UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	
OIL COUNTRY TUBULAR GOODS	)	Investigation Nos.:
FROM INDIA, KOREA,	)	701-TA-499-500 and
PHILIPPINES, SAUDI ARABIA,	)	731-TA-1215-1223
TAIWAN, THAILAND, TURKEY,	)	(Preliminary)
UKRAINE, AND VIETNAM	)	

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Tuesday,
July 23, 2013

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

The preliminary conference commenced, pursuant to Notice, at 9:33 a.m., at the United States International Trade Commission, CATHERINE DeFILIPPO, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

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CONGRESSIONAL APPEARANCE:

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In Support of the Imposition of Antidumping and Countervailing Duty Orders:

On behalf of Boomerang Tube; Energex Tube, A Division of JMC Steel Group; Northwest Pipe Company; Tejas Tubular Products; TMK IPSCO; Vallourec Star, L.P.; Welded Tube USA, Inc.; and The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW):

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SCOTT M. DORN, General Manager-Tubular Marketing, U.S. Steel Tubular Products, Inc.
JOHN B. SHOAFF, President, Sooner Pipe, LLC
SCOTT DuBOIS, President, Premier Pipe, LLC
STEVE MILLER, Co-Chief Executive Officer, Cinco Pipe & Supply
MICHAEL WHINSTON, Professor of Economics, Massachusetts Institute of Technology
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DAVID ECHAVARIA, Vice President of OCTG, Duferco Steel, Inc.

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In Opposition to the Imposition of Antidumping and Countervailing Duty Orders: (Cont'd.)

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P R O C E E D I N G S

(9:33 a.m.)

MS. DeFILIPPO: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping and countervailing investigation Nos. 701-TA-499 and 500 and 731-TA-1215-1223 concerning imports of Certain Oil Country Tubular Goods From India, Korea, Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine, and Vietnam.

My name is Catherine DeFilippo, and I am the Director of the Office of Investigations. I will preside at this conference. Among those present from the Commission staff are, from my far right, Douglas Corkran, the supervisory investigator; Michael Szustakowski, the investigator; to my left, Peter Sultan, attorney/advisor; Nataline Viray-Fung, attorney/advisor; Craig Thomsen, economist; Charles Yost, accountant/auditor; and Alan Treat, the industry analyst.

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

Finally, speakers will not be sworn in, but are reminded of the applicability of 18 U.S.C. 1001 with regard to false or misleading statements and to the fact that the recording of this proceeding may be subject to Court review if there is an appeal.

Are there any questions?

(No response.)

MS. DeFILIPPO: Hearing none, we will now proceed with opening statements. Mr. Schagrin, welcome. Please begin your opening statement when you are ready.

MR. SCHAGRIN: Good morning, Ms. DeFilippo and members of the Commission staff. The last several years should have been great years for the U.S. OCTG industry. Demand has increased strongly as high oil prices and new technology have opened up many new areas of oil and gas exploration in the U.S., meaning that much more OCTG has been needed. The U.S. industry has added significant capacity in anticipation of this boom.

Unfortunately, a large number of producers in other countries have come from almost out of nowhere to grab a significant share of this market, and they grabbed market share on the basis of prices that were significantly below U.S. market prices. The U.S. industry has lost market share and had to lower its prices when it should have been increasing market share and maintaining or even increasing its prices. That under the statute is the very definition of material injury by reason of dumped and subsidized imports.

First, the subject imports bought market share by consistently underselling the domestic industry. This underselling took away potential increased production, shipments and employment from the industry, which had been expanding its capacity through investments of billions of dollars in new plant and equipment, and then these imports forced the domestic industry to cut prices to try to regain volume.

In fact, respected industry price reporting publishers such as Pipe Logix and OCTG Situation Report have reported 12 successive months of price declines beginning in the second quarter of 2012, a period when demand was still growing briskly. The blame for this price suppression and depression is squarely on the increased volumes of subject imports that have been underselling the domestic industry.

Second, as you will hear from four of the largest distributors of OCTG in the United States, this surge of unfairly traded imports led to a bloating of inventories in the U.S. market from less than four months on hand to 5.5 months in the most recently reported data.

As this Commission knows from past investigations of this product, OCTG pricing patterns are very sensitive to major changes in inventory. The lion's share of the growth in inventory in the U.S. market came from unfairly traded imports. The effects of this over inventory situation continue to be felt strongly in the market today and will last for many months to come.

Third, in spite of the 43 percent increase in U.S. consumption during your three-year POI, domestic industry profit margins declined instead of increased. In a cyclical industry where investment in new plant and equipment runs into the hundreds of millions of dollars or even over a billion dollars for a new seamless plant, it is simply critical that industry profit margins increase during the strong part of the business cycle.

Both my own experience and that of the

Commission with this product over the last 30 years demonstrates that even when all forecasters believe that the up cycle will never end, it is inevitably followed by a down cycle. If industry members cannot increase profit margins significantly during the up cycle then there will be layoffs, plant closures and bankruptcies during the down cycle.

Fourth, the import surge, the bloating of inventories and the underselling by unfairly traded imports are now taking a dramatic toll on the OCTG industry in 2013. Due to the nature of program pricing that is prevalent in the industry and the lag effects that this creates between the arrival of massive quantities of low priced imports and its translation into future pricing adjustments between producers, distributors and end users, average prices in the industry in the first quarter of 2013 are 15 percent below average prices in the first quarter of 2012.

The result has been a more than two-thirds decline in profits and profit margins to dangerously low levels. The situation is continuing, and the industry is finding itself in a serious cost/price squeeze between higher costs and lower selling prices. This has already driven several members of the domestic industry into financial losses.

Foreign producers subject to this investigation, many of whom have no or small domestic markets for OCTG, have targeted the U.S. market, which continues to account for half of worldwide demand. Massive new capacity has been added in many of these countries over the past several years. There are no other outlets for this overcapacity, and the U.S. industry is extremely vulnerable to further increased imports.

After trade relief was granted from unfairly traded imports from China, the U.S. industry has taken advantage of a once in a lifetime transformational opportunity to bring on the newest, most highly efficient capacity in the world to serve expanded oil and gas production in the U.S. These new investments must earn their cost of capital or they will cease.

Failure to impose trade relief against foreign producers would rob the U.S. economy of the opportunity to utilize this capacity with American workers to supply its own market. It will dash the hopes of investors and, most importantly, workers who hope to leave unemployment rolls for $60,000 to $70,000 a year manufacturing jobs instead of part-time jobs in restaurants and bars.

I ask this Commission to make affirmative injury determinations so that these aspirations can become reality. Thank you.

MS. DeFILIPPO: Thank you, Mr. Schagrin.

We will now have opening statements from Respondents. Mr. Cameron, are you doing the honors this morning?

MR. CAMERON: In part.

MS. DeFILIPPO: Welcome, Mr. Cameron and Ms. Noonan. Please begin when you're ready.

MR. CAMERON: Thanks. Don Cameron, joint Respondents. Actually contrary to Roger, the last few years actually have been good years for the U.S. industry. We've been hearing about this case for two years to the point that nobody believed it would be filed.

Imports were increasing, but the case wasn't filed in 2011. Why not? Oh, that's right. U.S. producers were making strong profits, and every other performance indicator was positive. Petitions weren't filed in 2012, despite an increase in imports. Oh, that's right. Profits, other indicators again.

So they file over the Fourth of July weekend against imports from nine countries. The substantial volume of imports by Petitioners from their own affiliated overseas operations during the same period are of course conveniently excluded. Profits and shipments turned down in the first quarter of '13 and that's it. So I'm sorry, but when I look at that that's pretty thin gruel.

During the POI, domestic capacity, domestic production, domestic shipments, employment, wages, all increased substantially. Nonsubject imports by the domestic producers also increased substantially between 2010 and 2012. The domestic industry's total shipments, domestic production plus affiliated nonsubject imports, are almost double the increase in the volume of subject imports. Domestic profitability on their U.S. operations during this period was steady and in double digits.

Despite the complaints about prices, the data collected by the Commission so far doesn't really indicate significant underselling. To the contrary, it shows prices in the range one would expect for imports with long lead times. There is nothing in that data that confirms the industry's allegations of material injury or threat.

Data in the first quarter of 2013 is what one would expect with a temporary drop in demand and with falling raw material prices, which conveniently wasn't mentioned in the opening statement. When you look at the data, also look at the industry order book projections for the second quarter of 2013, which have already been shipped.

As we will explain in our testimony, the industry has compared the peak quarter with a low point, and the industry projections appear to show that producers are already recovering. This isn't the bust. It is a temporary slowdown that appears to have turned around. And, by the way, that inventory overhang from the 2009 market collapse that was in the Chinese case, that's not here either.

Finally, we will explain in more detail this industry between 2010 and the first quarter of 2013 had invested $1.7 billion in capital expenditures. That's not the behavior of an industry that's vulnerable or an industry that's threatened with imminent material injury. It is just the opposite -- the behavior of an industry that is extraordinarily bullish about the future.

Any why shouldn't they be? The domestic industry has numerous advantages that we will discuss today. They dominate the program sales segment of the market. This ensures the domestic producers essentially have first call on all major purchases by the drillers. The mills and their distributor networks work together to supply this market segment.

But subject imports are largely shut out of this market, and to the extent that they do participate they are supplemental suppliers to the programs. They have moved more and more into high alloy, high value end of the market. Finally, they have a virtual monopoly on the premium and semi-premium connection segment of the market. And finally, natural gas prices are projected to increase, which should increase drilling.

Subject imports do participate in this market. We have no apologies for that. The domestic producers and their affiliated imports dominate this market. They aren't injured or threatened with injury by subject imports. Thank you.

MS. NOONAN: For the record, Nancy Noonan from Arent Fox. I agree 100 percent with what Don just said, but I do not want the Commission to forget about the three little countries of Saudi Arabia, the Philippines and Thailand that all have less than 3 percent import share. Even if you add us all together, we are less than 7 percent. None of these three countries are in the top 10 countries by import volume, and even together we would have a minuscule market share.

I'm not sure the Commission has ever seen such a patchwork quilt of Respondents as you have in this case. While our case is strong that the domestic industry is not injured or threatened with injury, our imports are negligible and are not likely to increase in the imminent future. This is just the type of case that the statute intended to terminate at this phase of the proceeding. Thank you.

MS. DeFILIPPO: Thank you, Ms. Noonan. Thank you, Mr. Cameron.

We will now move to direct testimony for Petitioners. If the panel could make their way up and find their seats?

(Pause.)

MS. DeFILIPPO: Welcome to all the members of this panel, and I will reiterate, just because it is a very large group and the court reporter is going to have a hard time seeing name tags, if you could please remember to state your name both when you are speaking and then later when staff are asking questions. That would be very helpful. Thank you.

And, Mr. Hecht, it looks like you might be the one to start, so please do when you're ready.

MR. HECHT: Good morning. My name is Jim

Hecht. Along with my colleague, Stephen Vaughn, I would like to present an overview of this case. Some cases turn on the issue of causation. Not this one. There is no doubt that subject imports caused the domestic industry to make significantly less money than it would have done in a fair market.

The other side may claim that domestic producers are not injured because they were still profitable, but it's not their job to decide how much money American companies and workers should make, nor is the injury standard meant to protect unfair trade until domestic producers are on their deathbed.

As you will hear today from Professor Whinston of MIT, losing profits in a period of strong demand, which is what happened here, is extremely harmful to any firm. And this problem will only get worse. Subject producers have enormous incentives to attack this market, and they will do more and more harm until they are stopped by trade relief.

In 2009, U.S. mills were forced to bring trade cases against imports from China. The cases have been extremely effective. Meanwhile, demand has recovered from the economic crisis, so U.S. mills should have done extremely well. But look at what happened with subject imports. As soon as relief was imposed on Chinese imports, subject imports began to surge. From 2010 to 2012, they rose by almost 111 percent.

As you see here, the nine subject countries accounted for almost all the increase in imports from 2010 to 2012. Subject imports were not merely rising in line with demand. Even in 2010, they gained market share, and by the end of 2012 they held over a quarter of the U.S. market.

Because of the surge in subject imports. U.S. mills could not regain most of the market share that had been lost to Chinese goods. Millions of tons of Chinese imports left the U.S. market between 2008 and 2012, and the amount of OCTG consumed in both of these years was quite similar, but most of the business lost by China went to unfairly traded imports, not U.S. mills.

In the three years prior to China's surge in 2008, U.S. mills held roughly 60 percent of this market, but because of subject imports they've never been able to regain that market share. As subject imports continued to pour into this market, oversupply was inevitable. Over the last 17 months, inventories grew by over half a million tons, and everyone now agrees there is too much pipe in this market.

Nevertheless, subject imports are still coming. They may tell you that import volumes have declined in recent months, but so far this year their market share has actually shown a slight increase.

The Commission should reject the notion that unfairly traded imports are permanently entitled to hold such a large percentage of our market. The subject imports have driven down prices. The pricing comparisons collected in your questionnaires show that underselling by subject imports was significant and that it increased over the period of investigation.

This underselling has taken a toll on prices. From 2010 to 2012, U.S. demand for OCTG grew by almost 50 percent. Under these circumstances you would normally expect prices to increase, but that growth in demand was overwhelmed by subject imports, which caused prices to plummet. By January 2013, prices were much lower than they had been two years before.

Today, representatives of some of the nation's largest distributors will testify that despite strong demand, subject imports repeatedly forced U.S. mills to cut prices. Respondents may claim that they only affect the so-called low end of the market, but as you can see here prices for alloy products also fell. This is compelling evidence of material injury.

MR. VAUGHN: The impact of subject imports has also been significant. Consider two recent periods of relatively strong demand, 2005 to 2007 and 2010 to 2012. As you can see, demand from '10 to '12 was stronger than in the earlier period, plus Chinese imports were under order.

Under these circumstances, you would expect domestic profits to improve, but they did not. In fact, domestic mills made almost a billion dollars less from 2010 to 2012 than they had done from 2005 to 2007, a dramatic difference that clearly reflects the impact of unfair trade. Furthermore, this comparison is conservative. A comparison of the period from '06 to '08 would show an even greater decline in domestic profits.

As subject imports surged, U.S. mills saw their profitability erode. Although demand grew by almost 50 percent from '10 to '12, the industry's operating margin fell. This trend has worsened this year. While demand is still much stronger than it was in '10 or '11, the industry's operating margin is now less than half of what it was just three years ago.

In short, subject imports are doing

tremendous harm to domestic mills. They have attacked the API grades that make up the heart of this market. As a result, domestic producers cannot obtain a fair return on their investments, and many producers are struggling despite near record demand conditions. If these trends continue, significant shutdowns and layoffs are inevitable. By any measure, this is material injury by reason of subject imports.

Subject imports also threaten further injury. Cumulation is essential for the Commission's threat analysis. The subject imports have hit this country in a massive wave of fungible goods, and that is how they must be studied. As you can see, imports from all subject countries surged from '10 to '12. Subject imports from all countries are entering at low prices.

Respondents may argue that their shipments have peaked and that they could not possibly provide another ton to this market, but the Commission has heard this before. Korean mills made similar arguments back in 2007 in order to persuade the Commission to lift antidumping relief. The very next year, Korean imports rose by over 71 percent, and they have surged almost continually ever since. As a result, their market share has tripled.

Today, all the subject producers have compelling incentives to keep growing their exports to this market. In our briefs, we will show that they are burdened with excess capacity, but are still building new capacity. Subject producers in India and Turkey are given subsidies to promote exports. Subject mills in Vietnam, Thailand and the Philippines are owned by Chinese companies trying to get around trade relief, and all of the subject mills face a lack of good, alternative markets.

Last year, almost 75 percent of all the OCTG shipped by subject mills came to this market. Under these conditions, it is absurd to believe that subject mills will voluntarily reduce their U.S. shipments or not make every possible effort to increase those shipments. Domestic producers are facing a crisis that will only get worse unless this industry gets trade relief.

MR. MATTHEWS: Good morning. I am Doug Matthews. Throughout your period of investigation, I was Senior Vice President of U.S. Steel's tubular operations. In that position, I manage all aspects of our efforts to make and sell OCTG.

A few weeks ago, I took a new post as Senior Vice President in charge of U.S. Steel's North

American flat-rolled operations, which every year produces hundreds of thousands of tons of hot-rolled steel and hundreds of thousands of tons of rounds used to make seamless OCTG. These inputs are not only consumed internally, but also sold to many of the co-Petitioners represented here today.

OCTG is extremely important to U.S. Steel. It is exactly the type of high end, high quality product that we sell. For decades it has been essential to our tubular operations. In fact, it accounts for almost all of our tubular production. U.S. Steel's tubular segment in turn has historically accounted for a large share of the company's profits. As I mentioned, our flat-roll operations benefit from hot-rolled steel that goes into making OCTG.

Given these facts, it is fair to say that OCTG represents a product that is absolutely vital to the health and future of our company. Moreover, we have moved aggressively to take advantage of opportunities relating to this product. In 2007, U.S. Steel spent $2.1 billion to buy Lone Star Steel primarily to expand our production of welded OCTG. A few years ago we spent another $100 million to improve our finishing operations at our seamless facility in Lorain, Ohio.

Thanks to these investments, we are ideally positioned to serve the entire U.S. market for OCTG from commodity grade welded pipe all the way up to high-end offshore products. We have great workers, we have an excellent distribution network and we have some of the finest casing and tubing in the world.

Furthermore, the market has turned out to be even better than we anticipated. In November of 2009, just before the Commission's hearing on OCTG from China, Preston Pipe & Tube estimated that the average rig count for 2010 would be around 1,320. It actually turned out to exceed 1,540 and then rose significantly in each of the next two years.

Meanwhile, the amount of OCTG used per rig has generally increased. Thus, the years from 2010 to 2012 saw some of the strongest demand for OCTG in the last 25 years. With Chinese imports under trade relief this should have been a great opportunity for us, but unfair trade prevented us in large part from taking advantage of that opportunity.

For three years now I have heard the same tale from our salesmen. Imports are underselling us. We must lower our prices or our customers will go elsewhere. As of today, we are locked out of almost 30 percent of this market by unfair trade, and for those sales that we do make we can't charge a true market-based price. We have to keep prices low enough to avoid losing sales to unfair imports.

For years we waited for foreign mills to change their behavior. They did not. Finally we decided that enough is enough. Only trade relief can guarantee true market competition, so here we are. Even today I find it incredible that a market on pace to consume more than six million tons of OCTG this year, one of the highest figures in history, is burdened with oversupply that was directly caused by the glut of subject imports that continue to pour into this market, but that is the reality that we face.

We understand that the Commission has a job to do, a law to apply. I don't claim to be an expert in the legal intricacies you deal with, but I would earnestly ask that you examine and appreciate the real world situation confronting this industry. We are well positioned to expand, to serve the market, to create more jobs, to help build, rebuild and strengthen manufacturing in this country, something that we constantly hear folks in Washington talking about. We have the tools and expertise to do it, a demand situation that has been very favorable.

I hope you appreciate that from a business standpoint it is literally impossible to achieve those goals when you have more than a quarter of the market taken by ridiculously and unfairly priced imports and the threat of much more on the way. Make no mistake. That is exactly why you see the depressed results you do in the context of historically strong demand, and it is what you will keep seeing and much more if you do not act.

If the test is that we have to wait to be flat on our back and suffering extensive losses before we can get trade relief then I would respectfully suggest that the laws do not and cannot work for industries like ours or other manufacturers. Capital will move to countries that game the system and trade unfairly, countries where governments directly support their industries, provide massive subsidies and rig the system. At the same time, our industrial base and employment will continue to disintegrate.

I do not believe that is what our laws require or was designed to do. It is certainly a policy that is not in the best interest of our country and so I would respectfully ask on behalf of our 23,000 North American workers and our company that you stop unfair trade in this market and allow us to build an industry that will last and compete and thrive for years to come. Thank you.

MR. THOMPSON: Good morning. My name is George Thompson, Vice President of Tubular Commercial for U.S. Steel. I manage U.S. Steel's OCTG commercial operations, and I've spent the last three years witnessing the massive harm we've suffered from unfair trade.

I would like to make three points about this case. First, you should reject the notion that imports from Korea and the other subject countries are merely competing for low end business that we don't want or need. That's completely nonsense. OCTG is by definition a high end product. Many tubular mills can't make OCTG at all.

As you already know, U.S. Steel made a huge investment in welded OCTG production just a few years ago. We compete in the entire OCTG market, and we cannot live off the relatively smaller number of sales available at the higher end. To keep our mills running, we have to sell hundreds of thousands of tons of commodity grade seamless and welded OCTG every year. Losing those sales to imports hurts us badly.

Second, new domestic capacity is not the problem. There are a lot of good companies in this market. We know them well and we compete hard against them every day, but that's fair competition where prices reflect market conditions and cost, not the practice of foreign companies dumping product in here at unfair prices below costs.

Personally, I don't see why American workers and their respective companies should have to concede almost 30 percent of the market to unfair trade. If American mills are in the best position to serve American customers, then we should get the business period. It makes no sense to let foreign mills take market share by cheating.

Third, please understand that a lot more is at stake than the numbers on the page. I'm used to hearing lots of numbers at these proceedings -- operating margins, average unit values, capacity utilization. Please remember, those numbers represent lives and families and communities.

In a fair market, my salesmen will find it easier to send their kids to college. In a fair market, our workers will have a better chance to buy a new house. And in a fair market, more people looking for work will be hired at our mills. That's why we're here, to help grow this industry and give our current and future workers the chance for a better life.

I do not wish in any way to diminish the process or the investigation here, but I honestly do not believe there is a serious participant in this market, foreign or domestic, distributor or trader, who would truthfully deny the impact that subject imports have had over the last few years. The volume and pricing impact has been huge, on the order of millions of tons and hundreds of dollars per ton.

This reality is commonly recognized by everyone I know that makes, sells or buys pipe. The impact of unfair trade has not merely been material. It has quite simply come to define this market and where this market is headed. In short, you have a great domestic industry represented here, a high tech industry with talented workers, an industry that wants to grow, and industry that can create jobs and prosperity for a lot of people across this country.

It's inconceivable to me that our government would allow this industry to suffer further harm by dumped and subsidized imports. The results for us and our workers would be disastrous. Once these jobs are lost they will not come back. Please do not let us down. Give us the relief we need and deserve, and we will take care of the rest. Thank you very much.

MR. BARNES: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Scott

Barnes, and I am the Senior Vice President and Chief Commercial Officer of TMK IPSCO, and I have been in the OCTG industry for 32 years. I'm accompanied today by Martin Marini, our Director of Market Intelligence.

TMK is one of the largest producers of OCTG in the world. In the United States, TMK purchased IPSCO Tubulars in 2008. TMK IPSCO has welded OCTG mills in Blytheville, Arkansas; Camanche, Iowa; and Wilder, Kentucky. We also have an electric furnace in Koppel, Pennsylvania, and a seamless mill a few miles away in Ambridge, Pennsylvania. We also have finishing facilities in Houston and Midland, Texas; Catoosa, Oklahoma; and Brookfield, Ohio.

Last year we inaugurated our R&D center in Houston, Texas, and as a company we have been very committed to investing in the United States to employ 2,600 U.S. citizens which manufacture in eight states the products consumed here in the United States.

Our OCTG business has been hammered by the surge of imports we've seen over the past two years. This is in spite of one of the strongest demand cycles of my entire 32 year career. McKenzie & Company recently published a report that there has been a 50 percent increase in U.S. shale gas and oil production since 2007. OCTG demand has been running at a rate of six million tons a year. We should be earning market returns during this up cycle, but we are seeing a different trend due to unfairly priced imports.

While we share the optimism of most that shale drilling will increase in the future, I've witnessed market downturns that nobody forecast on many different occasions during my career. This current demand cycle may have already peaked. As the person in charge of all of our commercial efforts in the United States, I can tell you that imports have put downward pressure on the prices of all our welded and seamless OCTG products.

We manufacture and then sell both welded and seamless carbon and alloy grades to distributors. Several are here today to testify. In order to sell product in the U.S. market, we must meet the low import prices to remain competitive. We were forced to reduce our prices to protect our market share in order to operate our facilities and keep our workforce employed. We are trying to avoid another 2009 where we ended up shutting down most of our facilities.

During the last few years we have seen wave after wave of imports from country after country. While Korea has certainly been the leader, we have also seen increased imports from new suppliers in

Vietnam and Saudi Arabia and increased supplies from countries like India and Ukraine. These imports have undercut prices in the market, and we were forced to react to them. I believe the only reason you have seen a downturn in imports thus far in 2013 is that we aggressively fought imports back by price cutting in the latter part of 2012.

Reducing operations due to losing significant volume and market share has consequences in terms of the overall cost structure and ability to keep highly trained and specialized employees at our various facilities. On the other hand, regaining lost market share through price cutting is very painful to our profits and ability to reinvest in the company and its employees.

We need an affirmative determination in order to continue operating all of our mills, investments in our operations and to be able to fund continued investments in the product development demanded by the marketplace. We ask you to make affirmative determinations. Thank you.

MR. LOWE: Good morning. I'm Brad Lowe, the President of Tenaris Global Services USA, Inc. and a director of Maverick Tube Corporation, one of the largest welded OCTG producers in the United States. I have over 28 years of experience in the energy tubular industry. As commercial director, I manage Maverick's U.S. sales and commercial operations.

First I'd like to provide some background on the OCTG market, which has changed somewhat since the last OCTG case. As you are aware, U.S. OCTG demand is derived from oil and natural gas drilling. From 2006 to 2009, OCTG demand in the United States was largely driven by natural gas.

Since then, the advent of hydraulic fracturing technology significantly increased the production of oil and natural gas wells. As a result, natural gas supply increased with fewer wells, driving gas prices downward.

At the same time, oil drilling increased significantly as fracking unlocked previously inaccessible oil reserves. Last year, nearly 70 percent of wells drilled in the United States were oil wells, and they now account for the majority of OCTG demand in the United States. Most of these are on shore in nonhostile environments that do not require premium or proprietary connections, as opposed to the rest of the world where offshore drilling and hostile drilling environments are much more common.

Along with the increase in fracking and

horizontal drilling came a significant increase in the efficiency of the rigs drilling the wells. Through the use of pad drilling, operators can now drill multiple wells in close proximity. As a result, drill strings within a particular location quickly become standardized. This standardization, or industrialization, has significantly reduced costs and increased operators' demand for standard grade OCTG to further lower overall drilling costs.

The vast majority of these wells produce oil and are relatively shallow in not especially demanding drilling environments. As such, approximately 80 percent of the OCTG consumed by these wells is generally produced to standard API grade specifications with API connections. They are essentially interchangeable products. Make no mistake, however. Subject imports have price effects on all parts of the supply chain.

Industrialization and standardization has also led to a radical reduction in inventory needs. As a significant majority of Maverick's production is aligned with consumption forecasts from our main clients, we work with our distributors to maintain their inventory levels between 45 and 60 days. The overall OCTG inventory in the USA is currently over five months of consumption, which is excessive and disproportionately comprised of subject imports.

Maverick's parent, Tenaris, monitors drilling environments all over the world, and from its experience, premium OCTG is most often used in the United States in offshore drilling and in certain gas drilling applications with very long, horizontal, lateral drill strings.

Due to the nature and trends of U.S. drilling, premium OCTG will continue to make up a relatively small part of the U.S. market for the next few years. In the rest of the world, however, excluding China and Russia, premium OCTG plays a bigger role because offshore drilling is more prevalent.

The vast majority of imports from the subject countries are standard grade OCTG that is sold with standard API connections. Outside of the United States, the Chinese have captured the vast majority of the standard OCTG market. The subject countries themselves consume very little to none of the OCTG they produce. Virtually all of the subject producers are merely export platforms with no outlet for their products other than the U.S. market.

Following the 2009-2010 China case, Maverick was primed to service a significant standard grade portion of the market. To bolster our market position, efficiencies, and capacity, we invested approximately $200 million in our domestic plants with the view that we would be able to recoup this investment through an increased market share and sustainable market price levels, yet the surge in subject imports aimed directly at this portion of the market has prevented producers, like Maverick, from taking advantage of the recovery and demand. These imports have taken sales from us and have severely depressed, and suppressed, market prices.

The negative effects are particularly pronounced given that demand was recovering. From 2010 to 2012, U.S. OCTG demand recovered from extremely low levels, but at the same time, subject imports rose dramatically, far in excess of the growth in demand, and at extremely low prices. In fact, low priced imports from the countries under investigation more than doubled, severely depressing market prices.

So while the last few years should have been extremely strong for Maverick, the import surge deprived us of the benefits of recovering demand. Normally, we would expect such demand growth to lead to increasing profit, prices; however, because subject import prices have declined rapidly and volumes have surged, capturing a disproportionately large share of the market, Maverick is struggling at a time when it should be thriving.

As a clear example of the injury caused by the price war that broke out in 2012, as subject imports peaked, Maverick lost an important bid to supply three years of OCTG to a large global independent oil company. Maverick and Tenaris had a long-term supply agreement with the customer, but instead of renewing our agreement, and because subject imports were driving market prices so low, the customer put the entire agreement out for retender.

As with most of our alliance programs, Maverick works closely with a distributor to service the end user. In this case, we dropped our initial quote significantly, but the Korean producers still underbid us. Maverick and Tenaris were successful in retaining the international portion of the program, but Maverick lost a portion of the U.S. program to the Korean suppliers solely based on price, resulting in millions of lost revenue for us.

Lost sales and revenues due to unfair import competition, such as the example I just described, have caused serious injury to Maverick and its workers. Because I was unable to cut prices far enough against the onslaught of subject imports, Maverick saw its profitability collapse by the end of 2012 and into 2013, despite declining raw material costs. We were forced to cut production and we had to tell over 300 American employees that they were losing their jobs. We had just made significant investments in our mill, but lost sales and revenues due to subject imports, forcing us to idle much of our new capacity.

Without relief from unfair imports, Maverick may be forced to lay off more workers. This is especially likely given that the producers in the countries under investigation continue to increase their OCTG production capacities without regard for moderating demand levels. This capacity expansion is purely for export and aimed right at the U.S. market. In fact, some of the subject producers in the Philippines, Thailand, and Vietnam are owned by Chinese OCTG producers who are simply evading the duties in the China case.

OCTG demand is small, to nonexistent, in most of the subject countries themselves. If the U.S. industry does not get relief from these unfair imports, the effect on U.S. producers will be disastrous.

On behalf of Maverick and its workers, I urge the Commission to find that imports from the subject countries have injured our industry and threaten us with further material injury. Thank you for your time. I'm happy to answer any questions you may have.

MR. HERALD: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Skip Herald, and I'm the Managing Director of Vallourec's North America businesses. I have 33 years experience in the energy and tubular products industries, and today I'm accompanied by Ronny Clark, our Senior Vice President of Sales for OCTG who has 35 years of experience.

Due to the combination of your affirmative decision in the China OCTG case in December 2009 and our reasonable expectations for increased drilling and demand in the United States because of increased access to shale, oil, and gas, Vallourec invested $1.05 billion to build a state-of-the-art seamless mill producing tubing casing from two inch to seven inch OD in Youngstown, Ohio. This compliments our existing mill which produces casings from five inch to 10 and three-quarter inch ODs. Our new mill's been commissioned, is now producing product, and is expected to be capable of operating at full capacity by the end of this calendar year.

At one time, over 1,000 workers were involved in the construction of this new mill. We now have hired approximately 350 new employees. For those 350 new jobs we received over 16,000 applications. You can tell that the jobs at this mill are definitely among the best jobs available in northeast Ohio. A city council member who is also a high school teacher told me after our investment announcement that it was the first time since he had started teaching that he could tell his students they would not have to leave the area to get a good job. Our investment is referred to as the largest investment in Youngstown, Ohio since the 1920s.

We produce a wide range of OCTG products, and need produce carbon, as well as alloy grades, to fill our mills and balance our mill capacity with our finishing capacity. As Ronny can elaborate, pricing in the OCTG market is elastic, with prices of carbon and alloy, welded and seamless, moving in the same direction and in relation to each other based on supply and demand levels, as well as quantities of inventory held by distribution.

Program prices are often benchmarked to changes in prices reported by *Pipe Logistics, OCTG Situation Report*, and/or *Preston*. There's also a lag effect because pricing to distributors or end users is often based on a one or two quarter commitment between the buyer and the seller. Thus, the huge surge of imports from the countries subject to the investigations in the second quarter of 2012 caused our company, and presumably the rest of the industry, to reduce program prices for deliveries in the second half of 2012 and the first half of 2013.

For this reason, our realized prices in the first quarter of 2013 plummeted by an average of 15 percent from our realized prices in the first quarter of 2012, and on some products, greater than 25 percent.

I strongly believe that Vallourec Star was correct to be the first mill in the United States to expand seamless OCTG production given the growth in drilling we've seen since our announced investment. But having a great mill, making high quality products in a cost-competitive manner is not an assurance for success of obtaining an adequate return on investment, as we saw during our last trade case against imports from China.

While a number of mills have expanded or are expanding in the United States, it's amazing to me how many new OCTG mills have been started in countries which have no home markets or very small home markets compared to their capacity. These mills are clearly focused on exports and the United States remains the biggest demand market, and the most targeted market for imports in the world.

Our company is committed to free and fair trade. When imports from countries trade unfairly, we believe that the appropriate offsetting duties should be put in place so we can benefit from our appropriate business decisions. Our company does have additional investment opportunities in Youngstown or in Houston. Any additional investment decisions will be based on our ability to obtain a return on capital. The recent decline in financial performance resulting from the significant decline in prices caused by these unfairly traded imports will completely curtail those new investments.

On behalf of our 2,700 employees at our facilities in Youngstown and all across the facilities in the United States, we ask you make an affirmative determination in this case. Thank you.

MR. EISENBERG: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Greg Eisenberg, and I'm the President of Boomerang Tube. I've been in the OCTG industry for 35 years, and today I'm accompanied by Bill Snyder, our Vice President of Marketing.

Boomerang was founded in 2008 but we were unable to complete all of our financing until after the China OCTG case was well along in 2009. Since our start up in late 2010 we had invested over $200 million in two new ERW mills, two heat treat lines with threading, and coupling equipment located near Houston, Texas, in the town of Liberty, where we employ more than 500 employees.

Our team of executives knows the OCTG market well and has had years of experience with both major distributors and end users. We entered the market during a period of rising demand and felt like with our excellent product quality and first rate market contacts we'd see a large growth in our business. We did ramp up quickly in very early 2011 over a period of about six months, but since that time there's been a consistent deterioration in market conditions as massive quantities of unfairly traded imports penetrated the market with pricing far below our prices.

If you look closely at what's happened to pricing since late 2012, the financial data in the industry's filings for the year of 2012 kind of mask what was going on. You have to look at the pricing late in the year and its movement in the early part of 2013 and can see how much it has devastated margins in our industry.

So the industry had no option but to fight back with pricing and try to keep our facilities open. But, you know, in our case where, you know, a lot of our financing was debt-related, it's had a major impact on our interest cost and our credit ratings. We have to pay our interest payments on our debt. The unfairly traded imports don't. They're causing us to miss our earnings forecasts and experience net losses after the cost of servicing our debt recently.

Our entire team at Boomerang is confident that we can build, continue to build Boomerang as a vibrant, long-term player in the U.S. market if we have a level playing field, but obtaining relief from unfairly traded imports will be critical to us in achieving those objectives, and therefore, we ask for your help by making an affirmative determination.

MR. OKRZESIK: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Bob

Okrzesik, and I'm Vice President of Sales and Marketing for Energex Tube, a division of the JMC Steel Group. I have over 30 years of experience in the OCTG industry.

Energex was created following the acquisition of Lakeside Steel in April 2012 by JMC. Energex is a combination of mills and finishing facilities for OCTG and line pipe of the former Lakeside Steel, as well as certain facilities from the Wheatland Tube and Atlas Tube divisions of JMC Steel Group. These include facilities in Thomasville, Alabama; Blytheville, Arkansas; Warren, Ohio; and in Canada.

Our newest mill, which was installed by Lakeside Steel in Thomasville, Alabama, was commissioned in late 2011. That mill had a size range of four and a half through nine and five-eighths, and a capacity of 200,000 tons annually. Unfortunately, due to imports as a contributing factor, we mothballed that facility earlier this year and are only producing OCTG at other plants.

Although the focus of this facility has changed dramatically from pipe producing to pipe finishing, we are utilizing up setting, heat treating, and threading and coupling lines at the Thomasville, Alabama site. You can see that the flood of imports has a direct and very significant impact on our OCTG operations.

During my career, which included time with Koppel Steel, which is now part of TMK IPSCO, and Rocky Mountain Steel Mills, which is now part of EVRAZ, I have witnessed the affect of import surges on OCTG operations, very much like our current situation. Unfortunately, no matter how good demand conditions are in the U.S. market, a flood of unfairly traded oversupply from foreign producers and importers eager to gain market share in the U.S. will wreak havoc on U.S. producers.

We at Energex Tube hope that our company has a bright future tied to North American oil and gas production. That's why we seek your assistance in gaining relief from unfairly traded imports, so that we can build our division into a strong part of the American energy supply chain. Thank you.

MR. TEJEDA: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Maximo Tejeda and I'm the founder and President of Tejas Tubular. I have been in the steel and OCTG industry for over four decades. I am accompanied by Darrell Ballinger, our Vice President of Sales and Marketing.

In 1990, Tejas Tubular started with heat treating and added finishing capabilities for OCTG in 1998. We purchased a new ERW OCTG mill and installed it in Stephenville, Texas. Started production in early 2011. Its capacity is 100,000 tons per year.

Our timing for this investment was excellent as the market was strong, and we quickly ramped up production, but since unfairly traded imports from the countries subject to this investigation flooded the market, we could not ramp up production farther because it required reducing profitability, though demand stayed strong.

We are a family-owned company and employ 767 employees. In 2012 we decided to install a new heat treating facility in the northeast U.S. to be closer to the demand in the Marcellus and Utica shales and to reduce the significant freight expense from Texas to that market. However, our request to the bank for credit was denied due to the decreased profitability caused by the unfairly traded imports.

If the playing field was level, then we would be successful company that would compete with anyone. However, it is clear to us that imports are being traded unfairly, and the only avenue that we have keeping our employees working, making OCTG, and selling it at profitable prices is for the U.S. Government to impose the appropriate duties to restore fairness to the marketplace. For that reason, we ask you to make an affirmative determination. Thank you.

MR. MAHONEY: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Bob Mahoney, and I'm Senior Vice President of Strategy and Business Development at Northwest Pipe. I've been in the industry for 21 years.

Several years ago our tubular products group made a strategic decision to shift away from mechanical tube and standard pipe and towards line pipe and OCTG. Over the past several years we modernized a mothballed mill and moved it from Portland, Oregon to Bossier City, Louisiana. We also retrofitted a mill in Houston to make OCTG.

Our total investment into the OCTG business exceeded $100 million. We made these investment decisions based on the belief that our trade laws would be enforced and that we would have a fair chance to compete. In some ways, our timing was good. Demand increased rapidly, but unfortunately, imports increased much faster than demand. The surge in imports resulted in a build up in inventories and significant downward pressure on prices.

Northwest Pipe has invested in domestic OCTG manufacturing operations but has been unable to earn an acceptable return due to a surge in imported products. In addition to the financial implications, we've been forced to reduce employment and selectively curtail operations.

It is important for us to obtain trade relief in order to restore our employment and our profitability in the future. For that reason, I ask that you make an affirmative determination.

MR. MANDEL: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Butch Mandel, and I'm President of Welded Tube USA.

Our story is not dissimilar to the story you just heard from Bob Mahoney of Northwest Pipe. In late 2011, in the face of what we believed would be a very weak and long recovery in the nonresidential construction markets, as well as very high import levels, we closed plants in Berkeley, South Carolina and Delta, Ohio that produced primarily standard pipe and structural tubing.

We decided to redeploy our financial resources in a brand new mill which we have constructed and installed in Lackawanna, New York to produce OCTG, primarily targeting the major shale plays in the northeastern U.S. Our total investment thus far in Lackawanna is $50 million. This is one of the largest investments in my family-owned company's history. Our facility is on land previously part of the Bethlehem Steel facilities.

Lackawanna and the Buffalo area have suffered tremendous economic declines over the past several decades. State and local officials have provided significant financial and directional aide in support of our project. We are beginning production in 45 days. We have already hired 30 employees. We have two further expansions of the facility on the drawing boards with an additional potential investment of $30 million, with planned hiring of 100 additional employees. Current plans call for the two expansions to simultaneously break ground one year from now.

It is simply critical for our new mill to succeed that the U.S. market not continue to be swamped with massive quantities of low priced, unfairly traded imports. For that reason, we ask you to make an affirmative determination as our new mill is certainly threatened with injury if you were to allow these imports to continue without the imposition of duties.

MR. WHINSTON: Good morning. My name is

Michael Whinston, and I'm Professor of Economics and Management at MIT. I'm here today to offer two opinions. First, that unfair trade causes harm to U.S. producers and U.S. workers, no matter when those unfair practices occur in the industry cycle. Second, that unfairly low priced subject imports have had a material impact on domestic producers over the POI.

Unfair import competition reduces the demand for the goods of U.S. producers and faces them with a stark choice. They can maintain prices at the expense of market share or reduce their prices and maintain their sales, or some combination of the two. Either way, unfair competition reduces domestic profitability and has a detrimental impact on the U.S. industry.

In high capital cost industries like OCTG, firms make investments in productive capacity only if they expect sufficient returns to justify the cost of the capital invested. In a cyclical industry, such as OCTG, to sustain their large investments and generate employment, U.S. producers need the higher profits that arise in up turns to offset lower profits, or losses, that occur during down turns.

When unfair trade occurs during periods of low demand, the impacts may be more visible in terms of plant closings or worker lay offs, but the negative impact during periods of high demand may be even greater and more detrimental.

In fact, economic theory tells us that the impact of unfair competition on revenues and profits is likely to be greatest during periods of relatively high demand for two reasons.

First, if elasticities are the same in high and low demand periods, unfair trade will result in substantially larger loss of sales in high demand periods. Second, the profit impact of losing a sale and/or lowering price is likely to be larger in an up turn when margins and/or sales are higher. Therefore, it is my opinion that unfair trade causes harm to U.S. producers and U.S. workers no matter when those unfair practices occur in the industry cycle, and those losses may be largest when demand and market demand is strong.

Next I'll explain how, in my opinion, unfair, low priced subject imports are having a material detrimental impact on the U.S. industry over the POI.

To quantify the impact of subject imports on the domestic OCTG industry I first estimated a structural model of demand for domestically-produced OCTG to measure how domestic shipments change in response to changes in domestic and import prices. Then I used the estimates from the model to analyze how much sales volumes and revenues would have increased had the prices of subject imports been higher than they were over the POI.

To examine the impact of subject imports on the domestic industry I used the model to analyze two types of counterfactuals. In the first, I asked what the impact on domestic sales and revenues would have been had the prices of subject countries been higher over the POI. In the second, I also included the possibility that nonsubject import prices would have risen as well in response to the increase in subject import prices.

Because the domestic producers may either maintain price and lose sales, or lower price and maintain their sales, or respond between the extremes, I calculated the effects in a range of cases. The measured impacts are material across a range of demand estimates, one of which I show here.

Under the scenario shown in Counterfactual 1 on the screen, I held domestic sales constant. A conservative five percent increase in subject import prices, for example, increases domestic industry revenues by $468 million over the POI. If you instead hold domestic prices constant, that same subject import price increase raises domestic industry revenues by $289 million.

Under the Counterfactual 2, which is now shown, I instead let subject and nonsubject import prices increase by the same percentage. With that same conservative five percent price increase, domestic revenue rises nearly $1.3 billion holding domestic sales constant, and $793 million holding domestic prices constant. Of course, as shown, the impacts are greater for larger price increases.

For assumptions about nonsubject import prices between these two extremes, we get impacts that are intermediate.

I believe these results show that U.S. producers and workers can be harmed by unfair trade regardless of when the unfair trade occurs in the industry cycle, and that unfairly low priced subject imports had a material impact, detrimental impact, over the POI on the domestic industry. But for the presence of unfairly traded subject imports, the domestic industry's performance would have been materially better.

MR. KAPLAN: Good morning. I'm Seth Kaplan of Capital Trade, Inc. I have analyzed the impact of the subject imports on the performance of the domestic industry by applying a structural partial equilibrium model linked to an income statement model. The partial equilibrium model adopts functional forms and methods similar to those used by the Commission in its partial and general equilibrium models that provide, in part, the basis for its expert advice to the Executive Branch and to Congress.

The model requires two types of inputs: various elasticities, which are consistent with the ranges found in prior Commission investigations and reviews, and data on the domestic market, such as quantities, values, and market shares. The simulations estimate how the industry would have performed had the subject imports not expanded their presence in the U.S. market due to dumping.

Although I have employed a different methodology than Prof. Whinston's, my findings are similar. Had the market share of the subject imports remained at levels consistent with the 2006 to 2008 period, the domestic industry's shipment values, volumes, and unit values would have been markedly higher during the POI. Depending on the year examined, the domestic industry market share would have been four to seven percentage points higher.

Similarly, prices would have been approximately $37 to $74 per ton higher, and shipment volumes would have been 186,000 to 473,000 tons higher. The level of industry revenues would have exceeded actual revenues by $400 million to $1.1 billion.

Applied to the income statement model, these revenue effects show that the domestic industry would have been substantially more profitable absent the large market share gains made by the subject imports. Operating margins would have increased by 3.9 to seven and a half percent points. Workers would have earned an additional $70 million from 2010 to 2012 through additional hours and/or new hiring. The improved financial results are consistent with a two level increase in the credit rating of a hypothetical firm with the ratings characteristics of the domestic OCTG industry.

I would be happy to answer any questions you may have about the results I obtained from the models. Thank you.

MR. SHOAFF: Good morning. I'm John Shoaff, President of Sooner Pipe, the world's largest tubular distributor and logistics service provider to the oil and gas industry.

We serve a wide customer base, from major international oil companies to small independents. We buy OCTG from numerous suppliers, including imports from subject countries, imports from nonsubject countries, and domestic goods. In short, we have detailed knowledge of all parts of this market.

Based on what we have seen, I'm certain that subject imports have significantly harmed U.S. mills and will hurt them further unless trade relief is granted. Why am I so certain? To begin with, I have personally seen U.S. mills lose sales to subject imports.

At Sooner, we regularly bid for sales of OCTG to end users. Every day we see end users who prefer subject imports to domestic goods solely because the imports cost less. We have also had customers who agree to buy a certain amount of domestic OCTG but who later ask us to provide subject imports instead because of lower prices.

Huge volumes are at stake here. From 2010 through the first quarter of 2013, the subject countries sent 4.3 million tons of imports into this market. In my opinion, many of those imports took sales that otherwise would have been made by U.S. mills. At all times since January 2010, domestic OCTG was readily available.

Domestic mills compete in all sectors of the U.S. market, from the less critical standard string designs in west Texas to more challenging designs and specifications required for offshore rigs. They certainly make the type of items imported from the subject countries and the quality of domestic pipe is excellent.

Unfortunately for U.S. mills, however, many customers are just looking for the lowest price they can find. In fact, U.S. mills have repeatedly cut their prices in response to the subject imports. In many instances, domestic mills have had to cut prices just to get business. Other price cuts have taken place due to the pricing mechanisms and program sales.

At Sooner, roughly three-quarters of our business are program sales to end users. We agree to supply them so much OCTG at a given price with the understanding that prices may be adjusted on a quarterly or other regular basis.

Many of these customers buy domestic pipe, but the price of that pipe is often tied to the pricing indices reported by publications like *Pipe Logistics* or *Preston*. Those pricing indices in turn reflect a mix of domestic and import prices, so when low priced imports surge into this market, the prices reported in those indices turn down and those lower prices drag down the price of program sales. In this way, the effects of low priced are felt throughout the whole market, even among customers who only buy domestic OCTG.

That's not all. Subject imports are in inventories all over Houston. Within the last few weeks we have been offered inventory specials by companies looking to move imported pipe at rock bottom prices. Such offers of course mean that the harm suffered by domestic mills is far from over.

Thanks for the opportunity to testify.

MR. DUBOIS: Good morning. I'm Scott DuBois, President of Premier Pipe, one of the nation's largest distributors of OCTG. For decades I've been actively involved in the buying and selling of products at issue here. I'd like to make a few points about the affect of subject imports in this marketplace.

First, subject imports compete directly with domestic OCTG in this market. We buy and stock both imported and domestic goods. We have customers who use both subject imports and the domestic product. In fact, when we bid for large program sales we find that many end users expect us to quote prices for both U.S. goods and imports.

The imports covered in this case are high quality products. They're widely accepted for most applications. In my opinion, more and more customers are willing to use these imports, and most customers will use them if the gap in pricing between subject imports and U.S. product is large enough.

Over the last few years we've repeatedly told our domestic suppliers that they will lose business to imports unless they lower their pricing. For the most part, they have taken our advice, and if they had not, I have no doubt that the market share of subject imports would be much higher than it is today.

Second, by historic standards, the amount of OCTG being consumed in this market right now is quite large, but the market is still significantly oversupplied. Since 2009 when there was over a year's worth of inventory on the ground, market conditions have changed to allow for lower inventories than we stocked just a few years ago.

For example, shale plays now account for a significant percentage of OCTG consumption and the wells and shale plays tend to be quite similar to one another. Thus, our inventories tended to focus more on a relatively smaller number of products.

Furthermore, shorter lead times at U.S. mills allow us to turn orders around more quickly than we used to. These days we prefer to have no more than three months worth of inventory, and we think that's probably where most of our competitors are as well. The latest figures show that there are 5.4 months worth of supply on hand, and this number has been rising ever since the end of 2011. When there's that much supply in the market distributors cut their purchases and prices fall.

Third, these large inventories are almost certainly entirely the fault of subject imports. We don't need, or want, large inventories of domestic pipe. Lead times are so short that we can usually get American made OCTG when we need it. Traders regularly bring in significant volumes of subject imports at low prices which remain in inventory until they can be sold, so I'm certain that the recent run up in inventories was caused by the surge in subject imports.

Finally, you should reject any suggestion that the new capacity being built in this market led to our current oversupply. In fact, most of the new U.S. capacity that has been discussed has yet to come on line. Moreover, *Preston* data indicates that domestic shipments rose by less than 210,000 tons from 2011 to 2012, while subject imports over the same period rose by more than 480,000 tons.

As these facts show, subject imports, not U.S. mills, have been the more aggressive players in this market. Unless trade relief is granted, the trend will continue. Thank you for your time.

MR. TAIT: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Steve Tait and I'm the president of PipeCo Services. I've been in the OCTG industry for 21 years. PipeCo has about 25 stocking locations in all of the major drilling areas east of the Rockies. We are one of the largest OCTG distributors in the United States. Imports from the subject countries make up only a small share of our sales, probably 1 to 2 percent. However, these low-priced imports have had a very significant impact on Pipeco and our domestic suppliers.

We receive inquiries for OCTG from exploration companies. We have to be competitive with other distributors for these inquires. We consistently check market prices, and if the market prices are below our domestic supplier prices we ask them to lower their prices. Not only does that impact our domestic suppliers, but low prices of unfairly traded imports also affect our inventory values. Our inventory is far and away our greatest asset, and it is not unusual for our company to have somewhere between $200 to $250 million worth of OCTG inventory at any given time.

Program business between Pipeco and exploration companies and in turn between Pipeco and our suppliers represents over 85 percent of our business. Whether these programs have a price formula agreement or not, our customers will always come back to renegotiate a lower price when they see prices falling in the Pipe Logix or OCTG Situation Report data that they all receive.

There have undoubtedly been big changes in the OCTG distribution business in the past five years. Five years ago, five months of inventory was considered ideal. Today, five months of inventory is considered a serious oversupply situation. The reason for this is better supply chain management and the need for a narrower product range in the shale areas.

We have been in this five month inventory oversupply situation for the past six months, and that has led to big drops in prices. There is no doubt that this oversupply situation is the result of the massive surge of imports in 2012. I am here today because of substantial price drops that have occurred in this industry in the past year lead me to believe that current pricing is not sustainable for the domestic industry to continue to reinvest in their facilities.

I have seen several times before OCTG facilities shut down. I do not want to see that type of disruption in the future in terms of our domestic supply base. For that reason, I join with my colleagues in asking you to restore fair market conditions to the U.S. OCTG market.

MR. MILLER: Good morning. I'm Steve Miller, Co-Chief Executive Officer of Cinco Pipe & Supply, a major distributor of OCTG that serves customers all over the United States. I have 39 years of experience in this business and detailed knowledge of all phases of the OCTG market.

To understand what's happening in the OCTG market, please appreciate that prices charged for subject imports are extremely low, in most cases hundreds of dollars per ton below comparable markets, comparable products from the U.S. mills. In fact, those low prices are the whole reason for the import surge. Believe me, customers aren't buying the products at issue here because of quality or lead times or other factors of that kind. This product is sold on the basis of price period.

Here's how it works. Importers, whether trading companies or in some cases the mills themselves, bring low-priced OCTG in and flip it to a distributor, but then the distributor has to make a profit when he sells it to an end user, and the end user wants the subject imports because of their low price. In other words, the whole business model for the foreign producer depends on offering product at such low prices that will undersell the domestic product, even after being marked up by the distributor.

This model helps explain why the industry had to go after nine countries at once. Imports from all nine countries have increased significantly in recent years, which means that the producers in these countries have U.S. contacts that they can use to rapidly increase their sales here further. If only some of the subject countries are covered by trade relief, imports from the others will undoubtedly surge even more.

Once trading companies and distributors find a low price source of OCTG, they can bring in a lot of pipe very quickly. In 2010, the United States imported 145 tons from Vietnam. Last year, that figure was almost 220,000 tons. In 2010, the United States imported no OCTG from the Philippines or Thailand. Last year, imports from those two countries total more than 100,000 tons. That's how fast imports can surge.

Finally, I wanted to comment that everyone in our business has been expecting a trade case for some time. It's understandable that domestic mills are frustrated. Personally, I don't see how the foreign mills can buy the same raw materials used here to make the pipe, ship their product all the way across the ocean and still get it here at prices that the U.S. mills cannot afford to match. That just doesn't make sense, especially considering the domestic producers themselves are very efficient.

Of course, I know it's up to the government to decide whether steel is fairly traded, but I can tell you that these imports have come to define the market. What prices can we charge? That depends on the import price. What will new domestic capacity mean to the market? Well, that depends on the import levels. Can we work down inventories? Not unless we get fewer imports.

Until the import issue is dealt with, the current problems of oversupply and weak pricing will continue. In fact, it will undoubtedly worsen. Thank you.

MS. ANDROS: Good morning, Ms. DeFilippo and members of the Commission staff. My name is Linda Andros, and I'm the Legislative Counsel at the United Steel, Paper -- can you hear me now? Is that better? Sorry. I'll start again if time doesn't count against me just so you can hear.

Good morning, staff members. My name is Linda Andros, and I'm the Legislative Counsel for the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. Can you hear me now? Hello?

MALE VOICE: There you go.

MS. ANDROS: All right. Well, third time is the charm. Good morning, Ms. DeFilippo and members of the Commission staff. My name is Linda Andros, and I am the Legislative Counsel for the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union or the United Steel Workers or USW for short.

We represent workers at a number of major U.S. producers of OCTG, including U.S. Steel, TMK IPSO, the Maverick Tube Division of Tenaris, the Energix Tube Division of JMC Steel Group and Evraz's Rocky Mountain Steel Mills Division. In fact, U.S. Steel is believed to be the largest producer of OCTG in the United States. The company also has the largest United Steel Workers' workforce of any steel company in North America. It also has the most retirees, who have earned and benefit from pension and health care payments which afford them a decent retirement.

We too, as the United Steel Workers, are aware from U.S. Steel's public financial report the company's North American Flat-Rolled Division has consistently suffered losses since the recession. These losses in flat-rolled have been partially offset by profits in the Tubular Division, which primarily produces OCTG. However, we understand the company's Tubular Division saw a dramatic decline in profitability in the first quarter of 2013 as compared to the first quarter of 2012, as has been talked about here today.

While the company has not yet released second quarter results publicly, there are apparent indications to analysts for similar declines in profitability in the second quarter of 2013. Certainly if U.S. Steel cannot be profitable in the Tubular Products Division when OCTG consumption is at record levels, then the entire company and our tens of thousands of members, active and retired, are at serious risk.

Of course, given that OCTG is the largest segment of the pipe and tube industry by far, we have additional tens of thousands of workers at steel mills making flat-rolled for the welded producers such as U.S. Steel's own Flat-Rolled Division, also Arcelor Mittal, AK Steel, as well as the billet suppliers like Republic Steel in Lorain, Ohio, that make the billets that are then physically pierced to produce seamless OCTG by U.S. Steel and other U.S. producers.

Our understanding is that demand or OCTG increased by more than 45 percent since 2010, yet subject imports increased by more than 111 percent. Obviously it seems clear that the domestic industry has been losing market share to subject imports.

Both the United Steel Workers and indeed other affiliated unions in the AFL hope that increased drilling for oil and gas in the United States will be a very large driver of job creation for our members and the entire country for decades to come, whether workers are working on rigs to drill for oil and gas, whether they're driving trucks, building rail cars, building pipelines, building new pipe mills as many companies have discussed here today or actually working in the pipe mills making OCTG or the products that become OCTG.

Both union and nonunion workers can benefit enormously from this increased job opportunity, yet it makes us all the more determined from a national trade policy perspective to ensure that our government will not allow unfairly traded imports that have been discussed here today in this U.S. market, much of which we firmly believe is produced with subsidized and dumped steel imports made in China.

As noted, the United Steel Workers is very much wanting to see job growth in OCTG and in steel mills making products that become OCTG. If unfair trade is left unchecked then regardless of levels of consumption in the United States there's no doubt that many of our members that produce these products will have to begin being laid off and other workers as well as they close facilities. And these are facilities that our members depend on to make a leaving.

So we ask you to give Commerce the green light here, so to speak, to investigate dumping and subsidy practices in the countries at issue and rendering an affirmative preliminary determination by the ITC. Thank you.

MR. SCHAGRIN: And thank you, Ms. Andros. This is Roger Schagrin. Ms. DeFilippo, members of the Commission staff, that completes the domestic industry presentation.

On behalf of all counsel and all witnesses, we would again like to thank the Commission for expanding the time for direct presentations for both Petitioners and Respondents. As you're well aware, this is a very large case involving nine countries, so we appreciated the extra time and hope it benefitted the Commission in its investigations. We would be happy to answer your questions at this time. Thank you.

MS. DeFILIPPO: Thank you, Mr. Schagrin, and thank you very much to all the members of this panel. It's very helpful to hear from each and every one of you for us to understand the industry better and understand what's going on in the market. I know it's difficult to take time away from your jobs and come, but it very much helps us.

We will start staff questions with Mr.

Szustakowski.

MR. SZUSTAKOWSKI: Hello. Thank you all for being here today. Just some general questions to begin with primarily aimed at counsel.

The importers' questionnaires you'll recall request for import data on coupling stock. Would the inclusion of that data with the official import statistics help to add to the comprehensiveness of the import data? Do you have any opinion about the use of those coupling stock import data?

MR. VAUGHN: Yes. I mean, yes. We're still looking at that issue, but our initial reaction is yes, we think that some of the coupling stock data is not necessarily picked up in the import numbers that are normally used with respect to casing and tubing, and we believe that adding the coupling stock data to the overall data would give you more complete import coverage.

MR. SZUSTAKOWSKI: And what data should the Commission rely on for its negligibility analysis?

MR. HECHT: Jim Hecht. We recognize this is likely to be an issue, given the nature of the data here, and we plan to brief that fully in our posthearing brief to walk through it.

In our petition we relied on the data that we had at the time we filed it, which clearly showed that none of these countries are negligible. We think it's appropriate to rely on that, and certainly the Commission would be justified. We think for policy reasons it makes sense for us at the time of filing the petition to be able to understand the nature of the data that will be used. Having said that, we recognize the Commission has used data that's become available after the time a petition has been filed, and we will certainly walk through that.

To the extent it's likely to be close in terms of negligibility I guess we'd make a couple points. First of all, there are a couple factors in the confidential record we think we'll be able to show to supplement some of those import figures to show that clearly there's not a negligibility issue here, and we will certainly walk through that.

The second point we'd make is to the extent that it's close, certainly the Commission in the past has wanted to gather additional information and to work through in the course of a full investigation. We certainly think that will be appropriate if it's a close call to make sure we're getting full data on the record.

And I guess the final point I would make is in terms of threat. The Commission certainly has the authority where there is a likely imminent threat that these countries will exceed negligibility standards to take that into account.

We think there's a very strong case here to be made when you look at the Philippines, Thailand, Saudi Arabia with the Chinese connection in those countries, the new mill in Saudi that there are certainly going to be increases, so we will brief that as well, but we think none of these countries will be negligible.

MR. SCHAGRIN: Mr. Szustakowski, this is Roger Schagrin. I agree with everything that Mr. Hecht said, but I would like to make one additional point. I think that you were probably on a leave period seeking other professional opportunities at the time that the Commission had the cases here on both OCTG and Drill Pipe From China.

I know that many on the Commission staff and the Commission itself is very familiar with the fact that in those cases particularly Drill Pipe From China, and we've seen it in a lot of pipe and tube cases and it's probably occurring in cases on other products, that the pipe and tube area is just rife with misclassifications of imports, and we will further elucidate in the postconference briefs the findings of this Commission on massive misclassifications of imports of both OCTG and drill pipe that the Commission found in previous investigations.

As I think Mr. Hecht and Mr. Vaughn alluded to, we are all working together to elucidate some of that information in our postconference brief, but I can tell you that traveling to about six different ports a year and meeting with steel import specialists that in these areas I just don't think at this preliminary stage the Commission can depend 100 percent for making negligibility determinations on published official import statistics. They are just rife with errors, with misclassifications.

There's no doubt in my mind, and we'll elucidate further, that green tube, which is a semi-finished casing or tubing product, is often not being classified as casing or tubing, but instead in other HTS categories that are not casing and tubing categories. You have the issue of where coupling stock is classified, which should actually be classified as an other circular seamless alloy product, not as casing and tubing as coupling stock is not casing and tubing.

And I think it makes sense in this type of case and given the Commission's recent history with misclassifications of this product, and I think we've even seen that in a very recent case decided by the Commission. I haven't had a chance to read the public determination in that case, but we see differences in match ups between what's reported by importers, exporters, official import statistics, that you treat this with the care that it deserves and use a full investigation period to gather all the appropriate data and find out from importers and foreign producers where these imports of OCTG are being classified before you count them and make your final determinations on negligibility. Thank you.

MR. VAUGHN: I'm sorry. If I could just make one additional comment? And that is I would agree obviously with everything Jim and Roger said, but just to underscore one more time the other side has already indicated well, these are small countries, and we expect to hear some of that from more today.

But to us, if you look at a country like Vietnam, for example, it has a similar China connection, two years ago practically nonexistent in the market, last year over 200,000 tons. These two countries are both -- two of the countries we're looking at here, Thailand and Philippines, both outposts of China.

It's very clear that this production is an effort by China to evade the orders, and we think that's incredibly relevant when you think about these countries to recognize that these are not countries that have traditionally had a small presence in the market. They've traditionally had no presence in the market, and they have come up very, very rapidly and we would expect that to continue.

MR. SZUSTAKOWSKI: There was a lot of testimony today about investments in domestic capacity and your highlighting that the subject foreign producers have increased capacity and entered this new market. What sort of barrier to entry is there really?

Is it that simple to just start an OCTG mill and start exporting, or if you're in the U.S. to start producing product that is accepted in the marketplace and used right away, or is there kind of like a ramp up phase?

MR. HERALD: Skip Herald with Vallourec. I can speak since we're in that process. For us, as an example, we started our -- we announced our project early 2010, so the ramp up is over two years of construction, which to get the mill in place, and then we're probably looking at anywhere from 12 months or more to start with production and be able to meet the market.

So even though we announced in 2010, we're really just bringing product to market now. And so what I would say to that, though, is when we looked in 2010 what I would tell you today is that demand is relatively close to what we forecasted. What's not close to what we forecasted is the market pricing.

And so that's the challenge we have today as we go forward is that even in a strong market that we've forecasted for the future with the time to build the mill, with the surge of imports which we had not planned for, we've seen a dramatic change when we look at the return on that investment today, which would further probably curtail our investments in the future based on what we see today if the imports don't change going forward.

MR. MATTHEWS: Just to add to that a little bit -- my name is Doug Matthews, U.S. Steel -- it requires significant capital investment. It's a capital intensive business. It requires a supply chain in order to bring hot-rolled coils or seamless or rounds for piercing if it's a seamless mill.

Seamless mills are much more expensive than ERW mills.

If you go back and use Korea, for example, in the marketplace in 2007 as we saw from the slides, they were around 200,000 tons or so, testified here that they did not have the capability to ramp up any more, but ever since then they have no domestic market, no home market, yet they've targeted almost a hundred percent of their exports to come into the U.S. market, and they've grown it by fourfold.

So they obviously have some significant capital backing, and that's why we believe that they're unfairly traded, subsidized industries that are targeting this market.

MR. CURA: Now, if possible here -- I'm sorry. My name is German Cura. I'm the president and CEO of Maverick Tube Corporation and also Managing Director for International North America. I think it's proper for me to add a comment, given that our company has recently announced an important investment in the States in the form of a new seamless plant.

And I'd like to echo some of the statements in terms of these are investments that typically take time. We aim in very simple terms at expanding our domestic product range, adding seamless to our existing welded production, also tackling some of the aspects that were part of the testimony in terms of us being able to shorten the supply chain.

And given the competitive nature of the plan, I'd be very happy to address the specifics in the posthearing notes, but one fundamental aspect that was considered while debating this internally, and that is their conviction that the U.S. would enforce the trade laws, and this is fundamentally what is driving still, driving us behind the project.

MR. EISENBERG: Hi. You asked a question regarding barriers to entry. Gregg Eisenberg.

MS. DeFILIPPO: Could you please just identify yourself for the court reporter?

MR. EISENBERG: Yes. Gregg Eisenberg, Boomerang Tube. And we as a startup in the industry certainly had a battle with that problem of barriers to entry.

The API designation that is required by almost all consumers of the product is relatively easy to get. The American Petroleum Institute merely looks to see that you have the equipment necessary to produce the product, and it looks to see that you have quality control procedures documented that allow for the proper production of the product, and later they'll come back and do an audit to make sure you're following those procedures, but that's it.

There is no other real barrier from the API as far as making good pipe versus bad pipe and things of that nature. So really it's a matter of getting customers to trust the product. Customers can be induced to try products based upon pricing offers and things of that nature. They may be induced to try products based on past relationships and other matters of that, but there's very little technical barriers to entry in the business. That was my point.

MR. PRICE: Alan Price, Wiley Rein. Barriers to entry can vary substantially by market. So in the U.S., for example, there can be substantial environmental permitting and environmental studies that delay or take time, that add some time for building a plant.

In many foreign countries those standards can be much lower to nonexistent, which substantially reduces lead time and entry time for many of the foreign producers. In addition, foreign producers often have a variety of government incentives, so their need to raise capital in the same way that U.S. companies would raise capital would be quite different, particularly if there are government subsidies involved.

The bottom line is that we have seen imports from the subject countries radically increase, accepted in the market, and it shows that barriers to entry are not a significant, significant issue. Existing mills just need to often qualify under the API moniker to move forward, and a new welding line can go in relatively quickly and with limited capital in many of these foreign countries. Thank you.

MR. SZUSTAKOWSKI: Mr. Shoaff?

MALE VOICE: Yes, sir?

MR. SZUSTAKOWSKI: I'm sorry. I was addressing Mr. Shoaff, Bill.

You were testifying earlier that your customers will specifically request subject imports. Do they make any sort of distinguish from any of these countries when they're requesting this? Do they say we want Korean or we want Philippine pipe, or is it just any of these sources?

MR. SHOAFF: No. For the most part they don't distinguish at all. All these subject countries are equally acceptable in their requirements, and it's always driven just by price. Specifically price. That's the main request for asking for any of this material from the nine subject countries.

MR. SZUSTAKOWSKI: Thank you. Do any of the

U.S. producers sell OCTG green tubing and green casing into the merchant market?

MR. THOMPSON: We sell a significant amount of green tubes into the market, probably somewhere in the neighborhood of about 100,000 tons a year -- that might be on the low side -- and we have the capacity to make more and would entertain it if we could.

MR. SZUSTAKOWSKI: Anybody else?

MR. MAHONEY: Yes. This is Bob Mahoney with Northwest Pipe. We also sell, but a much smaller amount of green tube into the market.

MR. CLARK: Ronny Clark with Vallourec. We also sell a small amount of green tubes into the market as well.

MR. SZUSTAKOWSKI: I'm sorry. A request for a clarification. This is specifically for OCTG. This isn't for drill pipe, correct?

MR. CLARK: Correct.

MR. SZUSTAKOWSKI: Okay. Thank you.

When did you start seeing this pressure to decrease your inventory? I think somebody testified before, and feel free to clarify this, that before, you know, five months of inventory was acceptable and now it's down to 90 days and we're back at about 5.4 months of inventory.

When did you start seeing this pressure for decreasing, maintaining, decreasing inventory levels, and, you know, can you characterize your current inventory level? That might be something that's appropriate for your confidential brief.

MR. THOMPSON: This is George Thompson with U.S. Steel. I think probably the distributors are best suited to answer the question because they're carrying most of the inventory, with the exception of the countries on record who carry a lot of it themselves.

But regardless, I think one of the things that's happened with these shale developments is the material is, there's a lot more like material in the business out there now, a lot of these shales with only slight variations. They're consuming exactly the same pipe from well to well, which is new, and so consequently, the need for diversity within your inventory is less than it was before, and so consequently, the inventory levels are able to shrink.

On top of that, I would suggest that the delivery from the mills -- because we know these sizes a lot better than we did in 2007 and 2008, our delivery is much better and much more efficient, which allows inventories to be pulled down, and the communication with end users of forecasting along those lines have gotten a lot better. Other than that, I'd yield to distribution.

MR. DUBOIS: This is Scott DuBois with Premier Pipe. I would say that we started seeing the change coming out of the 2009 marketplace for several reasons. We used to view about five to 5.2 months inventory in the system as a relatively stable marketplace.

We believe that the trend towards the shell plays, which are somewhere in the neighborhood of 65 percent of the activity in the marketplace today, lend itself to a shorter supply chain, and we believe that supply chain has actually become much more efficient for several reasons.

We think the end user customer is much better at forecasting their needs. We use more common items in the shale plays so the, we believe that's allowed the mills to become much more efficient in some of their runs. We think that now the current what we would call a stable inventory situation is in the neighborhood of around four to 4.2 months of supply. We currently try to carry about 90 days, and we think that's quite adequate.

MR. CURA: In our case, we have -- I'm

German Cura, CEO/President of Maverick Tube Corporation. Now, in our case, we have provided testimony that our lines customers run with an average of 45 to 60 days worth of inventory, and this is, again, associated to the repetition, continuous repetition on the characteristics of the pipes used in the shales, and we believe this could be reduced even farther going forward.

MR. KAPLAN: Yes. Seth Kaplan. I'd just like to note that the standardization of the product, while also lowering the amount of inventories needed and the time that they're kept, has standardized the product and increased the substitutability of the imported product with the domestic product and allows for easier entry and access, which increases the potential harm of the imports.

MR. SHOAFF: One comment -- this is John Shoaff with Sooner -- with regard to these inventories. The inventories that come in from the subject countries for the most part, we believe, are not really sold or committed until they actually get there, and then there's more pressure on them to sell that material and move it, where most of the domestic inventory that is held in the marketplace does have commitments against it.

So when that material does come in, there is pressure to move that quickly, and of course the vehicle to do that is lower the price.

MR. SCHAGRIN: Mr. Szustakowski, one last comment. It goes a little less to inventory, but also a related issue, which is the overall capacity of both domestic and foreign mills, because in pipe production, regardless of whether it's OCTG or other pipe products, one of the limiting constraints is the time it takes to do change overs of sizes on the mill.

You've got to pull rollers out and put rollers in, and depending on the size -- and you'll hear more about this in the large diameter line pipe case next week -- you know, it's anywhere from, on a smaller mill, four hours, or on a bigger mill, 12, 16, 24 hours. So now, if a OCTG mill is maybe doing only eight or 10 change overs a month because they're making larger quantities of a more limited number of sizes rather than 20 change overs, you've increased the capacities of both domestic and foreign mills to roll more tons on these mills.

Then, of course, if they're rolling the same sizes during a monthly rolling cycle, then the distributors have a shorter time period within these rolling cycles for getting the next time that size is made.

So they don't need to carry, as a distributor, as much inventory of a product because the supplier mill or the importer who might be holding inventories here of popular sizes has more of those products available in a shorter time cycle than they would have five or six years ago when there might have been, you know, 40 different sizes being used, and now there's, you know, 70 percent of demand is in six, eight, 10 popular sizes.

So it's really brought tremendous changes in all aspects of this industry, and it's the reason why -- and as the Commission looks at the data and sees, contrary to Mr. Cameron's comment in his opening where he says we don't see any evidence of price declines, I think when you look at this data you're going to see huge evidence of price declines over the past three or four quarters, and it's directly related to inventories crossing that line and going to areas that the marketplace now understands is an over inventory situation.

I think the congressman is here and it's time for us to --

MR. BISHOP: Madam Director, our congressional witness is here, the Honorable Rick

Crawford, United States Representative, 1st District, Arkansas.

MS. DEFILIPPO: Thank you, Mr. Bishop.

MR. CRAWFORD: Good morning, and thank you for the opportunity to convey the importance of ensuring that U.S. producers of oil country tubular goods, OCTG, are able to compete fairly and challenge unfairly traded imports from India, Korea, the Philippines, Saudi Arabia, Thailand, Taiwan, Turkey, Ukraine, and Vietnam.

This Commission serves a critical role in enforcing our trade laws to ensure that our companies and workers can compete in the global arena. I appear this morning to convey my support for this investigation and to encourage the ITC to permit the investigation to proceed.

The full enforcement of our trade laws is necessary to ensure the continued health of the American steel industry and the hard working men and women that I represent. My district is the 1st District of Arkansas, and today it's one of the nation's largest steel-producing districts. This industry has transformed the quality of life for tens of thousands in my state and in my district.

Among those in my district are steel

companies who manufacture OCTG products for the energy sector. They include Maverick Tube Corporation, TMK IPSCO, and JMC Steel Group. All make OCTG products in Blytheville and Hickman, Arkansas.

Together, these plants employ over 1,000 workers and have a total steel tubular capacity of more than a million tons. The OCTG producers in my district provide stable and good paying jobs and make investments throughout the region that contribute to local communities, expand the tax base, and support many thousands more jobs with suppliers in service-related industries.

As a result, when unfairly priced OCTG imports enter our market the OCTG producers are not the only ones that suffer. Both the industry and communities that depend on these companies suffer as well.

From 2010 to 2012, OCTG imports from the countries at issue more than doubled, skyrocketing from roughly 840,000 tons to over 1.7 million tons. Aside from sending significant volumes here, these nine countries have engaged in aggressive pricing tactics in order to obtain a greater share of the U.S. market at the expense of the domestic industry.

It's my understanding that the petitions filed by the domestic industry have alleged antidumping margins of up to 142 percent. Domestic OCTG producers have also had to compete with imports that have benefitted from generous government subsidies. Both the governments of Turkey and India have provided massive subsidies to their OCTG industry in order to facilitate exports of OCTG to the U.S. market.

As a result of all this, although U.S. demand has started to slowly recover, our domestic OCTG producers have not been able to benefit from the increase due to unfairly traded imports. For Maverick, TMK IPSCO, and JMC, and their employees, this influx of imports has had direct and harmful effects. These companies have lost sales to imports from these countries, forcing them to cut production, idle capacity, and slash prices.

Other domestic OCTG producers are experiencing similar harm as a result of these imports, including production cuts, declining operating incomes and profits, reduced prices, and layoffs.

Furthermore, imports from these countries not only hurt our OCTG producers, but also damage U.S. steel producers throughout the domestic supply chain.

American producers of hot-rolled steel, such as Nucor, who supply OCTG, facilities are also harmed as foreign OCTG using hot-rolled from their own sources take away sales and jobs from multiple levels of the U.S. steel supply chain.

The effect of unfair trade in the OCTG from these countries ripples throughout the entire domestic steel market, leading to primary and secondary job and production losses. As you know, one of the reasons that so many countries want to send their goods here and continue to do so is that in America, we play by the rules and are held accountable for our actions.

Our workers are not asking for an unfair advantage or to be insulated from import competition. We're simply asking for fair competition and that our trade laws be fully enforced.

In conclusion, again, I thank you for welcoming me here today. I know that the Commission will weigh the evidence carefully in this case, and I am confident that after a full review of the facts the Commission will agree to allow this investigation to go forward and determine the level of duties that are necessary to ensure fair competition for our workers, families, and communities. Thank you.

MS. DEFILIPPO: Thank you very much, Rep.

Crawford, for stopping by today and delivering your statement. As you can tell from our crowd, we are gathering a lot of information, so we appreciate you taking the time to be with us.

We will now resume with staff questions and continue with Mr. Szustakowski, if he wants to continue.

MR. SZUSTAKOWSKI: (Microphone not on.)

MS. DEFILIPPO: All right. Thank you, Mr. Szustakowski. We will now turn to Mr. Sultan for questions for this panel.

MR. SULTAN: Thank you. This is a question for some of the industry representatives. It would be interesting to me to hear some commentary on the competitive dynamic between seamless and welded pipe and how these products are perceived in the market.

MR. MATTHEWS: We produce both ERW, as well as seamless, in the full size ranges that would be consumed in the U.S. market. The reason we went that direction when we acquired Lone Star was, to get the welded capability was in general in the market there's certain technical aspects with regard to maybe sour service type grades that might lean you in one direction towards the seamless product versus an ERW, for example.

Really, it comes down to the customer's engineers, and really, their preference. We've looked at this portfolio and looked at where this portfolio might be affected by shale drilling, and you have a tendency to see maybe a little more seamless demand in the gas-related plays based on pressures versus the oil unconventional drilling, but overall, you still have customers that are operating in the same resource play, one preferencing ERW products, one preferencing seamless. It comes down to the individual engineer's preference as to what they want to use.

For really the last five years since we've acquired Lone Star we've seen pretty much a 50/50 balance in the products that we ship into the OCTG industry between seamless and ERW. So it's, we see it as interchangeable.

MR. SULTAN: Thank you.

MR. LOWE: Brad Lowe from Maverick. We see even to the extent where we have seen both seamless and welded pipes in the same well, where you'll have a welded surface casing, and a seamless intermediate casing, and welded tubing. So we see the products for the vast majority of the market to be almost interchangeable.

MR. BARNES: Scott Barnes with TMK IPSCO.

We manufacture both seamless and welded OCTG. I would agree with my colleague's previous comments that a lot of the preference for one over the other is driven by the oil and gas company's engineers.

However, we have seen a lot of substitution of our seamless products, for welded particularly, in areas where the drilling environment is more well-known and the oil and gas companies are looking for potential cost savings, particularly as you go to lighter walls in the oil plays now of the shales, which has changed a little bit.

I'd go so far as to say that we have many companies who have a preference for our welded products in a proprietary grade of 80 casing that we have manufactured over the years. So it is, you know, driven by end user choice, but they are fungible and interchangeable.

MR. SULTAN: Thank you. Anyone else?

MR. CLARK: Ronny Clark with Vallourec. We're a seamless only producer and I would only add that we compete with welded products every day in the market with the exception of maybe the very high end sour service market, which is a very small segment of the industry. So we're competing every day with welded.

MR. SULTAN: Thank you. My next question goes to the definition of the domestic industry. In previous OCTG proceedings the Commission found that processors do engage in sufficient production-related activity to be included in the domestic industry, but that threaders do not. Do you agree with that treatment of the two types of entities?

MR. SCHAGRIN: This is Roger Schagrin. Yes, we do agree with the Commission's repeated statements of the definition of the domestic industry in the inclusion of processors and the exclusion of those who are just threading. So we agree with the Commission's definition of the industry.

MR. VAUGHN: Yeah. The one point I would, you know, make there is that in the past, when the Commission made that, it was a very fact-specific determination. I would think that the Commission would want to look at the issue, you know, carefully in terms of to what extent there may have been changes and things in the market, you know, since the last time it looked at that issue in some detail.

Having said that, I mean I think in general the way the Commission has done this in the past is likely to still make sense, you know, going forward.

MR. SULTAN: What sort of changes in the

market should we be looking for in this context?

MR. VAUGHN: Well, for example, I think you should be sensitive to the fact that there have been, you know -- a lot of domestic production, for example, that used to use outside processing doesn't use outside processing as much as it used to. For example, I mean in the last case involving China I think the domestic producer questionnaires were almost all, you know, from mills that made OCTG. So there have been some changes in the marketplace to that extent.

MR. SULTAN: Thank you. Mr. Vaughn, since you're on deck, let me just follow-up with a question about something that you said a little bit earlier. You were talking about the new industries in the Philippines and Vietnam and you characterized them as Chinese efforts to evade the orders and told us that's relevant. It's relevant to what? Because we were talking about negligibility. I mean were you saying that it's relevant to the negligibility analysis?

MR. VAUGHN: Yes, because one of the things that you're supposed to take into account for purposes of negligibility, as you know, there's a, particularly in the context of threat, there's a provision in the statute that says that if you think that the, there's going to be an imminent increase from those countries and that they would soon become not negligible, that that is something that you can take into account for purposes of your threat analysis.

Here, for example, if you look at a country like Vietnam, they had around 145 tons of imports in 2010, they had around I'm going to say somewhere in the 50,000 range in 2011, 2012 they were over 200,000 tons, so in a very rapid period they went from what would have been regarded as a negligible volume to a nonnegligible volume.

To the extent that the mills in the Philippines and in Thailand have the same sort of connections to China, it seems reasonable to think that there would be the same sort of, you know, potential for a rapid increase.

So, yes, I think it would be quite negligible, I mean quite relevant, both to negligibility, it would also be relevant, of course, to your overall threat analysis.

MR. SULTAN: Do you think that it's relevant to the negligibility analysis in the context of present injury? It seems to me that the statute lays out a pretty bright line test there.

MR. VAUGHN: I was only, I was talking about negligibility in the context of threat. But having said that, I mean I think, you know, another thing that I think the Commission should be taking into account is what is the level of certitude that you would need to have to determine that these countries are negligible.

We believe that if you, you know, before you terminated an investigation involving countries in Thailand and the Philippines, that you would want to be absolutely certain that those countries are, in fact, negligible, and that there is no possibility or no, you know, reason to believe that when you have the, you know, maybe more complete or more full data, it would turn out that they are, in fact, not negligible. This is a very, very important decision and it should only be based on a very complete record.

MR. SULTAN: Thank you very much. My last question has to do with demand. One of the charts that was put up on the screen was pretty clear that demand peaked in about mid-2012 and then started declining. Why is that? This is really for the company representatives.

MR. THOMPSON: This is George Thompson with U.S. Steel. I actually, I don't think it has peaked. I think it's still growing. I'm not sure of the chart. It was probably somewhat of an anomaly. I think this year we're going to have record shipments. I think you might have been looking at rig counts, perhaps. It peaked. The rig counts peaked.

But one of the phenomenons that we're seeing with regard to this, the shale development, is we're getting a lot more efficiency and using a lot more pipe per rig, and so consequently, what we've seen is a decrease over the past six months or so of rig count; however, consumption and demand is actually up.

MR. PRICE: Alan Price with Wiley Rein. One of the reasons you're seeing that growth in apparent domestic consumption in 2012 is the chunk of that went into inventories, and so that gives you sort of this look like things went up when it wasn't actual consumption, necessarily, that followed that trend. So there's a difference between apparent consumption and actual consumption.

MR. SULTAN: Thank you very much. That's all I have.

MS. DEFILIPPO: Okay. Thank you, Mr. Sultan. We will move over to Mr. Thomsen.

MR. THOMSEN: Good morning. Actually, I would like to follow-up with Mr. Sultan's question about how much more pipe is being used per rig. Is there some way you can quantify the amount of more pipe say from 2010 to 2012? Are these more along the lines of five percent, 10 percent, or is it 50 percent more per rig?

MR. BARNES: This is Scott Barnes with TMK IPSCO. I think one of the things that was mentioned earlier that you have to consider is that there's been a shift in the form of drilling from gas-directed to oil-directed, number one.

Then, two, the other comment about comparing rig counts, because there's been a change in the way gas companies drill by going more towards pad drilling, which means the same number, the same rig, can drill more wells in a less period of time because of increased efficiencies, not having to break down and set up again when they go to drill.

As it's been indicated by the statistics that the, you know, close to 80 percent of the wells today are being drilled for oil, those, a lot of those wells require a lighter weight per foots than what the gas wells have done, which will in turn also calculate in lower tons. So the comparison that could be made is the number of wells that have drilled and in the footage drilled.

There's a group, Spears & Associates, which publishes the drilling and production report. I'm going from memory, but the first quarter of 2012 number of wells drills and, it was around 12,000, and the first quarter of 2013 number of wells drilled was around 12,000 and some change, and a similar statistic for the number of feet drilled during that same period of time.

So what it's indicating is that there really hasn't been a change in, a downturn in the demand for the product, but maybe a little bit of difference in the type of mix of the product in terms of lighter weights, which means less tons.

I think the other comment I would make at this time is that because these oil and gas companies have become very efficient in reducing the number of days to drill a well, many of them, at least our customers that we've talked to, have depleted their capital spending budgets earlier in the year than what they would have previously, and so any future drilling that they're going to do is going to be generated from the cash flow that's created from new wells. That, of course, is driven by the price of the commodities, natural gas or the price of oil.

The price of natural gas today, while it's improved a little bit, is not near where it had been in the past and that's why you don't see the incentive for gas-directed drilling that was, you know, two years ago.

The price of oil has been relatively stable, and though it did, had increased recently here, the question is how long will that price be posted. Until we see, or should I say until the oil and gas company executives who have to commit the investment dollars have the confidence that those price levels will be maintained, they're not going to commit to drilling more wells for the oil side until that comes around again.

Hope that helps to answer your question.

MR. THOMSEN: Sure, that does. If you could, for the record, in your postconference brief submit some of that data from Spears regarding the footage drilled, I think that would be very helpful to the Commission's analysis.

Also, in terms of quantification of some of the previous testimony that Mr. Sultan had touched on with respect to seamless and welded OCTG, it sounded like this panel said there was a lot of interchangeability between seamless for welded or welded for seamless.

What I'm trying to find out is what

proportion of the market or the uses for welded OCTG can you use seamless OCTG for and vice versa. You know, I know on sour service you would need some just seamless. You know, how much of the market is that versus regular possibly interchangeable welded versus seamless OCTG?

MR. MATTHEWS: This is Doug Matthews. In order to get that, you have to put some assumptions out there, right?

MR. THOMSEN: Sure.

MR. MATTHEWS: You could say that, for the most part, 100 percent of the ERW could be supplied by seamless. In reverse you would say that where it's technically not capable for ERW to be applied, which would be in the sour service type grades, you'll have to estimate the size of the sour service market.

I think one of my colleagues actually said it was small, maybe in the 10 percent range or something or less. Otherwise, it really comes down to customer preferences. There may be some fluff of 10 percent in there. So probably 70 percent of the ERW could be applied to seamless applications, and you've got some fluff in the middle, and then technically required. So that would be my guess.

MR. THOMSEN: Thank you very much.

If I could, I'd like to move on to pricing. How much influence do raw material costs have in the production of OCTG and its subsequent pricing?

MR. THOMPSON: I think in the OCTG business there is a correlation, no doubt. It's less of a correlation than perhaps in the structural or even the standard line business because there are market-driven factors out there such as the demand for OCTG tubulars as rig counts and consumption. So there are different -- in our history, having made all those products at one point in time, it's a different market-driven presence, while there's no doubt it's a cost-driven product. You need to be aware of cost.

The market itself, you know, it fluctuates as to whether or not it directly correlates to band costs. That being said, some of the product we're seeing being brought in here right now -- we make steel. We make it from iron. Very few of the companies that are, we are discussing make their own steel. The price they're selling at is well below any cost that we could imagine to make pipe. You could even make the assumption that our costs are, that, you know, maybe they have a $20, $30 cost of energy and conversion. They can't make pipe out of steel. Steel is a commodity on a worldwide basis and they can't make pipe as cheap as they're selling.

MR. CURA: This is German Cura for Tenaris. While we share the view that naturally cost, like everything else, has an important impact on ultimately the pricing policy that we all do, I think I'd like to bring the notion of we are, by and large, an industry that continues to look at Pipe Logix as the pricing index that, give or take, reflects what the market environment is.

As we know Pipe Logix is a basket of products, about 40 different items, which is nothing else but the result of an independent company understanding, to the best of their ability, what the pricing dynamics for each specific item in the marketplace is.

MR. DORN: This is Mr. Dorn at U.S. Steel. I'd like to expand upon your question a bit. You asked about raw materials, and they are a factor in the cost of tubular products. One of numerous factors. You need to consider processing costs, other manufacturing costs for materials, energy costs, labor costs. All those go into the total cost of the tubular products, but then it really gets back down to just what is the market? What is the market price? What is the supply? What is the underlying demand out there? And when you have a supply that's exceeding the demand requirements, that's when you have less of a factor for the raw materials in the cost of the tubular products.

MR. SCHAGRIN: Mr. Thomsen, this is Roger Schagrin.

I think you're going to hear this afternoon from the Respondents a lot of emphasis on what they will perceive to be a high correlation between raw material change and OCTG price changes. That dog hunted pretty well for Mr. Cameron in the last pipe case he was involved in, and we're experienced enough in this business, if you find something that wins, you tend to play that same hand. Of course I think the approach to it was not correct, because I said in that case and I'll say in this case, pipe producers, welded pipe producers who are converting flat-rolled, if their pipe price is always moving with their same raw material costs they would always make the same margins. In this morning's introduction he said oh, sure, you might see prices decline in the first quarter of '13, but that just reflects raw material cost declines.

Well look at the profit margins. It obviously doesn't. I will say, I've said it to this

Commission many times. These industry executives that I represent who aren't importers, who are not just trying to make trading company money, they are good executives, they know how to run their companies, they're trying to make profit margins as the difference between raw material costs and their finished product costs.

So you can't say that their profit margins fell by two-thirds between the first quarter of '13 and the first quarter of '12, because their prices declined by the same amount as the raw materials. It doesn't make sense.

The reason their profit margins fell so dramatically is that their finished product OCTG prices declined so much more than the raw material costs because of unfairly traded imports, that it clobbered their profits and a number of companies are losing money.

We can also put, because I think the Commission gets the American Metal Market and that also carries articles on Pipe Logix, right now as we speak you can read the MM every week and see that flat-rolled price increases are taking hold. They give some data on that. And reported OCTG prices in either the AMM or Pipe Logix, are not increasing.

So as I stated in my opening, the cost price squeeze caused by the over-inventory situation and these unfairly traded imports is biting this industry worse today than it has throughout this entire POI, and that's the relationship between raw material costs and OCTG prices that we think the Commission should focus on, not some numbers, hocus-pocus that you'll see this afternoon from the Respondents.

MR. MANDEL: It's Butch Mandel, Welded Tube.

We in addition to making OCTG also produce a number of other tubular products, but one of which is structural tube or otherwise known as HSS. And that is a product that is not in the U.S. market facing anywhere near the level of imports the way that OCTG is.

So at a time when flat-rolled prices rise, it being for both products, OCTG and HSS the primary cost driver, as soon as there's a price increase on flat-rolled steel there's almost an immediate response by the HSS producers to raise their prices. And similarly when there's a weakening on flat-rolled prices, you can trust that the HSS price also drops. But they really do move in tandem.

OCTG, on the other hand, experiences flat-rolled increases pretty much the same that that HSS producers do as well, and they go up at the same time.

At a time in the last three to four months, maybe not even quite that long, there was rising raw material prices, OCTG prices were in fact dropping, not going up. I think it can clearly be attributable to the imports primarily from the subject countries. It's the only explanation for it.

MR. WHINSTON: Michael Whinston from MIT.

Just a couple of quick things. I think it's clear that prices are affected here by both costs and raw material costs and demand. I think I don't need to tell you that.

But I think it's also important to recognize that the effect of unfairly traded goods is an independent effect. That is unfairly traded goods can have an effect whether demand is high or whether demand is low; whether demand is trending up or trending down; whether costs are trending up or trending down. So independent of that, they can have an effect.

MR. PRICE: Alan Price. I also just want to join for one second, join Mr. Schagrin's comments here. As far as I know, from all the businessmen that I know, they want to increase their margins over cost, not follow cost. It's the demand for their finished good that allows them to do that, whether or not dumped and subject imports depress that demand. It obviously has a big impact here.

That's the critical thing we're talking about, the harmful effects here. So we'll put some more of this on the record.

I think Mr. Cameron also assumes that there's a one-way feedback loop here, that things only flow up. He forgets the fact that what Congressman Crawford said which is it's also affecting demand on hot-rolled, the dumped imports. So that simplistic correlation he's pointing to is far too simplistic and really doesn't properly describe the marketplace.

MR. SNYDER: One other comment, this is Bill Snyder from Boomerang Tube.

It's interesting, if you look at the total imports coming into the United States, obviously we classified them by subject countries that are under investigation and non-subject countries.

I recently went through an evaluation with Preston Pipe and we looked at the total imports. Then we took the imports from the subject countries out. The average selling price actually went up by $240 a ton.

So clearly it reflects that the subject

countries are depressing the selling price here in the United States, and that was for the alloy product grade which overall consumption in the U.S. market makes up, depending on whether you use tubing or casing only, makes up 62 to 66 percent of the total market.

MR. SHOAFF: This is John Shoaff of Sooner Pipe. Just to add a little bit to that.

We as distributors live this every day. We see it on a daily basis. Inquiry after inquiry. Program after program, the difference in these price structures.

We'll bring opportunities to the domestic mills to bid on something and we'll respond back and say listen, you're going to lose this business unless you meet this price. Some of the comments are my gosh, that's way below our cost. We can't do that. That's repeatedly. So they have to make the decision there whether to lose the business or go ahead and take the business to try to retain some market share, but at the same time lose money.

I would agree with Mr. Harold's comments earlier about what they've seen from a distributor point of view with regard to demand. Our year over year tonnage is pretty much on line with where we were year to date last year, but what's down is probably, I would say, forecasting the rest of the year out, our revenues are going to be down some place between $300 and $400 million. Our profits are getting dinged too.

I would also suggest that the four distributors up here, we collectively have well over $1 billion of inventory on the ground at any given time, so we're very interested in the health of our domestic suppliers. Thank you.

MR. THOMSEN: Thank you all very much for those answers.

From what I'm hearing then, you got the costs which may have been going up recently, we've got the prices going down via the pressure, but what I've noticed in the presentation on Slide 13, that if I'm reading this right, we have the domestic prices increasing at the same time as there's increased pressure of the subject imports decreasing --

MR. VAUGHN: Mr. Thomsen --

MR. THOMSEN: Am I reading this right?

MR. VAUGHN: No. If I can explain.

The red bars show the share of underselling comparisons in which there was underselling. The blue bars show the share of underselling comparisons in which there was overselling.

So as you can see by 2012, almost all the comparisons are underselling. Over the POI almost all the comparisons are overselling.

That's what that chart means, and the definitions of the chart should have been on there and I apologize for that. But thank you for the opportunity to clear that up.

MR. SCHAGRIN: It's a very helpful clarification. Thank you very much.

MR. THOMSEN: We've heard a little bit about getting API certification for OCTG. Is the API certification enough for purchasers in order to buy a certain type of pipe? Or do they need to qualify a mill also? What's the qualification process like? They can go to one of the distributors and just say I want this type of pipe and you pull it off the rack, have it delivered? Is that correct?

Mr. Schagrin, I see you nodding your head.

MR. SCHAGRIN: Yes. This is Roger Schagrin. It's for the distributors to answer, but in the 30 years I've been doing this OCTG is a commodity product except for the very tiny bit of top end of the range of Alaska or some off-shore drilling and I think these distributors can say their customers come to them and say I want API J55, I want API P110, this is the size

I want, the OD, the range, the threading, coupling I want, and they just pull it off the shelf. I don't think it matters whether it's domestic or import. The users of the product let the engineering guide them to what API product they need and then they purchase that. But I'll let the distributors comment further.

MR. MILLER: Steve Miller with Cinco Pipe.

Robert is exactly right. The governing body for technicality and technical aspects, mechanical properties that must be met is the API.

So when an engineer designs a well, he designs it to meet certain API specifications. Then when they send inquiries to various distributors and subsequently mills, then the API governing determination and description really is all that normally needs to be fulfilled.

The mills have to subscribe and have to maintain product quality on a regular basis to meet API certification, and consequently, those products become fungible.

MR. THOMSEN: Thank you very much, Mr. Miller.

Given that commodity type nature of these products you've described, we've also heard about a very large difference between the price of domestic and the subject imported product.

I'm trying to discern what is, in this commodity type setting, what is causing these price differences between the domestic and the subject imported goods? Why would there be persistent, as we see with the underselling here, why would there be a persistent underselling there? What are the factors in what you're describing as a commodity type pipe?

MR. MATTHEWS: This is Doug Matthews.

I think in a lot of regards it's the question we're asking as well. We know the cost to manufacture steel products here in the United States. WE know the mini-mill route, we know the integrated route, we understand that fully. We believe that North America is an attractive place to make steel and we have self-sufficiency in iron ore, we have significant coal reserves, we have now natural gas that's abundant and available and gives us a competitive advantage, and we manufacture those steel products here in the United States. We can't get our costs to the point where their selling prices are bringing that product into this marketplace. So that's ultimately our question.

MR. THOMPSON: George Thompson, U.S. Steel.

To follow up on Doug's comments, I think the fact of the matter is, it's exactly as I stated in my opening statement. Domestic sources are the best sources for these welds. It cuts back on inventory. We understand their forecasting. We're doing this on a regular basis. The only way for these subject mills to enter this market is on price and they find the level that they have to go to and they go to that level.

To Doug's point, we don't think it's cost-driven. We think it is entry-driven. And what we have found is as our costs, as we can draw our costs down, whether it's through raw materials or efficiencies of our own, they'll just go lower. There is no catching them. We have nothing to believe that they'll stop, unless you help us.

MR. CURA: German Cura with Tenaris.

Just a brief comment aligned with what has been said. It is also our view, given that we are an international company operating in various parts around the world, being the United States, the biggest API market in the world by far, the subject imports have nowhere else to go given the type of products they produce and the type of products that the rest of the market consumers.

MR. KAPLAN: Seth Kaplan.

I think there's one thing to note in puzzling through that question, is that you would expect if the adjustment took a while that the lower priced product would be picking up share and that's exactly what you're seeing. So the question is, is there a differential? The answer is yes. Part of it's explained by what the executives have just talked about. But it's consistent with the fact that the products are interchangeable to see that price differential of the shares moving. So you're seeing that over the whole period of investigation. It's not instantaneous, but you're seeing the quantity adjustment that's consistent with substitutable products with a price difference.

MR. THOMSEN: Why, as a purchaser of their commodity type product, why would I be buying the more expensive domestic OCTG? This is why I'm looking for the distributors that live and breathe this every day. What are some of the reasons why a purchaser would say I would want a domestic pipe as opposed to a foreign pipe if all they're interested in is price?

MR. TAIT: This is Steve Tait with Pipeco.

I think a lot of it is based on the programs that we talked about earlier. You kind of get into the situation of who's leading the chase and who's being chased? In our business because we have a fair amount of program business with the domestic producers we, with our end user customers, we might set a price for a specific time period for say for instance a quarter.

At the end of that quarter, as our end users see the Pipe Logix and OCTG situation prices fall, we go out and check the prices, as I mentioned in my testimony, and see a lot lower import pricing. So the domestics are always having to chase the importers down.

I think that goes to the injury in this case. The domestics are continuing to have to chase the price. Why do they pay a higher price? They won't ultimately if the domestics decide we're not going to chase. But as long as they're chasing the imports down, they want to do business with the domestics, for the most part, in our business.

MR. THOMPSON: I think a purchaser of most of these end users has two objectives. Number one, to optimize the supply chain; number two, to get that supply chain at the lowest possible price.

What we see as purchasers look at optimizing the supply chain, nine out of ten, and that's obviously my number, not a statistical number, will arrive at the conclusion that the domestic source is the best way to go. However price tends to be lower from the subject countries. What we see from those subject countries is they just keep going lower until it's impossible for them to walk away from it.

There are some, because of experiences in the past on the supply chain side that do not vary. They stay with domestic as they go forward, but I will tell you as the subject countries continue to lower price, there's one of two ways for us to keep that business. We either lower our price with them or we tell them that we can't do it any more.

And to your point, loyalty only goes so far.

MR. MATTHEWS: Doug Matthews.

Just to build on Mr. Thompson's point, I think you need to get into almost a differentiation between price and value. There are customers that perceive, there's additional attributes to domestic sourcing that they value. But there's a certain price limitation to that value. Once you start to exceed that then you've got to bring your price down to be in line so that you're back in line with what their value proposition is.

MR. LOWE: Brad Lowe, Tenaris.

I think as part of my testimony we gave a very dramatic description. As both a domestic manufacturer and a global player, we have some clients where we do almost all of their business all around the world and this player did not agree to extend our business in the United States and instead went to tender because of the prices of the subject imported goods that were out there.

So we managed to retain the global aspect based on quality, reliability, technology, service and all the rest of the things that sometimes the end users look to for us, but we are unable to maintain the portion of our U.S. sales based on that, based on price.

MR. VAUGHN: I'd like to comment that the Commission has seen this before. This happened just a few years ago with China. If you look at the record in the China case, 2008 was a year of relatively strong demand. The domestic industry saw some price increases in 2008 as Chinese imports were coming into the market, and the domestic industry lost 14 percent, almost 14 percentage points of market share in a single year.

So that's what can happen. If you don't match the prices and you don't come down, people will switch.

I think part of what you're seeing on this record here is that up to this point the domestic industry has been trying to match the prices and has been cutting its own prices. But as the testimony indicates, you can only do that for so long. At some point you start to run into your cost and that's when things are -- You hit your limit.

MR. DuBOIS: Scott DuBois with Premier Pipe.

AS we manage these programs, we sit down with our customers and we get forecast as to their usage. We understand how many rigs they have, where they're drilling, these types of things. So we basically place our orders with the manufacturers, the mills, be they domestic or import, as to what those requirements are. So it comes down to, in my opinion, in large degree, is as we forecast we understand the usage, we bring that into the marketplace.

Then there's the import materials that Mr. Shoaff mentioned earlier that come in above and beyond that they really don't have a designated purpose. So they're trying to seek some place in the marketplace. They go in and they get offered, and the only way they can sell that pipe basically is to reduce the price which has a downward effect on all the other business.

MR. THOMSEN: Anyone else?

Let me see if I have any further questions.

A request for Dr. Whinston and Dr. Kaplan. If you wouldn't mind submitting the models that you used on the record, that would be very helpful.

MR. WHINSTON: Absolutely. In our post-conference submission we'll have all of that.

MR. THOMPSON: Great. Thank you very much.

One last question for counsel. How should the Commission consider the fact that relief was granted in January 2010 against Chinese imports of OCTG and that is the exact start of our period of study here?

If you want to answer that in a post-conference brief that would be fine, or if you would like to give an answer now, that would be welcome as well.

MR. VAUGHN: I'll make an initial answer and we may expand on this in the post-hearing.

I think it's very important that the Commission put all of this in the context of back-to-back waves of unfair trade.

There was a market, the industry was doing relatively well, there was a wave of unfair trade that disrupted that market followed by an economic downturn. The Commission made a very appropriate finding of relief. That finding has been very effective. Immediately the domestic industry gets hit by another wave.

In some cases you have a situation where all the injury is at the very end of the period of investigation and certainly I think the testimony here indicates that things have gotten much worse at the end of the period of investigation. But I think it's pretty clear from the testimony that you're seeing here that even in 2010 that initial surge from these guys cost people sales and it cost people money that they could have been making otherwise.

So I think to me, the period you have is a very good period. It picks up the three years in which the surge was coming in, and in all three of those years these people were losing sales, they were not getting the price increases that they would have been able to get in a fair market, and they were losing revenues. And as the testimony here has shown, over the three years that adds up to a great deal of lost revenue.

MR. THOMPSON: Mr. Hecht?

MR. HECHT: Jim Hecht.

Just to make one small addition to that as well, I think it really is important when you look at market share in this case to recognize that historically this industry had a much higher market share before the surge in Chinese imports came in in 2008 and 2009. So when you take a look at those import shares we have right now, keep in mind historically you're much more in the high 50, 60, higher percent range. The Commission in recent cases has looked at how does market share in a current case, how does that compare historically, and we think that's a really important factor to have on the record here.

MR. THOMSEN: I have no further questions. I'd like to turn it over to my colleagues.

MS. DeFILIPPO: Thank you, Mr. Thomsen.

Mr. Yost. You're next in line for questions.

MR. YOST: Thank you very much. Good afternoon, welcome to our hearing. I've much enjoyed the testimony today. I have one question and this goes to the distributors that are represented on the panel. That is, could you elaborate on the concept of program sales, please? Describe how such a program works and explain the significance of program sales in terms of OCTG.

MR. DuBOIS: This is Scott DuBois with

Premier Pipe.

Programs can take various forms depending on the customer and the requirements. They're really gained momentum over the number of years because of the shale clays which requires a very efficient supply chain. It's a very repetitive process.

So an end user, customer has a requirement. They get with distribution. We work together with the mills. We put a program in place which has some definitions around what we're going to supply, when we're going to supply it, what the pricing of that material is going to be. Typically pricing is reviewed and negotiated on a 90 day time frame. It can be different, but that's pretty typical. There are out-clauses in those.

So we have to do several things. One, we have to be able to deliver pipe on time all the time. We have to be able to show continual value. And we have to be competitive in the marketplace. So as we look at trends in the marketplace from some of the indices out there, OCTG, Preston, these types of things. If they start trending down we have to get competitive, either working through the mills that we're currently doing business with or go find other sources.

MR. SHOAFF: John Shoaff, Sooner Pipe. Just to add to Scott's comments.

As I said in my testimony when we talked about the pricing with the different indices that we track, those indices are made up of a combination of both domestic and imported. So in the event that you've got a program that's based on domestic supply, as Scott just said, you can see that by those two kind of being mixed in the indices, it's going to drag the entire pricing mechanism downward.

MR. MILLER: Steve Miller with Cinco Pipe.

I'd like to add also that the program negotiations are agreements and not contracts. There is not contractual obligation of an end user to purchase a certain quantity nor is there a contract to us to provide a certain amount of pipe.

The way it generally works is that an end user says this is my estimated consumption on a number of different products and as my colleagues mentioned, the price is then negotiated with the mill and renegotiated on a regular basis based on the consumption, time frame, and the quantity that they predict. But they're really more pricing agreements than contractual obligations.

MR. YOST: Do such program agreements, do they impact welded versus say seamless differentially? Are they only in shale as opposed to oil production?

MR. DuBOIS: This is Scott DuBois.

They can be for any drilling program, be it shale or traditional vertical drilling, ERW, seamless, alloy, carbon. It can be for any product, any range of products.

MR. YOST: Anyone have an estimate as to total U.S. consumption that the pricing agreements might cover.

MR. THOMPSON: We have some internal numbers within our own business that we can give to you.

MR. YOST: If you would please submit those post-conference that would be appreciated.

If anyone has other ratios or other percentages that they want to forward now or put it in post-conference, that would be appreciated.

MR. DuBOIS: Scott DuBois again.

We would say it's in the range of 80 to 85 percent of the marketplace.

MR. YOST: So it is significant. Thank you very much for your answers. I have no further questions.

MS. DeFILIPPO: Thank you, Mr. Yost.

Mr. Treat, do you have questions for this panel?

I'm sorry --

MR. CURA: On hearing the testimony, I would probably like to offer our view about from a Tenaris perspective, Maverick perspective, how the programs are run.

Number one, Brad Lowe, my colleague here, provided testimony in terms of programs, sources of programs. Not traditionally, particularly these last few years, being fixed, given that the majority of the users would naturally ask for pricing, and some other distributors have turned back and said either you match these prices or you quantities will be ultimately removed from the existing program. This is the example that we provided. I will be very happy to provide details in the post-hearing notes.

The second view is that we tend to say that the program's base is a lot smaller than 85 percent. We see that some of the smaller operators in the country which are by and large the majority, are still operating on, I would call it spot basis. This is somehow associated to the smaller companies having some capital access restrictions and therefore not ready to commit on a long-term basis based upon the volatility that we've seen in the market.

MR. MATTHEWS: If you don't mind, I'd like to expand a little bit further.

With regard to programs, I think it's important to mention, and I think in the context of Mr. DuBois' explanation, not just domestics have programs. I think imports are also integral to programs with end users. So you might have some portion of a program that might be from one domestic supplier. You may have another portion from another domestic supplier. And you may have yet another one from import supply. So I just wanted to make that point.

MR. YOST: Thank you very much.

MR. TREAT: Good afternoon. Thank you very much for your time today.

I just have a couple of quick product related questions. In this morning's testimony there were several references to commodity grades, standard grades. Mr. Cameron mentioned semi-premium and premium grades, so my question is, what is considered a commodity, a standard, a semi-premium, or a premium OCTG product generally? And can you maybe just describe generally some of the differences between those segments?

MR. THOMPSON: It is a little bit confusing and I understand that. I think if you ask all of us, we'll give you a different answer.

But from our perspective I think there are two ways to look at this product. It is the grade of the pipe itself and there are the threads.

From the grade of pipe standpoint in commodity which I would call roughly the API product, although there is some API that's called premium. But I would say from a grade of pipe standpoint 90 to 95 percent of the product out there is commodity or straight API on pipe grade.

The other portion is on the threads. There is a larger portion of the business that is what we would call semi-premium pr premium threads and that is a very technical definition. I think in the shale place there is between semi-premium and premium there is probably 20-25 percent of that product requires a semi-premium or premium thread.

On the more traditional plays it really depends on the conditions. There's almost exclusively premium thread in the Gulf of Mexico That's mostly seamless product.

But in the product we're talking about right here today, from a pipe body standpoint and grades, I'd say 90 to 95 percent of it I would call commodity type. And on a thread standpoint I'd say about 80 percent is commodity type. But I would also add those threads are a marker out there that whether it's foreign, ERW, or seamless, you can purchase semi-premium, premium threads on the marketplace to have that put on the pipe. And in fact that's being done on the subject countries' product on a regular basis.

MR. SNYDER: Bill Snyder. Boomerang Tube.

We're a startup company that has been in business now for three years, and one of our first customers that we aligned with, we were supplying a semi-premium product. As the incumbent, the buyer brought us in, the EMP company brought us in and told us where our pricing was relative to a particular Korean manufacturer, and it was well below our cost. And we just had to walk away from the business.

So the subject countries certainly compete in the premium markets as well.

MR. TREAT: Thank you.

Just one more question. Many of you today have I think described a narrowing of your product range in the shale plays and if one of you can just elaborate a little bit on that, what is changed, what the trend is, where do you see it going in the next couple of years?

MR. HERALD: Skip Herald with Vallourec.

The shell plays, historically oil and gas companies, their strength was exploring for oil and gas and each of the wells, to some extent, were unique. With the shell plays, it's really not about finding oil and gas. It's actually there. They know it's there. So the new technologies basically allow them to almost manufacture. So in any manufacturing environment your whole process is to try to standardize. So what they've done with the shell plays, I think you heard earlier, the concept of pad drilling. So they may go drill 20 wells off of one pad and they'll drill all 20 wells exactly the same in terms of diameter and needs for requirements for down hole casing.

So what we've seen is as this technology has developed, operators move that same technology from one shale play to the next. So it's allowed a standardization of product size, product range, even the connection side that George talked about earlier.

So we've seen from where they would go out and explore area to area with each well being unique, and it's still done that way today in the Gulf of Mexico. But for the shale plays it's a very standard process. It's about manufacturing. In any manufacturing environment there are two factors -- standardization and cost. So that's what the operators are working on today.

So even though we can supply good product, quality product, we have value and delivery, but at the end of the day they're trying to drop cost. So when they look at that variance between our product and the imports, and you're trying to drive cost efficiency not the process of finding oil and gas, that's more pressure on us from a competitive standpoint. So that' really what drives the standardization is the whole manufacturing thought process and the supply chain of the type of wells that are being drilled.

MR. TREAT: Someone mentioned earlier that the narrowing product range and the shale plays represents about 65 percent of U.S. apparent consumption. Basically 65 percent of what's consumed in the United States has become basically a standardized homogenous OCTG product.

MR. THOMPSON: I would say that's true, and it's growing.

MR. TREAT: Great. Thank you very much.

Thank you, Mr. Treat.

Mr. Corkran, do you have questions for this panel today?

MR. CORKRAN: Thank you very much, and thank you everybody who has come from so far to participate in this panel. It's always very helpful to us.

Unfortunately, coming at the end I tend to have few questions but they also tend to bounce around a little bit.

One of the things I wanted to touch on was the issue of quarterly price adjustments and program sales. I wonder if I can get a little more detail on the elements that go into that. One of the reasons I ask is that in looking at published price data in very many instances you see right along with the analysis of prices, you see an analysis of hot-rolled coils or other raw material type prices. I just wanted to know whether raw materials were taken directly into account with these price adjustments or were they more generally just tubular price adjustments?

MR. TAIT: Steve Tait with Pipeco.

With regards to when we participate with our customers in renegotiating of prices with the programs, our customers don't look too much at the raw material costs. They're more interested in the Pipe Logix and OCTG situation reports which they feel is more of a market driver. I think as was spoken to earlier, I think Roger said the raw material costs don't seem to track very well with the market any more. And so I think from that standpoint it's generally a tubular market driven negotiation.

MR. THOMPSON: George Thompson, U.S. Steel.

There are some negotiations that are pure index driven, pretty much. It just follows on a quarter to quarter basis.

There are some that is old-fashioned negotiation, back and forth, based upon knowledge of the marketplace. No doubt both sides are well informed of what the indexes are doing. Hot-roll is a factor but not a dominant factor in OCTG negotiation. I would argue when you're selling down that cost it becomes more of a factor. It gets a little bit uglier, as I said. There's some of the product that we have to take hot-roll into account because we're below the cost. This product is selling at very low prices.

But hot-rolled for the most part in OCTG is not a driving factor of negotiations. The index are probably the largest driver, and then beyond that, just availability and quality and the normal things you would shave on.

MR. BARNES: Scott Barnes with TMK IPSCO.

I would just like to add the comment that I think the reporting of hot-rolled prices in this report that you see is a throwback to the days when you didn't have to deal with unfairly priced imports. It's clearly all based upon pricing today.

If we were not under the duress of having to meet these lower prices, then naturally we'd be trying to recover our margins any time there was a movement in the cost of the raw material. That goes back to the classic days of trying to maintain your margins.

In today's environment, it's not a factor.

MR. PRICE: Alan Price.

I just want to add one factor which is those indexes include the import prices in them.

MR. DORN: Scott Dorn, U.S. Steel.

I want to add a little bit to what Mr. Thompson said. The programs have various pricing structures associated with them. Some of them are directly tied to the index movements. It could be one of the indexes. It could be a combination of the indexes factored into determining that price. Some just use those indexes as a market factor to determine the price. Very few of the programs have a cost component or a formula based cost calculation that incorporates raw materials.

MR. CORKRAN: Thank you very much. That was very helpful.

My next question goes to a number of the witnesses here today who have experienced a ramp-up of a mill in the past several years. What does your product mix Typically look like when you are ramping up? As you start to approach greater and greater levels of capacity utilization, are you able to branch out into a broader array of products?

MR. EISENBERG: This is Gregg Eisenberg with Boomerang Tube.

Yes, we went through that process ourselves a couple of years ago. It's pretty normal that you start up on the easier items in the first few months. But you try also and put your toe in the water on the more difficult products. As you have successes in that area you try to, now I'm going to put my foot and my ankle and my leg in the water, so to speak, so you try to grow that.

After a period of time you should get to the point where your product mix should reflect your equipment capabilities, should reflect the demands in the marketplace, and as long as those two things are syncing up together, should pretty well be there, but it does take some time.

MR. CORKRAN: Thank you. That's very helpful.

I wonder if Mr. Tejada or Mr. Mahoney might also have views on product mix as you're beginning to ramp up your operations?

MR. TEJADA: Yes, this is Maximo Tejada, Tejas Tubular.

Our situation is relatively simple because the mill produces just limited sizes like two and three-eighths, two and seven-eights, and three and a half. Basically those start with the simple product, but we do not have much of a problem adding products because we have a limited size range. So there's not much we can add.

MR. MAHONEY: This is Bob Mahoney with Northwest Pipe.

I really wouldn't answer it differently than Boomerang. With the new facility there's a certain amount of training and vetting of new systems, so generally you try to start out in the first few months with the products you perceive are the lower risk products. But ultimately you have to make what the market requires.

MR. CURA: Only a short brief comment. Perhaps because the scale is different, but we tend to do something slightly different. We originally start up the new lines with a mix of the various items that the line is designed for, and there are a variety of different reasons for that. We really rapidly want to get to understand if the technical specifications are in fact met, if the suppliers design aspects are in fact proven to be so, if any warranty needs to be called upon because in fact we're not able to rapidly reach to what we are supposed to.

There is also a notion of time to market in terms of being able to, you know, cover the entire needs of the space as soon as we possibly can.

It is also important only as a reference, that these mills are designed in a way where you cover a particular range. So when you look at the number of items, for instance, and you look at all these as has been said, you ultimately end up with not so very many anyway.

MR. CORKRAN: Thank you. That's helpful,.

I'm wondering if Vallourec's experience is more similar to some of the earlier witnesses we heard or more similar to the Tenaris experience. That is, either starting out with a very limited range of products or starting out with a more challenging range of products?

MR. HERALD: Skip Herald with Vallourec.

I would say probably more similar to the Tenaris in the seamless mill. We try to dedicate time in the mill to both so we will start with the simpler products and try to prove and run for production. At the same time we dedicate rolling hours to the more complex products, too. Again, to prove the technical viability of the mill at the same time that we're also producing. So it's really a combination of both. It takes longer that way, but that way we can bring on the products needed for the market sooner.

MR. CORKRAN: Is this a reflection of the fact that seamless mill capacity increases tend to be in much larger sizes? Or is that difference in approach related to the different types of production, seamless versus welded?

MR. HERALD: I'll let the welder guys speak to the welded, because we're seamless only.

From our perspective it's the ability to have all the technical support on place, much like Tenaris' comments. Having the suppliers on. You can only keep them on-site for so long, so having them on-site, helping the ramp-up with the complexity of the different products, the complexity of the mill, the integration, automation, et cetera, is critical. So at least I can speak for ourselves. I can't speak to the RW story.

MR. BARNES: Scott Barnes with TMK IPSCO. We ramp up both, different types of equipment for either seamless or welded. I think where you need to make the distinction here is what Skip said, trying to get something for commercial sales versus trying to get some trials going to prove up the equipment that met the specifications in terms of can it form the product, can it have the capacity to match the mill on motors back and forth and drive speed and a lot of other things that have to be in sync.

So from an equipment standpoint, I think the issue is you want to prove up, as Skip said, because there's not, the manufacturers when they sell you the equipment give you a certain period of time to which they will allow you to come back to them with comments and claims if the equipment's not to what you ordered or you're not getting the rates to what you ordered or so on and so forth.

The other side of the coin, it's the training issues involved and so on when you start up and you want to make sure that you're making product that your employees understand how to make and go forward, and you go up in a degree of sophistication.

That's how we do it.

MR. MATTHEWS: If you don't mind, Dough Matthews, U.S. Steel.

We have experience on ramp-up of both welded and seamless as well.

I kind of agree with what was mentioned with Vallourec and Tenaris. You go through a debugging phase because in order to do qualifications you have to have a steady state process. So if you move too quickly to the broad range of qualifications and your process isn't stable, then it will be challenged because you'll have inconsistent results.

So you quickly try to move through the debugging phase and then you quickly try to move out what your portfolio of offering is because you have to demonstrate what the Mill was designed to be able to do. You have to do that through actually producing the product.

MR. CORKRAN: Thank you very much.

I'm going to move to a somewhat different line of questioning. We've already talked a little bit today about the timing of the period that we're looking at, where it falls in relationship to the prior case involving all country tubular goods from China.

One of the questions I have is, the imports from China were very much concentrated in seamless casing and tubing. I don't mean to imply there weren't substantial volumes of welded as well, but that was the primary, they were primarily seamless.

The imports that we're looking at today seem to have a very different profile. It differs by country, but there seems to be a lot less, a lot smaller volume of seamless product, and it seems to have risen to a much smaller degree over time than the welded product.

I guess I'm trying to figure out, where do the imports that we're looking at today factor in the market compared to where the Chinese were three to four years ago?

MR. SCHAGRIN: Mr. Corkran, this is Roger Schagrin.

I think your question and the answer to it goes to the very essence of the fungibility and substitutability of welded and seamless products that except at the very very highest grades of API where you have to be seamless, everything else, probably 80-85, 90 percent of what is used in the U.S. market are API grades where the API itself says you can have seamless or welded in this API grade.

So that is why, while the Chinese imports were overwhelmingly seamless and this Commission found, very correctly, that those imports of Chinese seamless were competing with both U.S. welded and U.S. seamless production, why imports from Korea could ramp up so quickly in the U.S. market after the Chinese were forced to leave it because of the imposition of duties, even though the imports from Korea are overwhelmingly welded, they just make them to the variety of API grades that U.S. welded and seamless producers produce.

That's why whether you're looking at subject imports that are welded from countries like Korea, Taiwan, Turkey, Vietnam; or seamless from countries like Ukraine, Thailand, Saudi Arabia; they're all competing with each other and they're all competing with U.S. welded and seamless producers over let's say 80 to 85 or 90 percent of the U.S. market.

That has not changed through my career, and I don't think it's ever going to change. You just have a grade, which is what users want. They may have a preference now and then, but overwhelmingly, they want a grade of product. And the supervising association that takes care of drilling around the world and all kinds of products used in the energy area, the American Petroleum Institute says you can meet this grade through either a welded or seamless production method. These are really substitutable, fungible, products regardless of whether they're made via the welded process or the seamless process.

MR. CORKRAN: Thank you very much.

My next question goes I think directly to Mr. Cura because I'm very interested in the, if you can describe the relationship between the Tenaris producers outside the United States that do supply a portion of the U.S. market; Maverick in the United States; and the seamless mill that will be coming on-line.

How do you supply the market currently, how do you see supplying the market going forward?

MR. CURA: If you don't mind, I would be very happy to address the specifics as part of the post-hearing notes because those questions are going straight to the core of our business strategy in the States.

However, I could probably anticipate some aspects now by saying that as we have indicated all along, it is the intent of Tenaris to present ourselves versus what we think within the context of our end users, with the possibility of supplying all the tubular needs.

We have recognized one point, that to reinforce that, seamless domestic production was absolutely going to be required; and this is why we have decided to embark ourselves in the investment plan that is being announced. This is a $1.6 billion seamless facility that we intend to build in the next few years.

But as I said, we'll address the specifics as part of the post-hearing notes. I'm confident that we will provide a satisfactory explanation.

MR. CORKRAN: Thank you. I very much appreciate that.

Moving rather quickly now at this point. We've heard a lot of testimony this morning about pipe used in the shale plays and the fact that it represents a narrow range of products. I believe that refers to both grades and sizes. Can you define at least broadly what that range is or does it simply mean there's less variability in supplying the shale plays?

MR. THOMPSON: Very broadly. They drill these wells and it varies by footage, but basically there's some 13 and five-eighths top which basically initiates it. There is nine and five-eighths or eight and five-eighths after that which they call surface casing which basically goes down to basically below the water level. Then there's the production casing which they're actually using to drill the well. That is four and a half and five and a half predominantly. Varying, different grades.

There are some places that use seven inch and larger but for the most part four and a half and five and a half is by far, five and a half is by far the dominant size.

Some welds are tubed. Sometimes particularly in the gas wells the pressure is such that they don't tube them at first and the tube is for oil. It tends to be two and three-eighths, maybe two and seven-eighths. And for gas it tends to be two and seven-eights.

MR. CORKRAN: Let me just clarify. One of the things I was wondering about was, are we seeing a narrowing of grades for example that are offered for the shale plays? Are they concentrated in particular OCTG grades?

MR. THOMPSON: Yeah, compared to other -- Absolutely.

MR. CORKRAN: What would be the primary grades that --

MR. THOMPSON: The top two sizes are predominantly carbon grades, J55 or K55 if it's seamless. The four and a half, five and half, seven inch is predominantly P110, however there's a little bit of L80.

It used to be and in some places there's some N80 but not nearly the amount of N80 there used to be. 2007 and 2008.

And the tubing is various, but it's predominantly J or L80.

MR. CORKRAN: Thank you.

And while I was thinking about it, one of the questions I was wondering a little bit about when we talked about, there's a question about green tube earlier, and I think there was a general estimate of, in U.S. Steel's case, something on the order of 100,000 tons that was sold as green tube.

Does green tube have an API grade that can be increased through heat treatment? Or does it essentially have no API grade at all at least in your case when you sell it?

MR. THOMPSON: It depends. Basically you are melting two customer specification so that it can be convertible to an API grade.

MR. CORKRAN: So it would not be, for

example, a J55 or a K55 that was capable of being through heat treatment used at a different grade?

MR. THOMPSON: It could be. That's not how we produce it, but there are people that do that. They'll bring in carbon grades that are upgradable. The use straight carbon grade that can be upgradable to the higher grades.

But our product is for a very specific product that is convertible to whatever they want to order. Believe me, whatever we sell, we have more to sell. It's not our core market. But we've not seen a huge market for green tubes out there, to tell you the truth.

I would suggest that for the subject countries that bring in green tubes, it's for a very specific reason, and that is to enter the market in a different manner using the exact same philosophy which is to price it lower.

MR. CORKRAN: That was very helpful.

MR. SCHAGRIN: Mr. Corkran, this is Roger Schagrin. We can provide in our post-conference brief just to illustrate I think the point you were making in your question about whether green tubes can both maybe carry a designated API or be upgradable to higher levels of API, and we can show you where importers and resellers of subject imported OCTG are advertising products for sale and saying we can give it to you at this price as a J55 or it's upgradable to P110 at this price and it's in the same offer to the marketplace. That shows the variety and the ability of the imports to attack various parts of the market because of the flexibility.

All they have to do once they have imported a product in the U.S. and then want to sell it at a price that undercuts the rest of the market in a different grade is to find an outside processor in the U.S. and pay them to heat treat it to make it P110.

So we can give you examples of that marketing technique of the imports in our post-conference brief.

MR. CORKRAN: Thank you. I believe I just have one more question. That goes to the nature of the non-subject imports that are present in the U.S. market in not insubstantial volumes.

How do you see the participation of import sources such as Argentina or Mexico or Japan or Germany or Canada? Countries that do have a substantial presence in the U.S. market.

MR. MATTHEWS: I think in a lot of regards where we kind of draw the line between the subject and non-subject was the fair competition in the marketplace. Do we lose orders to non-subject imports? Yes. But we compete with our best foot forward, with our best value proposition to that customer and that import outdid us in that particular case and next time we'll do it a little bit differently.

But it's market-based pricing. It's market-based services. It's creating your value proposition to the end user.

The subject imports are just substantially lower from a pricing standpoint that we just can't compete with. We choose to take business occasionally at those prices but it's at negative MOVs and it's not sustainable for us.

MR. SHOAFF: This is John Shoaff with Sooner Pipe.

I would agree with Mr. Matthews' comments. From a distribution standpoint we also lose business to non-subject countries but we don't see them aggressively pricing their product anywhere close to the subject countries.

MR. HERALD: This is Skip Herald with Vallourec. We bring in product from our sister mills from Europe. We bring through the same commercial organization that we sell our domestic production. We buy from our international mills and we compete at the market price that we compete with the rest of our products in the U.S.. So Basically through the same team working every day to do that.

MR. CURA: I would only add that we at Tenaris operate the company as one and this is probably addressing part of the question that you were asking me before, to provide the specifics, as I said in the post-hearing notes.

But as we have said even at this same Commission, whatever we bring to complement offers to our end users in terms of the variety of different tubular products that they consume, is done in a way that preserves the notion of market environment. We are a big domestic producer. We will do nothing to bring from outside that will hurt ourselves in the marketplace.

MR. PRICE: One general comment. I would just point you to the slide show, item 25 on page 25, and you can just see a general price comparison between the non-subject imports and the subject imports.

MR. CORKRAN: Again, my thanks to you all for your presentation today. IT's been tremendously helpful. I have no further questions. Thank you.

MS. DeFILIPPO: Thank you, Mr. Corkran.

Mr. Price, just a followup on this graph. Are there any product mix issues with the non-subject and the subject that would cause their price to be higher? Or are they selling a similar type of product as the subject versus non-subject?

MR. CURA: From our perspective in our imports, we bring a substantial volume of API which is the same category of items we've been discussing about pretty much the whole morning. It is also true that we also address some of the deep water Gulf of Mexico sophisticated tubular requirements. They are a part of the mix. But I would like to perhaps emphasize the off-shore component of the market is in the area of, demand wise, is in the area of six, seven percent.

MS. DeFILIPPO: That's helpful.

I only have a couple of things as most of my questions have either been asked or answered in the course of responses.

To follow up with one question on some questions that Mr. Yost had on the program sales, the information presented was very helpful in understanding that, but I wasn't sure who are the programs between? Who are the agreements between?

The end user and a distributor? Or are there also agreements then from a distributor up to supplier? I got a little lost in who the players are.

MR. THOMPSON: It's definitely a three party transaction. Everyone's different. Some programs are managed almost 100 percent by the, from a U.S. Steel perspective. Some are managed 100 percent by the distributor and their negotiating with upon behalf of the end users. Those tend to be the smaller players out there.

And what we've seen is with the advent of the shale plays and the fact that it has become more like a manufacturing process, the end users want to be more involved in direct negotiations with the mill. Whether it's to assure supply or to assure price levels. But then how that works is it tends to be a three way negotiation. They don't buy pipe the way we make it and we don't make it the way they buy it so there has to be a middle man involved. Some mills will negotiate price with us and negotiate the value, negotiate the price for the distributor. Some will just negotiate with the distributor knowing that we are quoting the distributor in the process.

Some demand the supplier, some are very open minded to the supplier but it's 100 percent of our

OCTG sales are to distribution.

MS. DeFILIPPO: And these --

MR. VAUGHN: I just wanted to comment on the term agreement. It is important to understand I think the testimony has been pretty clear. These aren't sort of written binding contracts like you might see or think of in other contexts. In fact the testimony has been that they don't really necessarily fix quantity and that price is regularly adjusted and renegotiated.

To be honest, it doesn't really, the traditional framework where everything is sort of either spot sales or contract sales, this doesn't fit easily into that model. But I think it is important for the Commission to understand that there is a great deal of flexibility here, both on the quantity side and on the price side.

MS. DeFILIPPO: You actually anticipated my follow-up question. Thank you for that response.

The last question I had is something, feel free to reply in a post-conference brief. I'm going to circle back I think to some comments that Mr. Schagrin made when we were talking about standardization of sizes of the product, and I think you made a statement that the movement towards more standardization of sizes had reduced or had the effect of potential reducing change over times within the mill.

I was wondering if that has led to any greater efficiencies in the mill and whether that's affected the cost structures and lowered production cost.

Again, because we're talking about cost structures you may want to address that in a post-conference submission.

MR. SCHAGRIN: We will address that in a post-conference brief.

MS. DeFILIPPO: I'm going to look up and down my long table here of staff and see if anyone has any additional questions that we didn't get to?

Seeing none, so with that I will say again thank you all very very much. It's been very helpful and I've learned a lot.

So with that, this panel is dismissed. It is 1:00 o'clock. We will take a lunch break and return back here at 1:45.

Thank you again.

(Whereupon, at 1:00 p.m., the preliminary conference was recessed, to reconvene at 1:45 p.m., later the same day.)

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

(1:47 p.m.)

MS. DeFILIPPO: All right. Welcome back, everyone. Mr. Cameron, welcome to you and your panel. Proceed when you are ready to do so, please.

MR. FOWLER: I am Steve Fowler, a founding partner of Tubular Synergy Group, which is a sales, marketing and supply chain services provider for line pipe and OCTG sold through numerous distributors to oil and gas companies. We sell OCTG from Taiwan, India, Saudi Arabia, among others.

Prior to Tubular Synergy, I was Senior Vice President, Sales and Marketing, for Lone Star Steel, which was a major producer of OCTG. In 2007, Lone Star was acquired by U.S. Steel, and I briefly served as General Manager-Commercial for the entire Tubular Division of U.S. Steel before retiring to form Tubular Synergy in late 2007. I have spent my entire career of 38 years working in the tubular business.

My purpose today is to discuss the OCTG market fundamentals and why imports are not injuring or threatening to injure the petitioning OCTG producers. Before starting my analysis, I want to comment on the countries that are not included. It is fascinating. The petitions exclude, among others, Canada and Japan, the second and third largest sources of imports in 2012, but include suppliers from Taiwan and Saudi Arabia, which account for less than 100,000 tons each.

Neither of these countries poses any threat to the U.S. industry. Imports from Taiwan are virtually all non-upgradable J55; that is, a basic carbon OCTG. The U.S. industry, and especially the seamless producers, seems to have de-emphasized basic carbon OCTG in favor of expanding heat-treated alloy shipments which are typically much more profitable.

Imports from Saudi Arabia and Taiwan come in a limited size range and do not include tubing or premium connections, but the Petitioners have excluded other importing countries where Tenaris, the largest producer of OCTG in the world, Vallourec and TMK operate massive production facilities that routinely export OCTG to the U.S.

Are we to believe that imports from the subject countries, even at immaterial levels such as Saudi Arabia and Taiwan, are injuring the U.S. producers, but much greater importers from noncovered countries are not? As a businessman, this simply makes no sense to me, and it should not make sense to the ITC either.

The domestic industry has a number of significant advantages in the market that serve to insulate it from most import competition. The domestic industry produces and sells large quantities of high grade alloy OCTG. Many of the subject imports are not alloy grade. In 2010, for instance, domestic shipments of alloy grade casing were three times higher than shipments of carbon casing. We are sure those trends are even more pronounced today.

This preference to supply the higher grade alloy OCTG as opposed to carbon OCTG partially explains the new investment in additional heat-treating capacity by the Petitioners in the United States over the last five to seven years. And while some imported tubes can be upgraded to alloy grade through heat-treating, there is limited third party capacity in the U.S. to perform those upgrades, and backlogs occur regularly.

As stated earlier, a large percentage of subject imports are the most basic J55 grade OCTG that the U.S. industry seems to have de-emphasized in favor of increasing output of heat-treated OCTG. U.S. producers emphasize the sale of alloy grade OCTG using premium and semi-premium proprietary connections. Premium and semi-premium connections may account for as much as 25 percent of the market today.

U.S. producers have virtually no competition in this segment. The use of premium and semi-premium has increased dramatically in the last five to six years. Premium connections are used primarily in high stress applications, especially shale-based horizontal drilling. The connections need to withstand high torque, high compression and bending. Premium connections are proprietary and quite expensive.

None of the suppliers in the countries listed in the petition imported proprietary premium connections to the U.S. marketplace. This market sector has recently undergone a huge consolidation in the U.S. with both Vallourec and Tenaris acquiring two formerly independent processors and related patents of premium connections.

The 50 most active oil and gas operators account for over half the OCTG consumption in the United States, and they typically prefer to align with domestic OCTG producers. This preference appears to be based in large part on minimizing any supply chain disruptions related to the delivery of OCTG products in a timely fashion, as well as the flexibility if and when a casing design change takes place.

The operators typically require OCTG

suppliers, the mills and distributors to guarantee price and quantity over a fixed period of three to six months and in some cases longer. These are commonly referred to as program sales. We estimate program sales represent a large majority of the OCTG sales by the domestic producers, and domestic producers dominate this important segment of the market. Most import sources do not participate in program sales, and to the extent that they do they are largely marginal suppliers to those programs. Imports fill in gaps of the domestic supply. They do not typically replace domestic supply.

OCTG prices have been declining over the past year, but that appears to be a result of a combination of factors having little to do with overall imports. Within the review period, additional domestic capacity has been added by Northwest Pipe, Boomerang Tube, Welded Tube, Vallourec, Tejas Tubular, OMK, Energex and others. New capacity may have created some pressure on the domestic only sectors of the marketplace as these new entrants vie for market share.

Additionally, hot-rolled coil and billet prices have been declining, and that acts as a further incentive for domestic OCTG prices to soften as well.

In spite of a relatively narrow range of the number of total drilling rigs operating, the overall demand for OCTG during the review period has been boosted by continued improvements of drilling rig and well completion efficiencies.

New rigs, improved drill bit technology, better completion techniques and other industry breakthroughs have increased the number of tons of OCTG required per rig. Some industry sources estimate that consumption may be approaching over 270 tons of OCTG per rig per month. This compares to a 1980s figure of around 100 tons per rig per month. This increase in consumption pushes the current total OCTG demand upwards to an estimated 6.5 million tons for 2013.

The petition cited 2006 through 2008, a truly extraordinary period, as the baseline from which to compare profitability. That is nonsense, of course, but look at that period for a moment to compare domestic industry profitability to import penetration at the time. What you see is that during the height of Chinese OCTG imports, U.S. producers obtained their highest levels of profitability.

Domestic industry profitability is not driven by import levels. This dynamic has not changed, and it occurs because U.S. producers have built in advantages within end user programs, premium tubular connections and expanded heat treatment capacity that most of the imports don't have.

Finally, the outlook for the OCTG industry is very positive. First, this is not a situation like we had in 2009 when the bottom dropped out of the market, which created a huge inventory overhang. To the contrary, inventory levels appear to be in the range of five months, which is around the industry norm.

At the same time, just this month, Goldman Sachs projects the outlook for natural gas demand is bright, and natural gas prices should rise in 2014. Increased shale drilling will most likely accompany the increase in gas prices, so the outlook is bullish on demand.

Indeed, the domestic industry clearly believes in the U.S. market for OCTG. Since 2010, the total value of new investment in OCTG capacity has been huge. We expect additional investments in coming years. That level of investment is not done on a whim. Rather, it reflects a belief that the fundamentals of the market provide a solid basis for projecting strong profitability for domestic OCTG producers in the reasonably foreseeable future and beyond. Thank you.

MR. DOUGAN: Good afternoon. I'm Jim Dougan from ECS on behalf of the joint defense. Petitioners recognize that OCTG is a cyclical industry with boom and bust cycles and that they must be able to properly take advantage of the boom time to ensure that they have the means to invest for the future when the opportunity allows. The evidence collected in their questionnaires shows that they certainly have done so.

As shown on Slide 1, from 2010 to March 2013, the industry's capital expenditures were $1.7 billion, billion with a B. By comparison, the industry's cap ex for the 2006 to September 2009 period, which was six months longer and over which the industry's average operating margin was roughly 25 percent, were only $540 million. In short, the domestic industry's capital investments during this POI were over three times what they were during the period that it would like the Commission to use as a benchmark for its financial condition.

By that very significant indicator, this industry and in particular the industry's future are far healthier now than in the prior period. In fact, domestic industry's capital expenditure since 2010 is more than double total cap ex from 2001 to September 2009, which were $738 million.

No industry, no board of directors acting rationally, invests nearly $2 billion in an industry that it believes is materially injured or threatened with material injury by imports, and it doesn't do it contingent on the outcome of a trade case. The injury indicia support a finding of no current material injury and help justify these investments and certainly show no injury by reason of subject imports.

As shown on Slide 2, between 2010 and 2012 -- that is, when subject import volumes were actually increasing -- the domestic industry's capacity increased by 10 percent, production by 30 percent, shipments by 33 percent, employment and production related workers by 22.5 percent, hourly wages by around 7 percent, net sales quantity up by 34 percent, value by 44, AUV up by 7, gross profit by 11 percent and operating profit up by roughly 10 percent.

Presumably it's because of this that the domestic industry waited until now to file the petition so that the Commission could observe the change between the first quarter of 2012 and the first quarter of 2013. Now, we'll address this in more detail shortly, but we note for the record that subject import volume declined between these quarters.

Second, the first quarter of 2012 was at or near the peak in demand and domestic industry performance over the POI. Petitioners have used the word or the term massive decline to describe this change between the prior year periods, and as all parties agree this industry is susceptible to booms and busts. Given that, it's helpful for the Commission to have some historical context for the variability in industry operating profits over time.

Because of the extensive data record from ITC investigations of OCTG reaching back to the early '90s, the Commission has the ability to see the long-term context of the business cycles actually and not just, as Petitioners suggest, cherry pick the three year period during which the industry hit its all-time historical peak of profitability.

Slide 3 shows the index to variability and domestic industry operating margin from 1996 to 2008 compiled from historical ITC investigations. There are very wide swings, both across the period and from year-to-year. Now, plotted on the same scale is the industry's operating margin during this POI. By comparison to the historical variability and profitability, it looks like a horizontal line.

In context, this is not a massive decline. What it is is a decline in keeping with market demand drivers and prices of key raw material inputs. First, as to demand, while OCTG demand has been strong during the POI looking only at the aggregated annual and interim periods, as done with the Petitioners' point-to-point comparison from this morning, masks trends that explain why the industry has experienced its modest decline in profitability.

Slide 4 shows indexed monthly operator consumption and rig count from Preston Pipe and Baker Hughes. As shown here, the current cycle's demand actually peaked in the fourth quarter of 2011. So while the 2012 level is higher in annual aggregate than the 2011 level, the demand decline actually began in late 2011/early 2012. Since then, both rig count and monthly consumption have declined roughly 13 percent from their peak level.

Slide 5 shows that the same occurred with respect to prices of hot-rolled coil, billets and shredded scrap, key raw material inputs into OCTG. Prices peaked in 2011 and declined throughout 2012 into 2013. Each of these key raw material input prices is more than 20 percent below its 2011 peak.

Slide 6 shows how the index of weighted

average U.S.and subject import prices reported in the questionnaires behaved. This will sound familiar by now. A peak in late 2011, decline through 2012 into 2013. U.S. producer prices are 15 percent below their 2011 peak, and subject import prices are 16 percent below their 2011 peak. So when demand is down 13 percent and raw materials are down more than 20 percent, a nearly identical 15 to 16 percent price decline by U.S. producer and importers is not surprising.

And as you'll notice, the U.S. producers' decline in price began one quarter before the subject imports' decline. The Commission should consider this point in the context of price leadership and who's chasing who down the market. Meanwhile, subject import volume declined 9 percent between the first quarters of 2012 and 2013 and by 26 percent between the first halves of 2012 and 2013, and the domestic industry also gained market share between the interim periods.

The Commission should also note that among the underselling data the frequency of underselling, as measured in the percentage of comparisons, is the lowest for the largest subject import producers, and the average margins of underselling for these suppliers are frankly very small and well within the discount that one would expect for the additional lead times associated with buying imports. Clearly, it was market forces other than subject imports that led to the domestic industry's decline in profitability between the interim periods.

The good news for the domestic industry is that while first quarter 2012 may have been the peak of the current market cycle, first quarter 2013 appears to have been the trough. As shown at Slide 7, the orders reported by U.S. producers for the second quarter of 2013 -- these are rounded, of course -- orders already in the books as we sit here today were 1.1 million short tons. This is not only larger than the first quarter of 2013 U.S. shipments figure, but also larger than the first quarter 2012 U.S. shipments figure, which, as we pointed out, was near the top, if not the top, of the current market cycle.

In addition, it appears that prices may have hit bottom as well. According to U.S. Steel's Tubular Market Update from June 2013, very recently, "The Spears & Associates Pipe Logix OCTG spot market index had its first month-to-month increase in 14 months." So this industry isn't vulnerable, nor is it threatened with future injury by subject imports.

Domestic producers' order volume and prices are already headed back up, and the short- and long-term outlook for OCTG demand is strong.

The Energy Information Administration projects natural gas prices to increase by 4 percent between 2013 and 2014, and Goldman Sachs predicts an increase of 9 percent. Either way, this is going to lead to an increase in drilling activity. As shown in Slide 8, rig count is projected to grow by 4.3 percent in the second half of 2013, 2.8 percent in 2014, 2.5 percent in 2015, and over 2.5 percent in 2016.

Note also that as many witnesses have testified, the recent trend in increased OCTG usage per rig means that even modest increases in rig count can lead to a greater increase in demand for OCTG. Over the longer term, U.S. shale gas production is projected to grow by 40 percent between now and 2020 and tight oil as it's known, including shale oil production, to grow by 130 percent over the same period.

And as shown at Slide 9, the industry has roughly 3.5 million tons of additional capacity scheduled to come online to meet this demand on top of the roughly 500,000 tons added with the $1.7 billion invested since 2010. And there will be hundreds, if not thousands, of high quality jobs that come along with these investments.

Finally, unlike in the China case, the industry is not threatened by a large buildup of inventories. As shown at Slide 10, current inventory levels -- this is also indexed because of confidential or copyrighted data -- as measured by an index of months inventory are at the low end of the norm from the 2006 period forward.

This is true even if one excludes the data from the China and financial crisis driven spike in late 2008 through early 2010 as shown in Slide 11. Mr. Fowler can in Q&A if you'd like provide a rebuttal to Petitioners' testimony that current levels of inventory constitute an oversupply of the market.

In short, the industry is profitable, has already begun a recovery from the trough in the recent demand cycle and has made investments of nearly $2 billion and more to come and its future ability to meet the strong demand projected for decades to come. The Commission should find that it is not materially injured, nor is it threatened with material injury by subject imports. Thank you.

MR. PI: Good afternoon. I am Dong-Heui Pi, Deputy General Manager of Hyundai HYSCO, one of the leading producers of OCTG in Korea. I have worked at HYSCO for eight years, and I am very familiar with the OCTG that HYSCO produces and exports to the United States.

HYSCO has been producing high-quality welded OCTG since the late 1980s. The first OCTG case in 1994-1995, HYSCO received a de minimis dumping margin and was excluded from the antidumping order that was imposed in 1995.

There are five primary producers of welded OCTG in Korea. All five welded producers produce a wide variety of welded pipe and tube, including standard, structural, line pipe and OCTG.

We produce high quality welded OCTG. Most of this OCTG must be finished in Houston. Sometimes the finishing is only threading, but usually the pipe is heat-treated and upgraded to higher grades of welded pipe. Korean OCTG is recognized in the market to be of extremely high quality and reliability with the result that it is well accepted in the market.

Imports from Korea are produced to order. The time between order and completion of finished OCTG in Houston is roughly five or six months. This is a long lead time, and a lot can happen in that time. The OCTG market has changed with the emergence of program sales, which account for as much as 80 percent of the market, but unlike most other subject imports Korean imports participate in some program sales.

Generally, domestic suppliers dominate the program sales segment of the market because the imports cannot meet the tight timelines required. In addition, there is risk involved with selling to programs because the importers and the distributors maintain the inventory, and there is no guarantee that the user will purchase it. Sometimes changes occur in the program, but participation requires inventory to adequately stock programs and a guaranteed availability.

For program sales, welded OCTG from Korea is accepted by many major drilling operators as supplemental supply within their programs, but no OCTG program will rely primarily on imported OCTG because of the risk of the long supply chain. We also sell in the spot market through distributors when needs arise and the customers need immediate supply because of availability issues.

Domestic producers can and do fall short in their supply to program sales, and when this occurs the distributors seek spot sales to immediately fill the void. Again, the key is availability, not price.

Since the 2009 market collapse, distributors are very reluctant to hold large inventories, so the spot market is an important backup if they get caught short. Thank you.

MR. CUNNINGHAM: I'm Dick Cunningham. My client, ILJIN Steel, ships green tubes, which are processed in the U.S. into finished seamless OCTG. We have distributed a lengthy written statement, but in my one minute I will make three points:

First, the testimony this morning confirms that you need to exclude all green tube imports from your analysis.

Second, you cannot cumulate imports from a country that sells semi-finished OCTG, and I mean this more broadly than green tubes, with a country that sells finished OCTG. The Commission has explicitly ruled on both those points.

Finally, the testimony you heard today on the seamless versus welded like product issue simply doesn't make any sense at all. Now, those are self-evident and noncontroversial points, but I'll be happy to take questions later.

MR. BREWER: Good afternoon. My name is Buddy Brewer. I'm the CEO for Borusan Mannesmann Pipe U.S., and I'm accompanied today by Zafer Atabey, the

Executive Vice President of Sales for Borusan Turkey. Borusan USA currently is an importer of unfinished OCTG manufactured by our parent, Borusan Turkey.

At the outset, let me emphasize that Borusan is the leading Turkish producer of OCTG with a strong reputation for quality and reliability in the U.S. market. Borusan evaluated the current and potential market for oil and gas drilling, as well as the disadvantages of exporting OCTG from Turkey, and decided to build a greenfield facility in Baytown, Texas. We will manufacture ERW, API line pipe and OCTG. We will use domestically purchased hot-rolled coil.

The phased startup begins in November of this year and should be completed by mid 2014. Once that plant is operational, we plan to import only sizes which our U.S. facility is not able to produce. Tenaris, Vallourec Star, TMK IPSCO are also supplementing their U.S. production with imports of OCTG from their foreign affiliates. In our new facility, we expect to employ about 300 people and produce 300,000 tons a year when we are fully operational. The investment is over $150 million.

At present, Borusan imports high quality green tubes and J55 grade OCTG from Borusan Turkey.

In the case of non-upgradable J55, we use processors in Houston to have the OCTG threaded and coupled. We also import green tubes which are heat-treated and upgraded in the U.S. to various grades up to P110 and then threaded and coupled. We then sell the finished OCTG to distributors.

Borusan is the only producer in Turkey that competes in any significant way in the U.S. OCTG market. Penetrating the OCTG market anywhere in the world requires great experience and trusted brand recognition, but here in the U.S. it is even more difficult. U.S. customers are very reluctant to purchase from new suppliers to the U.S. market, so just having capacity means nothing. Over 85 percent of the imports from Turkey are from Borusan.

Our decision to invest in the United States to produce OCTG was carefully considered. First we recognized that we could not be competitive with the U.S. industry if we continued to supply from Turkey due to several factors. Certain end users just will not accept imported material for a variety of reasons.

By investing in the U.S., we can compete on the same terms as other U.S. producers. In this regard, we are following the example of many current members of the domestic industry who are owned by foreign steel companies who have invested here to get access to the prime segments of the U.S. market.

In addition, we face a significant logistical handicap in supplying this market from Turkey. Borusan's lead times are very long, and delivery schedules are uncertain. Borusan Turkey does not order the hot-rolled raw material until after receiving our purchase order, so we have several weeks of delay before production can even begin, and then it takes several months of pipe production and shipment.

Once the unfinished OCTG arrives in the U.S., we must have it finished in Houston before it can be sold. There are often five to six week delays in the case of heat treatment, which is necessary to upgrade the OCTG. These bottlenecks also prevent us from participating in program sales because we are not capable of guaranteeing an on-time availability. I estimate that program sales may account for at least 75 percent of the U.S. OCTG market. This segment is composed in large part of high grade, specialized products which are very profitable as a result. That segment is simply closed to us.

Program sales are dominated by and largely controlled by domestic producers and their distributors, and they demand that the product be on hand and upgraded to their requirements. There is a considerable amount of competition in that segment of the market, but that competition is among traditional domestic producers, and foreign invested companies like Tenaris, Vallourec Star, TMK IPSCO, Welded Tube of Canada, all of which own U.S. facilities.

In addition, we do not have access in Turkey to proprietary premium connections, which are increasingly required for OCTG used in horizontal drilling applications. Our new facility will incorporate premium proprietary connections, allowing us to participate in that high value segment of the market.

A domestic presence is an important feature of quality control and limiting the liability for major U.S. purchasers. The market considers that the highest and most easily audited standards for quality control are found in U.S. domestic mills. Many end users and therefore distributors will pay a domestic premium as insurance that the product will always meet their quality standards. Claims can typically cost millions of dollars, and these customers want to make sure that they have a domestic entity that will stand behind its products in the event of those claims.

The second reason for investing in U.S.

production is that we see the U.S. market as an important part of a very bright future in oil and gas exploration. At the moment there has been a temporary dip in the OCTG prices due to a pullback in drilling activity, declining hot-rolled prices and cautious distributors holding back purchases because they are reluctant to build up inventories.

However, we see natural gas prices increasing in the short term. Increasing natural gas prices will stimulate increased drilling, and that drilling will require more OCTG per rig because of horizontal drilling. We will be including with our posthearing brief our market study and justifications for the investment that we prepared for our banks and investors.

Borusan Turkey has always been a responsible participant in the U.S. market. We believe that the pricing data we have submitted to the Commission will confirm that we carefully price our products so as not to disrupt the U.S. market. We fully expect our prices to be the highest among the imports. Other imports, subject and nonsubject, who currently are our main competitors due to the logistical disadvantages of imports that we've discussed above. Our U.S. investment certainly confirms our commitment to this market and to responsible pricing and volumes.

Our customers have been calling to ask why Turkey was included in this case at all, given that by the time any order would be put in place Borusan will be fully up and running in the U.S. and will be as much of a U.S. producer as Tenaris or Vallourec Star or TMK IPSCO. Since these companies unilaterally have excluded their own foreign suppliers to the U.S. market in this case, it seems particularly unfair that Borusan has been included. Borusan is the only company subject to this case that also will be a domestic manufacturer in a matter of months.

We have invested in this market for the long term, and we have every interest in preserving pricing and moderating supply. For this reason alone, we believe that Turkey should not be cumulated with any other supplier and should be evaluated on its own terms.

We have a very different approach to this market, and we will be joining the ranks of the domestic industry by year end. For that same reason, Turkey represents no threat to domestic producers of OCTG. Thank you.

MR. SUMER: Good afternoon. My name is Ahmet Sumer. I'm the export manager of Toscelik

Profil in Iskenderun, Turkey. Toscelik Profil is part of the Tosyali group. Overall, we have revenues of $1 billion U.S. dollars per year, of which about 17 percent is export revenue.

We have two plants in Turkey. In Iskenderun we produce black and galvanized ERW pipes. In Osmaniye, we have a scrap-based electric-arc furnace steel-making plant for the production of square billets and hot rolled coils. We also manufacture spiral pipe and ERW round, square, and rectangular pipes, from self-produced and purchased coils.

Other group companies in Turkey produce long products like merchant bar and also steel shot. In 2012, we acquired Zeljezara Niksic Company of Montenegro, which is the largest tool and forging steel producer in former Yugoslavia. And last month Toscelik formally opened a 750 million U.S. dollar greenfield investment in a steel plant in Algeria, which is the largest steel investment in North Africa. This plant gives us a very strong market presence for all our products across North Africa.

Regarding the claims in the petition, in fact we have only two OCTG lines in Osmaniye. We cannot shift production from other products to OCTG because, first, OCTG is made from high-strength steel, which requires heavy duty motors, gearboxes, and also -- and other accommodations that are not present on our other lines.

Second, OCTG requires precise inside weld bead removal along with hydrostatic and ultrasonic tests that are not available on our other lines.

Third, OCTG is made in longer lengths that are our other lengths cannot produce. Furthermore, the heavy-duty lines that are used to manufacture OCTG are also used to manufacture other high-strength products for which we have established markets such as Iraq. Also, the same OCTG lines have a larger maximum size than our other lines, so they are also used for the larger size that our domestic market demands.

Finally, Toscelik has no OCTG finishing capabilities at all. We have only exported plain end J55 casing to the U.S., and we do not have a processing license for threading or to heat treat OCTG to produce any grade above K55. The U.S. market is moving toward these higher grades and away from J55, as drilling goes deeper and is more horizontal.

We plan to sell growing OCTG markets in the Turkish shale gas and geothermal sector and elsewhere in the Middle East-North Africa region. The recent confirmation of vast shale gas deposit in Turkey and eastern Europe will give us strong markets for OCTG.

In sum, we are modest supplier of OCTG to the U.S., and we have no plans or capacity to increase our U.S. OCTG sales. Finally, I want to add that Toscelik does not benefit from export or domestic subsidized. We have been under CVD review many times with the de minimis results every time. Thank you.

MS. JEONG: I'm Rosa Jeong, Greenberg Traurig, representing two Indian exporters, United Seamless Tubular Private Limited and Oil Country Tubular Limited.

These investigations involve nine countries, and contrary to Petitioners' assertions, subject imports of OCTG are not homogenous. Beyond certain differences attenuated competition between imports in the U.S. OCTG, there are two categories of products: finished OCTG and semifinished OCTG such as green tubes and also plain-end pipes that compel a closer analysis under the Commission's cumulation factors. Virtually all imports of Korea, Taiwan, Philippines, and Vietnam are of semifinished OCTG, while the majority of imports from India and other countries such as Saudi Arabia are of finished OCTG, which we include heat-treated and threaded products.

We submit that the semifinished OCTG imports of those countries should not be cumulated with the finished OCTG imported by India because these products are not interchangeable, and thus there is no reasonable overlap in competition between these imports and also the domestic like product.

In the interests of time, we refer you to our post-conference brief for further discussion regarding cumulation.

MR. KHANDELWAL: Good afternoon, ladies and gentlemen of the Commission staff. My name is Manish Khandelwal, and I'm a director of Maharashtra Seamless Limited, one of the largest producers of OCTG in India. I have been involved in the OCTG industry for over 12 years. I previously served as president of Maharashtra.

Based on my years of experience, I have amassed considerable knowledge about the OCTG industry in both India and the United States. I have traveled from India for this conference just yesterday because I think it's extremely important to assist the Commission in obtaining a realistic understanding of the industry in India. Unlike the OCTG market in the United States, the Indian market is not particularly cyclical or seasonal, as there is an increasing demand for energy in the growing economy of India, and exploration activities continue to be high in India's quest to meet its energy requirement and reduce dependability on oil imports.

The major national oil companies, Oil and Natural Gas Corporation and Oil India Limited, consume about 200,000 tons of OCTG a year. The private sector in India, relatively smaller, but significantly poised for growth, which includes companies like Reliance, British Gas, Gains, and several other players to whom exploration blocks for oil and gas were auctioned under the new exploration policy of India require about 50,000 tons of OCTG.

Traditionally, this demand has been met from Indian producers who have long-term historical relationship with these oil companies, and there is a comfort zone for these oil companies to procure from Indian manufacturers. The Indian market is therefore financially significant as it consumes about 300,000 tons of OCTG a year and is expected to grow by 15 to 20 percent in the very near future.

The majority production capacity of OCTG of Indian producers is aimed at this domestic market.

We have all observed the cyclical nature of the U.S. industry, which fluctuates with the price of oil. The industry suffered dramatically in 2009 as a result of the recession, but rebounded in 2010 and subsequent years following the U.S. Government's decision to impose antidumping duties on imports of OCTG from India.

The sharp decrease in Chinese exports that followed the imposition of dumping duties left a huge gap in availability. It is well-documented that sensing an opportunity, U.S. producers chose to dramatically add additional capacity in order to capture this. Indian producers who have been traditional exporters of OCTG to the U.S. for the last 15 years continue to export the standard quantity to the U.S.

At no time, however, did Indian producers increase capacity or take other measures to capture this market in the U.S. Yes, some welded OCTG may have been new product exported from India, but this was because the American market itself decided to use welded OCTG in some sizes and grades instead of traditional seamless.

I'm not aware of any true significant addition to capacity in India in the past five years due to extremely high barriers to entry. Neither Maharashtra nor the other Indian OCTG producers have the capacity to cause injury or threat of injury to the United States producers. The total capacity to produce OCTG in India is only about 450,000 tons. This capacity is majorly consumed in meeting the demand in the Indian market itself. No significant additional amount remain to export to the United States, other than the traditional level that has been exported.

Publicly available data estimates the U.S. consumption to be many times over the Indian OCTG capacity. Thus even if India were to divert all of its production to the United States, a scenario that will never, ever occur due to the critical importance of demand in Indian market, it would still hardly even register in the U.S. market.

Moreover, there are several additional constraints on the volume of OCTG that India can export to the United States, and that must be taken into account. First of all, the ability to produce green pipe does not necessarily translate into OCTG capacity due to the bottlenecks at the processing level such as heat treatment, hydro testing, nondestructive testing, and threading.

These constraints on actual OCTG capacity will limit the amount of Indian OCTG that can be sold in the United States market, notwithstanding existing

Indian capacity at the upstream green level. Further, as others have testified, Indian exporters are excluded from the program sales as well as procurement of major volume gas companies.

In addition, Indian exporters are prohibited by licensing agreements from using a premium threading, as has been referred in the previous testimonies. Indian OCTG producers, including Maharashtra, have been selling in the United States for over 15 years. Our emphasis on quality customer service and time delivery have helped us to achieve significant brand recognition in the market, which is a source of great pride to us and to India.

We would like to just sum up by saying India has neither the ability nor the incentive to pose any threat of material injury to domestic producers in the United States. Thank you.

MR. BLOMBERG: Good afternoon. My name is John Blomberg. I'm the director of pipe and tube for Duferco SA in Switzerland. I'm also on the board of directors for JESCO in Saudi Arabia, a Saudi company named in these petitions. I've been involved with JESCO since September 2007, when the plant was being constructed. Saudi Arabia is one of the largest oil-producing countries in the world. However, until

2010, the Middle East had no local OCTG production.

JESCO was built specifically to take advantage of the Saudi market demand for seamless OCTG and line pipe and similar demand in other oil-producing markets in the region. The Saudi, Middle East, and North African market now require annually a total of over 1.1 million metric tons of OCTG, and an additional 800,000 metric tons of line pipe. These figures are likely to rise in the next two years.

Saudi Arabia has to be by far the most unlikely target in this case, so unlikely in fact that two of the biggest Petitioners, Tenaris and Vallourec, refused to support the petition to include Saudi Arabia. They know better. This is not surprising since JESCO's entrance into the United States market, our share of imports have consistently been less than 3 percent, as a percentage of the total USA OCTG market, our product captures less than 1 percent.

Many of the Petitioners have a very significant market share in the Saudi Arabian OCTG market. For the United States OCTG industry to complain about Saudi Arabia taking 1 percent market share in the USA, it's therefore rather astonishing to us.

JESCO has never sent significant quantities of OCTG to the United States. JESCO only produces a limited range of casing and some coupling stock, and our lead times are much longer than those of the domestic industry. We also do not have a fully approved premium connection to offer in the American market.

These factors alone exclude JESCO's products from many important buyers, including most of those that use program purchases, as mentioned by Mr. Fowler. When JESCO has shipped OCTG to the United States, it has done so in a responsible basis. U.S. import statistics show that the Saudi import prices are higher than all of the other named imports. Indeed, JESCO's seamless OCTG is considered a high priced, higher quality product from the other named countries.

Petitioners list 13 different OCTG producers in Saudi Arabia. This is demonstrably false. Only JESCO and Saudi steel pipe today currently produce OCTG in Saudi Arabia. Saudi Steel Pipe is a welded pipe company producing a small quantity of large diameter, non-heat-treated OCTG and line pipe which are in big demand specifically in Saudi Arabia, particularly such items as 18-5/8th inch surface casing.

Saudi Steel Pipe just received a very large order of such a product from Aramco for drilling and has never exported its OCTG outside of Saudi Arabia. Petitioners allege that ArcelorMittalJubail, another Saudi company, has opened its mill. Again, this is not correct. This mill has yet to produce one single ton of pipe. The mill will likely pierce its first pipe in early 2014.

Based on JESCO's own experience, once you commission a seamless pipe plant, it takes years to go from zero to full production. This is particularly true in the Middle East region, where there is a lack of skilled workers with seamless industry background. It took JESCO well over 18 months to fully commission and accept all the installed equipment, and we had one turnkey contractor handling the entire mill.

ArcelorMittal has a larger number of subcontractors that have installed their mill. This will add complexity during startup and commissioning. In my opinion, ArcelorMittal OCTG will have zero impact on the United States market for at least the next 18 to 24 months.

Saudi Aramco produces 9 to 10 million barrels of oil per day. It is embarking on a major drilling program in order to increase natural gas production to service its local industry needs. We expect the Saudi rig count to go up from 152 today to 172 rigs by the end of 2013, and then to 210 to 240 by the end of 2014.

For the Gulf countries, Iraq and North Africa, the rig count is estimated to be greater than 450 by the end of 2014. Most new drilling rigs in Saudi Arabia and Abu Dhabi will consume premium connection OCTG, and JESCO is focusing much of its capacity and effort in specifically this area.

In that regard, JESCO has just received in the last days a new order from Aramco for 84,000 metric tons of OCTG, including premium connections. JESCO exports to the United States will decline precisely because of large contracts awarded by Aramco and other oil companies in the region where JESCO is now fully approved.

Conclusion. I would like to leave the Commission and staff with five key points. Number one, like the United States, Saudi Arabia is a huge oil producing country with a large and growing domestic market. Number two, JESCO has set up to serve Aramco and other national oil companies in the region. JESCO has an advantage in the region, just like United States producers have an advantage in this region.

Number three, when we sell to the United States, it is in small quantities and at higher prices. Number four, like most foreign exporters, we are blocked from much of the United States markets, included the very profitable premium connection segments available here. And number five, the Commission should follow the lead of Tenaris and Vallourec. They did not think that the case against Saudi Arabia had merit, and neither should the Commission. The Commission should terminate this case as to Saudi Arabia. Thank you very much.

MR. CHANG: Good afternoon. My name is Kevin Chang, vice president of Tension Steel Industries. Tension is one of the largest OCTG producers and exporter in Taiwan. I'm accompanied by Ivan Li of Chung Hung Steel, also a large OCTG producer and exporter from Taiwan.

At the outset, let me clarify. There is no investment from China in the Taiwan OCTG industry. And the Taiwanese OCTG producer are prohibited from buying hard-rolled coil from mainland China. The steel pipe industry in Taiwan has not injured the U.S. domestic OCTG industry, and it has posed no threat of injury.

Taiwan has an irrelevant presence in the U.S. market by any measure. Taiwan finds it's in the unenviable position of being plugged into this case just to keep other negligible countries in this investigation. Petitioner have engineered this case so that their case against a slightly smaller supply and demands on whether Taiwan is 3 percent or less than 3 percent.

In the low end of the market, our products are competing primarily with other imports, not with the domestic OCTG producers. For this reason, it's difficult for us to understand why Taiwan has been included in this investigation. The steel pipe industry in Taiwan has traditionally been focusing on producing standard or structure pipe for local Taiwan market, not OCTG. Most of the mills in Taiwan were built many years ago, and were designed not to produce OCTG pipe.

For this reason, our OCTG industry is not competitive with the U.S. domestic industry. Tension received its API certification only in 2009. Even producers like Chung Hung, who has had its API license since 1989, they have sold only small and stable quantities to the United States until today. Taiwan produces only welded pipe, not seamless, and only carbon steel, not alloy.

We also do not produce any tubing. Virtually all of the pipe that we export is welded J55 casing. Welded J55 casing can only be used as a surface casing at the top of the well. It is not suitable for use offshore, horizontal or directional drilling or for sour service.

The domestic industry is producing a large quantity of the seamless and alloys OCTG and increasingly focusing on high quality grade such as L80, N80 and P110, which Taiwan cannot produce.

In addition, there is no heat treatment in the finished capacity in Taiwan. This means all the OCTG pipe in Taiwan must be threaded and coupled in the United States before it can be sold as a finished product. When you add this processing time to the long lead time on product orders from Taiwan, this makes our product non-competitive in many sectors of United States market that are operating on the just-in-time schedule.

In particular, we are not able to fully participate in the growing segment of the market that is accounted for by program sales. Our long lead time and limited product range prevent us from effectively participating in these program bids. In addition, many of these bids specify domestic product only and users want to know who the producers are, and often will require them to be prequalified.

In summary, the Taiwanese industry is a marginal supplier to this market. Our product range and capacity are limited, as is the extent that we can participate in the value-added end of the OCTG market. That is not going to change. We are not competing with other domestic producers. We don't have any investment from China. We are competing with other imports at a basic end of the market.

Our import level have been modest, stable, and based on the demand. For this reason, we believe there are no grounds for the Commission to find a reasonable indication of material injury or threat of a material injury from imports from Taiwan. Thank you.

MR. MALASHEVICH: Good afternoon, Madame Chairman, colleagues. I'm Bruce Malashevich, president of Economic Consulting Services. I'm testifying today at the request of counsel to Hot-Rolling Pipe Company Limited, otherwise known as HRP, a Vietnamese producer of seamless OCTG.

HRP submitted a foreign producer's questionnaire in a timely manner. The Commission has questionnaire responses from a number of the Vietnamese producers. The information is confidential and cannot be discussed here today. I can say that based on what I've seen so far, there is no evidence of material threat and harm to the U.S. industry from these producers.

I also would note that the list of alleged Vietnamese producers at Exhibit I-51 of the public petition is clearly in error. For example, it includes a producer located in China, Wujin High Tech Industrial Zone. According to its web site, PVD Offshore Services Company, Limited is an oil services company, not a producer or apparent exporter of OCTG.

Vick Tubes Corporation Limited, according to its web site, only provides threading services for OCTG produced by others, and is not properly part of the Vietnamese industry producing OCTG. U.S. official import statistics show that imports of OCTG from Vietnam increased from a level close to zero to roughly 5 percent of total imports at the end of the POI.

Its share of apparent U.S. consumption, of course, is tiny. The Commission is well aware that switching production from non-OCTG pipe and tube to OCTG is much more difficult and constrained than going in the opposite direction. This constrains the Vietnamese producers' ability to change its production mix further in favor of OCTG.

It's also significant that Vietnamese export statistics, official export statistics, available only on the basis of value and only until mid-2012, show that during the POI roughly 80 percent of Vietnam's total exports of OCTG already were going to the United States. Therefore, there is extremely limited scope for Vietnam to switch its export sales mix from third countries further to the United States. A more complete treatment of Vietnam's role in the U.S. market will be included in our post-conference brief.

In the interim, however, staff and commissioners should look carefully at Petitioner's allegations of lost sales and lost revenue contained in the confidential version of the petition and consider what is reported for Vietnam. Thank you.

MR. McCONNELL: Good afternoon. Despite my location, I'm not Bill Bishop. I am Mark McConnell. I'm here with Craig Lewis. We're representing Interpipe, who is the sole producer from Ukraine.

We have six points to make to you today. Point one, Ukraine is an extremely small player in the U.S. market. That orange slice of the pie is our share of apparent consumption in the United States, and it's less than 2 percent. So what does that mean for your analysis? First, trivial imports have trivial effects.

Second, Petitioners' arguments regarding Ukranian export growth rates are meaningless. We're going to export trivial volumes under any growth scenario.

Third, our capacity limitations will keep us a small player in the future. And that's the second point. What I've done in this slide is diagram our production process. You see our tube rolling feeds both OCTG finishing and other products. You have in our questionnaire responses capacity figures for both tube rolling and OCTG finishing. The purpose of this chart is to show you that our constraining capacity is the OCTG finishing line. That is the number that you should use when you're calculating your utilization figures.

The other thing I'd like to point out about that is that this capacity also restrains our green pipe exports because the American consumers of green pipe insist that we hydrotest the tubes in the Ukraine. That means they have to go down this finishing line, and they have to use that capacity, and it constrains them.

Point three, our new steel-making plant does not constitute a threat. We opened a new steel-making facility in 2012. The petition suggests that this plant will increase -- suggests that this plant will increase OCTG capacity. That is not correct. The new facility makes billets, raw material. It does not make tubes, and it does not increase our OCTG capacity.

Point four, Interpipe makes and sells only seamless OCTG. You've heard today that for many applications, drillers and their engineers may specify only seamless, and I've put some up there on the slide. These are some of the growth areas for U.S. drilling. And as you've heard today, U.S. seamless capacity is expanding rapidly to meet that growing demand. Our small volumes from Ukraine are not a threat to this growth.

Point five, the Ukranian home market is poised for significant growth. We have in Ukraine the third largest shale gas development opportunities in Europe, an estimated 39 trillion cubic feet of proved natural gas, and 128 trillion cubic feet of unproved. The government, unlike many governments in Europe, is proceeding with this development. They have leased mineral rights, and we have global companies who are drilling test wells in Ukraine right now. This is one of Europe's best opportunities. Shale gas drilling in Ukraine will greatly increase home market OCTG demand.

Point six, the Commission should decumulate Ukraine. We're going to brief this argument under APO, and I won't go through it in detail at the hearing. But to close, let's look at the decumulation that the Petitioners have already done.

This is a map of Ukraine and its neighbors: Russia, Belarus, and Romania. All four countries make OCTG. All four ship to the United States in similar volumes, as you can see on the right-hand side of the chart. All four face the same local regional demand. But producers in the other three countries either have supply contracts to the Petitioners or are controlled by the Petitioners, and the Petitioners have concluded that they are not a source of injury.

I assert that neither is Ukraine. Thank you.

MR. HORLICK: Good afternoon. My name is Gary Horlick. I ask that we now turn our attention to the issue of negligibility. The investigations as to Saudi Arabia, Thailand, and the Philippines must be terminated because imports from these countries are under the statute negligible.

There is no question that these three countries are below 3 percent. Similarly, there is no hard evidence, there is not even speculation in the petition, that any of the three will imminently rise above 3 percent. The question is whether Taiwan is also below 3 percent, in which case the four countries, including Taiwan, are above 7 percent.

If the Commission uses the data used by Petitioners in the petition, the answer is no. If the Commission uses the May import data available after the petition was filed, the answer is no. If the Commission uses the most recently available U.S. Government data, the answer is no.

A straightforward reading of the statute is that the Commission should use the data available at the time of the petition, or self-initiation. That would be the import stats through April 2013. If the Commission decides to use data that has become available after the filing, it should use the most recent U.S. Government data.

The Department of Commerce, as a monitoring -- special monitoring for the steel industry, collects and publishes data regarding licensing of imports. It is known as SIMA. This is considered, and I quote, "accurate and timely," unquote, according to the U.S. Government and has been relied upon by the Commission in past cases.

In addition, one of the leading U.S. steel company's CEOs last week said that the license data on its own should be used to initiate trade remedy cases. By the same token, it should be used here to find negligibility.

In short, reliance on SIMA data is supported by the Commission in the past, by a domestic steel producer, and by the foreign producers. That leads me to the purpose of the negligibility section of the statute. It was enacted by Congress in 1988 in reaction to problems caused for the Commission by the 1984 legislation which removed the Commission's discretion to decide whether to cumulate.

This led immediately to a series of cases, which included some really small sources of imports, mainly from developing countries. Within three short years from the '84 act, there was bipartisan agreement by the leadership on both trade committees in the '88 act to give the Commission the power to exclude negligible imports. The Commission approached this job -- some of you remember -- quite seriously. But there remained one small problem. Small exporters now had to litigate the question of whether they were too small to have to litigate.

The solution, which is in the '94 act and was drawn from the WTO negotiations, was the numerical rules, as was pointed out during the questioning, we have today. In fact, it was the United States that persuaded other countries in the WTO negotiations that the rules should be cast in terms of import share rather than market share solely because it was easier to do, so the cases could be terminated immediately.

You didn't have to wait around for market share data. You had the import data when the petition was filed.

USTR in a written statement highlighted the benefits of this, quote: "These definitions will protect U.S. exporters from harassing investigations overseas and provide guidance to domestic industries when deciding which countries to include in a petition," unquote.

The logic of the statutory provision is Petitioners choose when to file the petition. They know what the data are when they file. It's up to them. They chose. Then everyone else knows what the statistics are, so based on that, some exporters can say I'm out of the case, without anything else, and others can say, well, I'm stuck with the case.

Above all, it means the Commission should dispose of negligibility cases now, not at the final determination. That is why section 24(c) of the statute, 771-24(c), gives the Commission the power to make decisions based on, quote, "reasonable estimates," unquote, for negligibility, notwithstanding the more general reasonable indication rule in the statute for preliminaries.

Please note this is a neutral rule. In some cases it helps exporters and others it doesn't. What you heard today from Petitioners' counsel was desperation to keep these cases from going to final. I understand trade lawyers like litigating, but that's not what the statute intended, so they had to speculate.

One speculated that maybe if you reclassified things, there might be something. Maybe if there were, you added more categories, there might be something. Maybe if the Philippines, or Saudi Arabia, or Thailand were moved to Vietnam, they might be, it might be a different country. All speculation. You're not allowed to speculate.

They didn't even bother speculating, I note, when they calculated these numbers in the petition or in subsequent filings. They only raise this speculation now in a moment of desperation.

So, to conclude, the Commission should use the most recent official statistics, including the SIMA data, and terminate these cases. Failing that, they should use the data available to all Petitioners at the time of filing, and also, terminate these cases now. Thank you.

MR. MARSHAK: Good afternoon. I'm Ned Marshak, representing WSP Pipe of Thailand. We can continue to talk about negligibility. This morning, Petitioners' counsels asked the Commission to ignore official U.S. government data in deciding whether imports are negligible. They suggested that the data are not accurate.

You could be assured, however, that before taking this position Petitioners' counsel had run the numbers and had recognized that the official data compels a conclusion that imports from Saudi Arabia, the Philippines, and Thailand are negligible. Thus, they had no choice but to try to muddy the waters by asking the Commission to postpone the inevitable.

When you run the numbers, either through April or through June -- and if you look at Gary Horlick's handout, you'll see the official numbers through June -- you will find that imports from Saudi Arabia, Philippines, and Thailand are negligible.

This is not surprising, therefore, that Petitioners have asked the Commission to ignore this data, a request that is especially disturbing since this is a preliminary determination in which Respondents do not have a right to reply to Petitioners' posthearing allegations.

Petitioners should have raised the data reliability issue in their petition. They chose not to do so. They should not be rewarded, and we should not be punished for Petitioners' strategic decision.

With respect to Thailand, the public data shows that Thai imports have remained at approximately one percent of total imports whether the statutory period starts at May 2012, June, or July 2012. The data shows that Thai data has not exceeded one percent of total imports at any one of the past seven months.

The confidential information we have submitted to the Commission confirms that it is impossible that Thai imports will increase to nonnegligible levels, in other words, tripling in volume in the imminent future if, in fact, they will increase at all.

One final point. Based on Petitioners' view of the law, the Commission could never reach a negative determination in a preliminary determination. We trust that the Commission will not substitute innuendo, and speculation, and conjecture for evidence. One percent of total imports is one percent of total imports. There is absolutely no evidence this official government data is incorrect, let alone that one percent will miraculously increase to three percent after additional investigation. Thank you.

MS. NOONAN: Nancy Noonan from Arent Fox. For the reasons stated by Mr. Blomberg earlier, the import level from Saudi Arabia is far less than three percent and will certainly not increase in the imminent future.

MR. MALASHEVICH: Good afternoon again, Madam Chairman and colleagues. It's Bruce Malashevich from Economic Consulting Services.

Madam Chairman, will we pause for a time check, please.

MS. BELLAMY: You have six minutes remaining.

MR. MALASHEVICH: Thank you very much.

The fact is that the volume of imports for the Philippines is, in fact, negligible. This is true whether the three percent test or the plus seven percent test is applied. I leave it to the distinguished legal experts to address that point.

The data employed to that effect are based on the same data used by the petition for the same HTS numbers, supplemented by public data that became available after the time of filing.

A reasonable question then arises whether imports from the Philippines will grow to a level that threatens material injury to the domestic industry. The answer is negative.

Our client is a sole producer of OCTG in the Philippines, accounting for 100 percent of local production and 100 percent of exports to the United States. Our client has filed a complete foreign producers' questionnaire with the Commission in a timely manner. Our client has been in start up mode, so naturally, its shipments to the U.S. would have escalated during the POI from zero to 61,000 short tons, or 1.9 percent of total imports. Our client is now operating at close to 100 percent of its available capacity to produce OCTG.

Even if all its available capacity was utilized to expand exports to the United States, its negligible status would not change. I urge you to look at their foreign producers' questionnaire.

Also noteworthy is the fact that the sole Philippine producer has the capability to produce only welded OCTG. Consequently, it is virtually excluded from the seamless segment of the U.S. market. In the Commission's 2010 report in the China case, that seamless segment represented 45 percent of total U.S. demand for OCTG for the 2006-2008 period, and I gather from the testimony earlier today that 45 percent is now well over 50 percent in terms of current market conditions.

The recent history of U.S. imports from the Philippines on a month-to-month basis shows no particular trend, reflecting the local producers' approach to full capacity utilization. I've been informed that the great majority, which means 85 to 95 percent, of Philippine exports to the United States today have been in plain, painted green tube. The remainder were threaded.

Green tube, as has been discussed, is a semifinished product required substantial processing in the United States before sale into its application. Its upgrading into a finished product requires heat treating the green that is J55 pipe to higher grades, such as N80, L80, P110, whether casing or tubing, then threading the pipe and putting on a coupling and/or upsetting the pipe.

These are significant and costly operations that must be performed in the United States, largely for this reason. Competition between imports from the Philippines and domestic production is highly attenuated.

The Commission also should closely examine the information in the confidential petition regarding allegations of lost sales and lost revenue attributable to imports from the Philippines. I urge you to look at that closely.

The petition's information otherwise regarding the Philippines is very sparse, as was the domestic industry's testimony this morning. Thank you.

MR. CAMERON: That concludes the testimony.

MS. DEFILIPPO: Thank you, Mr. Cameron, and thank you very much to the entire panel for being here today. It is always very helpful to have both sides present and giving us both sides of the story. I know some of you have traveled very far, and so I very much appreciate that.

We will start staff questions with Mr. Szustakowski.

MR. SZUSTAKOWSKI: Hello, and thank you all for being here today. Really appreciate your testimony. So I've got some organized questions and a bunch of disjointed, disorganized questions, so bear with me.

So one of the, one of my questions to start with is does this entire panel endorse Mr. Horlick's use of the official trade data for the negligibility analysis? Is that something that everybody's on the same page with that?

MS. DEFILIPPO: Microphone, please.

MR. HORLICK: To be clear, I was endorsing either use the official statistics at the time of filing of the petition, which were the through April, or if you're going to use the most recent data, use through May, plus the June SIMA licensing data, just to clarify what I was endorsing. I believe they can speak for themselves.

MR. CAMERON: I mean speaking for our clients -- Don Cameron -- we don't take a position on this. The negligibility is not our issue.

MS. NOONAN: Nancy Noonan from Arent Fox. On behalf of JESCO and Duferco, we endorse Mr. Horlick's data.

MR. MARSHAK: It's Ned Marshak. We agree with Mr. Horlick. Either April, the census data, or if you go through June, you use the SIMA licensing data for the month of June, which is also official government data.

MS. LEVINSON: This is Lizbeth Levinson, Kutak Rock, representing the Indian Respondents. We take no position on this issue as it does not affect us.

MR. SIMON: Turkey takes no position.

MS. MENDOZA: I think, on behalf of Taiwan, one of the points we were trying to make is we believe that Taiwan has been included for the specific reason that they attempted to manipulate this case to try to include those negligible suppliers. So I think in terms of our clients, that's our position.

MR. McCONNELL: For Interpipe from Ukraine, we have not been as closely involved in some of this data sorting as others, although we are pretty close to that line. I think we would have to reserve our views on propriety of data at this point.

MS. DEFILIPPO: I'm just going to jump in with a quick reminder because it is a big panel and it is hard for the court reporter to see the name tags, if you could state your name when you start to speak, that would be very helpful. Thank you.

MR. CUNNINGHAM: This is Dick Cunningham for

ILJIN. We also don't have a dog in that fight.

MR. SZUSTAKOWSKI: Okay. Now, in the scope and the instructions for the questionnaires it identifies the HTS numbers that are primarily used for entering OCTG. For counsel and for those of you that are representing importers, if you could have them review their records to see if they've ever entered OCTG since the beginning of 2010 under HTS numbers different than these primary set of HTS numbers and include that in your brief, that would be really helpful.

MR. CAMERON: Okay.

MR. SZUSTAKOWSKI: Same question from this morning regarding the use of the questionnaire data for importers for the request for imports of coupling stock. You know, does the inclusion of that coupling stock data with the official import statistics, does that help to, you know, provide a higher level of certainty of the sort of import data that we're looking at? Does anybody object to, you know, adjusting the official data with that coupling stock data?

MS. NOONAN: This is Nancy Noonan from Arent Fox. We will address that issue in the postconference brief. I don't think we're looking at any significant quantities of coupling stock, particularly from the countries that are negligible, but we can confirm that.

MR. MARSHAK: This is Ned Marshak. We agree with Nancy.

MR. HORLICK: Gary Horlick. We agree.

MR. SZUSTAKOWSKI: And it looks like, you know, obviously some of you have taken exception to the number of producers identified in the petition and versus the actual producers in these subject countries. Please ensure that, to the extent that you can, provide some indication of what sort of coverage we have for the foreign industries in your brief.

I'm still, compared to some other folks on this panel, I'm a little bit the new guy with OCTG, so forgive me if my, you know, terminology is not perfect, but when it comes to the green tube and green casing, I'm trying to understand. So there are exporters that are shipping this green tube and green casing product to the U.S., and that undergoes heat treat processing in the U.S., is that correct? And some sort of characterization of the volume.

MR. CAMERON: I mean I'll start, and I think Steve can answer this and maybe Buddy, but that's correct. Green tube is brought in. It is then heat treated here. It's green tube because it hasn't been heat treated. It has chemical properties.

Green tube, by definition, does not have mechanical properties. The mechanical properties are conveyed by the heat treatment and that is done here, and so when you're talking about the imports of green tube, that's what you're talking about.

There's also the imports of unfinished, i.e., in other words, not threaded, not coupled, but heat treated product that comes in. That's not green tube, but that would, I suppose, be called unfinished, and it becomes threaded and coupled here. But I think those would be, I think that's what you're asking, and I believe that's the answer. You agree with that?

MR. FOWLER: I agree with those statements. It's not a -- Steve Fowler. I'm sorry. That's not a metallurgical term, it is an industry term, and it does get confusing.

Don's correct. At some point in fairly recent history it was discovered that J55 chemistry of heat treated properly will make higher grades, and so a lot of the mills, and some domestic mills, started taking advantage of that.

Where the wall thicknesses within the API designations, where the wall thicknesses overlap with

J55, N80, L80, P110, it would make sense to have a green tube in your inventory. They could serve two or three different sectors of the market. So that has become very popular, especially with the importers. Not all green tubes imported can be used or can be competitive with straight J55, necessarily, because of the wall thickness may be a little bit heavier.

The other factor I'll point out there -- and I think U.S. Steel said they had 100,000 tons of green tube -- green tube could also be drill pipe. So that might need some clarification there on U.S. Steel's part. Is that drill pipe? Is it casing? Is it tubing? Is it coupling stock? So it can be any of those things, but that's an industry terminology.

MR. CAMERON: Let me just -- Don Cameron again. Can I clarify one thing? When he refers to J55, J55 can be a finished product or it can be green tube. In other words, upgradable J55 is J55 that comes in and is heat treated here and can then be upgraded to, for instance, P110 or a higher alloy grade. If it is not heat treated, then it will remain a carbon grade.

But the difference between the unfinished, the J55 and upgradable J55 is that the chemistry of the pipe allows you to upgrade it to a higher, to an alloy grade. What they call an alloy grade. When they refer to N80, that's an alloy grade, when they refer to P110, that's an alloy grade of pipe, and that is done by the heat treatment.

Nonupgradable carbon J55, which is what you've heard on this panel referred to as basic commodity grade OCTG -- and we'll get into what is a commodity. This is the first time in my life I have heard OCTG referred to as a commodity in 30 years. So we can deal with that later. But the J55 carbon grade that is not upgradable, that's because the chemistry does not allow it to be upgraded to those.

MR. CUNNINGHAM: Mr. Fowler, could I ask one question? This is Dick -- one clarification. This is Dick Cunningham. When you say that the green tubes can be competing with various products, you mean competing when they are heat treated with the various products. In other words, you heat treat them and then they can compete with various products. Is that what you're saying?

MR. CAMERON: You can't use green tube as

MR. FOWLER: J55 upgradable green tube, in some cases, can be sold as J55, but if it's heat treated, then it's upgraded into a different market segment.

MS. JEONG: This is Rosa Jeong. Just one clarification is that when you say green tube, it can be heat treated into OCTG or nonsubject merchandise, such as line pipe and drill pipe.

MR. SZUSTAKOWSKI: Mr. Fowler, you seem to want to comment on that, or not. Would you mind expressing your views in the postconference brief on a confidential basis for, regarding her statement? Thank you.

So this morning's panel, I think at some point somebody made a reference to imports not necessarily having a home, meaning they might be for inventory purposes versus for a specific, you know, customer that ordered that.

I mean is that, do we typically see imports being held in inventory, or is this -- I think some of you have testified that it's, you do have, I think, the, that Borusan was serving specific customers, but for the other witnesses, how often are the imports actually destined for inventory versus sold for specific, you know, client needs or customer needs?

MR. GURLEY: This is John Gurley for Duferco. We can address that in our postconference brief, but it's clear that some companies do keep inventory destined for particular customers.

MR. CAMERON: Most of the Korean material, a good portion of it, is sold in back to back transactions. It is not held by the importers in inventory. And it is all made to order.

MR. PLANERT: That's true for Taiwan also.

MR. SZUSTAKOWSKI: I'm sorry. Could you give us your name.

MR. PLANERT: Sorry. Will Planert. In the case of Taiwan also, they're not exporting any OCTG until they have a customer.

MR. LEWIS: This is Craig Lewis for Ukraine. We'd like to respond to that in the postconference.

MR. KHANDELWAL: This is Manish Khandelwal for Maharashtra. Even in the case of India, or at least in the case of Maharashtra, we haven't seen any supplies coming in directly to the customer, or the distributor, for that matter, stocking the material in anticipation of demand. It's always unless, and until, they have defined and definite contract, they would not be importing the material.

MR. SIMON: David Simon. As far as Turkey's concerned, it's our understanding that the importer is buying for his inventory and it has to be further processed in the United States, at which point it can be released into the marketplace, so to speak.

MR. SZUSTAKOWSKI: Mr. Cura from this morning made a statement that subject imports have nowhere else to go. I think he was talking and referencing the export orientation of these foreign producers. You know, to the extent that -- well, once you have a chance to look at the confidential data, it would be helpful if we could have a little bit more feedback on, you know, any sort of domestic market that has developed in these subject countries.

I think that the Turkish and the Indian witness, and the Saudi Arabian, witness from Saudi Arabian producers have identified that they are expecting increased home market sales.

MR. CAMERON: Ukraine as well.

MR. SZUSTAKOWSKI: I'm sorry. Ukraine as well. And so to the extent that can be briefed in detail with any sort of detailed analysis and projections for this, that would be greatly appreciated.

MR. CAMERON: Should we be distinguishing between subject and nonsubject imports when we do that? So I mean should we be analyzing the nonsubject imports that are controlled by the domestic producers? I guess we can look at that, too. Thanks.

MR. SZUSTAKOWSKI: I'll leave it to your

discretion.

MR. CAMERON: Thanks.

MR. SZUSTAKOWSKI: What about if you can comment on this morning's panel's characterization of the increased standardization of OCTG product in the U.S. Is that true for all sources of OCTG? Have you seen this increased standardization?

MR. CAMERON: I think that Steve should start on this. This got also into this whole issue of commodity. You know, that OCTG is somehow a commodity. Honestly, this is the first time that we've ever heard of such a thing.

Are we really to believe that Tenaris believes that its OCTG is a commodity? Just pick it off the shelf and it's comparable with anybody else's seamless or welded, doesn't matter, as long as it hits the API grade? You really believe that?

You believe that V&M Star is selling a product and saying, you know, that's what the grade is, it's the same as everybody else's, quality doesn't make any difference, reliability doesn't make any difference, reputation and manufacturers don't make any difference, ability to give on time delivery doesn't make any difference, everything is fungible and interchangeable in this market, the products are fungible and interchangeable? First time I've heard that.

Steve, go ahead.

MR. FOWLER: Okay. Steve Fowler. The shale drilling -- and that's S-H-A-L-E, by the way -- the shale drilling, for the most part, is taking place in older fields where they know that there's hydrocarbons there. The big issue in the oil and gas community in prior years is how do they get that out of the ground?

The shale, in general, and I'm being very general here, in general, the shale plays have a lot in common depending on the geography or geographic area of the United States. So west Texas. Yeah, five and a half inch casing is very prevalent in west Texas. Up in the northeast, a little four and a half, some five and a half. The Bakken is seven inch.

So I agree with Don, there's been no industry desire even to standardize. Because of where the drilling is taking place, a lot of the same oil and gas companies are using the same sizes, and therefore, I guess in a roundabout way you could say they were standardizing.

What I would also point out -- and we'll get in, perhaps, to a discussion on capacity -- one of the trends in the industry is a lot more small diameter, thinner wall tubes being used. I believe that was pointed out this morning by one of the speakers. Any mill, whether it's ERW or seamless, if your product mix is skewed more towards the smaller sizes, thinner walls, you will never, ever achieve your rated capacity of that mill because rated capacities are based upon, you know, some textbook mix.

So I have seen that, and that's very prevalent. There's probably more five and a half inch casing being used today in the U.S. than I've ever seen in my 38 years in the business. So that's my point on standardization. The mills have had nothing to do with it. The distributors have had nothing to do with it. Mother Nature has.

MR. BREWER: Buddy Brewer. I agree with what Steve's saying. Over the last couple of years the product mix has shifted more toward four and a half and five and a half from some years ago. It was nine and five-eighths and seven and five-eighths.

As far as standardization, we're not seeing it with the inquiries we get. Each distributor that calls asking for an inquiry is asking for a completely different set of products. In fact, we're getting more requests for nonstandard walls and grades. We get calls for restricted yield ranges, all kinds of odd things. So we're not seeing any kind of signs of standardization.

MR. BLOMBERG: I'd like to say something also from our end. You know, you have one thing with the commodity being that -- John Blomberg, by the way, I'm sorry, from JESCO, Saudi Arabia.

You have one thing when you have a commoditization in terms of the items that they use, nine and five-eighths, a certain poundage per foot, grades, and things of this nature, and perhaps there is more commonalities there today, but that doesn't necessarily mean that the end users will accept anyone who comes with that grade. Many of the big end users today still in the United States are very restrictive in terms of who they buy from and the domestic mills have a gigantic advantage in this respect. They're approved, they can offer all the sizes, they can offer all the finishes, they can offer all the connections, and many of the importers cannot.

As far as JESCO goes, we're standardized towards the higher sizes that are used in the Middle East. The bore size is far bigger. There's just bigger pipe. So five and a half is the minimum size we can make. As Saudi Arabia and the near markets use more pipe, then we'll, we'd rather sell it there because it's more kilograms per hour, more tons per day that we can produce.

MR. KHANDELWAL: Manish Khandelwal from Maharashtra. Just to add to what John just said. It's extremely hard for a mill to register itself with any of these big oil and gas companies. So that tells it all. So if it was a commodity probably every mill could register itself with every oil and gas company, but it doesn't work like that. It can take you years and years of auditing and clarifications and lots of issues involved before a same-grade product can be actively registered with them. If it's Tenaris and Maharashtra, clearly Tenaris could register, but Maharashtra would take years to register itself.

MR. SZUSTAKOWSKI: I don't have any more questions for now. Thank you.

MR. DeFILIPPO: Thank you, Mr. Szustakowski. We will now turn to Mr. Sultan for any questions for this panel.

MR. SULTAN: I have a question for Mr. Cunningham. You made three points this morning, and I have a feeling that they might be important, but they went by so quickly that I really didn't catch them. I think the first one was that you were urging us to exclude green tube from the analysis. Is that right?

MR. CUNNINGHAM: That's correct.

MR. SULTAN: And what do you mean by that? Are you suggesting that we treat green tube as a separate like product?

MR. CUNNINGHAM: No. I'm saying that as the Commission did in the thermal transfer ribbons, that you look at what is competitive with what. Let me just explain that for just a minute here. It was clear this morning from the U.S. industry testimony -- by green tube, I mean tube that is to be heat treated in the United States, brought in un-heat treated, then is to be heat treated in the United States and other things to be done to it, threaded, coupled, upset, things like that, and then sold in the altered form in the U.S. merchant market.

Now, it was clear from the U.S. industry's testimony today what aspect of that kind of import they were concerned about. Namely, they were concerned about the sales of the altered, of the processed, heat-treated, threaded, finished OCTG, whether seamless or welded, that was sold in competition with their sales.

That's an issue that the Commission explicitly dealt with in thermal transfer ribbons. And they determined that where there is an operation sufficient to constitute U.S. production performed on the imported product, then the imported product is no longer an imported product, its sale is of a domestic product, and thus cannot be included in your pricing analyses, your volume analyses, in your trend analyses, in your underselling analyses because it's not competition between imports in the U.S. market.

Now, one first question then is, is this heat treating and other processes U.S. production. You have decided that, and the U.S. industry agreed with that today, that that is U.S. production, and those processors are U.S. producers. Indeed, they said they were members of the U.S. industry, although that's not specifically relevant to this issue. And therefore all that competition at that level is between domestic product and domestic product, and therefore is not imports.

So is there another basis for you to consider the green tubes as being competitive with the U.S. industry? Well, you can be competitive with the U.S. industry if a significant portion of the U.S. industry sales in the merchant market made as green tube. That was clear in the testimony today too. Only one U.S. producers sells any significant amount. U.S. Steel said it sold about 100,000 tons. A couple of other producers said they sold much smaller quantities of green tubes. And put this in context, that's in an approximately 7 million-ton U.S. market. That is significant.

Substantially all of U.S. production is sold as finished product. There is not a significant portion of the U.S. production sold as green tubes. Moreover, U.S. Steel said, and I didn't catch the exact phrase, something about this sale of green tubes is not a focus for us. And one of the U.S. industry participants -- I couldn't tell which one it was -- said we don't really see there is a real commercial market in the United States for green tubes.

Therefore, there is no basis for you to consider competition from imported green tubes from any of these countries with the U.S. industry as part of your analysis, and you have already explicitly decided, or your bosses have, already explicitly decided that issue in thermal transfer ribbons. And that is consistent with your analysis of how to treat semifinished and unfinished products in the thermal -- what is it -- the paper case. Oh, heck. Thermal paper, thermal paper, in which you said semifinished could be -- should be compared with semifinished, and finished should be compared with finished. And the two don't compete.

That's the somewhat longer than one minute that I was allowed version of my point.

MR. SULTAN: Okay. And your second point?

(Laughter)

MR. CUNNINGHAM: Okay. Good, good. My second point was as to cumulation. As to cumulation, which you've also dealt in the thermal paper case with the issue of the -- wait a minute. I had it right here in front of me, too, and now -- here it is, here it is. The question of what you do when you have imports from one country that are semifinished and imports from the other country that are finished. And the answer is you don't cumulate them where the two products from the different countries enter -- I'm reading from the decision at page 14, USITC publication 4043 -- where they enter the United States at different stages of the production process, clearly true here, semifinished OCTG versus finished OCTG, and are not functionally interchangeable at importation.

That not functionally interchangeable certainly applies to green tubes, where they're not functionally interchangeable because one is not heat treated and the other is. But it also applies to the threaded because the threaded and unthreaded are not functionally interchangeable. And so all categories of semifinished, where a country exports virtually all -- is the phrase used in the lightweight thermal paper case -- that's product as semifinished, and another product -- another country exports finished product, you can't cumulate those two countries.

Again, a somewhat expanded version of my second point.

MR. SULTAN: Thank you very much. And I think I did understand your third point. So --

MR. CUNNINGHAM: Oh, I like the third point. Never mind.

MR. SULTAN: Moving on to the next question, this is a question generally for Respondents. If you could tell me whether you agree with the like product definition advocated by the Petitioners.

MR. CUNNINGHAM: This is Dick Cunningham of ILJIN, not to try to dominate this at all. I respectfully disagree. I think there the Commission should at this point reconsider the distinction between seamless and welded. You have in several cases, but only in two cases where it was really a litigated issue, reached the -- and those are a decade old -- reached the conclusion that the two are separate like products.

The main thing -- the two main bases for that decision that I -- that conclusion that I see in those cases are, first, you found that there is a significant overlap. And we talked a lot about interchangeability here, that the U.S. industry said the two are interchangeable.

The second issue, you seem to believe that there is not a significant price difference between the two. Those two issues lead me to what I said in my statement, which is what we heard of the U.S. industry testimony today really doesn't make sense, and let me tell you why. My understanding from my client and from talking with others in the Respondent group is that there is in fact a substantial difference, 20 percent, 30 percent, something like that, between a producer's price for its seamless and a producer's price for its welded.

Now, obviously there are differences in grade and things like that. But on average, that difference. U.S. industry testified today that it's just the customer's preference, not differences in application. Customer just by whim prefers to pay 20 or 30 percent more for a product that is interchangeable? Can't be right. But listen to more closely to what the U.S. industry said.

They said it's the preference of the engineers. What does that tell you? It tells you that the engineers are telling the purchasing agents that there is something about this application, not necessarily this type of grade in the catalog of grades, but where we're using it here that requires seamless characteristics that we can't get from welded. Otherwise, the guy would get fired for telling them, well, I want you to spend 20 percent more for nothing.

I think what is going on here -- and I think the Commission needs to look at this -- is like this. In a particular grade, you look at the API or whatever it is, and it will say either one can be used. But I think your engineer will then say, okay, here we've got a specific type of shale formation, and my experience with this shale formation is we need the extra reliability of seamless.

And so not that they're different grades that are -- except a few cases -- usable only with seamless. But rather when the engineer looks at a specific situation, he will recommend that we have to have the extra characteristics of seamless. That it seems to me is not interchangeability, and it seems to me that the interchangeability issue is much weaker than the Commission has thought in the past, and the pricing issue is much more disparate than the Commission has thought in the past, and most of the other issues weigh pretty heavily, like, for example, 10 to 20 times as much investment to do seamless as it does -- as you have to do welded. Those issues weigh very heavily for separate like product.

So I suggest that this is an issue that the Commission should revisit, and I suggest that the casual testimony today this morning that, gee, these things are just interchangeable really doesn't make sense.

MR. McCONNELL: If I can add to this. This is Mark McConnell on behalf of Interpipe. We also, as I noted in my presentation, think there are significant differences between seamless and welded. Our client has informed us that there is a significant number of times that seamless is specified by the customer, and it must be supplied.

And I hope that the Commission would not accept these statements this morning, well, once in awhile the engineer says we need seamless. I mean, to me, that's sort of like a banana and an apple are totally interchangeable, but once in a while a customer wants an apple, and so we give him an apple.

It's just not the reality here.

So we see the price premium for seamless, and we definitely see that there are a number of functions where seamless is specified, and that has to be supplied to the purchaser. We like to reserve our views on the legal conclusions you should draw from that until our brief.

MR. SULTAN: Thank you. Mr. Cameron.

MR. CAMERON: Yeah. Just to be clear, on behalf -- Don Cameron on behalf of the Korean -- the other Korean producers, 99 percent of them, Borusan and Taiwan. Actually, we do agree with the domestic industry that it's one like product. We don't agree that it's fungible. We don't agree that it's a commodity product. We agree with the observations of Mr. McConnell that indeed to say that these products are all interchangeable is a stretch.

That being said, you've looked at this for 20 years, I believe, that it has been one like product. You last looked at it in a 2009 case and found that -- and you actually looked at it again and said, well, actually we agree with our previous decisions. And what I would suggest to you is that the degree of overlap that exists today is greater than it was when you first made the decision, and it's greater than it was when you made your decision in 2009.

ERW, ERW OCTG, is made up to P110 grades. I mean, it's a high grade of steel. That doesn't mean that for every application that calls for P110 they are interchangeable, and you can use either one, and everybody will use either one in the same use. What it does mean is that there is a significant degree to which there is overlapping uses, which is the standard that this Commission uses in terms of doing that.

So we do agree that it's one like product. We also would suggest to you that competition is attenuated to great degrees throughout this spectrum of this product. I mean, that's the whole nature of it. When we talk about imports from Taiwan of being non-upgradable, J55, what that means is that doesn't compete with anything, anything up the spectrum.

I mean, think about it. In their petition, they were complaining because they did not make the profitability levels that they made in 2006 through 2008 of 27-1/2 percent. Does anybody at this table actually believe that they are going to make 27-1/2 percent on basic J55 carbon OCTG? Not on your life, all right? That's the reason they've been moving up the alloy chain. That's the reason that you've got all of this heat treatment capacity that has been added in this country. It's not by accident. It's because it adds value.

But is it one like product? Yes, we would agree with that definition.

MR. BRUNO: Philippe Bruno. On behalf of our client, we take no position on the issue of like product. But I would like to point out that you can have one like product including all the welded, the green pipe, the finished OCTG, but still go for decumulation.

In the light thermal paper, the Commission found that jumbo rolls and slit rolls were one like product. Nevertheless, the Commission did decumulate slit rolls from jumbo rolls. So I want to be very clear that the like product issue does not overspill on the issue of cumulation. There are issues of fungibility which are analyzed differently under the factors for decumulation and for like product.

MS. LEVINSON: This is Lizbeth Levinson at Kutak Rock. I want to endorse what Mr. Cunningham said. I want to endorse what Mr. Bruno said. But I also want to make the point that this is not a case that rests on like product. You don't have to make our like product distinction in order to have

Respondents prevail in this case. This is an industry that is doing well regardless of how you define the like product. And this is an industry that is not threatened by exports from India in particular, regardless of how you define the like product.

So if you're asking me theoretically and scholastically what I think the like product is, I'd agree with Mr. Cunningham. But I don't want to leave this room with the thought that unless we prevail on like product that somehow we've lost this case.

I'm going to ask my witness, if you don't mind, just to say -- he has about a minute to say a little bit about the difference between seamless and welded, as he is an industry member.

MR. KHANDELWAL: Thank you. Manish Khandelwal again from Maharashtra. A couple of quick differences between welded and seamless pipe. It's very easy to say they are fungible. I wish they were because in that case probably all the pipe mills in the world would be set up at 25 percent of what we invest in setting up a seamless pipe mill.

So but what has definitely happened -- and I can tell you from my own experience. We produce seamless pipe, and also we produce welded pipes. Now, over the last ten years, we have never seen the U.S.

market actually seeking welded pipes. But in recent times, we have seen in some specific sizes and grades where probably they have moved from seamless or are trying to move from seamless to welded pipes.

But I think that's still very, very restricted, and as somebody said it depends on what kind of cost economics work very well, and definitely only for very, very few applications. But so as a rule, they are fungible, I would completely disagree with that. Thank you.

MR. BLOMBERG: Can I interject something? This is John Blomberg from Saudi Arabia again. Outside of North America, virtually nobody buys OCTG. That's ERW. It's just simply not done. It's done in the big size, 18-5/8ths and 20-inch welded because it's surface casing and it's cemented, and it's put down 300 meters, and that's it. But for real casing and tubing, it's all 100 percent seamless.

Now, the leading producer in the world is Tenaris. They're the kings, right? And they own Maverick in the United States, which is one of the better welded companies around. They know very well how to build welded mills very inexpensively, yet they chose to build a $1.6 billion seamless mill in the United States. I think this should tell you something, where the trend is going and if there is a difference or not. There is a difference. There is a difference.

MR. SULTAN: Thank you very much. I have one last question, which I hope will be less divisive, and that is whether there is any seasonality to this product. And the reason that I ask is that I can well imagine that if you're drilling in Alaska, North Dakota, perhaps even Pennsylvania, that there might be a little bit less activity in the, say, January through March quarter of the year than there would be in the April through June quarter.

But I'm just speculating. So are sales of OCTG seasonal in any way?

MR. BREWER: Buddy Brewer. We do see some seasonal changes toward the end of the year. A lot of the E&P companies have used up their budgets and don't have anything left to buy pipe. We also have issues at least with inventories in Houston that are subject to have a warm tax, and so nobody wants to take possession of pipe at the end of the year.

Canada is a little bit different in that their peak drilling season is in the winter once everything freezes over because once they hit the thaw, everything just turns to mush and they can't move equipment in and out. So it is definitely seasonal.

MR. SULTAN: Okay. Thank you very much. That's all I have.

MR. DeFILIPPO: Thank you, Mr. Sultan. Mr. Thomsen?

MR. THOMSEN: Thank you very much. I had asked the prior panel a few data type questions, and I did want to give you the opportunity to respond to some of these. One of them goes toward this topic of welded and seamless that I had thrown out earlier in terms of what proportion of the market for welded can be used in seamless, or can use seamless OCTG and vice versa?

I'm not really requesting that every single country give me an answer right now. But I did want to open that up to you for the post-conference brief to expand on that and give a little quantification of that interchangeability.

MR. CAMERON: We'll do the best we can in our post-conference brief.

MR. THOMSEN: Thank you very much. So everyone that would like to is invited to as well.

The second question I have is with respect to API certification for OCTG. How difficult is it to obtain the certification? How long does it take, or how much would it cost to certify a mill for -- to get OCTG, either welded or seamless, and is there a difference between the two?

MR. BREWER: Buddy Brewer. To certify a full mill with a -- because we're going through this process now for a mill, for our heat treat, our threading. If you're only getting an API license for threading, you could probably expedite it, get it possibly done in four to six months. We are putting our full court press trying to expedite our process. It's going to be at least nine months to get our license.

The question of how hard is it, it's not exceptionally hard. The requirements are very clear. You have to have the API manual. You have to -- and they come in and audit it. It's really not --

FEMALE VOICE: But is that a for a U.S. facility?

MR. BREWER: For any, yeah.

MR. THOMSEN: But the question is if you have API, does that mean everybody is equal.

MR. BREWER: Oh, well, no, certainly not. Again, anybody can have a manual. But the quality of the product they produce from that manual is dramatically different.

MR. THOMSEN: Okay.

MR. BREWER: The API license is more about procedures. It's more about paperwork, and much less about technical capability, unfortunately.

MR. THOMSEN: Okay.

MR. CAMERON: It doesn't mean -- in other words, API -- the fact that you met API doesn't confer good quality versus medium quality versus low quality. And all three have been in the marketplace. And if you don't think so, look back at your China OCTG case because that was a big issue. Quality of the imports at that time was a huge issue. There was -- we heard estimates of 50 percent scrap rates on imported Chinese steel.

Well, but, I mean, hey, it's all API, right? No. I mean, there are differences in quality, and it is true of all of these producers. It is true of all the domestic producers, and they're not all the same.

MR. BREWER: The license means you have good written procedures and a good manual. It doesn't necessarily mean you make good product.

MR. THOMSEN: Okay. Would anyone else like to either agree or disagree with the time frame or the difficulty with which API is granted?

(No response.)

MR. THOMSEN: Okay. Well, hearing none, I'll move on to my question. This question is another question that I had thrown out kind of near the end, and it's with respect to the Chinese import case that was determined in January 2010. And that being the start of this investigation study period, how should the Commission consider the overlap of the time frames, and is there any way that we should, you know, treat the data any different or look at the issues any differently?

If you want to answer that in a post-conference brief, that would be fine. But if you want to give some ideas now, that would be wonderful as well.

MR. CAMERON: Why don't we -- we'll answer that in the post-conference brief, if that's okay with you.

MR. THOMSEN: That's fine with me.

MR. CAMERON: Since I don't see a lot of volunteers.

MR. THOMSEN: And then the other question that seemed to get a lot of attention had to do with raw material costs. I'm not sure whether you believe the same way that they do. It seemed that I heard earlier that raw material costs had not had a lot to do with the costs. It was market driven. Do you agree with this assessment, or how would you like to respond to --

MR. CAMERON: We don't agree. Why don't -- Steve, did you want to start or --

MR. DOUGAN: I think I'll let the industry witnesses talk a little bit more about how the business is conducted. And, you know, as to whether there are definite mathematical formulae that are used to generate the prices that are negotiated, I don't know. But real world, reality, the prices for the raw materials are publicly known. And if a purchaser of OCTG sees the raw material prices go down by 25 percent, are they realistically going to say to their OCTG suppliers, keep your price the same, you keep all that money, that's fine with us. That is not a real-world scenario.

MR. FOWLER: Steve Fowler. I'll add to that. Some of the publications mentioned this morning in addition to track tubulars also tracked coil prices, scrap prices, et cetera. The oil and gas companies here in the United States are quite sophisticated, both in their drilling technology as well as their procurement practices. They read that.

And so when scrap starts down or coil starts down, they're going to expect a visit to reduce their prices.

MR. KHANDELWAL: This is Manish Khandelwal again from Maharashtra. If one of us would run up the statistics, there would be 100 percent correlation between the price of raw material and the price of the pipes.

So a gentleman earlier had mentioned about the Preston Pipe and Tube Index. I'm not completely aware of it, but I will be very surprised if that index does not include -- give a large weightage to the cost of raw material. So every time the raw material moves either which way, the pipe prices will move along with it.

MR. SIMON: This is David Simon. I would just add that you have to take into account when you're looking at imports -- sorry. David Simon. When you're looking at imports, you have to take into account the lead times between orders and delivery, so you won't see the kind of sensitivity, immediate sensitivity, to coil price changes when you look at import statistics. But definitely they're there.

MR. BREWER: Buddy Brewer. Just to concur, our customers read these publications. They will call us and say, hey, coil went down ten dollars. We need ten dollars' concession. There is no correlation directly. There is no formula. But our customers absolutely are aware of raw material costs and expect us to follow.

MR. THOMSEN: Seeing no others, that is the last question that I had. I'd like to turn it over to my other colleagues.

MR. DeFILIPPO: Thank you, Mr. Thomsen. Mr. Yost?

MR. YOST: Being one of the colleagues, thank you very much for coming today. I've enjoyed the testimony. I asked one question this morning, and got an interesting response on the subject of program sales. I got from the oral testimony this afternoon that very few of the foreign producers and the importers participate in program sales. Was that impression incorrect? What is the extent of participation by the importers?

MR. SIMON: This is David Simon to take the first shot. Toscelik is not in program sales at all. In fact, they have a very small presence in the U.S. to begin with.

MR. CAMERON: I think that we need to break this down a little bit. Most of the subject imports on these panels you already heard testimony this morning, for instance, from Borusan. They don't participate in program sales. Why? Because they cannot guarantee delivery. Many other importers are in the same boat.

Imports from Korea do participate in program sales, as we said in the testimony, and that actually distinguishes imports from Korea from most of the other imports.

There is another category of imports that competes -- participates extensively in program sales. Those belong to Tenaris. They belong to V&M Star. They belong to TMK IPSCO. All of these -- all of the big, multinational OCTG producers who also have import sources, those imports are participated also in their program sales. This is not a news flash.

So you need to look at it like that. And why is it that they are able to participate in program sales? For exactly the reason that Buddy Brewer said that once he gets established in the U.S. market with his mill, then he will be a U.S. producer. And as a U.S. producer, he is going to have logistical advantages and the ability to participate as a U.S. producer on an equal footing with other U.S. producers. And, yes, he will then be able to assure just-in-time delivery, assure the inventory, and assure that it's going to be delivered, and he can then use his imports to supplement that participation, just the way Tenaris does, the way V&M does, the way that TMK does.

Go ahead.

MR. BREWER: Buddy Brewer. I've actually instructed our sales force not to participate, certainly in a big way, almost not at all, in any programs because we can't control the supply chain. We place an order through Borusan Turkey. They place an order to the mill for the hot-rolled material. They can't control that delivery to a large degree.

We have already, just in the short amount of time we've been selling pipe in the U.S., with the U.S. division, that there have been delays from the steel mill to Borusan. There has been delays in production from Borusan to shipment. There have been delays in shipment that arrive to the U.S. And then we hit the bottleneck of the processors in Houston that we absolutely don't control.

So to be able to commit to a specific amount of tonnage of a specific product that's delivered every four weeks, every five weeks, to a customer, there is no way I can do that.

MR. KHANDELWAL: This is Manish Khandelwal again for Maharashtra. Extremely impossible to participate in program sales for importers simply because the fundamental principle of program sales is delivery on time. And it was very interesting to observe in the morning when there was a mention that it's an estimate, but there are no contracts or written agreements. But this business is all about estimates, and it's always about having commitments. They may be verbal or they may be written.

So once there is a commitment on the program sales, the supplier, the distributor, would stick to it and he would have a back-to-back arrangement with the domestic mill to make sure that the suppliers are on time.

MR. McCONNELL: Mark McConnell for Interpipe Ukraine. The program sales market is closed to Ukraine. We cannot participate.

MR. ECHAVARIA: David Echavaria with Duferco of Saudi Arabia and JESCO. We also confirm that we do not participate in program sales.

MR. FOWLER: Steve Fowler. I'd like to make a comment. I was told many years ago by a purchasing guy that in his training, the first thing he was told is, if you let us run out of pipe, you're going to get fired. So the oil and gas companies control that decision process.

If you recall back in 2008, there were two hurricanes that hit the Gulf of Mexico. For about 60 days, all the boats with imported pipe were shut out of the Gulf of Mexico. There were a lot of anxious people waiting on pipe for those drilling rigs, and since then I agree with this group. It has tended much toward domestic only on programs.

Are there exceptions to that? Like everything, yes. There are exceptions. But the two hurricanes that hit in '08 really stick in the minds of these oil and gas operators.

MR. CAMERON: And it goes to the point of the fact that to the extent that imports are participating in program sales, it's as marginal suppliers. They are supplemental to the domestic industry, and the reason for that is because the guarantee on the logistics and on the just-in-time delivery, that's the reason you have domestic supply.

If there is a problem, you get on the phone, you say, hey, we need something, we need it today, we need it now, as opposed to getting on the phone at midnight and hoping that you get somebody in the mill over in -- overseas.

I mean, it's a different way of doing things. In order to do these program sales, you really do have to be here. And that's the reason we said that actually to be an importer domestic users are not going to depend on imports as their exclusive supplier for program sales. It just doesn't work that way for just-in-time delivery.

MR. YOST: I think the testimony this morning was that they are a source of program sales, but not *the* source, and certainly not a replacement of domestic industry. The testimony also was of inventory levels, you know, pick your port.

MR. CAMERON: Well, but this is exactly what we're saying, is that for most of these guys, they are not participating at all in the program sales. Imports from Korea? Yes, imports from Korea do participate in program sales. They are different from the others. They are producing a higher value product, a welded product, and they do participate. That's one reason that their import levels are where they are. They have to -- their distributors are keeping inventory levels so that they can.

But I don't think that's contradictory.

MS. MENDOZA: Can I also just add --

MR. YOST: Sure.

MS. MENDOZA: Julie Mendoza. I think also the proof is in the fact that so many of these foreign companies have come and invested here in the United States. I mean, I think it's a question -- it's a confirmation of the fact that they believe that there are enormous advantages to being here and being able to supply customers, because that's why they came here. That's why Borusan is coming here, so that they can participate in those.

So I think that's the confirmation of how important the U.S. industry, which is composed of all of these foreign manufacturers and foreign-invested companies believe that being in this market is important. Thank you.

MR. YOST: Okay. Thank you very much. Any further comments?

(No response.)

MR. YOST: I have no further questions. Thank you.

MR. DeFILIPPO: Mr. Treat, questions?

MR. TREAT: Just a couple of questions. Good afternoon. Thank you again for being here today. I have a couple of product-related questions, and I'm going to start with again seamless versus welded OCTG. I don't mean to beat a dead horse, but it would really help me understand kind of the vast gulf of opinion between you guys and Petitioners.

So the first question relates again to fungibility or interchangeability. The vast majority of the API grades can either be in seamless or welded. In each grade, there is the same chemical composition, the same yield strength, the same tensile strength, and probably a couple of other metrics to measure performance.

And so my question is, are there any additional performance factors that would dictate using a seamless over a welded grade that wouldn't be specified in an API specification? And I think this is a point that Mr. Schagrin made this morning, is that since they all meet the exact same specifications for each grade, they should be wholly interchangeable. Thank you.

MR. CAMERON: Well, you don't have to agree that they're separate like products to disagree with the idea that they are, quote unquote, totally fungible and totally interchangeable. That would lead you to conclude that actually there is no difference between any of the U.S. producers, right, of any specific grade of pipe.

They don't believe that, certainly. They certainly don't sell pipe on that basis. There are quality differences between various manufacturers of pipe. That's not simply a matter of -- well, I mean, if it's J55 or if it's P110, then that works.

I mean, Buddy, you're in the industry. You know, why don't you talk about that for a minute?

MR. TREAT: You can even send me an email if you want to. I mean, it doesn't have to be now.

MR. BREWER: From a purely engineering standpoint, ERW could interchange with seamless -- gosh, I hate to put a percentage of it, but a high percentage of the time. There are specific applications where it absolutely cannot. Sour service is the most glaring example of where they are *not* interchangeable in any way. But purely from engineering, in most -- in a lot of cases, they really can. There is not as much as difference as some would think.

Now, there is a very high incidence of preference that I have to say is not necessarily backed up with engineering. There are drillers that if he puts a 200-foot water well in his back yard, he's going to use seamless pipe. Why? He has had a bad experience somewhere along the way.

ERW pipe produced 25 or 30 years ago is not the same as ERW produced today. The technology has advanced in the process itself and inspection techniques. It's not the same product. But there are still a lot of drillers and a lot of engineers that have had bad experiences and simply won't use it, no matter what engineering evidence you show them.

MR. TREAT: Great, thanks.

MR. McCONNELL: If I can, Mark McConnell for Interpipe Ukraine again. We'll obviously brief this, and we'll have client input that will be probably more of what you're looking for.

But I just want to come back to the point that if the customer says they want seamless, it's not interchangeable, and it's that simple. If the customer specifies seamless, that is only a market for seamless. So that is what is driving, at least what we see, including the price premium.

MR. TREAT: Go ahead.

MR. FOWLER: Steve Fowler. A couple of points. The drilling technology being employed today is something the industry has never seen before. You know, when I say today, I mean over the last six to eight, maybe ten years. The shale drilling, whether it's oil or gas, has a long horizontal string of pipe associated with it that could be over two miles long, and the operator is going to set off about 20 to 30 explosions in that pipe. They're going to frack it.

Pipe has never seen that before in the industry. API standardizations, they don't take that into consideration. So many of the operators, because they know that pipe is going to have to withstand that pressure 20 to 30 times, they're going to protect themselves and go seamless. And if something happens, they can tell their management, hey, I bought seamless. You know, should have held together. I don't know what happened.

And many of these wells -- I live in Dallas, the Forth Worth area over there in the Barnett Shale. A lot of those wells were drilling under people's houses even. And some of those operators went seamless only, for no other reason than just to say, hey, I got what I thought was the best product.

The second point is I believe -- I don't have a way to really back this up, but I believe that the BP fiasco in the Gulf of Mexico a couple of years ago, that also sent a shockwave through the industry. Most of your top 50 drillers in the United States are publicly traded companies. They don't want their name flashed on TV as having a problem.

And so I think that BP Macondo also sent a seamless-only wave out there, in addition to this fracking. So that really has changed since the 1990s.

MR. BLOMBERG: Can I jump in also? This is John Blomberg from Saudi. I think also, you know, as the United States constructs more seamless pipe mills -- and there is going to be a lot of them coming with Bentler and -- Vallourec is just starting, Bentler, Tenaris, TPCO. Seamless, local seamless, is going to become more readily available. And I think at that point in time people will face the opportunity of substituting one against the other rather much easier domestically.

And the other thing is I agree completely with Steve. I think, you know, the easy drilling is over. The hard drilling just started, in terms of offshore or onshore. And environmentally and safety-wise, they will be -- whether it really is a big difference or not, they will be forced into being extraordinarily prudent or face potential consequences in court if something goes wrong, you know.

MR. GURLEY: This is John Gurley for JESCO and Duferco. Just a quick point. I think if you look at the price data and the questionnaires, be it the U.S. producers or the U.S. importers, the price data is going to suggest that certainly the customers don't think these products are fungible and that certain products from certain countries get higher prices than others.

MR. CUNNINGHAM: This is Dick Cunningham. At the risk of endangering my hard-earned reputation at this hearing for fierce combativeness, let me say I agree with everything everybody has just said here. And it comes over me late in the day. And I guess where that would leave me if I were you, is to say that an issue that has led the Commission to find a single like product based upon an understanding that the application issue, the overlapping of application issues, is very, very strong for one like product, now should be something you look at as, well, that is much more mixed than nuanced. Maybe on balance, there is enough overlap. But remember, like product is not just an application overlap issue. It relates to all of the others. And I would urge you to strike the balance and look at all of them, and I think you'll probably come out with two like products. But I think it's worth a hard look for you.

MR. TREAT: Great, thank you. I just have one final question related to the green tubes. I kind of feel throughout today that especially this afternoon there is a couple of different definitions of a green tube. It's my understanding that we're really just talking about an unfinished pipe hollow or tube hollow that's subsequently finished, heat-treated, upset, threaded, or whatever.

But Mr. Cunningham made it kind of seem like some of the imported tubular products that he's calling a green tube could actually be an OCTG product that is plain-end and non-heat treated, that it's just maybe an input to be subsequently finished, but could still be an OCTG.

So my question is do you all agree on what should be considered a green tube?

MR. CAMERON: It's difficult to say whether we all agree on anything. But with that caveat, I believe your description was correct. There is the unfinished green tube, as you described it. There is also upgradable J55, which is a product that can be used as J55, but if it is not, if it is sold to a heat treater, it can be upgraded to a higher grade of OCTG.

Beyond that, what Mr. Cunningham was referring to -- and he is perfectly capable, as you know, of speaking for himself. So after he hears my description he may or may not agree. But he was then also discussing the threaded versus non-threaded. That is -- that distinction does not go to green tube.

That goes to the issue of whether it's threaded.

So I believe those were the distinctions that were being made, and I think everybody agrees with those.

MR. CUNNINGHAM: This is really terrible. Once again I agree with Mr. Cameron.

MR. CAMERON: Yeah. I knew that was going to be tough for you, Dick.

MR. TREAT: Thanks a lot. No further questions.

MR. DeFILIPPO: Thank you, Mr. Treat. Mr. Corkran, questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. And thank you all very much for your time here today. I appreciate it. I only have a few questions for the panel.

Actually, the first one I'd like to put to the panel is really just a request, but it comes via our -- someone who has provided very valuable research to us, Andrew Warner, throughout this case. And that is I've seen at least and possibly more of the Respondents who have helpfully provided details on the capacity to produce OCTG as well as constraints, whether they be on the pipe rolling or whether they be on the heat treating.

For your post-conference briefs, if you have not already done so, can you make some of the same distinctions? And if you have in your questionnaires, simply just note that it's already there. I'm not asking you to reinvent the wheel, but just to please make sure you address that. And I thank you very much for that question.

The next question I had is quite likely a reflection of my own confusion on this issue. But in terms of negligible imports, does the Commission have the authority to look at SIMA data for that particular calculation, as that is license data as opposed to entry data? Or am I confusing aspects of either the data or the argument?

MR. HORLICK: We'll get back to you in the brief on that because I don't want to mis-cite something. But certainly the Commission has used licensing data. I don't want to be -- I'll check on what it has. But the statute 771-24(c) gives you specific authority with respect to negligibility decisions to use reasonable estimates.

The SIMA data is U.S. Government data. The Commerce Department claims it's accurate. And as I said, one industry leader claims you should use it to impose duties on stuff, on people. Sauce for the goose is sauce for the gander.

MR. MARSHAK: This is Ned Marshak. One more point. We'll put it in our brief, but the Commission has relied on CIMA data in its analysis. Maybe not in its negligibility analysis, but in other analysis it has relied on CIMA data in its decisions, and we'll cite that to you in the brief.

MR. CORKRAN: Thank you very much. I do appreciate those comments.

MR. CAMERON: Excuse me. Do you have any questions with respect to inventory levels and whether five months is significant or not?

MR. CORKRAN: Thank you. Actually, I did, but I was --

MR. CAMERON: Great.

MR. CORKRAN: But I was trying to -- not so much in terms of significance. But I did want to -- we heard competing testimony this morning and this afternoon. Both sides looked to a common source to evaluate the level of inventories that are in the market. But we heard different characterizations as to whether inventories were too high or whether inventories were consistent with previous levels.

For people who have participated in the market, what is your view in terms of current inventory levels in the U.S. market at the operator level, and what is expected?

MR. FOWLER: This is Steve Fowler. I'd like to make several points. What I'm about to say, I mean no disrespect to these two entities. But we need to start with the reporting entities. And that's I think cited this morning. One I believe they were using was *Pipe Logics*, and the other one was *Preston Pipe Report*.

To the best of my knowledge, underlined, I don't think any of those guys have hard hats and safety shoes. They do this survey, one from St. Louis, and one from Conroe, Texas. They do it by email. The odds of the pipe getting double or triple counted in the survey I believe is very high because they go to the distributors, they go to the mills, they go to the processors, they go to the trucking companies where it's stored. I question whether they have the ability to sort out whether they're double or triple counting this pipe.

So it's a very unsophisticated methodology, in my opinion. And again, I mean no disrespect, but that's how this survey takes place. I have challenged both of these entities in years past, and they always tell me, hey, this is intended to be a trend. This isn't intended to be an exact, you know, count of the inventory. So that's point number one.

Several points here. Today, again there is more premium and semi-premium connections being used onshore in the United States than we've seen for quite some time. I believe a lot of that threading has backlogs associated with it. To thread a premium connection takes two to three times longer than it takes for an API connection.

A lot of these Petitioners have added specialty or premium threading lines in Midland, Texas, and the Northeast, to try to get their bottlenecks cleared up. But I think there is a lot of pipe in front of these threaders waiting to be threaded, which adds, you know, to the industry inventory level. Certainly there is a lot of pipe waiting in Houston that came in plain-end, as J55 or otherwise, that's waiting to be threaded. A lot of bottlenecks there.

And this inventory in many cases also belongs to the end users. And I can cite -- I'll go ahead and name just a few: Pioneer Natural Resources, BP, Conoco, Shell Oil. A lot of the inventory that is reported in these figures are basically -- I'd call it stranded. These oil and gas companies, the title is passed. Something happened. They didn't need the pipe. And they're very slow typically to respond to try and eliminate that inventory.

So that inventory is in this pile of five months or so. Offshore rigs, we're back to drilling in the Gulf of Mexico. There are less than 60 rigs operating in the Gulf of Mexico. But most of those rigs have to have two and sometimes three strings of pipe for one well, although they're only going to use one string. So there is some more inventory, inventory creep that has creeped in there.

The other thing I would point out is geographically a lot of the drilling is taking place in what the industry would consider remote locations, considering Houston as the Mecca for pipe. So remote would be up in the Northeast, where we are, the Marcellus. Very little infrastructure existed in the Marcellus to store pipe.

A lot of pipe storage facilities are now storing pipe here that five years ago didn't exist. Likewise in North Dakota. A huge backlog in North Dakota on rail shipments from Houston, Texas. Many of the yards up there have just said, hey, we can't handle any more shipments for the next 30 days.

So the distributors, to respond to these programs, have to have more inventory to support the drilling activity in these remote -- more remote locations. North Dakota has over 150 rigs running. Seven years ago they may have had 15. Again, the infrastructure has required distribution to stock more pipe.

And so those are several points I'd like to make. In 2012, what we heard is distribution started picking up, I'll say, on coil prices dropping, new domestic mills entering the market. They sensed, I believe, a softness or a potential softness in the marketplace.

And so we believe at Tubular Synergy there was a significant destocking that took place in 2012, and some of that destocking, towards the end of 2012, the title passed to the end user as the distributors bill pipe that had not been consumed on these programs. Some of them bill the pipe to the end users, who, guess what, they were using it in the first quarter of 2013, and that may be why some of the domestic mills' order books were a little bit soft in early 2013.

MR. CUNNINGHAM: Ms. DeFilippo --

MR. FOWLER: And my final statement --

MR. CUNNINGHAM: No. I didn't mean to

interrupt.

MR. FOWLER: My final statement is, you know, four and a half to five and a half months in my career, that's a fairly balance for the industry overall. But again, that's not a hard number. I go back to my methodology. That's a good guess as to how much pipe is out there. That's all.

MR. CUNNINGHAM: There is another double-counting issue that -- it's not inventories, but there is another double-counting issue you want to pay attention to. We've been talking about what we've been calling green tube, let's refer to it. Let's not get hung up on the name -- imports that are going to be further processed principally by reheating.

But what we've been talking about is whether they should be treated for your purposes as imports or as U.S. production. And right now I suspect they're in your statistics as imports.

If you follow the rule, as I think you should, from thermal transport ribbons, you're going to -- they should be shifted from imports to U.S. production. I'm not sure you have the producers as U.S. producers. At least I'm not sure you have the statistics from the processors that do this and have that processing product included in U.S. production as thermal transport ribbons seem to say you should.

Now, I don't know whether you should shift them. That's what I'd like to see, whether you should do two sets of statistics, one one way and one the other way so you can see what difference it makes. But any rate, it's an issue you need to look at statistically as well as the way we have been looking at it now, which is conceptually.

MR. DOUGAN: Mr. Corkran, if I can return to the inventory question, if it were really true that what the distributors would prefer to hold is, you know, between three and four months worth of inventory, that's kind of the trough. And I indexed the numbers, but I'll provide the real calculations in the post-conference. That's kind of the trough in the chart that I've showed, which happened in late '11 and early '12. And according to Spears & Associates, domestic production of OCTG hit a 25-year high in March of 2012.

If the market was satisfied with the level of inventory at, you know, three and four months and thought that, you know, gosh, we don't need any more, we can sustain this, they wouldn't have placed those orders. So clearly there was something going on. There was a comfort in the marketplace that, wow, gosh, maybe inventories are getting low and we need to ramp things up a little bit here.

So that's something that you should consider as well. I'll provide this in a post-conference.

MR. CORKRAN: Thank you. I found that was very helpful. I do have one more probably request rather than something to be dealt with here because I don't think it involves all parties. But to the extent that issues involving competition rely on how you compare imports of plain-end tubular products, please indicate in your analysis how you take into account the threading operations that exist in the United States, the independent operations that hold API licenses to thread and couple plain-end oil country tubular good products.

And with that, I have no further questions.

MR. DeFILIPPO: Thank you, Mr. Corkran. And actually, the last topic that I was looking to explore was inventories. I had crossed off all my other topics as staff had asked them, and they have been answered. So I am letting you off the hook without any questions from me today.

But I would like to say thank you again for coming in, both presenting testimony and answering our questions. We will do closing statements. I'll give everyone about five minutes to get together with their people, and we'll come back at 4:35 for the closing statements.

(Whereupon, at 4:28 p.m., a brief recess was taken.)

MS. DeFILIPPO: Welcome back, Mr. Price and Mr. Vaughn. Still the same day, but much later in it, so please feel free to begin your closing statements when you're ready.

MR. VAUGHN: Good afternoon. I'm Stephen Vaughn. I'll go first. Two initial points. First, we will fully brief the negligibility issue. We strongly believe these countries are not negligible.

Second, given the workings of this market in which trading companies are bringing pipe from around the world in order to hit this market simultaneously, it is inevitable that any case that seeks to get true coverage of OCTG is going to involve multiple countries. We think that in this case this is one of the strongest examples of why cumulation exists that you can find. We will argue very strongly for cumulation as well.

I would like to devote the remainder of my time to a discussion of this presentation put out by the Respondents in the afternoon, which was really about the only time where they kind of tried to address the issue of injury and causation. And I think if you look at at least the slides -- I'll go through them -- they're very persuasive on our side once you sort of look at them in context.

The first slide sought to compare investment from the most recent period to the '06 to '09 period. Now, it's interesting that they chose to compare investment. If they had chosen to compare profits, operating income, you would have seen that the industry's operating income from January 2006 to September 2009 was about $2 billion larger than the period from January 2010 to March 2013.

I would also suggest that the investment number here does not mean what they say it means. This indicates that the industry is vulnerable. They have made these investments. Their assets have grown, and now they need to get a fair rate of return on the investments. That's Slide 1.

Slide 2. The domestic industry shows no indicators of current material injury. Actually, what this slide shows is that from Q1 of '12 to Q1 of '13, the industry's operating profit fell by 67.7 percent, and given, as the record shows, that demand remained very strong that is a compelling evidence of material injury.

The next slide purports to show how the operating margin changes you've seen are mild compared to what you used to see. Well, the chart here going from 1996 to 2008, what this chart really shows is that operating margins in this industry used to reflect demand conditions. In other words, a year like 1999, which was bad for demand, operating margins fell. When demand surged in '04, '05, '06, operating margins rose. By contrast, from 2010 to 2012 demand went up 50 percent, but operating margins fell. This is compelling evidence that imports have changed this market.

The next slide purports to show that consumption peaked in late 2011. Actually, what the slide shows is that by the end of the period consumption was up 38 percent from where it had been at the beginning of 2010, and so even though this market is much stronger now than it was back in 2010 we know from the evidence we saw before that profits are much lower. Again, compelling evidence that subject imports have hurt the domestic market.

The next chart purports to talk about raw material costs and says that these peaked in 2011. One thing to keep in mind, by the way, the industry's operating margin fell from 2010 to 2011, so the idea that 2011 was some sort of a peak doesn't work for them either. But in any event, if you look at this slide what it shows is that costs today are almost exactly the same as they were back in 2010, and yet again the industry's margin is way down and the industry's profits are way down. That's because of the oversupply caused by imports.

The next slide says prices for domestic producers and subject imports followed the same trends. Look closely at this slide, and you will see it proves exactly what we've been trying to tell you. At the beginning of the period, demand picks up. The green line, representing the domestic industry prices, starts to move up along with demand and eventually moves up into the summer of 2011. But the purple line representing the imports does not move up.

As our witnesses testified, the imports continued to undersell. Finally, by the end of 2011, just as we testified, we were forced to cut prices, and yet the imports continued to undersell us all the way to the end, and by the end of the period their prices are lower than they were in 2010 even though demand is much higher.

Together these slides show that subject

imports did severe damage to the domestic industry during the period.

MR. PRICE: Thank you. Alan Price, Wiley Rein. In closing, I would first like to thank the Commission staff for their diligent work in such a large case, which has been a long day here. Before we leave today I'd like to leave you with a few final thoughts to keep in mind when evaluating this case.

First, as you saw from the slide show presented by Skadden Arps this morning, the subject imports use significant levels of underselling to push large and ever growing volumes of imports into the market and to gain market share, and they shoved massive volumes into this market.

As the slides show, instances of underselling increased consistently over the POI, and this increase corresponds to the substantial increase in the subject imports. The idea that there are separate markets for domestic and imported products are absurd, and the idea that programs are somehow new or different in this industry -- well, they're not. They've existed long before this period of investigation. They're not a new condition of competition, and there's been no change.

There's no insulation going on, and the idea that imported green tubes don't harm the U.S. industry is just wrong. Rather, it's simply a tool that facilitates imports, and that is exactly what you found in the China case.

Second, this price-based surge eventually overwhelmed the market. As you can see from this chart on profits, which is really a different way of presenting that ECS chart -- it's the red one right here. The profitability of the U.S. industry declined steadily from the first quarter of 2012. The domestic industry margin declined despite fairly strong demand levels.

Third, the import volumes and the price effects of the subject imports are not limited to one particular segment of the market.

Fourth, these declines in market pricing are not due to declines in raw material costs. As this chart here, the one with the blue stripes, shows that there was a massive cost/price squeeze that developed. Why? Because the imports suppressed and depressed domestic prices as they floated to the market and harmed the U.S. industry.

As Professor Whinston testified, harm due to dumped imports occur in both strong markets and weak markets. Lost profits in strong markets are particularly harmful on long-term returns and the future of the industry.

Fifth, as you have heard today, all of the subject imports compete in the U.S. market and behave in similar fashions. They all enter through similar channels of distribution. They all compete in every market segment and they are all export oriented, and they all compete in the same sales for standard API products with the domestic industry.

Each of these subject producers compete with the U.S. industry and each other. All of the subject producers are focused on standard API grades that comprise the overwhelming majority of the market and are served by all producers alike.

With respect to negligibility, we will address this more completely in the brief, but we fundamentally disagree with the Respondents. When we filed the cases, the import shares of those countries satisfied the negligibility test based upon the May data. They kind of kept on slipping around that in their presentations. For some of these subject countries, the import share may be very close to the 3 or 7 percent threshold, depending on which period the Commission ultimately views.

We would note that because coupling stock is part of the scope of this case it is not entirely clear whether or not the Commission has captured all of the imports. We would also note that the Commission should act with great care, as we know it always does.

Therefore, given the uncertainty of the numbers when they're very fine and you're looking at a close call on the stuff, we believe that it would be appropriate to cumulate these countries and find them not negligible for the purposes of the preliminary determination until the Commission can collect the data for a final.

Finally, this case very much deals with the U.S. industry operating at a low level of capacity utilization. The ITC determination in this case will dramatically affect whether the U.S. industry and its workers and downstream suppliers benefit from the development of the U.S. oil and gas industry or whether the benefits enure to dumped and subsidized import suppliers, foreign producers and foreign workers. Thank you.

MS. DeFILIPPO: Thank you, Mr. Price and Mr. Vaughn.

We will now move to closing remarks for Respondents. Mr. Cameron, I believe you, Ms. Mendoza and Ms. -- oops. No. I'm not right. Mr. Gurley, welcome.

MR. CAMERON: Just a couple of quick points. I do find it interesting that in order to try to shoehorn this case into something that this Commission will accept, Petitioners went so far as to suggest that OCTG is a commodity product.

What I would ask you to do is read all of the prior cases, read the questionnaires, listen to the testimony and read the briefs. This product is about as far from a commodity product as you're going to get, and it does suggest an extraordinary degree of overreach for the Petitioners.

Secondly, it's another indicator that is how the nine months, million tons of inventory that we had in 2009 that was the key to winning the threat case against China has now become the new five months. That actually doesn't work. They don't have an inventory overhang argument over here, and they can talk all they want to about it, but I think that the testimony of our witnesses goes to that point. I mean, there is no inventory issue.

Program sales. Program sales do insulate Petitioners to a great degree. They dominate this segment of the market. Those distributors, do you really believe that the distributors that were here testifying on their behalf are going to use imported material in place of their supply and remain their distributors? I don't believe so.

And do the end users have a preference for using domestic material? They most certainly do. That's the whole point of program sales. Nobody said that it's a monopoly. Nobody said that it's the exclusive purview of the industry. But they do dominate that segment, and it does give them a substantial advantage in the marketplace, and that's really what we're talking about.

Finally, we just heard Mr. Price describe how all imports behave similarly in the market. I don't think you could have listened to the panel this afternoon and come to that conclusion. A, subject imports don't behave like each other, much less all similarly. And more importantly, subject imports certainly do not behave in the same manner that nonsubject imports that are controlled by Petitioners behave.

And as opposed to referring to their fair trading ability, I would suggest to you that those imports compete very effectively in the marketplace, and a sale by Tenaris of Tenaris imported material does in fact affect U.S. Steel. Now, obviously they're not subject, but the reality of the matter is that imports don't behave the same way, and those nonsubject imports are participating fully in the program sales with the domestic production.

And finally, as to the low level of capacity utilization that was referred to in the last minute of these comments, again I would refer to the nonsubject imports that are imported by the Petitioners who are now complaining about low capacity utilization when they are themselves importing substantial quantities from nonsubject mills. I would suggest to you that this is a matter of where they want to take their profit and that's about it.

MR. DOUGAN: Just really quickly, this is Jim Dougan from ECS. Mr. Vaughn used my charts to show that they proved his case, and perhaps they can also show how it is that after two years of supposedly injurious subject import volume and underselling the domestic industry earned its highest operating margins in the first quarter of 2012.

MR. GURLEY: Hi. This is John Gurley on behalf of the negligible countries. First I'd like to correct the record a little bit. I think counsel for Petitioners said they used May data when they filed the petition in order to calculate negligibility. I think on reflection that may not be correct. I think we should all go back and look to see what was exactly on the record.

There's really two things you need to know when you file a petition that you have to be absolutely certain about. One is the scope, and one is the import levels. And apparently Petitioners are very confused about the import levels. They chose when to file this petition. We all know it was right before July 4, and I think on behalf of all of us we'd like to thank Petitioner for the timing of the petition. It was very helpful. They have to live with the import data that's on the record. They have to live with the scope and the petition that they've filed.

The Commission should use reasonable estimates as outlined in the statute, and the reasonable estimates that we espouse today are including the up-to-date SIMA data that's on the record. It's certainly permitted by the statute, and I think that will show that we are negligible, the three countries. Even if you don't use the SIMA data, the other reasonable data sets available on the record will all show that the three countries are still negligible.

Now, at the end of the presentation today I think Petitioners became very nervous about their negligibility case. Suddenly there was speculation that the very import statistics that they used to launch this case, the very charts that they showed you here today to prove how bad those imports were, suddenly they're not reliable.

Well, even by Petitioners' standards that's pretty shameless. If they thought that information was not valid, if they thought it was really improper information, they should have said so in the petition. The Department of Commerce presumably is going to initiate tomorrow -- today -- based upon those import statistics. It's a little bit late in the game for them now to challenge the integrity of the data that they're using to try to convince you to move forward to the Department of Commerce stage.

So on behalf of the three negligible countries, we ask that you terminate this investigation. The statute has provisions precisely for occasions like this. You have three small import shares that don't deserve to go forward into the next Department of Commerce stage. Thank you very much.

MR. CAMERON: Thanks for your time. We

appreciate all the work that you've done.

MR. GURLEY: And thank you for allowing us lunch today, by the way. Thanks for that.

MS. DeFILIPPO: I usually don't. I usually am very strict about plowing through, but I felt like it would be cruel and unusual to keep everyone here until what I figured would be this late in the day without letting you eat. So thank you, gentlemen, for your closing statements.

On behalf of the Commission and the staff, I would like to thank the witnesses who came here today, as well as counsel, for helping us gain a better understanding of the product and the conditions of competition in the OCTG industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of postconference briefs and for submission of corrections to the transcript is Friday, February -- February? Whoa. July 26. It's been a long day. Wow. If briefs contain business proprietary information, a public version is due on Monday, July 29.

The Commission has tentatively scheduled its vote on these investigations for Friday, August 16, and will report its determinations to the Secretary of the Department of Commerce on Friday, August 16. Commissioners' opinions will be transmitted to the Department of Commerce on Friday, August 23.

Thank you to everyone for coming, and with that this conference is adjourned.

(Whereupon, at 4:54 p.m. the preliminary conference in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Oil Country Tubular Goods

INVESTIGATION NO.: 701-TA-499-500, 731-TA-1215-1223

HEARING DATE: July 23, 2013

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary Conference

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

DATE: July 23, 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: Edwin Wesley
Signature of Court Reporter