States because they would bring scrap from the U.S. and use the same boat to ship the finished product to the United States.

I don't know of that practice being in place for Turks with respect to the European Union.

COMMISSIONER PINKERT: I'm trying to get a feel for who's got the advantage in Europe, and you told me you've got the advantage in Northern Europe. What about Turkey? Do they have an advantage in the remainder of Europe?

MR. ZAHARIN: We don't see them. The statistics don't suggest that they have any advantage in the European Union today.

COMMISSIONER PINKERT: All right. Thank you.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. I would also like to thank the witnesses for appearing here today, especially the two of you who have come a very long way. Thank you for being here. It

certainly helps out to have you here.

I'd like to begin with where I ended with the Petitioners panel this morning, and that involves the issue of Buy America and what is going on there.

Let me take one second and ask my staff something. I apologize.

(Pause.)

COMMISSIONER JOHANSON: I apologize about that.

As you know, Respondents and Petitioners have very divergent views as to what the impact of Buy America is on imports in the U.S. market. I was wondering if you all could discuss that and was wondering also if you know what portion of the U.S. rebar market is impacted by Buy America requirements, if you have any idea as to what that might be. Thank you.

MR. CAMERON: A couple of things. The area of disagreement is very fuzzy between us and the Petitioners I believe because they have framed the question in terms of well there's no price preference for Buy America so it's not an issue.

We've never suggested that price is the issue with Buy America. What we have suggested is that Buy America does impose significant preferences for domestic supply. And we have also suggested that if you analyze

the purchaser questionnaires that you have, a significant number of U.S. purchasers suggested that yes indeed, Buy America is required for X percent of their purchases.

We agree with Petitioners that to the extent that spending on state and federal and even local road projects, highway projects is down. To that extent Buy America is less relevant than it is -- Buy America isn't important for for instance home building and you know more about this than I do. You can feel free to correct me at any point, okay? But it's important for highway construction.

It's not as if we don't have any highway construction going on in this country. We do. We don't have as much as probably we should have and we don't have as much as we had during the stimulus package, but indeed we drive around here, we have highway projects that are going on. And yes, Buy America is relevant to that.

As for the percentage, I must confess, the best information that we have with respect to that issue is the Commission's questionnaires, and they indicate a couple of things. Not to put too fine a point on Buy America. It's been portrayed by Petitioners as if we're hanging everything on Buy America. That there's this guarantee you have to buy domestic and therefore the imports are locked out. We haven't said that.

What we've said is Buy America is one of several preferences that are indicated in the market.

When you have, I don't remember what it was, 11 or 14 producers that are purchasing totally 100 percent domestic and you ask them why, some of them said well, a lot of it's Buy America, and it's because my customers want domestic steel, and some of them said it's because that's what I want. I'm buying U.S.

So it's not just Buy America. Buy America is one of several preferences, but yes, it is relevant and according to the questionnaires, Buy America and the other preferences for domestic supply are relevant.

MS. MENDOZA: Commissioner Johanson, if I could just -- Julie Mendoza.

The only thing I would add is that one of the purposes we had in putting together that confidential exhibit that we submitted was that we weren't just basing it on Buy America and we weren't just basing it on relationships with customers. What we were trying to show was kind of a portrayal of the entire market, and it's not an accident that so many purchasers reported buying only from domestics, even though of course there are other imports that could come into this market. And I think the preferences that are detailed there explain part of it.

So I don't think, our disagreement isn't over

how much is Buy America. I think our disagreement with them is over how much there is a domestic preference in this market. I think based on the data, it's pretty hard to deny.

MR. CAMERON: And whether the domestic preference in and of itself is a significant factor of the market. We think that when you look at those questionnaires and the responses to that question it's undeniable.

So yes, it builds in a rigidity to the market. Why is that? There are a couple of reasons and one has to do with geographic location. This industry is different than it was before. There are more producers. There are more producers that are located closer to their customers. We're talking about Europe. This conversation that we've been having again always comes back to the fact that you know, yeah, we export to Kalingrad which is right over the border. We export to Poland on trucks. Our markets are basically local. U.S. producers. Do they export much? No. What are they doing? They're selling locally.

Again, this product is a low value product. It's a low value product and therefore what generally has been happening is that to the extent that the domestic producers can be close to the purchasers, then they're able

to lower their costs of inventory. I can guarantee you they tell them that when they talk to them and the purchaser is obviously aware of that because they put it in their questionnaires.

So yeah, Buy America is an element, but I can't quantify it for you.

COMMISSIONER JOHANSON: Thank you for your responses.

I don't want to spend a whole lot more time on Buy America but I did have one more question. Your answer did clarify, and I appreciate it, but I have one more question for you. That involves Latvia being a party to the government procurement agreement of the World Trade Organization.

Wouldn't that mitigate to a large part the issue of Buy America? Or am I incorrect there? I'm just not too sure. Ms. Mendoza?

MS. MENDOZA: I would say this, and this comes really more from our practice in other areas with other clients, that while it's true that there are some exceptions based on the government procurement code and that they'll be treated equally, what we have generally found with our clients is that a lot of purchasers are not really aware or don't know how to deal with those requirements because they're waiver requirements. So you

have to go through a waiver process. It's not an automatic yes.

So some projects allow it, some don't. There are all kinds of rules and restrictions. And I think in general our experience has been that, and the Canadians said the same thing I think when these first came out. While there are these waivers, the actual practices that it prevents a lot of trade, even trade that perhaps could occur. That's why the Canadians were objecting so much to the whole thing.

Thank you.

MR. CAMERON: We have known of instances where domestic producers will tell the customers who are considering foreign material, you can't do that. This is Buy American. Customers aren't going to go and look at the law. It's like, you can get a waiver, right. It's easier to deal with the local production.

So yes, there are exceptions, but it doesn't really address the question that we have. One of the questions in your questionnaire is do your customers, are they required by U.S. law or other reasons to buy domestic? That's the question that they're answering when they say yes.

But we agree with your point that there are exceptions.

COMMISSIONER JOHANSON: Thank you, that does help out. My experience with Buy America is looking at the statute. And it's true that I understand that at times the actual practical impact can be not what you expect.

This question is perhaps best answered by Mr. Zaharin. Once again, thank you for coming here. It's such a long way.

In 2012, and this is public information found in the staff report. In 2012 over half of Latvia's rebar exports went to Poland. At least according to the Petitioners, Latvia risks losing a significant part conceivably of the Polish market. Could you address what impact that would have on your company? Thank you.

MR. ZAHARIN: Again, thank you for having us and giving the opportunity to be here today. We would prefer it would be under different circumstances, but nevertheless.

We have to say that we expect the 2013 to see a reduction in terms of our sales to Poland. This, however, is based on the fact that the demand in Poland in such is expected to contract. We don't think this will be the case for all of 2013 as we mentioned. We will present publications that are available publicly with respect to the program on energy projects and the financing

behind it which we see as direct impact.

We also will show that our sales to Poland beginning the first quarter 2013, and we have to say that we had a very, very long winter this year. It's only now that the construction market is becoming active. But as a percentage of our European sales you will see that we are still selling. It's still substantial.

It's important for us and we'll continue to do so.

With respect to the VAT issue, it's been there for years. Is that a problem? Yes. Does that affect our forecasts in terms of sales to Poland? No, it does not. Again, we comply with the legal requirements for the sales to the export markets including Poland and we'll present evidence issued by the Latvian equivalent of IRS to that extent.

COMMISSIONER JOHANSON: Thank you for your response. My time has expired.

I would like to correct one thing that I said, and that is I said the staff report said in 2012 that exports were certain levels. It was actually 2011. My staff thankfully helped me out on that.

Thank you again for your responses.

CHAIRMAN WILLIAMSON: Thank you.

Continuing on that line, even if say you resolve

the issue in terms of the legal proceeding, is there a perceptual problem that might affect your sales to Poland in the next year or so? That was sort of indicated this morning. Is there a marketing problem or you don't see it?

MR. ZAHARIN: You can say it's probably bad advertisement, but still advertisement. It counts for something. At least people know where Latvia is and where LM is and we play football and we beat the Polish team sometimes, so that doesn't make us criminals.

(Laughter.)

CHAIRMAN WILLIAMSON: Thank you.

This also goes, this question, whether the revocation of these orders is likely to lead to continuation or recurrence of material injury within a reasonable or foreseeable time. I asked Petitioners this morning and ask now. For the rebar industry what is the reasonable foreseeable period of time? And I might ask particularly with respect to LM and the financial transitions, the things that are going on now. How might that affect your assessment of what is a reasonable period of time?

MR. CAMERON: Well, I think the data you've collected is for two years out as essentially a reasonable period of time. We don't dispute that as a time period

to look at. It's not a problem.

It was interesting to hear this morning, at one point the economic witness for Petitioners, Dr. Kaplan said that Europe had shut down. I wasn't aware of that. My wife and I are planning a trip and everything, and it could be a problem. It would be a big problem. But we checked and it hadn't shut down yet.

These characterizations don't fit the record. You have actual consumption data and you have projections of consumption on the record with respect to Europe and with respect to the other markets. This is not a fantastic growth time. Consumption isn't growing by leaps and bounds in Europe. But it is growing. It is stable and it is steady.

So to suggest that all of the markets have collapsed is a bit of an overstatement of this record. So yeah, we think two years out.

As far as LM is concerned, I think it's very interesting that this is the first time that I have heard that someone who shuts down their facilities rather than "filling the mill regardless of the cost", isn't that what we usually hear? That somehow by doing this because of their liquidity problems and difficulties that this is evidence of irresponsibility.

I think that what the experience we're seeing

is that yes, they have real problems and they're dealing with a very real problem that has nothing to do with order books but has a lot to do with other corporate problems. That they're dealing with it in a responsible manner.

But we would fully expect that they would be back at full capacity as they have been throughout the POR and they have been at full capacity throughout the POR despite the fact that they're not exporting to the U.S. Again, why is that? Because local markets are better for them than distant export markets and they've found a way and they've been actually pretty good at it.

CHAIRMAN WILLIAMSON: This morning we heard that the domestic industry is vulnerable because its rate of return does not cover its cost of capital. And I was wondering, do you consider this a reasonable argument?

MR. CAMERON: It's an argument we've heard a lot. No. I think it's an over-simplification.

We understand that the rate of return needs to be better for these companies. I will say that the five percent profit is an industry-wide profit. The rate of return is an individual issue with individual companies and that doesn't mean that the rate of return is not matching the profitability of each of the companies.

Secondly, I would suggest to you that unlike many cases, nobody is suggesting that somehow we are

responsible for the economic conditions in which the domestic industry finds itself, but I think it is quite clear that the economy is improving and has been improving. And it is also clear that the domestic industries fortunes have improved with the growth in the economy.

When you combine that with the approximately 87 percent market share that they currently have, that's a good indication that as the market grows they are going to get the lion's share of that growth and the benefit from it.

Sometimes you're not covering the cost of capital because there's a deep recession. I daresay they didn't cover their cost of capital back in 2009 either. I haven't seen the figures, but I don't think I'm going very far out on a limb there. But that goes over time.

Historically this industry has more than covered its cost of capital. Historically this is one of the most profitable segments of the steel industry and we expect them to get back there very shortly.

CHAIRMAN WILLIAMSON: Thank you.

This may or may not be a fair question, but I've never known Mr. Cameron not to have an answer, so I'll put it anyway.

If LM is not interested in the U.S. market what difference does it make to you if the orders are revoked?

MR. ZAHARIN: To begin with, we felt obliged to appear in front of you here today after reading the pre-hearing brief. It's quite a story and we just feel that we have to set the record straight. The reputation of the company is involved.

From the commercial perspective, once again just like with any market to have access to a market regardless of whether you see it as being, where you can sell the material to, but to have an option is always valuable.

We said it before. We did it in the case of Canada. We can sell it there today. We don't. It's a deliberate decision. The same applies to the United States.

An option is an option. It's not an obligation. You're free to sell. You can. It makes your life a bit easier.

MR. CAMERON: It does go to the issue of, since you invited me to comment on this, it does go to the issue also of corporate branding. There is an opportunity to get rid of antidumping findings against you. To the extent that you can get rid of being branded as an unfair trader which is something that clearly has been thrown around, not only here but I will bet money in Poland as well. Who needs it?

The answer is there's also no right to permanent antidumping relief which is actually what the U.S. industry wants. I get it. I understand it. I understand perfectly why they want it. Okay. That's fine. But you don't have a right to permanent relief.

The way the unfair trade statutes are written, to the extent that in fact the lifting of the order is not going to have any impact on the domestic industry, and I think that that is the case here, yes, the order ought to be lifted. So that is a tangible benefit to the company regardless of whether they end up exporting to the U.S. or not. And under the current circumstances they won't be.

CHAIRMAN WILLIAMSON: Thank you for answering those questions.

I think there's been some difference of opinion about demand for foreign rebar in Russia. Petitioners are saying it's declining. I'm not sure you agree. What do you see -- I got the impression that at least in terms of your neighborhood you can expect to continue to sell there and I was wondering what you might be able to offer post-hearing to kind of support that so we can clarify the importance of the Russian market.

MR. ZAHARIN: Our position in this respect is that Russia has enjoyed quite good domestic market in

recent years. Primarily due to the significant amounts of the federal spending that's been in place. The financing is available. The price of gas and oil is where Russia wants it to be, about 100 U.S. dollars per barrel. So that allows them to really spend and therefore keep the actual demand for rebar at the very high level.

We also have to say that the Russian industry, steel industry, is very much consolidated. Four major players account for more than 75 percent of capacity. So despite the fact that they may not like each other so much, they will find a way to set the price where it needs to be in order for them not to lose money.

Furthermore, there is still, despite Russia joining the WTO there is still import duties on the material. They are going down and they will disappear within the next years, but they are in place.

We pick our markets in Russia on geographical basis. Kalingrad and St. Petersburg is really where we sell our material to. We don't go to Moscow. We don't go past central Russia.

CHAIRMAN WILLIAMSON: Thank you for that clarification.

Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman.

A question for counsel regarding cumulation. You'll be very familiar with the opinions of the Commission from the last review. Three Commissioners cumulated Latvia with Poland. Should we do that again or should we treat Latvia separately?

MR. CAMERON: I don't think the Poles want to be cumulated with us. Just a guess.

(Laughter.)

COMMISSIONER PEARSON: But the question is does the record show enough differences from before?

MR. CAMERON: I think the basis on which you made the decision made sense and I do think that the logic still holds. The advantages of that. We can look at it more in post-hearing, but I think there was an inherent logic to that with respect to the EU.

COMMISSIONER PEARSON: I asked the domestic industry whether the world had changed in ways such that I should reconsider my approach to cumulation on the group of countries overall, and either now or in post-hearing if you could look through the logic and compare it to the change in facts, that would be helpful.

MR. CAMERON: We'll be glad to do so, Commissioner.

COMMISSIONER PEARSON: Thank you.

MR. CAMERON: China?

COMMISSIONER PEARSON: No, no. Next are ArcelorMittal countries.

Any thought on how we should treat them?

MR. CAMERON: I didn't disagree with the analysis that the Petitioners made and frankly that the Commissioners came to last time. At least in the last case that we saw, in which you basically said that in this product ArcelorMittal was extraordinarily small and therefore that logic didn't seem to apply. In other words, yeah, that's true. They have the veto power but would they want to use the veto power? As opposed to where they are dominant suppliers or significant suppliers in the U.S. market.

COMMISSIONER PEARSON: So you think the important issue for our consideration is whether ArcelorMittal has a small presence in the United States or whether they have a small or large percentage of production in one of the countries that we're considering for revocation?

MR. CAMERON: I'm suggesting that the presence or absence of ArcelorMittal is not the determining factor as to whether or not to cumulate or not cumulate with respect to any producer, and to make a determination or not.

I look at ArcelorMittal in this case as not

particularly relevant.

MS. MENDOZA: Well perhaps not alone, but if you do consider the fact that both CMC and ArcelorMittal have investments there, and I think it would be consistent with the Commission's practice to assume that in fact there would be no reason for those companies to export to the United States given the fact that the U.S. industry is operating at less than 70 percent capacity. It wouldn't make any logical sense to take your production all the way over in Poland, bring it back to the United States and sell it if you've got capacity here to sell.

So I think that the logic is there. Whether ArcelorMittal's policy itself is at issue here maybe not. I think we can take it as it is. But we do have two pretty big producers in Poland who have absolutely no economic interest in the economic interest of the parent in having them export to the U.S. I think that's a very significant fact.

COMMISSIONER PEARSON: Thank you.

Now China.

They are such a large producer. As we try to analyze this, do we just lump them in with all the others willy-nilly or ought we to assess that the risk of revocation with respect to China is somehow different than with respect to revocation of the others?

MR. CAMERON: Obviously we believe that China is different from Latvia and different from the others involved.

When you're making the decision as to whether or not to cumulate, you're making the decision whether or not to cumulate based on whether or not they are competing with the same conditions of competition.

We would argue that the conditions of competition with respect to China are vastly different. I think that was clear when you read the domestic industry's brief, to be honest with you, so I was rather surprised at the responses that we heard this morning.

MS. MENDOZA: I think the steel industry in general has made their views quite clear what they consider about China's exports to the U.S. and the impact it has. Let's face it. The amount of capacity that's there and the amount of capital that's there is obviously very, very large. I think it's almost impossible to say that you wouldn't need to take that into account in trying to determine the effect that revocation would have on the U.S. industry.

I think their only contrary argument is that they don't want one ton from anybody, which is a different point.

MR. CAMERON: Since they raised the issue of

Korea this morning, let's discuss Korea. I mean on what basis were they suggesting that, what intellectual basis are they suggesting that Korea should be decumulated from everyone else last time? Was it conditions of competition in the United States? No. It was conditions of competition within Korea. It was Korea had become a net importer. Korea had shut down capacity. Korea was not a threat to be exporting rebar to the United States.

I will grant you that's the first time in my career in which the U.S. industry has actually agreed with me on that set of facts, even when it's true. But for whatever reason, they did. Fair enough.

But again, it's an analysis of the differences in the industry and just as it applied with respect to Korea it applies with respect to China. It's a vastly different industry just in terms of its structure and its size, and it's a heck of a lot different than LM alone in Latvia.

COMMISSIONER PEARSON: Okay. So walk through for me once again the changes, or why if we were to revoke with respect to Latvia in specific why we should not have a concern that it would be more likely than not that there would be an increase of imports from Latvia that would lead to recurrence of material injury. Just walk me through the basics.

MR. CAMERON: I think the basics are, number

one, until last month Latvia was producing at full capacity. They have markets that they are selling to. This is not a market that they have to sell to. They have plenty of orders and plenty of markets.

Despite what is being said by Petitioners with respect to the nature of the market, these markets are still active. They are stable with slow growth, but they are stable with slow growth. That has been sufficient for us to be selling at full capacity.

No one else is coming to the United States. Why not? Aside from Turkey other producers, and again there are a number of producers that are not covered, we believe that they're not coming to the United States for reasons similar to Latvia. In other words, the United States industry is quite strong. It's a very competitive market. And it's very difficult to compete in this market given domestic preferences and given the ability of the U.S. industry to service this market.

So yes, we can A, disrupt our production process and produce a hot rolled ASTM that we can put on a ship and send over here, which is a higher cost product that we are going to then send into the most competitive market in the world and expect what out of that?

In other words, it simply doesn't compute. Our costs now are higher than they were when the order was first

put into place and when we left the market.

Finally, the evidence is Canada. For the same reasons that we don't ship to Canada, the same reasons we don't ship here. Ocean freight is also obviously a considerable cost.

COMMISSIONER PEARSON: With regard to European Union producers that are within the Eurozone, has there been enough of a change in the relative value of the euro versus the dollar compared to the time of the last review so that we should be mindful of that? Does that have any influence on the potential ability of European producers to sell profitably to the United States?

MR. ZAHARIN: I think it's a two-fold question. I don't remember what it was as far as the exchange rate, but it is a fact that the exchange rate is rather volatile. Of course there are mechanism to hedge but it's an additional cost factor. You can say it's minuscule in comparison to the rest of the cost structure, but it adds up. We're operating in an overly competitive environment today. Every penny counts, as we heard today, and we say it's true.

COMMISSIONER PEARSON: For purposes of post-hearing you might give us a little analysis of that because if there's been a material change in the exchange rate then that could be something we would want to think

about.

With that, Mr. Chairman, I believe I have no further questions so allow me to express my appreciation to all of you for being here today.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Aranoff?

COMMISSIONER ARANOFF: Commissioner Pearson stole my cumulation question. So let me just go back. We were talking about the current operating status of LM and some of the difficulties that the company has been having.

One of the things that was discussed this morning was some kind of a loan or guarantee that LM has received from the Latvian government. If you can do it publicly can you describe exactly what that is?

MR. ZAHARIN: Provided the amount of public information I don't think there is anything that precludes us today at this moment to comment.

The state of Latvia, the treasury of Latvia issued a guarantee on behalf of LM to the financing bank for the purposes of the financing of the modernization program. That guarantee, the application went for an approval in the European Commission back in 2009. For the purposes of analyzing whether it is to be considered subsidy. The decision of the European Commission was it's not. It's done on the market rates, on the market basis,

and therefore they approved of the guarantee to be issued by the state treasury.

COMMISSIONER ARANOFF: So all of that predates the current liquidity crisis that the company finds itself in, so the reference to that guarantee has nothing to do with any kind of a government bailout that's being received.

MR. ZAHARIN: Absolutely.

COMMISSIONER ARANOFF: Is the government of Latvia currently considering any further measures with respect to the company and its financial situation?

MR. ZAHARIN: The government is debating, we are in negotiations on several aspects, one of them being that piece of tax that we described with respect to the green energy. It is a consideration for the government, of course, because we are the largest industrial company in the country. The potential consequence of the company being shut down would, they would be disastrous for the town of Liepajas.

So we are in negotiations with the government on these issues but within the framework that is legal provided the restrictions that the European Union has over financial assistance to the steel sector.

COMMISSIONER ARANOFF: The financial guarantee you had received with respect to the modernization

project, that is still in effect or that has ended? How does that work?

MR. ZAHARIN: This is still in effect. The facility is in place until 2020. So the guarantee will have to remain in place until that date that the loan is repaid.

COMMISSIONER ARANOFF: But you can't take out any new loans against the guarantee?

MR. ZAHARIN: No. It was a guarantee for a specific purpose and it cannot be used for any other.

COMMISSIONER ARANOFF: I appreciate those answers. With that I don't have any further questions at this time. But thank you very much for all of your answers today.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman.

I'm going to take one more crack at this question about Turkey. I understand the testimony that you've already given about not seeing significant inroads by Turkey in the European Union market, but is there any barrier? We had testimony this morning that there's a trade agreement between Turkey and the European Union. Is there any barrier to Turkey increasing its exports of this

product to the European Union?

MR. ZAHARIN: I probably have to say that to increase shipments to the existing markets in the European Union I wouldn't see frankly any reasons why this would not be possible. To expand its presence to the markets where Turkey has not supplied previously, yes, there are obstacles. You need to get certified. It takes time. You have to justify that certification because it costs money to a company.

So you have to be, in respect, you have to be certain that you will be able to sell a certain quantity of product to justify the expense of certification.

That would be the answer.

COMMISSIONER PINKERT: Thank you.

Turning to the impact of revocation, or the potential or likely impact of revocation in the United States, can you give us some idea of whether the channels of distribution with respect to any Latvian imports into the United States would be different from the channels of distribution used by the domestic industry such that there would be some attenuation of competition?

MR. ZAHARIN: I think our colleagues in the domestic industry would agree with me that today to get a 15,000 ton order, you really have to work. Things don't happen as easily as they did in the previous years.

So we would have to limit ourselves to the type of customers that can move tonnages. And I don't think we're in a position today provided that we've been out of the market for quite some time, as we said, 12 years. We had the order and we stopped shipping in 2005, so about seven years. We can't say that we kept in touch with our customer bases to say that the large customers are still in the game, are they somehow left the market and doing something else? But the limiting point at this time would be finding those customers that are able to take such big orders. That in my opinion would be challenging task.

COMMISSIONER PINKERT: I would ask, Mr. Cameron, for the post-hearing to take a look at the channels of distribution issue and see if you wish to make the argument that there would be some attenuation of competition. I understand your primary argument is that there would be no discernible adverse impact, but --

MR. CAMERON: Your point is well taken and we will look at it and give you an analysis.

COMMISSIONER PINKERT: Thank you.

Concerning the austerity measures taken in Latvia, I know there is a lot of debate out there about what the impact on the Latvian economy has been, but maybe you can give us some indication of what impact it had on the value of the lat relative to European currency and

relative to the U.S. dollar.

MR. ZAHARIN: That's an easy question to answer. Lat has been fixed to euro since 2004. And the percentage of deviation allowed by Central Bank of Latvia is two percent up or down. So in effect we've been having euro since 2004, we just don't want to admit it.

I should stop there.

(Laughter.)

With respect to dollar, since we are effectively having euros, so whatever happened with the euro/dollar parity is what happened to lat/dollar parity. It's the same thing practically.

COMMISSIONER PINKERT: Did the austerity measures have no impact on the ability of the Latvian industry to compete?

MR. ZAHARIN: It certainly did impact the Latvian industry but not from the perception of the currency. For example, again just to use Poland as an example. Polish zloty is tied to basket of currencies, so it's all over the place. Poland is an export oriented country. I know you're asking me about Latvia, but this is the difference within Europe that allows some countries to employ economic instruments to make themselves more competitive within the EU. Latvia doesn't have that.

So as far as the crisis is concerned, I think

we are small and we are easy to handle in the way that we first in, first out. We dived into the crisis and get out of it pretty quickly. We're still feeling the consequences of it and it's a debatable issue whether or not it's justified approach to solving crisis situations, but as I said earlier, we've been growing, our economy has been growing for the last two years. Small economy, but it is growing.

COMMISSIONER PINKERT: Thank you.

I want to give you an opportunity to respond to the argument that LM has an established track record of switching from market to market whenever it has an opening.

Do you agree with that statement that was made by the domestic industry? If not can you explain why not?

MR. ZAHARIN: If we look at the figures, just in abstract, of course one may say that we're jumping from market to market disregarding the customer relationships and merely making decisions on the prices.

That's not true. We of course shift our emphasis. We're a commercial entity. We are profit driven in terms of making value for the shareholders. But I think we've been consistent in the way of making sure that our primary market are within the European Union. More so, they are within the Northern European states.

Now I wouldn't pay too much attention to how much

we sell to Germany versus how much we sell to Poland. It all depends how individual market is conditioned in a particular year.

Again, I would like to make a comparison and insist that there is quite a bit of resemblance today between the United States domestic market and the European Union domestic market. We're more like the United States. We're becoming more like the United States. So shifting of sales in between the countries within the European Union, this is normal and it will happen.

What concerns the third market sales, the sales to Algeria are justified by having the free trade agreement. There is really no other reason why the European Union mills sell to Algier. And yet our 300,000 tons last year sold to Algier account for 10 percent of the market consumption, less than 10 percent.

So yes, it may sound in absolute terms like a terrific result, but as a market share it's not significant. We can take Poland. Polish consumption is over a million tons, close to a million tons. We sell 250,000 tons to Poland, 300,000. It's 25 percent. And it's a neighboring country. Is it too much? That's a matter of judgment.

COMMISSIONER PINKERT: Thank you.

With that I have no further questions for the

panel. I appreciate your testimony and look forward to the additional information in the post-hearing submission.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you Mr. Chairman.

LM has argued that it enjoys preferential transportation tariffs on shipments within the European Union. Could one of you please explain what these preferential transportation tariffs are? That's something I'm not familiar with.

MR. ZAHARIN: Thank you for the question.

This issue is particular with respect to Poland. We as a state of Latvia import quite a bit of various products, commodities from Poland. LM as a producer gives an opportunity to transportation companies to go back, to get their fleet back to Poland with some cargo in it as opposed to going empty.

That's been the case for several years now. We practically ship for half the price of what it takes to bring imported material to Latvia in comparison to what it costs to go back to Poland,

To give you a specific example --

MS. MENDOZA: It's not a tariff, it's not a tax.

MR. ZAHARIN: No, it's cost of freight.

If a ton of rebar it costs to bring from Poland to Latvia about 40 euro, let's say for the sake of argument, it would cost us 20 euro to bring the very same ton of material back to Poland.

MS. MENDOZA: I think it may have been confusing because we referred to it as a preferential tariff, but it's not. All we're saying is that we have better freight rates because what happens is because the balance of trade is in Poland's favor and Poland ships so much to Latvia, that rather than return empty, the freight companies are willing to give them a pretty good deal on their freight costs to take it back. I think that's all he's saying. I don't think he's saying it's government controlled or set tariffs or anything like that.

COMMISSIONER JOHANSON: Thank you for clarifying that. I was quite confused, because this is the European Union, what's a tariff doing on shipments between Poland and Latvia. That helps out quite a bit. Thank you.

Mr. Zaharin, you've been very busy today so I apologize I'm going to pose yet one more question to you, but I guess that's why you came all this long way, right?

MR. ZAHARIN: Correct.

COMMISSIONER JOHANSON: I believe you

mentioned earlier that one reason that LM does not export to the United States is because of the duties are low. There is an AD order in effect, but the duties are low.

What are the duties right now? According to the staff report the duties are about 17 percent. Is that --

MR. CAMERON: The 17 percent is what the Commerce Department provides to you as the likely dumping rate in case the order --

MS. MENDOZA: It's really just the original rate.

COMMISSIONER JOHANSON: What is the current base like five percent or something?

MR. CAMERON: Five point --

COMMISSIONER JOHANSON: You mentioned that, and I apologize. I'm confused.

So it's about five percent. But still, that is, for a product which some in this room would characterize as a commodity product, I know you don't, but still it's a fairly high tariff, five percent.

MR. CAMERON: Five percent antidumping duty. If you are selling to this market, actually they had started out with 17 and went down to zero. Why? Because the 17 percent is a deposit rate. It comes back to you, it can be remitted if in fact you are found not to be dumping and your sales are at prices that are not a fair value.

The five percent antidumping duty is not all that great of a barrier. If in fact the prices are right in the market.

I don't see that as all that significant. Historically we haven't seen that.

MR. ZAHARIN: I would probably say that in today's environment the freight cost, transportation cost is more of a factor than the current duty margin.

COMMISSIONER JOHANSON: Thank you. It just still seems to me five percent, I have to think this through some, but it does seem on a product which once again some would characterize as a commodity product is somewhat high.

MR. CAMERON: Commissioner, five percent duty is not a five percent duty that gets paid. Five percent duty is a five percent duty that gets deposited. Then we're going to have an annual review of that and see whether it's going to be five percent, is it going to be ten percent, or is it going to be zero.

The five percent rally is a contingent number. It is not an absolute number. And that actually is the reason that producers that have relatively low rates can in fact export to the market and with the ability to get the duties back as opposed to having a five percent duty that will be paid.

It's just an important clarification given the way the antidumping law works.

MS. MENDOZA: Also just to note, when they shipped the quantities that they shipped in the last Sunset Review period, I think it was 2004 and 2005. They were in fact, they were subject to that five percent duty, so the shipments that you're seeing coming in from Latvia in that period were the ones that were subject to the five percent duty.

Alex explained that it's the importer of record who's paying that, not them. But in fact they could export at the five percent duty and did so.

So it was other factors that took them out of the market, not the duty level.

COMMISSIONER JOHANSON: Thank you for your responses.

This next question is perhaps you have addressed it in some ways today but I'm going to ask it again. I think it's somewhat relevant. And this has been a very long day and I'm the last one to be asking questions so I apologize. I don't want to be repetitive, but I'd just like to get a bit more, to have you all discuss this a bit more.

You all note at page 16 of your brief that the rebar industry in Latvia operates at a higher capacity

utilization rate as opposed to other subject countries. Why do you think this is the case? It is quite high capacity utilization.

MR. ZAHARIN: It's the same question that I keep on asking my management at the end of the year when they distribute bonuses.

(Laughter)

Somehow they ignore that.

The answer to that is we try to diversify our sales. We are the company that produces one product. That's rebar. There is no other substantial revenue that comes into the company from sales of other residuals, small things that we do.

So for us it's quite important to keep our foot in as many doors as possible.

The cost is a key to survival as we say today. The name of the game is not trying to sell your product at \$2 better than your competitor. The key today is to produce one dollar below your competitor cost. Capacity utilization plays a huge role into your overall cost per ton.

So whereas one may say that okay, you'd probably be better off if you produce at 70 percent capacity utilization as opposed to 100, we argue that provided the market environment, we are better off to produce at 100

percent and try and sell our product in as many markets as possible.

In a nutshell, the higher the capacity utilization the lower your costs. The lower your costs the better chances of survival you have. That's the line of argument.

COMMISSIONER JOHANSON: If LM is decreasing its production and having to lay off workers as has been reported in recent industry publications, wouldn't this provide an extra motivation to keep a high fixed cost plant running by exporting to the United States?

MR. ZAHARIN: Can you please repeat the last part of the question? I didn't get that.

COMMISSIONER JOHANSON: Given that, the current situation being faced by LM, you run at high capacity which is understandable because you have a high fixed cost plant which is in operation right now. So you want to run as much as you can.

Wouldn't you have an incentive to export to the United States?

MR. CAMERON: In other words --

COMMISSIONER JOHANSON: I don't know how clear I'm being with this question. I'm not entirely clear what I'm asking but I have an idea of what I'm getting at.

MR. ZAHARIN: You are being clear, I just --

MS. MENDOZA: I think one thing we would say about that, and I'll let Alex answer, but one of the points we've been trying to make all along is that the big problem for them is not the orders it's the scrap. Without having the financing to get the scrap and to pay for the electricity, they can't produce. If they can't produce, they can't sell. So for them I think they're in a little bit of a unique situation here because it's not a matter of being able to run the mill at full capacity. They can't. They don't have the raw materials to be able to do that.

MR. CAMERON: In other words, just because they get an order from the United States doesn't mean that okay, now they can run the mill. They actually have orders right now but they can't fill the orders that they have. So the fact that you're going to provide the U.S. as another market doesn't really address the fundamental problem they're facing which is the liquidity problem and the tax issues.

COMMISSIONER JOHANSON: All right. Thank you. Perhaps mercifully my time has expired. I had a hard time putting that last question together. So I thank you for your responses.

CHAIRMAN WILLIAMSON: I have just one additional question. The Petitioners argue that the AUVs

used for the U.S. are substantially higher than AUVs for rebar from the subject countries, and this was provided in some of our foreign producers to ship to the U.S. if the orders were revoked. I was wondering if you agree with this use of the AUV data as proxy for prices and with the conclusion that the Petitioners are drawing from this?

MS. MENDOZA: Well, first of all, I think that you have to look by market because I think that if you look at LM's exports, particularly to the European markets, I think you'll see that those prices are very comparable. In the case of Algeria, they have a 15-percent tariff advantage, so that's big, so no, and I also think that in most products it's very hard to compare AUVs, and I think that we would argue that our product was also lower-priced in terms of the way it's produced because of that, and maybe you can elaborate for him? Sorry, I know he's getting tired.

MR. ZAHARIN: Sorry. I require a caffeine injection at this point.

CHAIRMAN WILLIAMSON: We do have a time zone difference.

MR. ZAHARIN: I really cannot add more substance to what Julie said.

CHAIRMAN WILLIAMSON: Okay.

MR. ZAHARIN: We've spent enough time

discussing this issue.

CHAIRMAN WILLIAMSON: Okay. Good.

MR. CAMERON: I mean, but this whole AUV issue again gets back to the issue of so where are the rest of the non-subject imports? I mean, okay, so I know about Turkey, but where is everybody else because what they're proposing with this argument is the United States is a price magnet. They have also said that all of the other markets are shut down or practically shut down and that therefore this is the market where everybody wants to be.

I get it. All right. So if that's your argument, where is the data that supports the argument, and what we're suggesting to you is the data doesn't support the argument that's it's simply a matter of comparing AUVs and therefore you know where the steel's going to end up. There's more to it than that.

MS. MENDOZA: And I think in addition to that, if you look at the data, and it's all confidential, but it's in Petitioners' brief, and you look at it, and you compare what's there in terms of Europe and the U.S., you're going to see that the trend pretty much starts in 2007, and so as Don said the question is if the price differentials have been in existence since 2007, this is not a new phenomenon, then why haven't the European imports come into this market?

CHAIRMAN WILLIAMSON: Okay. Do the role of integrators, the training companies, do they play a role in this situation since they are the ones that may decide where they want to ship your product to, they buy it?

MS. MENDOZA: I think, you know, certainly they will have a role, and I'll let Alex answer. I'll give him a little bit of a break, but, I mean, what we discussed is basically that different countries use traders, and the fact of the matter is that if you look at the patterns of trade today, whether it be Canada or the U.S., it just doesn't support that theory. You just don't see a lot of trade in products from all of these non-subject countries in either Canada or the U.S.

While theoretically it sounds somewhat logical, I mean, the reality, the record doesn't confirm that's in fact what's going on, and so it means that there have to be a number of other factors that are either creating a situation in the United States where there's so much domestic preference it's hard to penetrate because these guys are very competitive, very aggressive, or it's the situation where for various cost reasons foreign countries can't get here and compete, and I think the record is the record, and the fact of the matter is that regardless of the existence of traders, you're not seeing that.

MR. CAMERON: I mean, I think that we need to

back off a little bit on this issue of traders. Traders aren't exactly the ideal that you want in global trade, and with all due respect to CMC, using trading houses for a producer is a high cost. There are costs that go along with this. I mean, you're now putting somebody else in the supply chain. They're not there for free.

They are taking a piece of the action, and so if you're a producer, you are reducing your return by using traders, so, I mean, yes, traders are out there. You can ask them why they're not importing from everywhere else, but what I can say is that frankly the issue is the market conditions here.

I think that has a lot to do with this analysis and a lot more to do with it than, for instance, the existence of global traders, but I don't look at global traders as being a magnet for every ton of steel that's available in the world and certainly producers, they have to think hard before they start using traders. There is a process.

CHAIRMAN WILLIAMSON: It's not part of their preferred strategic plan?

MR. CAMERON: It's not part of the preferred strategic plan, exactly.

CHAIRMAN WILLIAMSON: Okay. Actually, with that, I have no further questions. Any other Commissioner

have questions? No. Good. Does staff have any questions for this panel?

MR. CORKRAN: Office of Investigations. Thank you, Chairman Williamson. Staff has no additional questions.

CHAIRMAN WILLIAMSON: Do Petitioners have any questions for this panel?

MR. PRICE: Petitioners have no further questions.

CHAIRMAN WILLIAMSON: Good. Okay. Thank you. I guess that concludes, and I want to thank this panel for their testimony.

MR. CAMERON: Thank you.

CHAIRMAN WILLIAMSON: And we'll move to closing statements as soon as I can find the guidelines. Okay. Time remaining, so those in support of continuation have four minutes direct and five minutes for a closing for a total of nine minutes, and those opposed to the continuation have 19 minutes direct and five minutes of closing. Our tradition is usually to combine the direct and closing statements, and there's no objection to that, and soon as the panel's had a seat, we can invite the supporters to come forth for closing statement. Okay. When you're settled, you may begin.

MR. KAPLAN: Good afternoon. I'll try to be

brief. I want to address several issues that were discussed during the afternoon. I think there is a problem in that Mr. Cameron's data is a little old as we've discussed earlier. He talked about Europe growing slowly. The latest forecast that was discussed this afternoon that was changed is that construction will now shrink in Europe.

I spoke to the representative from CMC from Poland, and he told me that several of the large energy projects discussed have been canceled, and so that demand is no longer there. I will stop and wish Don and his wife a great trip to Europe, however. On to the next issue. Let's think about the countries that might come to the United States, so what I did is I looked at the top 10 net exporters of rebar to the world.

Turkey, they're in the United States. Ukraine, they're under order. Belarus, they're under order. Poland, they're under order. China, they're under order. Mexico, they're in the United States. That leaves Spain and Italy. Spain and Italy each had net exports of about 1.4 million short tons. Over 70 percent of both their country's shipments went to Algeria, so they're in Algeria along with Latvia, and Algeria's building a mill. Europe is, while not shutting down, unless he's there in August, and they're all at the beach, is slowing down.

The reasons eight of the top ten countries are excluded or in the United States, two of them have massive shipments to Algeria, and it's something that Petitioners are monitoring as Algeria builds out what will happen to Spain and Italy, but imports are here from the top places. We're worried that other ones will come here, and we're seeing the markets that the Latvians are in going down, and one final point, and this is a credibility issue that Alan will get to later.

I was a little bit stunned when the representative from Latvia suggested that 75 percent of rebar was welded. I mean, I don't belong or work in the auto industry, but that's a bit like saying 75 percent of cars are used as ship anchors tied by a rope on the back of a boat. I mean, we know what rebar goes into. It's reinforced concrete bars as Commissioner Pearson said, and I think that statement should be given some note when thinking about the credibility about what that individual said about the market and the uses of rebar because it was just so far off base. Alan? Thank you.

MR. PRICE: So let's continue for a minute here. Turkey exports to the E.U. in 2007 2.08 million. In 2008, 725,000 tons. It's declined since then. Frankly, the E.U. market is simply an unattractive market. You don't need to ask me that it's an unattractive market. LM has

said so itself. Indeed, this is quote, "The product prices that LM is selling at are below its actual production costs at this point", so you look at why they want to come to the U.S.

Well, if I were them, I too, and this is again a quote, "The option is valuable". It's always valuable to come to the U.S. Well, it's valuable to come to the U.S. because the current market is just in terrible shape. Now, as we move forward here, I was very curious about Mr. Zaharin's chart. It actually is missing most of the Latvian exports.

If you compare it to page I-8 in your staff report, that's because most of their exports were shipped to the U.S. as alloy product and escaped the duties, and as the duties came back on, they disappeared from the U.S. They didn't have the shipping economies of scale, and so they went elsewhere at that point. Now, we can talk all we want about why people do what they do or don't want. There really was, I think we all agree, a global financial crisis that really tied things up. Things are freeing up. We're seeing the Turkish producers come here right now.

In addition to the non-payment of duties, which essentially corresponds to most of their shipments in the U.S., and I think the fact that they're now losing money means you should be using what commerce tells you what the

duty that would occur if they weren't dumping, that 17 percent is really what the relevant number is here. These guys immediately exited once again even when a five-percent duty had to be imposed.

We know that they're Polish shipments are down dramatically. They'll say well, all of a sudden well there's no demand in Poland. Well, you have orders in Poland. I couldn't quite tell where they were coming from in this. What we do know is the Polish authorities have engaged in a vigorous enforcement campaign, and as that happened, their customers disappeared, supposedly long-term reliable customers except for the fact that in their own statements their customers constantly change every two or three months because they constantly go out of business to avoid paying VAT.

Now, we'll go through all the evidence of this in our post-hearing brief, but what kind of steel company does business that way, and what does that tell you about them. There's a lot of press about this company. I sat through this really amazed to hear them talk about their current operations here because if you read the press, and it's all over the place in the Baltic press and the Latvian press, they're sort of in the equivalent of a semi-Chapter 11 stage right now.

The government's trying to figure out how to

reorganize this company, how to get the shareholders to put back the money they may have taken out of the company through various schemes, whatever. We can all talk about that, this company is desperate. It needs to sell product. It needs to sell product in a profitable market. We heard about freight rates today. I've got to tell you I know what their base of freight rate, discharge rate is. Our client's understand it. It's not \$20 a ton. We know what the freight rates are.

If you look historically what the Latvian freight rates are from the import data, it doesn't match \$80 a ton, and freight rates have come down since that 2005, 2006 period, and they're at rock-bottom levels. Again, not a big issue, but let's keep throwing things out here to try to say oh, we're not going to come to an attractive, open market. Production methods, we've talked about some of the issues, but if you put product that's Thermex on a boat to Algeria, guess what? It's about the same transportation time. If that was really an issue, they would have problems selling it in Algeria.

It's not really an issue. The production issues are not really an issue. It's a minor difference in the production process, and if you're going to do long runs, which is what these guys really need to do in a profitable market, they'll make any minor changes they

would even need to do. Now let me go to Mr. Shane.

MR. SHANE: Thank you. Just a couple of quick rebuttal follow-up points here. In terms of what has changed since the last sunset review, as everyone has recognized, including LM itself in its public statements, the E.U. market has collapsed despite what Respondents' counsel has said today. LM has shut down because of a lack of orders, and that's in their public statements over the last two weeks or so. You can see clear evidence of that.

For Latvia, the E.U. market was almost exclusively Poland. As you've heard today, those Latvian sales were based on a fraudulent VAT scheme, which has now been shut down. Ocean freight costs have continued to decline and are at the lowest levels since the inception of the case. We've provided actual detailed freight costs as you've heard showing that it's the same or less to ship to the U.S. than to alternative markets in the E.U. or to Russia.

In terms of why the rest of the world is not coming to the U.S., to some extent obviously there's some uncertainty here. We don't necessarily want to speculate, but many of the events effecting the markets around the world are very recent. For example, the contraction in Europe, new capacity in countries such as Russia and Algeria, that's fairly recent in terms of coming

online. Also, the U.S., it's recovering. It's slow and rocky, so it's not surprising that you're just now starting to see interest in the U.S. market.

MR. KAPLAN: So we appreciate the Commission, the opportunity to present our case before the Commission, and we will lay out some additional information in our post-conference brief, not the least of which is that a major trading company's their third largest creditor in their workout.

CHAIRMAN WILLIAMSON: Thank you.

MR. CAMERON: So we have what? A half hour or something?

CHAIRMAN WILLIAMSON: No, you don't. Don't you dare. Mr. Cameron, Ms. Mendoza, you can begin when you're ready.

MR. CAMERON: I just have two short remarks, and then I'm going to turn this over to Julie. With respect to the issue of the 75 percent that Mr. Kaplan refers to as a credibility issue, with all due respect, our client said explicitly that was what he had understood had been said by the witnesses for the events affecting the domestic industry this morning. If they were mistaken, if he was mistaken in that understanding, we have no problem in correcting it, but that was what he had understood from the testimony.

I find that reaching to consider that to be a credibility issue with our witness on that. It's a bit of a stretch. In fact, I'd suggest to you that it wreaks of a bit of desperation on the part of the Petitioners to suggest that. Secondly, I mean, I'm glad that for counsel the issue of Thermex is not an issue in the U.S. market. Everybody accepts it. There's absolutely no question about it, and this is absolutely unbelievable that they would suggest this.

Well, I mean, that's great, but what we submitted was the actual orders, and it's highly unusual for somebody to specify no Thermex if in fact it's acceptable to them in the marketplace. There are physical reasons why. Do we happen to like it? No. This isn't our choice. This happens to be the result of the market. That's the way markets work, and that's the way this market works with respect to our imported material, and we will be glad to provide an update on that. Thank you.

MS. MENDOZA: Just a couple of additional comments. First of all, I've heard a lot from counsel about what's been in the press and what people have been saying, et cetera, et cetera, and I'm familiar with the press and how they report things, and I would just say that one thing we are going to submit for the record is the actual investigation by the Latvian tax authorities, which

you will see concluded that they found no evidence that LM was involved in any way in any of those schemes and that while they're continuing to investigate any and all allegations, nothing has been proven.

The second thing that seems to get lost is that LM has not been involved, can't be involved in those schemes because the people involved in those schemes are in Poland. They're Polish importers, resellers or other countries. I don't know who they are, but obviously LM is not located in those countries in making those sales or having the obligation to pay the VAT tax to the government.

The dispute over the situation in Poland, I guess, is understandable in the sense that people see the glass half full, half empty. I think we put on enough evidence to suggest that while there may be a slowdown, and I believe now we did have something to the effect that there is in fact a slowdown, not a collapse, that people may differ about that.

It may affect different parts of the country differently, and we're certainly willing to go out and put more evidence on the record in our post-hearing brief about what we consider to be the situation in Poland since everything seems to come down to a question of what's going to happen in Poland because of course if they don't have

Poland, they're going to immediately export to the United States, and of course, they haven't proven that either, so I don't think that's really the key issue here. I think it's one issue about where they sell, but it's certainly not the only one that prevents them from shipping to the United States.

The only second point I would have is that in terms of their analysis of which European countries are relevant to the Commission's analysis, I would suggest that the countries that have actually exported to the United States in our data that we submitted in the chart is the relevant analysis because the question is what happened in 2004 and 2006, and when the situation turned bad in Europe, you're not seeing any of those countries come back in.

I don't know how they've decided that certain countries are more relevant than others, but I would submit the real question is why aren't any of these countries back in the market into the U.S. market because the real question here is if you take off the order, what's going to happen, and what we submit is what's going to happen is exactly what happened here. They're not going to come back into the market either. Thank you. That concludes our --

MR. CAMERON: Thank you for your patience.

CHAIRMAN WILLIAMSON: Okay. Thank you.

Thank you to everyone who testified today. Closing statement, post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by May 6, 2013. Closing of the record and final release of data to parties is June 3, 2013. Final comments are due by June 5, 2013, and with that, this hearing is adjourned. Thank you.

(Whereupon, at 5:03 p.m., the hearing in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Steel Concrete Reinforcing Bar
INVESTIGATION NO.: 731-TA-873-875, 878-880 & 882
HEARING DATE: April 25, 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: April 25, 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: Gabriel Gheorghiu
Signature of Court Reporter