

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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3 In the Matter of:) Investigation Nos.:
4) 701-TA-449 and
5) 731-TA-1118-1121 (Review)
6 LIGHT-WALLED RECTANGULAR)
7 PIPE AND TUBE FROM CHINA,)
8 KOREA, MEXICO, AND TURKEY)

9 Thursday, April 3, 2014
10 Main Hearing Room (Room 101)
11 U.S. International
12 Trade Commission
13 500 E Street, S.W.
14 Washington, D.C.

15 The meeting, commenced, pursuant to notice, at
16 9:31 a.m., before the Commissioners of the United States
17 International Trade Commission, the Honorable
18 IRVING A. WILLIAMSON, Chairman, presiding.

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1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

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1 PANEL 1

2 ORGANIZATION AND WITNESS:

3 ROGER B. SCHAGRIN, SCHAGRIN ASSOCIATES

4 JACK MEYER, BULL MOOSE TUBE COMPANY

5 MICHAEL BLATZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER,

6 BULL MOOSE TUBE COMPANY

7 LEE SEARING, PRESIDENT AND CHIEF EXECUTIVE OFFICER,

8 SEARING INDUSTRIES

9 JOHN MONTGOMERY, JR., VICE PRESIDENT AND GENERAL

10 MANAGER, SOUTHLAND TUBE

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I N D E X

	PAGE
1	
2	
3	OPENING REMARKS BY ROGER B. SCHAGRIN,
4	SCHAGRIN ASSOCIATES 6
5	
6	TESTIMONY OF JACK MEYER, BULL MOOSE TUBE COMPANY
7	
8	TESTIMONY OF LEE SEARING, PRESIDENT AND CHIEF EXECUTIVE
9	OFFICER, SEARING INDUSTRIES 13
10	
11	TESTIMONY OF JOHN MONTGOMERY, JR., VICE PRESIDENT AND
12	GENERAL MANAGER, SOUTHLAND TUBE 17
13	
14	CLOSING REMARKS BY ROGER B. SCHAGRIN,
15	SCHAGRIN ASSOCIATES 75
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

1
2
3
4
5
6
7
8
9
10
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P R O C E E D I N G S

(9:31 a.m.)

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

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigations No. 701-TA-449 and 731-TA-1118 through 1121 (Review) involving Light-Walled Rectangular Pipe and Tube from China, Korea, Mexico, and Turkey.

The purpose of these five-year review investigations is to determine whether revocation of the countervailing duty order of the light-walled rectangular pipe and tube of light-walled rectangular pipe and tube from China and our revocation of the antidumping duty orders on light-walled rectangular pipe and tube from China, Korea, Mexico, and Turkey will be likely to lead to continuation or recurrence of material injury within a reasonable, foreseeable time.

The schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table.

All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

1 I understand that the parties are aware of the
2 time allocations. Any questions regarding the time
3 allocations should be directed to the Secretary.

4 Speakers are reminded not to refer in their
5 remarks, or answer to questions to business proprietary
6 information. Please speak clearly into the microphone and
7 state your name for the record for the benefit of the court
8 reporter.

9 Finally, if you will be submitting documents that
10 contain information you wish classified as business
11 confidential, your request should comply with Commission
12 Rule 201.6.

13 Mr. Secretary, are there any preliminary matters?

14 MR. BISHOP: Mr. Chairman, I would note that all
15 witnesses for today's hearing have been sworn in with the
16 exception of Mr. Bohn who I will swear when he arrives.

17 CHAIRMAN WILLIAMSON: Thank you. Very well. Let
18 us begin with opening remarks.

19 MR. BISHOP: Opening remarks on behalf of those
20 in support of continuation of the orders will be by Roger B.
21 Shagrin, Shagrin Associates.

22 CHAIRMAN WILLIAMSON: Welcome, Mr. Shagrin, you
23 may begin when you're ready.

24 OPENING REMARKS ON BEHALF OF THE CONTINUATION

25 MR. SHAGRIN: Thank you and good morning,

1 Chairman Williamson and members of the Commission.

2 For the record my name is Roger Shagrin of
3 Shagrin Associates. And in these reviews we represent nine
4 U.S. producers of light-walled rectangular pipe and tube who
5 account for most of the U.S. industry producing this
6 product.

7 The sunset review has a strange background which
8 I'm sure we will explore in part during the hearing. The
9 review covers four countries, and at the outset three
10 countries proffered no substantive responses. The U.S.
11 industry file completes substantive responses with data
12 representing almost all of the U.S. industry.

13 Only two Mexican producers representing only a
14 very small share of the Mexican industry submitted
15 substantive responses, but the Commission decided to do a
16 full review. Now, while the majority of the Mexican
17 industry has filed questionnaire responses as part of the
18 review, the two Mexican producers who requested the review
19 have chosen neither to file prehearing briefs nor to appear
20 at this hearing.

21 These antidumping and countervailing duty cases
22 have been very successful for the U.S. industry. As the
23 data in Table 1-2 show, between the three-year period of
24 investigation and the six-year period of review, the
25 domestic industry regained 13 points of U.S. market share.

1 Non-subject imports did not replace subject imports as they
2 left the market. Instead, the U.S. industry replaced the
3 subject imports after the countervailing duty and
4 antidumping duties were imposed.

5 Total imports of LWR declined by nearly 250,000
6 tons between 2006, the last full year before the July 2007
7 filing and 2013. Given the drop in consumption that
8 occurred during the period of review, these cases definitely
9 saved both plants and jobs.

10 However, this industry is still very vulnerable
11 to a recurrence of injury. Even after four years of
12 increasing consumption, 2013 consumption is still 350,000
13 tons or one-third less than its peak in 2006. Industry
14 profit margins have fallen in the past three years and are
15 at the same level the ITC found to be injurious in 2007.

16 What about future imports from these four
17 countries? Clearly they will increase if the orders are
18 sunset. China, Korea and Turkey did not participate, but
19 you have good information on their excess capacity and you
20 have good coverage as to Mexico. Light-walled rectangular
21 tubing is a very fungible product and Mexican LWR is just
22 like Chinese, Korean, Turkish, and domestic LWR. That is
23 why you should cumulate these four countries in the sunset
24 review.

25 The Mexican industry has grown its capacity

1 throughout the period of review. The share of Mexican
2 production sold in the Mexican home market fell to its
3 lowest level in five years in 2013, making their industry
4 more export oriented.

5 Mexican imports consistently undersold the U.S.
6 industry during the period of review. Even with the
7 imposition of only modest dumping margins in 2007, or 2008,
8 the discipline of the orders in what is a very
9 price-sensitive marketplace has caused imports from Mexico
10 to fall by nearly half between the POI and the POR.

11 So cumulative imports and even Mexican imports
12 separately would cause a recurrence of injury to the U.S.
13 industry. For those reasons, and because the Commission
14 should not reward the Mexicans for gaming the system, I ask
15 you to make an affirmative vote as to all five orders in
16 these sunset reviews.

17 Thank you.

18 CHAIRMAN WILLIAMSON: Thank you.

19 MR. BISHOP: Mr. Chairman, the panel in support
20 of continuation of the orders have been seated.

21 CHAIRMAN WILLIAMSON: Okay. Thank you.

22 I want to welcome all the members of the panel
23 today and appreciate you taking your time from your
24 businesses to come and Mr. Shagrin, you may begin when
25 you're ready.

1 MR. SHAGRIN: Thank you, again, Chairman
2 Williamson and members of the Commission.

3 Of the nine U.S. producers that we are
4 representing in this review, we have executives from three
5 of those companies. However, as you will hear, and as you
6 can see from the data in the responses, these three
7 companies are respectively the largest U.S. producer, which
8 is Bull Moose Tube, the largest producer on the west coast,
9 Searing Industries, and the largest producer in the south,
10 Southland Tube.

11 So, with the combined 100 years of experience of
12 these executives in this industry, as well as given their
13 size nationally or geographically, we are happy to appear on
14 behalf of the domestic industry to present testimony and to
15 fully answer all questions that the Commission has of the
16 domestic industry in this case.

17 With that, I would like to ask Jack Meyer from
18 Bull Moose Tube Company to present his testimony.

19 MR. MEYER: Good morning, Chairman Williamson and
20 members of the Commission. For the record, my name is Jack
21 Meyer. I have been with Bull Moose Tube for 34 years. I
22 became the president in 1997 and CEO in 2007.

23 On March 7th, 2014 Michael Blatz, who accompanies
24 me here today, replaced me as president and CEO. I will
25 remain as a consultant to assist Michael. Michael came from

1 outside the industry from Lennox International. He is a
2 West Point graduate and has an MBA from MIT. Our company,
3 as you can see, is in good hands, but maintaining fair trade
4 will be important to Bull Moose Tube's future.

5 For decades Bull Moose Tube has been the largest
6 producer of ornamental tubing in the United States. We also
7 produce structural tubing and sprinkler pipe. We are
8 extremely competitive, low-cost producer in ornamental
9 tubing, structural tubing and sprinkler pipe.

10 We have mills producing ornamental tube product
11 in Illinois, Ohio, Missouri, and Georgia.

12 Since I testified in 2008, we have added an
13 ornamental tubing mill to our facility we had in Casa
14 Grande, Arizona. That mill was moved from Europe and the
15 additional investment and employment that was added was a
16 direct result of the reduction imports caused by the
17 imposition of duties.

18 I reviewed my testimony from your final injury
19 hearing in April 2008. In that testimony I described how
20 much our company had suffered due to the import surge of
21 light-walled rectangular that occurred during the period
22 2005 to 2007. Despite strong demand, we had seen a more
23 than 30 percent volume decline and a huge drop in profits.

24 We postponed the investment in Casa Grande and I
25 told the Commission if we got the relief we would do it.

1 And we did it.

2 There is no doubt Bull Moose Tube has benefitted
3 from the imposition of duties to make fair trade. As a
4 company we believe in free and fair trade and then we are
5 ready to compete with anyone. Our company suffered from the
6 big recession that occurred in late 2008 and 2009. It would
7 have been worse with a couple hundred thousand tons of
8 dumped and subsidized LWR in the United States market.

9 Since 2009, our LWR business has recovered as
10 demand has recovered. However, it is nowhere near the
11 levels of 2004 to 2006, mainly because housing is nowhere
12 near the levels it achieved during that time.

13 Bull Moose Tube will remain a competitive
14 producer of LWR. I agree with the comments you will hear
15 from Mr. Montgomery that the same mills which used to dump
16 LWR are now creating major problems in the HWR markets.
17 Because our company believes in fair trade, we believe you
18 should continue these orders so trade in LWR products
19 remains fair. If you do so, Bull Moose Tube will continue
20 to reinvest in our plants and expand employment in the
21 United States as the housing market continues to recover.
22 If you don't, an investment in employment will surely
23 decline.

24 Thank you.

25 MR. SHAGRIN: Thank you, Jack.

1 And our next witness is Lee Searing, president
2 and co-owner of Searing Industries.

3 STATEMENT OF LEE SEARING

4 MR. SEARING: Good morning, Chairman Williamson
5 and members of the Commission. For the record, my name is
6 Lee Searing and I am the president and chief executive
7 officer for Searing Industries.

8 We are located next to Fontana, California where
9 California Steel Industries has a mill producing hot-rolled
10 and cold-rolled sheet metal for the input of LWR. Searing
11 Industries is a family-owned business founded by my father,
12 Richard Searing, who worked in a number of positions in
13 various pipe and tubing companies in the Los Angeles area
14 starting in the 1950s.

15 Owning a minority portion of a large tube
16 manufacturer in the 1970s and '80s, and finally establishing
17 with his own two sons in 1985. He has since passed away
18 leaving my younger brother, Jim, and I who worked with him
19 from the conception to take over the management and
20 ownership.

21 At Searing, we have always treated everyone like
22 they are family. I know every single employee personally
23 and the majority of our employees have been with us for over
24 25 years.

25 From 1985 until 2007 we had never laid off one

1 single employee, and that includes the two recessions we
2 experienced during that period. In early 2007 at truly
3 great pain and agony to everyone at our company, we laid off
4 over 25 percent of our workforce. Jim and I had no other
5 choice but to hurt some our loyal associates to make sure
6 our company survived.

7 The reason for this historical layoff was due to
8 the large volume of unfairly traded imports of light-walled
9 rectangular tubing product. Don't forget, this was before
10 the actual recession of 2008 and 2009. At our company we
11 have five mechanical tube mills in which we can either
12 produce round or rectangular tubing. We have one structural
13 mill in Rancho Cucamonga which produces structural tubing
14 outside the scope of this investigation.

15 In 2012 we embarked on our family's largest
16 investment when we announced a new structural tube mill line
17 in Cheyenne, Wyoming. This mill makes structural tubing in
18 sizes ranging from four-inch square to 10-inch square
19 serving the booming construction market in the Bacon shale
20 area. We thought and given the freight cost for tubing from
21 the west coast to Chicago to the northern Rockies that
22 putting a mill in this market was the right thing to do.

23 With tubing you are shipping a lot of air. With
24 coils you are not. While many producers have put in OCTG
25 and line pipe mills to serve the new shale drilling areas,

1 we are the only company to install a structural tubing mill
2 to serve the additional construction required to house the
3 workers moving to these areas.

4 In fact, we also built our own apartment
5 buildings to house these new employees. Make no mistake,
6 the only way we could have done this and made this
7 investment was because of the relief you granted to us on
8 LWR in 2008.

9 Light-walled rectangular tubing is normally made
10 to an A513 or an A500 specification. Our product and the
11 imported products meet the mechanical property requirements
12 and the wall thickness tolerances of the ASTM specifications
13 as they are one in the same products.

14 Most of what we produce is uncoated or black
15 light-walled rectangular tubing. However, we also produce
16 galvanized products using galvanized strip and then
17 regalvanizing the weld zone. And we also make LWR with a
18 prepaint primer applied to the product.

19 On the west coast LWR or ornamental tubing, as we
20 normally refer to it, is generally sold to distributors who
21 then in turn sell the product to end users. Some end users
22 are big enough to buy direct from mills or directly from the
23 importers. The product is generally used for ornamental
24 fencing, window and door security frames, metal furniture,
25 store shelves, display racks, auto accessories, exercise

1 equipment, literally hundreds of other applications.

2 In early times trading companies and importers
3 always presold these imports to distributors prior to
4 shipment. However, in 2007 we saw large quantities of
5 imports arriving unsold and held in inventory near the ports
6 to be sold.

7 At that same time that we lost business on the
8 west coast, our business in states like Arizona, Nevada,
9 Utah, Colorado and New Mexico were adversely impacted by the
10 imports from Mexico and Turkey which were coming through
11 Texas. Because of the relief granted by the antidumping
12 duties, we have seen volumes slowly increasing every year
13 for the last several years. However, we are not close to
14 where we were a decade ago in terms of demand in the market.

15 The housing market is still just the beginning of
16 its recovery from the great recession that is still the main
17 driver of demand. If unfairly traded imports are allowed
18 back into the still soft market, then our ornamental
19 business will suffer injury again.

20 This product is 50 percent or one half of our
21 business in our California location. I ask you not to let
22 this happen to a true American, well-run, family-owned
23 business with a good workforce. Please support us and make
24 an affirmative vote.

25 Thank you very much.

1 MR. SHAGRIN: Thank you, Lee. And our final
2 witness will be John Montgomery, Jr., who along with his
3 father is a co-owner of Southland Tube. John.

4 STATEMENT OF JOHN MONTGOMERY, JR.

5 MR. MONTGOMERY: Good morning, Chairman
6 Williamson and members of the Commission. For the record,
7 my name is John Montgomery, Jr. My father and I own and
8 operate Southland Tube locate in Birmingham, Alabama. Prior
9 to 1995, we were principals in Hanna Steel Corporation,
10 another tube mill located in Fairfield, Alabama, and along
11 with my grandfather we have been active participants in the
12 tubing market since the '60s.

13 Like Lee Searing's company, we are very much a
14 family-owned company and a family business. I know most of
15 the employees at the company. I know most of their families
16 as well. We do everything possible to provide a safe,
17 environmentally compliant workplace with good wages, health
18 care and retirement benefits. We have several small mills
19 which make only circular mechanical or ornamental tubing
20 which you call LWR tubing and three large mills that are
21 dedicated to structural tubing.

22 With energy costs where they are today, freight
23 is a huge portion of costs for everyone in this business
24 including our customers. We are fortunate that over 90
25 percent of our steel purchases are from Alabama or

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1 Mississippi mills, most located near Birmingham or within
2 100 miles. Those include U.S. Steel's Fairfield plant,
3 which is only a few miles away, Nucor, Decatur, and
4 Severstall in Columbus, Mississippi. Thus, we have
5 relatively low, inbound freight costs and excellent quality
6 steel.

7 For the LWR industry in general, sales to
8 distributors represent about 70 percent of total sales. For
9 our company the share of sales to distributors is even
10 higher. For sales to distributors, prices is the only thing
11 that matters. Dumped imports penetrate the distributor
12 markets instantly and distributors actively search out
13 dumped imports. So if you sunset these orders, dumped
14 imports will return immediately to the U.S. market in large
15 quantities.

16 Southland can ship competitively throughout a
17 500-mile radius of Birmingham and sometimes further either
18 by truck or rail. Given that international shipping rates
19 are more than our labor costs, and would probably be four or
20 five times our freight costs to our customers, I was shocked
21 in 2007 as ornamental tubing arrived in large quantities in
22 ports like Houston, New Orleans, and Mobile at prices that
23 were approximately the same as our steel costs. Obviously
24 the lower freight costs to get to the U.S. market from
25 Mexican producers allowed them to obtain lower dumping

1 margins than exports from other countries.

2 Our LWR tubing business has benefitted
3 significantly from the imposition of duties. Imports from
4 Mexico have fallen by half and imports from China, Turkey,
5 and Korea have largely disappeared.

6 I guess the Mexican companies that requested
7 these reviews would argue that the low dumping margins
8 against them don't matter. Then why did they ask for the
9 review? I disagree with them and let me explain why through
10 an example.

11 Most companies that make LWR tubing also make HWR
12 or structural tubing. That is also true of the Turkish,
13 Mexican, and Korean mills. While the dumping duties have
14 curtailed imports of LWR tubing, imports of structural
15 tubing from those countries have increased significantly.
16 As to the Mexicans, they are selling structural tubing at
17 prices \$150 to 200 a ton less than our prices. For LWR
18 their sales prices are closer to ours because of the orders.
19 Though they have low margins now, they can't cut their
20 prices further because the margins would increase. So they
21 might sell LWR in southern Texas where they have a freight
22 advantage, but not in Louisiana, Mississippi, Alabama or
23 Georgia. In structural tubing they are making sales in
24 Birmingham. So I am certain that if you remove the
25 disciplines of the orders, LWR is going to pour back into

1 the U.S. market and injure Southland and the U.S. industry
2 again.

3 In conclusion, we are a proud family business
4 that continues to take great pride in the quality products
5 that we make for our customers. I learned this business
6 from my father and he from his. We have over 250 employees
7 with an average tenure of over 20 years in this industry.
8 We have the most advanced efficient capital equipment
9 available in the marketplace. We can compete with anybody
10 in the world, but we cannot compete against unfairly traded
11 imports. These LWR cases were the first time we
12 participated in this process and it has definitely helped
13 our business and our employees. However, I come before you
14 today on behalf of all of our employees to ask you to
15 maintain fair trade in our marketplace by continuing these
16 orders. We will take care of the rest.

17 Thank you very much.

18 MR. SHAGRIN: Thank you, John. And Chairman
19 Williamson, members of the Commission that completes our
20 testimony and you'll be happy to know that I don't think I
21 will use the remainder of our time for rebuttal today. So
22 at this point we would be happy to answer your questions.

23 CHAIRMAN WILLIAMSON: Thank you for being so
24 efficient.

25 Again, thank you all for coming. This morning

1 we're going to begin our questioning with Commissioner
2 Broadbent.

3 COMMISSIONER BROADBENT: Great. Yeah, I want to
4 welcome the witnesses to Washington. We're glad to have you
5 on a sunny day which has been unusual recently. So, I hope
6 you'll get to see something good while you're here.

7 We had a team out, Mr. Meyer, at your facility
8 last week and they had a great, great tour. I think the
9 plant manager was very impressive as I understand it. And
10 I'm sorry I had to miss that, but it was very helpful, I
11 think, for us in this case and made a lot of difference.

12 The companies here, maybe they could go through
13 as a result of the order, sort of what kind of investments
14 and improvements you've been able to make in the U.S.
15 economy given the protection.

16 MR. MEYER: Our Company has spent significant
17 capital on advancing our production, given notice, keeping
18 our costs in line. One example, as I mentioned in my brief
19 was the fact that we invested a new tube mill in our Arizona
20 operation. When I testified the first time here we were
21 putting in -- that was a brand new mill for us and we had
22 visions of putting in two mills at that facility. And we
23 started off with just one. And that was not to produce the
24 product in question here.

25 When you made your decisions favorable for us, we

1 went ahead and started our investigation and ended up last
2 year bringing over a tube mill from Europe, one of our
3 parent companies over in Great Britain and installed that in
4 our Casa Grande operation. That immediately gave us more
5 diversification in this facility and a better position in
6 the marketplace because we had more products to offer. We
7 also brought on more employees immediately and that
8 certainly helps our economies as well.

9 In the other facilities we have retrofitted tube
10 mills. We have put new welding equipment on our mills. We
11 have put new cutoff equipment on. All of these capital
12 appropriations make us more cost efficient and make our
13 product good for the immediate future and the future.

14 So we have -- and with those we have maintained
15 our employees and in certain of the other plants aside from
16 Casa Grande, we have added employees as well. So we
17 continue to do that. And naturally that is only done by the
18 decisions that are made here to make sure that we have a
19 competitive marketplace to compete in.

20 COMMISSIONER BROADBENT: Okay. And maybe Mr.
21 Searing and Mr. Montgomery.

22 MR. SEARING: Yes. Our company is located in
23 southern California. A lot of this tubing that comes into
24 the marketplace actually enters into the Los Angeles, Long
25 Beach area ports. Our company is one of the larger

1 companies, if not the largest company on the west coast, but
2 especially in ornamental tubing that is processed in many
3 different ways. When the downturn hit, actually, as we saw
4 these imports in 2006 and 2007 come in, being a privately
5 held company, we had to do what was the right thing. We
6 battened down the hatches, we worked really hard. We tried
7 to put in as much state-of-the-art equipment to be as
8 competitive as we could. As we entered into the recession,
9 actually we did have to lay off a number of people. The
10 industry in the light-walled rectangular steel has not even
11 come to close to rebounding in our company or our
12 marketplace since the 2007 downturn and then right into the
13 2008-2009.

14 I will say that once we received the relief, my
15 company went immediately into putting in new equipment for
16 light-walled rectangular tubing, cutting, value-added
17 machinery that has helped our company tremendously over
18 these last years. And as you can see, we also have expanded
19 our company into being able to make all of the product lines
20 and have actually, to the good of our company, and to the
21 good of the state of Wyoming, we have put a new facility
22 there and added new employees.

23 COMMISSIONER BROADBENT: Mr. Montgomery?

24 MR. MONTGOMERY: Thank you for the question.

25 Since the orders were imposed on two of the four mills that

1 we have that manufacture LWR we installed new, safer
2 material handling equipment to make us more efficient. We
3 also installed new welders that give us a higher efficiency
4 and lower our power consumption. And on one out of those
5 four mills we replaced it and shut it down with a newer more
6 efficient high-speed line.

7 Thank you.

8 COMMISSIONER BROADBENT: Great. Thank you very
9 much.

10 Let's see, according to the staff report, U.S.
11 production, sales, employment data suggests annual increases
12 every year between 2009 and 2013. In addition U.S.
13 producers' market share grew by almost 5 percentage points
14 between 2008 and 2013, largely at the expense of the subject
15 imports that are being controlled.

16 If you could sort of in context with some of the
17 improvements you've made and what's going on in some of the
18 indicators, it looks to me like things are really on the
19 upswing and you're not particularly -- I'm trying to
20 understand the vulnerability argument.

21 MR. SHAGRIN: Commission Broadbent, because I'm
22 familiar with the total staff data probably better than some
23 of the witnesses, I'll start with that and then I'll maybe
24 invite some of the witnesses to talk about the housing
25 market which is the demand driver.

1 So, yes, obviously in '08, '09 this economy
2 suffered a severe shock in terms of probably the worst
3 recession since the great depression, and since then the
4 economy has been slowly recovering and the same is true of
5 the housing market. We went from maybe over two million
6 units down to a low of less than 500,000 units of new
7 construction and now have crept back up to approximately
8 900,000 and LWR demand has followed the increase in new home
9 construction since the lows of 2009.

10 As you can also see, this industry is operating
11 at very low rates of capacity utilization around 50 percent.
12 I think it's interesting given the answers to your previous
13 question that capacity in the industry increased even though
14 this industry was operating at very low capacity
15 utilization. The reason for that is, these companies make
16 investments in order to reduce costs and become more
17 efficient, a new welder, new cutoffs, everything is making
18 the machinery they have more efficient and that increases
19 their potential throughput. They haven't been able to
20 utilize that because of the continued weakness in demand.
21 And I think another element of that, which is the way
22 markets work, and that is market works, is that
23 profitability in this industry has actually been declining
24 over the past few years even with the absence of the
25 unfairly traded imports. And a lot of that is there is

1 competition amongst -- when you have an industry operating
2 at only half its capacity utilization, there's very
3 significant competition among all these producers in this
4 industry and that pushes down profit margins.

5 So what this industry needs is continued recovery
6 and demand that we expect to happen slowly over time. It
7 also needs continual relief from unfair trade because it
8 remains in a vulnerable state with low capacity utilization
9 levels and declining profit marks.

10 Jack, or Mr. Blatz, would you like to comment at
11 all on the market and what you see in housing and demand?

12 MR. MEYER: There's no question that a big driver
13 for us is the housing market with the appliance industries
14 and all the other apparatuses that go into housing, outdoor
15 lawn equipment and so forth and so on. That continues to be
16 very sluggish and it is returning, but at a very low level.

17 Reiterating what Roger said, our capacity
18 utilization is still at 50 percent. We are a very
19 competitive industry. And, yet we have a lot of volume and
20 a lot of capacity in our back pocket. However, it almost
21 disciplines itself when you have the competitive nature as
22 we all are and running at 50 percent capacity. And that's
23 one reason why the profits are down. Along with that is
24 that you can't push the margins any higher right now, and in
25 the last couple years, and you're also still seeing a rise

1 in employment costs, health care costs, electricity costs,
2 those things do not stay stagnant and they continue to add
3 to your cost element.

4 COMMISSIONER BROADBENT: Thank you.

5 CHAIRMAN WILLIAMSON: Thank you.

6 Commissioner Kieff?

7 COMMISSIONER KIEFF: Thank you, Mr. Chairman. I
8 join my colleagues in thanking you each for coming today and
9 also, of course, for hosting our team during the visit.
10 Having spent four years at the technical school mentioned
11 earlier, I took special pleasure in watching all the
12 machines and pieces of moving equipment. I'm only sorry I
13 didn't get to visit your particular facility, but certainly
14 appreciate the time and attention devoted to our team. We
15 learned a great deal and they brought back great notes.

16 As I think about how to think about cases like
17 this, it's sometimes helpful to take pieces one at a time.
18 So, if I could follow up with Mr. Searing on the example you
19 gave about the new facility, if I understood you correctly,
20 the new facility you mentioned was essentially designed to
21 target the structural market and not the ornamental market;
22 is that basically right?

23 MR. SEARING: That is correct.

24 COMMISSIONER KIEFF: And yet that's a different
25 market than the subject imports in this particular case;

1 right?

2 MR. SEARING: That is correct.

3 COMMISSIONER KIEFF: And then you've -- I think
4 -- each talked about the way these two markets relate to
5 each other which is that both you and your -- and the
6 subject importers each produce in both of these markets, and
7 so there is some degree of interaction between these two
8 markets. Can you just help us best understand how we should
9 take the information you gave about the example you gave
10 into consideration in this case? Because if I understand it
11 correctly, although each of you has presented completely
12 positive stories that are totally appropriate, the example
13 of the construction for the structural plant I think is not
14 as relevant if I'm understanding things correctly, but I
15 want to ask so that you can redirect my thinking.

16 MR. SEARING: Our business in California which my
17 father started running the first tube mill in the United
18 States in 1948. And we've followed the light-walled
19 rectangular round business all the way up through my entire
20 life and into the beginning of Searing Industries in 1985.
21 It was a very solid business. It was one that sold many
22 different industries. For example, we have watched since
23 2002, 2003 we have lost dinette furniture companies, we have
24 lost furniture companies, we have lost so much of our
25 ongoing basis business.

1 Again, Searing Industries is one of the larger or
2 the largest manufacturer of light-walled rectangular tubing
3 on the west coast which really services the 13 western
4 states of the United States. Arizona and Nevada were
5 devastated. You know, during the downturn and even before
6 then we lost a lot of our customer base.

7 The structural mill which was put in, in
8 California, was to give us a chance to compete with offshore
9 imported tubing. We did not make all of the sizes.
10 Light-wall rectangular was a declining business and we
11 needed to be able to make more sizes to be able to be more
12 competitive.

13 I can honestly tell you that the light-wall
14 rectangular cases that stopped the tremendous import of
15 these products coming in, especially into the west coast
16 allowed us to two privately held -- I mean, two individuals
17 that own a company that want to continue to support their
18 employees, the industry have been involved in this since
19 1950. We borrow money to be able to put this factory in, in
20 Cheyenne, Wyoming and we felt it was a necessity to be able
21 to have all the sizes, not all, but the majority of the
22 sizes to be able to keep our company competitive as we look
23 at the world going into the next ten or 20 years.

24 COMMISSIONER KIEFF: So --

25 MR. SEARING: That was our thinking behind why we

1 spent -- borrowed the money to be able to put that facility
2 in.

3 COMMISSIONER KIEFF: So just to make sure I'm
4 following you. Then you're saying that in effect the
5 benefit accomplished through our order allowed you to make
6 an investment in the Wyoming structural market, but not an
7 investment in the light-walled market that we're talking
8 about?

9 MR. SEARING: Right. We have excess capacity for
10 the light-walled rectangular. I will tell you that the
11 suits that went in and have for the last five years given
12 all of the tube manufacturers on the west coast an
13 opportunity to kind of balance the ship. If that wouldn't
14 have happened, I don't really believe my company would have
15 been around.

16 COMMISSIONER KIEFF: Gotcha. So, let me ask
17 then, Mr. Shagrin probably is in the best position to
18 address this next set of questions, and it may be best to
19 address them in the post-hearing brief because I'm not sure
20 that we even together could figure out how to think about
21 them today, but I want to tell you why I'm wrestling so that
22 you can then help us wrestle later. We have plenty of time,
23 obviously, later.

24 I just also want to be totally transparent with
25 what I'm wrestling with. So, when doing decisionmaking, one

1 sometimes has a choice between precision and accuracy. I
2 can have a weighted coin or a weighted die, it will always
3 come up the same way. It will be very, very precise, but it
4 might be totally inaccurate. In order to make a good
5 decision, you have to have good information and then good
6 logic.

7 So, one question is for the post-hearing
8 probably, can you give us some more logic to help us
9 understand how within our statutory framework we should
10 integrate the information Mr. Searing and I were just
11 discussing. In other words, these spillovers or these
12 interrelationships between say market A and market B,
13 because we're asked in this case to target an order towards
14 market A, but we're talking about the impacts that market B
15 has upon it and the impacts that market B has upon market B.
16 So, just in the post-hearing if you could explain that logic
17 more that would be great.

18 MR. SHAGRIN: Sure. We'll do it in the post
19 hearing and luckily Mr. Bohn who is not here this morning
20 has a degree in economics, unlike myself. I have a degree
21 in history, so economists and historians look at things very
22 differently. So, I think he --

23 COMMISSIONER KIEFF: Having also studied
24 economics at that technical school, I happen to love
25 thinking about that logic. It just would help later. And

1 --

2 MR. SHAGRIN: Sure.

3 COMMISSIONER KIEFF: You don't have to convince
4 me now, I just --

5 MR. SHAGRIN: Right. So we'll get it. In fact,
6 your statutory function and the Commission has wrestled with
7 this over the years, is the focus on just the industry under
8 review. And in some ways, given that it's a sunset review,
9 you have to speculate on what is likely to occur. And I
10 think there you have a complete record from the staff report
11 which gives you the foundation for what is likely to occur.

12 Now, these being executives of their companies,
13 and of course you don't have any executives from Mexican
14 companies here, what the benefit of a hearing is they get to
15 share with you the realities of their business which
16 sometimes are a little bit different from what the statute
17 narrowly guides you to do.

18 So, in the case of Searing Industries, they were
19 able to make a substantial investment in a non-subject
20 product in Wyoming to take advantage of new construction in
21 the shale areas because their company still exists. As he
22 said, because so much of their company's business was
23 light-walled rectangular tubing, and they were suffering
24 such injury by the surge of imports, their company was on
25 the verge of being put out of business. And so being able

1 to survive allows them to make these other investments.

2 COMMISSIONER KIEFF: Yeah, and the reality of
3 that is not lost to us. And the importance of it is not
4 lost to us. I just hope that later in the legal argument
5 you had explained how we're legally empowered to use it. I
6 don't doubt it's significant.

7 MR. SHAGRIN: And you probably won't need to. My
8 own view of this, I'm a little bit biased, but I do have 33
9 years of experiences that this is a pretty easy
10 straightforward sunset review. Maybe that's why our
11 opponents aren't here. I don't know, I can't get into their
12 heads. But I still think it's instructive to see the way
13 these markets interact. And as I think also in Mr.
14 Montgomery's testimony is that he's seeing the same
15 producers who make a non-subject product price it so
16 differently than the subject product that is something now
17 on the record and I think can be utilized by the Commission
18 to say, well, what would these actors do in the absence of
19 the continuation of orders. And if they're willing to dump
20 other products to a large geographic area, but don't dump
21 the subject product and keep their sales lower in a smaller
22 geographic area, I think that does form a factual basis for
23 some or your conclusions. We'll explore that further in the
24 post-hearing.

25 COMMISSIONER KIEFF: Thank you, very much.

1 Thank you, Mr. Chairman.

2 CHAIRMAN WILLIAMSON: Thank you. We may want to
3 come back to that, but I think I want to go off on a
4 different direction first. I was just wondering, are there
5 any quality differences between the domestic product and
6 subject import?

7 MR. SHAGRIN: No.

8 CHAIRMAN WILLIAMSON: Any subsets of the --

9 MR. SHAGRIN: No, because they're all made to the
10 exact same specification.

11 In other words, these products are governed by
12 specification. ASTMA500, ASTMA513, you have to give mill
13 test reports to the customers so the mill test report from a
14 domestic producer and from any of the subject producers
15 would be identical in terms of saying, this product meets
16 these specifications, and that's all the customer cares
17 about.

18 CHAIRMAN WILLIAMSON: Okay. Thank you.

19 What about the workforces? I think some of you
20 talked about how long your employees have been with you, and
21 I was wondering, what are the special skills, or how long
22 does it take to get those skills that make your business
23 viable? And you may want to make any comments on the
24 workforce and your competitors.

25 MR. MEYER: Our major manufacturer of this

1 product is in Gerald, Missouri.

2 CHAIRMAN WILLIAMSON: In where?

3 MR. MEYER: Gerald, Missouri, outside of St.
4 Louis, that's our major --

5 CHAIRMAN WILLIAMSON: Gerald?

6 MR. MEYER: Gerald. G-e-r-a-l-d, Missouri.

7 CHAIRMAN WILLIAMSON: Is that on Route 40? I
8 grew up in St. Louis, that's why -- I grew up in the city,
9 so I --

10 MR. MEYER: Outside of Washington, Washington,
11 Missouri.

12 CHAIRMAN WILLIAMSON: Okay. Thanks.

13 MR. MEYER: Very close to there. In fact, on the
14 way to Jefferson City.

15 CHAIRMAN WILLIAMSON: Okay.

16 MR. MEYER: That's our oldest plant. That's
17 Mother Moose, as we affectionately call it. And those
18 employees have been there 25 to 29 years. The workforce
19 average right now is 58 years old.

20 CHAIRMAN WILLIAMSON: Uh-huh.

21 MR. MEYER: That being said, we are now having,
22 as you can imagine, an infusion of younger workers into the
23 workplace and we're encouraged to see that. We pay a good
24 wage and we're seeing a younger group now coming in and
25 taking over where their dads and grandfathers worked.

1 The skill sets are various in a tube mill. It
2 depends on what the job is. If you're a mill operator or
3 you're a cutoff operator on a mill, or you're a machinist,
4 or you're a mechanic, you better have some pretty good skill
5 sets. It usually takes someone a few years to master those
6 duties that I just -- those jobs I just talked about. We
7 always say, when you lose a shift of employees of that type
8 of skill set, it takes months, if not years, to get people
9 back in there to duplicate those skill sets. So these are
10 good jobs. Most of the training, except for maintenance
11 comes from within. The people -- the elders that are there,
12 the more senior people, teach the younger guys how to make
13 this product. It is not something that is easy to be made.

14 When I was in charge of the plants, they always
15 said, Mr. Meyer, can you run one of these mills? Absolutely
16 not. That's why I have you. It is not the easiest thing.

17
18 MR. MONTGOMERY: Thank you. I totally agree with
19 Mr. Meyer in that it is a unique skill set that you have to
20 have to -- in order to run one of these machines. And not
21 one person can do it, it takes a team. You have engineers,
22 electrical engineers, mechanical engineers that have to make
23 sure that conditions are correct to start a machine. You
24 have to have people who have supervisory skills, people that
25 can lead a team in terms of safety and quality. You have to

1 have quality technicians. You have the men that actually
2 run the machines, the machinists, the welders, the guys that
3 can work on them, maintain them, from motors and drives
4 perspectives.

5 I certainly can't do it. I used to work on these
6 machines when I was much younger. And they gave me specific
7 tasks that didn't get me into trouble and I earned some
8 money doing that. But I never did have the full discipline
9 to round out my experience to where I could be a master
10 supervisor over one of these lines. It takes a unique set
11 of skills to be part of our team.

12 CHAIRMAN WILLIAMSON: Okay. Thank you.

13 Any comments on your workforce in competitor --
14 the subject countries that might be relevant here? It may
15 not be anything, but I just thought I would ask.

16 MR. SEARING: I would think that in the
17 production of -- and I did run a tube mill and one of these
18 machines. And the team effort, as Mr. Meyer, you know,
19 said, Mr. Montgomery, I think would be the same in any
20 country. The machinery is made by a number of different
21 manufacturers throughout the world. I think we all probably
22 share in that kind of machinery. So I would think the
23 workforce would be, you know, somewhat the same. And their
24 ability to train would be somewhat the same.

25 CHAIRMAN WILLIAMSON: Okay. We already talked

1 about the vulnerability of the industry. I think a lot of
2 -- I think it was the economy in general, the fact of the
3 subject imports quite ready to come back in. And I guess
4 the housing -- you're sort of in different areas.
5 California, you know, we all know about what's happening in
6 the west and how slow -- it's coming back, but the slowness
7 of the recovery. I guess in the south, though, it hasn't
8 been as -- I mean, other than places like Florida, I don't
9 know if it's been as dramatic. So I was just -- I'm just
10 thinking about what are the -- further thinking about why is
11 the industry vulnerable? What are the reasons for it and
12 what are the most significant ones? This is the overall
13 economy probably always drives things. But, to what extent
14 is the nature of this workforce and having to invest and
15 maintain that type of workforce a factor?

16 And then also, if there's just anything different
17 about the different regions? I would assume that in Texas
18 in there which has probably done relatively well compared to
19 the rest of the U.S., having Mexican competition so close
20 would be a factor there.

21 MR. SHAGRIN: Well, first, Chairman Williamson,
22 as overall vulnerability, I think the fact that between 2006
23 and 2013 you're looking at overall consumption having
24 declined from a million tons to 650,000, you know, really
25 gives you a sense of the overall decline in consumption, and

1 that's related to two issues that are interrelated. One is
2 the decline in housing. These products are used around
3 houses and then also a lot of consumer goods that go with
4 homes.

5 And secondly, a lot of the consumer goods that
6 are made from tubing have actually shifted offshore
7 primarily to China so that instead of the manufacturer of
8 gym equipment or playground equipment being in the United
9 States, it's being made in China and imported. And as I
10 think Mr. Searing particularly pointed out, and really
11 devastating an area like around Los Angeles where there was
12 historically a lot of light manufacturing. There's been the
13 closure of just hundreds of facilities in the U.S. that
14 previously utilized this product.

15 So structurally we have a demand problem. Maybe
16 some day Chinese currency changes, Chinese labor rates keep
17 going up, there will be more reshoring of that
18 manufacturing. My own perspective there's a lot of talk,
19 makes great fodder for politicians, the reality is very far
20 removed from the discussion and the hope in the discussion.
21 So that's why the vulnerability continues for this industry.
22 I mean, imagining the imports from China, Korea, Turkey,
23 Mexico who don't really follow what's happening in the U.S.
24 market, they just sell on the basis of price, there's no
25 reason to believe that they wouldn't try to price their way

1 back to the volume levels they had before the imposition of
2 duties, and yet they would be doing that in a market that is
3 one-third smaller and injury would be even greater.

4 And, John, I don't know if you have any comments
5 on the relative strength of housing in the south and in
6 Texas as compared to the rest of the country and how that
7 might influence demand for your products from Southland.

8 MR. MONTGOMERY: Well, in terms of the strength
9 of the housing markets, I can't comment intelligently about
10 that. But I think your question is on vulnerability.

11 CHAIRMAN WILLIAMSON: Yes.

12 MR. MONTGOMERY: I heard the term "vulnerability
13 of our industry" --

14 CHAIRMAN WILLIAMSON: Yes.

15 MR. MONTGOMERY: -- a couple of times and, you
16 know, just from my perspective we're an extremely vulnerable
17 industry despite the market share numbers that have grown
18 since the imposition of the order. Our capacity utilization
19 is very low, very low. Our profit margins are very, very
20 slim. Mr. Searing refers to the loss of end-use markets. A
21 lot of people that used to buy this stuff just simply aren't
22 there anymore. And price is such a huge determining factor,
23 and in many cases the only determining factor on
24 transactional sales. And where there is a cheaper or lower
25 cost import option, those are sales that are typically lost.

1

2

So that's -- in terms of vulnerability, I can speak to that.

3

4

CHAIRMAN WILLIAMSON: Okay. Thank you for those answers.

5

6

And Commission Pinkert.

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COMMISSIONER PINKERT: Thank you, Mr. Chairman. And I join my colleagues in thanking all of you for being here today.

9

10

My first question may or may not be one that this panel can answer. But given that we don't have the other side here, I need to ask you for whatever information you can supply. Do we know how robust Mexican home market demand is?

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MR. SHAGRIN: I think we know that the Mexican economy has largely followed the U.S. economy in the ups and downs. You have data which shows and that's in Table 4-7, the shipments of the responding Mexican producers which are aggregated and made public in the staff report and you do see that since Mexico, like the United States, has been coming out of recession, that their demand has been slowly creeping up in the range of 10 to 20,000 tons per year in increases. And so, you know, I think that's an indicator that the Mexican economy is also slow in recovering.

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What you can also see is that the Mexican

1 industry, whether through new mills or they're very likely
2 to be doing the same thing that you heard these three
3 companies do about it in terms of always trying to make
4 mills more competitive that they've been increasing capacity
5 and so at the end of this period in 2013, they have just
6 about as much excess capacity as they had at the beginning
7 of the period of review. And then, finally, in terms of
8 their share of home market shipments relative to their total
9 shipments, that has been declining and declined quite
10 significantly between 2012 and 2013.

11 So, as they're increasing their capacity and
12 increasing their production, the share of their sales for
13 the home market have been declining, still relatively high
14 at 80 percent, but that means 20 percent of their production
15 plus their excess capacity can be oriented towards export.
16 And if you look at those numbers combined, that, given the
17 size of the U.S. market, would be a very significant chunk
18 of the U.S. market. They could basically regain all of the
19 market share that the -- or displace all of the market share
20 gains that the U.S. industry has made.

21 COMMISSIONER PINKERT: I would invite you for the
22 post-hearing to see whether you can find any information
23 about the outlook for demand in Mexico in the home market
24 going forward.

25 MR. SHAGRIN: I'm sure we can do that,

1 Commissioner Pinkert. And we'll put that in our
2 post-hearing brief.

3 COMMISSIONER PINKERT: Thank you. Now, some
4 responding companies indicates that there's seasonal demand
5 for light-weight rectangular pipe and tube. Do you agree,
6 and if so, why would this be so?

7 MR. MEYER: Certainly there is in a lot of
8 aspects seasonal demand. A couple that come to my mind
9 right away is the construction industry and actually in
10 periods that we're in right now with this terrible weather
11 we've had in the last three to four months, seems like nine,
12 construction has come to an absolute halt. And therefore a
13 lot of projects are basically on hold at this point in time.
14 Also, comes to mind is the -- just the snowmobile -- snow
15 removing equipment, snow blowers. Naturally in periods
16 where it's sunny you don't need those and that business is
17 very seasonal. You're outdoor furniture, your recreational
18 furniture, your recreational apparatuses such as swing sets
19 and things of this nature, it's probably a poor example, but
20 law furniture, barbecue pits, those are very seasonable
21 aspects as well. So, yeah, it is a very seasonal type
22 business and you just have to make sure that you're putting
23 your operations to counteract some of those things. But,
24 yeah, there are certain products that are very seasonable.
25

1 MR. SEARING: I don't know that I could add too
2 much more to that because I think that's fairly closely to
3 being exactly correct. I will tell you one of our major
4 businesses, you know, because we are a somewhat seasonal
5 company, exercise equipment. You know, the build up of
6 pieces of tubing which is assembled into all kinds of
7 exercise equipment begins in the, you know, May/June
8 timeframe. Typically closer to Christmas all that stuff is
9 manufactured, made, put together in boxes and ready for
10 shipment. So, you know, the winter months are tougher on
11 our company. A little bit seasonal.

12 COMMISSIONER PINKERT: Thank you. Now, my next
13 question falls into that category of a question that I might
14 have asked the other side, had they been here, but if you
15 can supply any information about it, I would appreciate it.
16 What impact has the opening of the Prolapso Laredo Plant had
17 on imports from Mexico into the U.S. market?

18 MR. SHAGRIN: (Speaking in Spanish). I'll play
19 both sides, if you want. I'll be the Mexican side and I can
20 be the U.S. side. And it depends, wear a little sombrero, I
21 can do both sides. My Spanish is pretty good.

22 I would say that there is no question, and we've
23 seen this in other cases throughout the history of the ITC
24 that often with the imposition of unfair trade duties that
25 incentivises a foreign producer subject to those duties to

1 invest in manufacture in the U.S. market. I think that's
2 one of the great benefits of not just U.S. trade laws, but
3 WTO sanctioned trade laws is that it encourages more direct
4 investment in the market after relief is granted.

5 Given that, one would surmise without getting
6 near any confidential data that Prolampsa having put a mill
7 into the United States would now be serving the U.S. market
8 from their U.S. mills instead of from Mexican mills. And
9 they, of course, now would be part of the U.S. industry and
10 you would take their data into consideration as a U.S.
11 producer. So it should be subsumed in the U.S. industry
12 data. And, you know, I think you just would still look at
13 that data on what remains in the Mexican industry and you
14 have pretty good coverage. There's a few fairly major
15 Mexican companies that did not respond to your
16 questionnaires. But you have pretty good data on the
17 Mexican industry and you have extremely complete, virtually
18 100 percent data on the U.S. industry and not withstanding
19 that movement of a company from being a Mexican producer to
20 being a U.S. producer, I think you would still do the same
21 analysis of looking at the remaining Mexican industry and
22 now the U.S. industry with the addition of this company.

23 And I think you have an excellent data record in
24 which you would still conclude that imports from Mexico
25 would be likely to increase significantly along with imports

1 on a cumulative basis from other countries and that they
2 would injure the U.S. industry which would now include
3 Prolampsa in the United States.

4 COMMISSIONER PINKERT: Thank you. My last
5 question is probably more for the post-hearing. But if you
6 have any comments on it now, I would appreciate it. As you
7 know, there's some information in the record about
8 purchasers having experienced quality problems with Chinese
9 product. Do you have any additional information that you
10 can supply us with concerning quality problems with the
11 Chinese product?

12 MR. SHAGRIN: Probably not in addition. And I
13 think as to this issue there's an overlap to one of the
14 issues that Commissioner Kieff was talking about. And that
15 is, almost all of the service centers that sell light-walled
16 rectangular tubing also handle heavy-walled rectangular
17 tubing. Although the markets are separate, they're
18 certainly relationships. One is more residential
19 construction and the other is more non-residential
20 construction. And I would suspect that many purchasers in
21 referencing Chinese quality problems are very much aware of
22 the fact that in about 2007, 2008, if I'm correct, Lee,
23 there were serious problems found with A500 Grade B and
24 Grade C structural tubing from China where the products were
25 not even close to meeting the specifications. An analysis

1 done by independent labs and like customs labs found that a
2 significant portion of these products were substandard.

3 And in fact, in California, whichever government
4 agency controls construction actually banned the use of
5 Chinese structural tubing in California. So, I think
6 there's a little bit -- I don't remember hearing it as to
7 small ornamental tubing, but everyone in the United States
8 knew -- I think there was even a national news report on one
9 of the three networks about the problems with Chinese
10 structural tubing quality problems.

11 COMMISSIONER PINKERT: Thank you.

12 CHAIRMAN WILLIAMSON: Thank you.

13 Commission Johanson?

14 COMMISSIONER JOHANSON: Thank you, Mr. Chairman.
15 And I would also like to thank the witnesses for appearing
16 here today. I was unable to visit the plant last week, but
17 my staff here, sitting right next to me, Michael Robbins,
18 was able to go and he described it to me well. And so I
19 appreciate your taking the time to show him your production
20 in Ohio with Bull Moose.

21 Also just to let you know, I was indeed in Ohio
22 last week. I could not make your plant, but I went to a
23 different one, and Mr. Shagrin was there and he pulled me
24 over and showed me the exact product. He found some LWR
25 right there in another plant and so I know exactly what you

1 all -- I know well what the product is and what it functions
2 as.

3 I'd like to continue along the lines of something
4 that Commission Pinkert raised. In the staff report there
5 is a mention that Prolampsa is investing \$120 million to
6 open a 300,000-ton facility in Bryan, Texas. Do you all
7 know if that plant is going to include LWR tube?

8 MR. SHAGRIN: Yes, I do. It will not. My
9 understanding is that it is a plant that is going to be 100
10 percent dedicated to oil country tubular goods and line
11 pipe.

12 COMMISSIONER JOHANSON: All right. Thank you
13 for your response. In getting back to the plant in Laredo,
14 Texas, could you all compare, and you probably have to do
15 this post-hearing, can you compare the list of importers of
16 Mexican products between the original investigation and
17 these reviews, and could you please put this in the context
18 of the recent Mexican investments and U.S. production?

19 MR. SHAGRIN: We'll do that confidentially in the
20 post-hearing brief.

21 COMMISSIONER JOHANSON: Okay. Certainly. You
22 know what I'm trying to get at is how the market has changed
23 since these plants have been built in the United States.

24 MR. SHAGRIN: It will be in the post-hearing
25 brief.

1 COMMISSIONER JOHANSON: Okay. Thanks a lot.

2 The pricing products as defined include both
3 ornamental and mechanical ASTM grades. Would these
4 typically -- would there typically be any price differences
5 between these two grades for products that in all other
6 respect are similar? And do the companies represented here
7 specialize in one or the other standard?

8 (Pause.)

9 MR. SEARING: Our products are made in terms of
10 light-walled rectangular to an A513. A500 we do see from an
11 imported product, we do see paperwork, we do see tubing as
12 imported that is manufactured to an A500, especially a grade
13 A where there is not nearly the strength aspect as when you
14 move further up the scale to a structural product which
15 would be an A500 grade B or grade C which is for structural
16 applications.

17 In terms of what has injured our company as we
18 went through the 2004, '05, '06, you know, '07 timeframe was
19 an A513 product, small diameter tubing, square, rectangular,
20 and round which is what devastated, you know, the imports
21 into the harbor where it would be coming in directly in
22 competition at much reduced prices from what we sold for.

23 So, I hope that answers your question. We, on
24 the west coast, do not manufacture anything as far as I know
25 from our competitors even that is an A500, it's all to an

1 A513. I don't know if that exactly answers your question.

2 COMMISSIONER JOHANSON: Maybe Mr. Meyer can add
3 in on that.

4 MR. MEYER: I think what Lee says is pretty
5 accurate. The specs are for different applications. And
6 the specs entail different tolerances for certain
7 applications. Some people care about those, some people
8 don't.

9 Where you get into a situation where there is a
10 distinction between mechanical and structural is usually
11 around the two square area where some people feel its A500,
12 some people feel its A513. Quite frank with you, even we
13 have a hard time distinguishing some of those things. But
14 it really comes down to what the customer wants and to
15 clarify there are different tolerances for each
16 specification.

17 COMMISSIONER JOHANSON: Could you say then that
18 different plants specialize in ornamental, structural or
19 mechanical LWR?

20 MR. MEYER: We do.

21 COMMISSIONER JOHANSON: Okay.

22 MR. MEYER: I mean, we have the same -- we have
23 the applications for both. And we run structurals and we
24 run mechanicals. We run for the customers' perception of
25 quality and what he desires and the specifications for his

1 application. We certainly have mills that run both products
2 A500, A513, even on the same mills. Again, that can be
3 tweaked to what he wants from a tolerance standpoint which
4 will fit into A513 or A500.

5 COMMISSIONER JOHANSON: Okay. Would you state
6 that the imported products fall into the same category for
7 purchasers preferring certain product for ornamental,
8 structural, or mechanical?

9 MR. MEYER: I don't know.

10 COMMISSIONER JOHANSON: I mean, I realize this is
11 a commodity product, but within the commodity product there
12 are certain gradations.

13 MR. SHAGRIN: My guess is both foreign producers
14 and domestic producers will give distributors exactly what
15 they want.

16 COMMISSIONER JOHANSON: Okay.

17 MR. SHAGRIN: I think as Mr. Meyers said,
18 fortunately all the U.S. mills, and the same would be true
19 of the foreign mills, can make either A500 or A513. So it's
20 a matter of what the customer makes. There's a lot of
21 overlap just from differences and the tolerances. There's
22 not a lot of difference in cost. There's not a lot of
23 difference in testing. None of these products have to be
24 which you would have seen last week, Commissioner Johanson,
25 in terms of hydrostatic testing. None of these rectangular

1 products need that type of testing. So you don't have any
2 differences in testing requirements between A500 or A513 to
3 any significant extent.

4 COMMISSIONER JOHANSON: All right. Thank you.

5 MR. SHAGRIN: It's really just what the customer
6 wants.

7 COMMISSIONER JOHANSON: All right. Thank you for
8 your response there.

9 On page 14 of your brief you note that there has
10 been predominantly underselling by both Mexican -- by both
11 Mexico and Turkey over the period of this review.
12 Understanding that they measure very different things, how
13 do you reconcile this with results from Commerce's
14 administrative reviews show in in Table 1-3 of the staff
15 report?

16 MR. SHAGRIN: Commerce is just telling the
17 Commission in Table 1-3 what the likely margins of dumping
18 would be if the orders were to be revoked. And your
19 underselling information is a comparison of the prices of
20 the imports inclusive of any deposits which would be posted
21 with customs as to their sales to U.S. customers compared to
22 domestic pricing to U.S. customers. So they are measuring
23 different things and I guess the point we would make, and
24 this is why you gather information on underselling reviews
25 as well as investigations, if they're still underselling

1 even with the dumping duties being collected, we think that
2 is evidence that without the imposition of duties and given
3 the ability of foreign producers to undersell that that
4 would lead to a likely increase in the imports. Because in
5 a price-sensitive commodity, price is how you make sales and
6 if you will undersell, you will make greater volumes of
7 sales.

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

10 Would the fact that the vast majority of sales of
11 LWR -- of LWR tube are made on a spot basis influence the
12 level of inventories that are maintained relative to other
13 pipe tube products that might be produced more on an
14 as-ordered basis?

15 MR. SHAGRIN: I mean, I think, Commissioner
16 Johanson, what you're trying to get to is the fact that LWRs
17 on a spot basis, there's very few contracts, a minority of a
18 few end users may have some contracts. So what that would
19 mean is that most of the inventories that are held of this
20 product are in fact held by distributors because it is their
21 job to purchase from manufacturers either foreign or
22 domestic and then to stock that product for sales to end
23 users. And that would tend to reduce the amount of
24 inventories held by U.S. producers, they're tending to
25 respond to orders from distributors, manufacture product,

1 get it to the distributors to hold inventory rather than
2 them manufacturing for inventory to hold for distributors.

3

4 Anyone else want to comment on that?

5 MR. SEARING: Just one thing. During the period
6 of time where we saw an influx of tubing entering into the
7 Los Angeles harbor and warehouses, I can personally tell you
8 hundreds of thousands of feet were used for the storage of
9 unsold light-walled rectangular tubing which continued to be
10 an ongoing thorn. It wasn't like the distributors were
11 buying for need, the importers were stocking this product
12 and everyone knowing was there was very detrimental to the
13 pricing and to the industry in general for a number of years
14 and it was only getting worse before, you know, these suits
15 were filed and the determination was made in our favor.
16 Today those warehouses are empty, I know.

17 COMMISSIONER JOHANSON: All right. Well, that
18 helps color the picture for me. Thank you for your
19 responses.

20 CHAIRMAN WILLIAMSON: Thank you.

21 Commissioner Broadbent?

22 COMMISSIONER BROADBENT: Okay. Thank you. Let's
23 see, I wanted to talk a little bit about volume. The data
24 provided by the Mexican industry indicates that its
25 shipments have been almost entirely directed toward either

1 the U.S. market or the Mexican market over the period of
2 review. Can we -- this might lead us to conclude that
3 there's not that much divertible capacity in Mexican. Can
4 we conclude that, Roger? Mr. Shagrin?

5 MR. SHAGRIN: Commissioner Broadbent, I would
6 reach exactly the opposite conclusion. I would say that if
7 Mexican exports were more diversified that that would mean
8 that they would be less likely to concentrate on the U.S.
9 market. The fact that the data is confidential, but just
10 characterizing it as you did in your question, if the
11 Mexican sales are concentrated on their own market and the
12 U.S. market, and I believe there are very little imports of
13 this product into Mexico, I would reach the conclusion based
14 upon substantial evidence that that would mean that their
15 excess capacity would then most likely be focused on
16 increased exports to the U.S. market.

17 The U.S. market has additional demand that is
18 either going to be satisfied by imports or domestic. The
19 Mexican market doesn't have room for additional shipments if
20 it is already being 100 percent satisfied by the Mexican
21 industry.

22 COMMISSIONER BROADBENT: Okay. And then how do
23 we interpret the recent increase in Mexican third-country
24 exports?

25 MR. SHAGRIN: Well, as I said, that information

1 is confidential. We will treat it confidentially in our
2 post-hearing brief. But I think I would agree with your
3 general characterization of your original question that most
4 of the Mexican production is focused either on their home
5 market or exports to the United States. And why don't we
6 treat confidentially the data on the changes and/or the
7 level of their sales to third-country markets in our
8 post-hearing brief.

9 COMMISSIONER BROADBENT: Okay. Thank you.

10 And this is back on the low margin question,
11 Mexico received relatively low margins, as we mentioned,
12 compared to the other subject producers. And then, you
13 know, we still saw its presence in the U.S. market increase
14 slightly in 2008 and kind of just retained the U.S. market
15 presence throughout the period of review.

16 Can you sort of summarize again, you know, what
17 were the restraining aspects of the order?

18 MR. SHAGRIN: Well, first, I think it's a pretty
19 dramatic impact which I presume is what led the Mexican
20 producers to want to have a sunset review rather than just
21 have an expedited review. And that is imports from Mexico
22 averaged, I believe, about 156,000 tons per year during the
23 three full years of the period of investigation and have
24 averaged about 76,000 tons or roughly half in the six years
25 of the period of review. So these small duties have caused

1 imports from Mexico to fall by half, and I think reiterating
2 one of the main points made in Mr. Montgomery's testimony,
3 his company, which focuses on sales in the south, you know,
4 towards Texas, saw a dramatic change in the geographic
5 coverage of the imports from Mexico after the imposition of
6 the duties, rather than selling not only into Texas and
7 Oklahoma, but throughout the southeast, they basically
8 restricted themselves to selling mostly in the Texas market.

9
10 And the way the dumping laws work out is if
11 you're monitoring your selling prices to the U.S. and Mexico
12 so that you're not going to see increased duties during
13 administrative review, then you're not going to want not
14 absorb an extra \$75 of freight to get from Monterey to let's
15 say, Georgia. Whereas if there are no duties, you say,
16 well, I got extra capacity, I'll absorb that freight. It's
17 not -- I'm not going to have to pay extra duties later. So
18 I think the -- both the record evidence, which is the steep
19 decline in imports from Mexico as well as the anecdotal
20 truthful evidence of Mr. Montgomery shows a significant
21 change in the way the Mexican industry has approached the
22 U.S. market in this product area since the imposition of the
23 duties.

24 COMMISSIONER BROADBENT: Okay. Looking back at
25 the original investigation I took note of the fact that the

1 U.S. industry only lost .3 percent of market share. And
2 which you had -- you know, there was the situation where the
3 subject imports were gaining slightly, but at the expense of
4 the nonsubjects.

5 What about the current record would lead us to
6 think that subject imports would gain market share at the
7 expense of the U.S. industry?

8 MR. SHAGRIN: I think it's a combination of the
9 excess capacity that they have, their willingness to
10 undersell and the fact that they -- it's a price sensitive
11 market and they can return to this market with increased
12 quantities of sales and because nonsubject imports have been
13 flat in terms of market share during the POR the only ones
14 they can take market share from is the U.S. industry.

15 So I think t his record has plenty of substantial
16 evidence to support a finding that if the orders were to be
17 sunset, imports would increase and take market share from
18 the U.S. industry. And given their willingness to
19 undersell, and, once again, given that this is a price
20 sensitive commodity product that they would have a price
21 suppressing or price depressing effect on the prices of the
22 U.S. industry.

23 COMMISSIONER BROADBENT: Okay. And then looking
24 on sort of our cumulation decision in this investigation,
25 really three of the four countries didn't increase market

1 share in the original investigation. Is there reason that
2 the Commission should not take this lack of volume increase
3 into account in cumulation?

4 MR. SHAGRIN: First of all, I'm going to look for
5 the table, Commissioner Broadbent.

6 COMMISSIONER BROADBENT: Take your time.

7 MR. SHAGRIN: I think the factual predicate of
8 your question is not correct. I am seeing between 2005 and
9 2007 during the period of investigation, imports from China
10 increased in their market share from 4.2 to 9.9 percent.

11 COMMISSIONER BROADBENT: Right. That's the one.

12 MR. SHAGRIN: That's the one that you're looking
13 at. So maybe what I'm referring to is that and don't
14 forget, I mean, in looking at this, these cases were filed
15 in July 2007. I would note that the Commission majority in
16 their affirmative determination did find that the pendency
17 of the investigation did have an effect on imports of these
18 products. So I think you can see that on -- and of course,
19 the data on Korea is confidential because one Korean
20 producer was found not to have margins. So it has to be
21 redacted between nonsubject Korean and subject Korean. But
22 overall, you know, there was, prior to the filing of this
23 case, at the beginning of July 2007, a significant increase
24 in the import market share of these countries between 2004
25 and 2006, and it's the imposition of these duties that made

1 the import market share go down and allowed the U.S.
2 industry.

3 So for purposes of cumulation, this is a -- we
4 don't think there's anything on this record that shows that
5 imports from Mexico would have no discernible adverse
6 impact. There's information that shows that all of the
7 imports from all four subject countries are of identical
8 products. Before the imposition of duties, they were all
9 present in the U.S. market. They all go through the same
10 channels of distribution. All of these imports from all of
11 these countries during the POI were focused on the
12 distributor market. That's still true today. You have
13 cumulated evidence on the Mexicans where over 90 percent of
14 their imports are focused on the distributor market.

15 So I believe, based upon my experience in these
16 types of cases that this record is replete with the type of
17 evidence the Commission utilizes to find that these imports
18 from all four countries should be cumulated.

19 COMMISSIONER BROADBENT: Okay.

20 MR. SHAGRIN: If not, imports from Mexico alone
21 would probably cause a recurrence of injury.

22 COMMISSIONER BROADBENT: Okay. Well, I'll look
23 at that closely. Thanks.

24 I've still got a minute here.

25 The prehearing report provides international

1 export data using a six-digit HTS number that includes a
2 variety of products including subject merchandise. But this
3 might be a kind of a larger basket category. Do you think
4 that this trade data is useful for understanding the volume
5 of exports from subject countries? Do you have any
6 alternatives for understanding exports from subject
7 countries? Any way we could look at that?

8 MR. SHAGRIN: We don't have any alternatives. I
9 think the staff did the best they could. The HTS of other
10 countries does not have the ten-digit breakouts that we have
11 in our tariff system that allows for the differentiation of
12 the subject wall thickness and the non-subject wall
13 thickness. So I believe that this is first the best that
14 you can do with the reservations you already enunciated in
15 your question that this is not perfect and covers both
16 subject and nonsubject. But it's also indicative of the
17 trends. I mean, so for example, in the six-digit category
18 you can see really large increases in Chinese exports to the
19 rest of that world. So I think, you know, with the proper
20 reservations because of the nature of the data itself, that
21 the Commission can draw reasonable conclusions that this
22 export data is indicative of trends while it's not exact as
23 to the product subject to investigation.

24 COMMISSIONER BROADBENT: Okay. Thank you, Mr.
25 Shagrin.

1 CHAIRMAN WILLIAMSON: Commissioner Kieff?

2 COMMISSIONER KIEFF: Thank you very much.

3 So, Mr. Shagrin, can you -- so we don't have the
4 other side here. What should we do with that, if anything?

5 MR. SHAGRIN: Well, I'd break it into two pieces.
6 One is what do you do exactly in this case; two, what do you
7 as an institution to make sure your time is best utilized?
8 And in a small way I do have concerns about my time as well.
9 People think as lawyers sell time, we love wasting time. I
10 do not fall into that category. I am poor at wasting time
11 and I'd rather be using it for leisure purposes than even
12 selling it.

13 So, in this case itself, I think the fact and the
14 Mexicans still have the opportunity -- their counsel is
15 behind us. They're not exactly light-weight firms, White
16 and Case and Arent Fox have certainly much larger
17 reputations in the legal field than Shagrin Associates. So
18 one has to presume that they thought having been hired to
19 participate in this review that there was a tactical
20 advantage to not coming before the Commission with
21 executives to answer your questions and to not file a
22 prehearing brief. They have the opportunity to file a
23 post-hearing brief still. You will accept that from parties
24 that don't appear at the time of your closing of the record.

25

1 So, legally, I'm not sure you can draw any
2 conclusions from their lack of participation here. I think
3 maybe your reviewing courts would question you drawing
4 conclusions from lack of participation at a hearing versus
5 lack of filing questionnaire responses where you obviously
6 are empowered to draw adverse inferences.

7 To the structural issue, at this time, this
8 Commission is extremely busy with a lot of cases. I am part
9 of that problem. And so I recognize that.

10 The Commerce Department is probably the most
11 overwhelmed I have seen it in the last 20 years, since the
12 late 1990's, yet they have many fewer people than they did
13 then. So, I myself recognizing the problems have a little
14 bit of a moratorium on filing new cases. You really can't
15 push people too far and I had some experiences even here
16 when you all were pushed by, I guess, six cases being filed
17 in two days. It didn't work out too well for the results in
18 many of those cases.

19 So I do believe that there's a sense in the trade
20 bar that out of a sense by the Commission of due process,
21 that if just one foreign producer shows up and files a
22 substantive response, even though they are a very small
23 portion of that foreign industry, that this Commission in
24 determining adequacy will kind of bend over backwards to
25 say, we just saw the full review, everybody ought to have

1 their chance to come appear before us in a final hearing.

2 We're in a period of budget austerity. I really
3 believe when I represent domestic industries, and I had this
4 happen recently in a case where one of the largest producers
5 in the industry didn't hire us. But I thought a -- a
6 decision on adequacy getting that company's data was very
7 important in the substantive response. So I and other
8 people in the industry begged that company, without hiring
9 us, to provide the data so that we would be adequate so we
10 wouldn't be half an industry, but 80 or 90 percent of
11 industry, whatever the numbers. Those are all hypothetical.

12
13 I think the same should be true of the foreign
14 side. I'm very well aware of the Mexican industry. They
15 have trade associations. Canasero and Pipe and Tube Trade
16 Associations. They don't have to come to this Commission
17 with only two producers representing a very small share of
18 the Mexican industry and then you say, oh, yeah, they're a
19 small share, but we ought to give them a chance. They could
20 have put in the kind of effort that our industry does to
21 say, hey, if you set the rules here through your precedents
22 and say, if you're less than half an industry, we're not
23 going to say you be adequate. Get out to the grade
24 associations in the country, reach out to the other
25 producers. Give us that information.

1 So I think going forward, and in a certain
2 respect, only because I'm here so much, much to my chagrin,
3 no pun intended, you changed your rules on accepting brief
4 and expedited reviews because of an experience I had at the
5 Commission about seven or eight years ago where we wound up
6 in a similar situation to this and the Commission said,
7 well, in part we're having a full review because the
8 domestic industry data wasn't as fulsome as we wanted and,
9 you know, we couldn't get anything more because we don't
10 even allow briefs to be filed when we do expedited reviews.
11 We're done. One set of comments, we're finished.

12 So the Commission changed its regulations on
13 sunset reviews. Here I don't think you have to change your
14 regulations. But I do think it would benefit all of us,
15 mostly you all, if you change your practice. That's the
16 learning lesson here. We're all, even though -- not
17 yourself, Commissioner Keiff, but many of us are now older.
18 We can always learn. And I do believe that this case has a
19 learning lesson. And to me that is that when the Commission
20 has a very small portion of a foreign industry filing a
21 substantive response you don't say, oh, got to give
22 everybody a chance to due process. What do they do with
23 that chance? They didn't show up at this hearing.

24 Let's go, we're done. Expedite.

25 COMMISSIONER KIEFF: At the risk of cutting you

1 off, I just need to try to maybe ask you a slightly
2 different question. We can't control parties and presumably
3 you can't control parties other than yourself. I think due
4 process is one concern, but returning to the notion of sound
5 decisionmaking and precision versus accuracy, when I have
6 data in front of me that is old, and I have one side of a
7 dispute and not the other side, I only know one thing which
8 is what the world looked like a long time ago and I'm being
9 asked to make some decisions about the world and what the
10 world is likely going to look like if there is a change in
11 the order in the future and it's quite difficult to make
12 that decision with only one view in front of me.

13 That means that the reviewing bodies, the Court
14 of International Trade and the Federal Circuit and if they
15 were so inclined, the Supreme Court could, using very sound
16 administrative law principles defer to one of our decisions
17 because it was well-supported by the record that was before
18 us. And as a result the United States, as a country, could
19 be making decision after decision on records that are
20 thinner and thinner and in that way look in a world setting
21 like a very precise and very inaccurate decisionmaker.

22 In the post-hearing can you give us some reasons
23 why we should have confidence that our decisions made
24 without the benefit of input from the other side are not
25 likely going to fall victim to that concern? Because I

1 think that there are a number of reasons why one might at
2 least at first glance think that that is a concern.

3 MR. SHAGRIN: Yeah, we'll do that in the
4 post-hearing and I would say that the reviewing courts ought
5 to defer to your judgment when you give weight to the
6 testimony of the only side you heard from versus the lack of
7 evidence from the other side because you have heard from
8 executives of three of the largest companies in this country
9 producing the subject product who have told you what will
10 happen to them.

11 (Simultaneous conversation.)

12 MR. SHAGRIN: The other side decided not to tell
13 you their story.

14 COMMISSIONER KIEFF: Not to put too fine a point
15 on it, I don't doubt that they will give the deference. I
16 think that then the system as a whole is based on a set of
17 legal rules about deference and some version of inference,
18 adverse or otherwise, that are all therefore explicitly not
19 about accuracy and we then drift far from accurate sound
20 decisionmaking.

21 MR. SHAGRIN: And just to get back to the point I
22 made earlier, that's why I think you have to be more careful
23 and I know you, you know, we're not in the business of
24 perfection in making your own reasonable assumptions of how
25 likely it is at the time you're making your decisions on

1 going expedited or full are we going to have all parties
2 participating in this case throughout.

3 COMMISSIONER KIEFF: Okay.

4 MR. SHAGRIN: I like when everybody participate.
5 And then if they don't, we shouldn't be harmed by their lack
6 of participation.

7 COMMISSIONER KIEFF: And just in the interest of
8 time, I'd like to ask you follow up afterwards with this and
9 then if you could bake into your thinking so that I could
10 then -- I'll just wrap up here. If you could bake into your
11 thinking the inevitable strategic indogeneity. In other
12 words, if you're a lawyer for industry and country X, would
13 you in subsequent cases advise that industry to come to the
14 U.S. system whether it's the ITC, CIT, CAFC, or SCT, or
15 would you instead prefer to have a large buildup of
16 decisions made against your country that then position you
17 well to bring a WTO action in which you can now confidently
18 say the U.S. is making all of its decisions without
19 information. Because that then would be accurate, that
20 would be based on inferences, but not information.

21 And just if you -- again, no need to hear it now,
22 I look forward to reading it in the brief, the more you can
23 provide that to us in writing, the more we can integrate
24 that into our opinions. And that's what we're -- that's
25 what I'm looking to do. So, thank you.

1 MR. SHAGRIN: Will do.

2 COMMISSIONER KIEFF: Thanks, no further
3 questions.

4 MR. SHAGRIN: Okay.

5 CHAIRMAN WILLIAMSON: Okay. Thank you. Okay.
6 How should we assess the impact of imports from Canada? And
7 do you think nonsubject imports are also causing injury to
8 the U.S. industry?

9 MR. SHAGRIN: I think I'll let Mr. Meyer -- they
10 have a plant in Canada. I think that between the U.S. and
11 Canada there's a significant amount of trade in these
12 products, unlike Mexico in which there are virtually no
13 exports to the United States. We do have exports to the
14 United States of this product. I think that basically
15 between Canada and the United States, the imports from
16 Canada are not injurious in this product. Many of them come
17 from producers like Bull Moose that have plants there and
18 maybe Mr. Meyer will describe it. I think they just make a
19 choice of if we have customers in the United States and
20 Canada, when is it most freight efficient to ship those
21 customers in those two jurisdictions from plants near the
22 U.S. or Canada.

23 CHAIRMAN WILLIAMSON: Okay.

24 MR. SHAGRIN: So we do think that those imports
25 from Canada are noninjurious and you can reach those

1 conclusions and they act differently and they were priced
2 differently than subject imports.

3 CHAIRMAN WILLIAMSON: Mr. Meyer?

4 MR. MEYER: I agree with your comments. It's a
5 different atmosphere. You do have companies that service
6 both countries. And I think everybody is much more
7 disciplined than you're seeing in the countries we're
8 talking about right now. And basically it really is,
9 everybody wants to be competitive, do the right thing, and
10 decisions are based on basically two things, in my opinion,
11 and that is freight, and exchange rates.

12 CHAIRMAN WILLIAMSON: Okay. Thank you.

13 Where do you suggest we look for further
14 information regarding the Chinese and Korean industries,
15 given that they're not here?

16 MR. SHAGRIN: We gave you in our substantive
17 responses and a lot of that was incorporated into the staff
18 report. There is information both in the original
19 investigation and also from journals that we subscribe to
20 which have information about the number of mills, their
21 capability of producing the product if not always capacity
22 that would be allocated to this product. So when these
23 countries don't participate, both we and the Commission
24 staff do our best to provide you with the best factual
25 information reasonably available to us for you to build a

1 record so you're not just speculative and you're not
2 sacrificing accuracy. but the best record you can develop in
3 the absences of their participation.

4 CHAIRMAN WILLIAMSON: Okay. Thank you.

5 I have no further questions.

6 Commissioner Pinkert?

7 COMMISSIONER PINKERT: No further questions.

8 CHAIRMAN WILLIAMSON: Commissioner Johanson?

9 COMMISSIONER JOHANSON: I have just one question.

10 Looking at the margins assigned by Commerce to Turkish
11 producers in Table 1-5, it would appear that the
12 depreciation experienced recently with respect to the U.S.
13 dollar which is about 26 percent in the last nine months
14 would give the antidumping remedies much less bite now.
15 Have U.S. imports from Turkey responded to this?

16 MR. SHAGRIN: No, not in Light-walled
17 rectangular, but certainly in other products. And there's
18 no doubt, and this is just the vagaries of the international
19 marketplace when a country's currency relative to the U.S.
20 dollar changes dramatically and with the current upheaval in
21 Turkey, it's almost like a double whammy, is their currency
22 falling because of the domestic upheaval in the country,
23 which gives people less confidence in the country and its
24 economic institutions, or is the currency falling which then
25 adds to things like food inflation, because Turkey is a

1 major food import, and does that cause additional upheaval
2 because their currency is falling and, of course those
3 upheavals in the economy affect home market demand. So I
4 would say that we're actually seeing a great deal of benefit
5 from the orders given that we are not seeing big increases
6 in imports from Turkey as a result of the tremendous
7 currency depreciation of the Turkish lira, particularly as
8 compared to other steel products that I'm aware of.

9 COMMISSIONER JOHANSON: All right. Thank you for
10 your response and that concludes my questions.

11 And then I would like to thank all of you again
12 for appearing here today.

13 CHAIRMAN WILLIAMSON: Commissioner Broadbent?

14 COMMISSIONER BROADBENT: Thank you. Your
15 comments about Canada just sort of got me thinking about all
16 that we've been hearing about, sort of the North American
17 platform for manufacturing. And I would just like to know
18 how you guys sort of think about it and how you're factoring
19 into your future planning.

20 It seems to me that demand in Mexico is going to
21 continue to go through the roof compared to our demand
22 levels. But I am looking at these business monitor
23 forecasts and so forth, and you know, we got a lot of
24 integration with Mexico at this point, in, you know,
25 electronics, autos, energy, and so forth. And these

1 companies are benefitting from integration and we're
2 becoming, you know, competitive globally from the North
3 American platform. And if we think that Mexico is going to
4 be a lot of demand for our product, don't we want to be
5 working towards the situation where we're encouraging
6 two-way trade with Mexico and partnership rather than sort
7 of this -- this confrontation industrial organization?

8 MR. SHAGRIN: I'll let, maybe Mr. Meyer and
9 maybe Mr. Blatz talk about general manufacturing North
10 American platform. But Commissioner Broadbent, I must admit
11 sitting here listening to that, that sounds like a political
12 argument to me that the United States should not apply the
13 antidumping laws to Mexico.

14 COMMISSIONER BROADBENT: No, no, it's not. I
15 mean, I'm just using the benefit of having the industry
16 executives here to talk about how they see the future just
17 so I can understand, you know, where they're going. And I
18 understand the law. I'm not trying to deviate from that.

19 MR. SHAGRIN: But it's important as we have
20 two-way trade and the growth in that trade that it be fair
21 and the Mexicans very vigorously apply the laws to imports
22 from the United States. Probably even more so than we apply
23 the laws to imports from Mexico.

24 Do you have any comments on the North American
25 platform?

1 MR. MEYER: Where it's going?

2 MR. SHAGRIN: Yeah, where it's going in the
3 future?

4 MR. MEYER: I'm an optimist, always have been. I
5 believe the economy is changing. I believe that we can
6 return to a blue collar country and bring in the jobs that
7 will benefit the middle class. I believe that the industry
8 is on a poise to be very strong in the next couple of years.
9 I believe that we have our ducks in a row as far as being
10 competitive. We've spent the money to do that. And as long
11 as everybody's going to play by the same rules, that's fine.
12 So I do believe that I'm very optimistic that the U.S.
13 economy is improving. Certainly it's a very complicated
14 situation because the exchange rates naturally do help, the
15 dollar a week helps a little bit. But we are seeing some
16 things come back into this country from China and other
17 areas where the whole products went over there.

18 I don't think we'll see a return of gym sets or
19 bicycles from China, but there are certain other areas that
20 we are seeing an uptake in our demand. I think that's what
21 we want. That's what we want as a business. That's what we
22 want as a country, and as long as things are on an even
23 playing field, we welcome that.

24 MR. SHAGRIN: I think that's it. Searing and
25 Southland are not as international of business as Bull Moose

1 Tube which also has a -- you know, plants in -- related
2 companies with plants in Canada and Europe as well.

3 COMMISSIONER BROADBENT: Okay. All right.

4 Well, thank you very much and I want to thank the witnesses
5 for coming here and all your time.

6 MR. SHAGRIN: Thank you.

7 CHAIRMAN WILLIAMSON: Okay. No further questions
8 from the Commissioners. Do staff have any questions for
9 this panel?

10 MS. HAINES: Elizabeth Haines. Staff has no
11 questions.

12 CHAIRMAN WILLIAMSON: Thank you. Okay. Since we
13 don't see any respondents here to see if they have any
14 questions, I guess we'll go to closing statements.

15 But before that, I want to really thank this
16 panel for their time and for the information they shared
17 with us today.

18 I don't know whether -- would you like the panel
19 to sit back and Mr. Shagrin you can go forth. Or how do you
20 want to handle this?

21 CLOSING REMARKS FROM MR. ROGER B. SCHAGRIN

22 MR. SHAGRIN: There is no need -- I want this to
23 be a red letter day in the history of the ITC. And that is
24 that on behalf of the Petitioners, there will be no closing
25 statement or rebuttal. I think the record speaks for itself

1 that this Commission should reach a unanimous, affirmative
2 determination that injury would be likely to recur and I
3 think given our brief, our opening statements, statements of
4 witnesses, responses to your questions, we don't have any
5 need for further clarification other than that which I've
6 already promised various Commissioners to address in our
7 post-hearing brief. So, give you a chance to enjoy what
8 will hopefully be a nice weather day and I hope that this is
9 about maybe my fourth time appearing during my career in
10 hearings in which the opposition did not show up. I hope
11 it's the last time. I hope we work together to ensure that.
12 I'm all for change when it improves institutions. And as I
13 said, even as we get older, it is still possible to have
14 learning experiences in life. So I leave you with that.

15 I thank you for your participation today and I
16 will pass on the opportunity to make closing statements or
17 rebuttal statements.

18 CHAIRMAN WILLIAMSON: Thank you.

19 MR. SHAGRIN: We thank the Commission and the
20 staff for your hard work in this case.

21 Thank you.

22 CHAIRMAN WILLIAMSON: Having just made one, you
23 pass on that.

24 But, thank you all very, very much.

25 Closing statement. Post hearing briefs,

1 statements responsive to questions, and request of the
2 Commission, and corrections to the transcript must be filed
3 by April 11, 2014. Closing of the record and final release
4 of data to parties will be May 14th, 2014. Final comments
5 are due May 16, 2014.

6 And with that, this hearing is adjourned.

7 Thank you.

8 (Whereupon, at 11:24 a.m., the meeting was
9 concluded.)

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