

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
WELDED STAINLESS PRESSURE) 731-TA-1210-1212
PIPE FROM MALAYSIA,) (Preliminary)
THAILAND, AND VIETNAM)

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Thursday,
 June 6, 2013

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

The preliminary conference commenced, pursuant to Notice, at 9:34 a.m., at the United States International Trade Commission, CATHERINE DeFILIPPO, Director of Investigations, presiding.

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On behalf of the International Trade Commission:

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 AMELIA PREECE, ECONOMIST
 MICHAEL HALDENSTEIN, ATTORNEY

APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping Duty Order:

On behalf of Bristol Metals, LLC; Felker Brothers Corporation; Outokumpu Stainless Pipe, Inc.; and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Services Workers International Union (USW):

KYLE PENNINGTON, President, Synalloy Metals
JOHN TIDLOW, Senior Vice President, Synalloy
Metals

DAVID HENDRICKSON, President, Felker Brothers
Corporation

KRIS PODSIAD, General Manager and Executive Vice
President, Outokumpu Stainless Pipe, Inc.

LINDA ANDROS, Legislative Counsel, USW

ROGER B. SCHAGRIN, Esquire

JOHN W. BOHN, Esquire

Schagrins Associates

Washington, D.C.

In Opposition to the Imposition of Antidumping Duty Order:

On behalf of Son Ha International Corporation (Son Ha) and Silbo Industries, Inc. (Silbo):

HOWARD JACOB, Executive Vice President, Silbo

MAX F. SCHUTZMAN, Esquire

DHARMENDRA N. CHOUDHARY, Esquire

Grunfeld, Desiderio, Lebowitz, Silverman &
Klestadt, LLP

Washington, D.C.

On behalf of Pantech Stainless & Alloy Industries, Sdn. Bhd.:

KELLY A. SLATER, Esquire

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Washington, D.C.

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P R O C E E D I N G S

(9:34 a.m.)

MS. DeFILIPPO: Good morning, and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigation Nos. 731-TA-1210-1212 concerning imports of Welded Stainless Steel Pressure Pipe From Malaysia, Thailand, and Vietnam.

My name is Catherine DeFilippo. I am the Director of the Office of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, James McClure, the supervisory investigator; Michael Szustakowski, the investigator; to my left, Michael Haldenstein, the attorney/advisor; Amelia Preece, the economist; and Karen Taylor, the industry analyst.

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

Finally, speakers will not be sworn in, but

1 are reminded of the applicability of 18 U.S.C. 1001
2 with regard to false or misleading statements and to
3 the fact that the record of this proceeding may be
4 subject to Court review if there is an appeal.

5 Any questions?

6 (No response.)

7 MS. DeFILIPPO: Hearing none, we will now
8 proceed with the opening statements. Welcome, Mr.
9 Schagrin. Please begin your opening statement when
10 you are ready.

11 MR. SCHAGRIN: Good morning, Ms. DeFilippo
12 and members of the Commission staff. For the record,
13 my name is Roger Schagrin of Schagrin Associates, and
14 we are counsel to Petitioners Bristol, Felker and
15 Outokumpu, as well as interested party, the USW.

16 Welded stainless steel pressure pipe, a
17 product with which this Commission is familiar and
18 which I'll refer to in the future as WSSPP, is made to
19 a specification, A-312 or A-778, generally a grade,
20 304 or 316, an outside diameter, a scheduled wall
21 thickness, 5, 10, 40, 80, that all customers in the
22 United States order these products on that basis.

23 And so like virtually all other pipe or tube
24 or steel products which are ordered by specification
25 to meet an intended use for a customer, these are

1 commodity products. They are fungible. The imports
2 from Malaysia, Thailand and Vietnam, which are made to
3 the same specifications as domestic products, are
4 completely interchangeable with these domestic
5 products.

6 As an economist, Ms. DeFilippo, you
7 understand probably even better than I do what we
8 learned in the early part of economics courses, which
9 is when you have an increase in the supply curve,
10 which we've had here in the significant increase of
11 imports from these three countries, and no parallel
12 increase on the demand side because we have not seen
13 increased demand over this period of investigation for
14 these products, that pushes prices down. There is
15 just no way as a matter of basic economics that
16 increased supply without increased demand can help the
17 domestic industry's operations.

18 Obviously cumulation of the imports from
19 these three countries is appropriate for both injury
20 and threat of injury. These goods were all present
21 simultaneously in the U.S. market. They go through
22 the same channels of distribution. They are made and
23 have the same physical characteristics and have the
24 same perceptions from customers of each others as long
25 as they meet the specification, which they do.

1 So what has been the impact of these
2 cumulated imports during the POI on the domestic
3 industry? We think as you develop the record you are
4 going to see an injurious impact of these imports.
5 They have undersold the domestic industry. They have
6 caused price depression. They have had an impact on
7 the production and employment factors. The U.S.
8 industry has lost market share. The U.S. industry has
9 seen reduced production and shipments. The U.S.
10 industry has seen reduced employment indicators.

11 The industry throughout this POI, like any
12 industry facing unfair import competition that is
13 undercutting its prices, has faced that famous
14 Hobson's choice. Do the members of the industry cut
15 their prices and try to hold onto volume and lose
16 money, or do they not cut their price and give up
17 market share?

18 Now, different members of an industry can
19 decide to react differently. These companies do not
20 ask me for advice in advance on how they should run
21 their businesses in order to win an injury case. If
22 clients ever did that, and they never have in my 32
23 years of practicing here, it would be damn easy to
24 tell people how to run their businesses to win ITC
25 injury cases. This is not exactly a difficult

1 proposition to see what Commissioners like to see in
2 injury cases.

3 But no one ever asks me that. Their job is
4 to run their businesses. I then take the facts and
5 the law and present the case to all of you, and
6 hopefully this Commission does more than just looking
7 at the C-tables, but uses the excellent work of the
8 outstanding ITC staff to look at the business cycle
9 and the conditions of competition and learn from the
10 record about the industry and they make a decision as
11 to injury or threat of injury.

12 So whether losing market share to unfairly
13 traded imports when the industry has had ample
14 capacity to supply the whole U.S. market or fighting
15 for volume by lowering price, those are both injury.
16 As you will hear today, these companies have been
17 driven to the precipice of shutting down their WSSPP
18 businesses. Some have already stopped making the
19 smaller sizes, even though they are the most popular
20 by feet, which is why they were chosen as pricing
21 products.

22 So this is a very vulnerable industry. It
23 is an industry that with just the presence of
24 extremely low priced offers from the companies in
25 these countries are very susceptible to suffering

1 increased losses and with further volumes to seeing
2 shutdowns to their operations and further employment
3 effects.

4 For all those reasons, we urge you to make
5 an affirmative injury or threat of injury
6 determination. Thank you.

7 MS. DeFILIPPO: Thank you, Mr. Schagrin.

8 We will now turn to opening statement for
9 Respondents. Welcome, Mr. Schutzman. Please proceed
10 when you are ready.

11 MR. SCHUTZMAN: Good morning, Ms. DeFilippo,
12 members of the Commission staff. My name is Max
13 Schutzman. I'm with Grunfeld Desiderio. I'm here
14 representing Son Ha International, a Vietnamese
15 producer, the principal Vietnamese producer actually,
16 and Silbo Industries, Inc., which is a major U.S.
17 distributor of welded stainless steel pressure pipe.

18 This petition is one of the weakest on
19 substance we have seen. Perhaps it's just my
20 adversary being his old crafty self and holding back
21 relevant information to prevent the opposition from
22 presenting a cogent response. Somehow, I just don't
23 think that's it. The problem is that Petitioners'
24 allegations of material injury and/or the threat
25 thereof are unsupported and unsupportable by the

1 record data and really should not survive the
2 reasonable scrutiny of the Commission.

3 Note, please, the absence of a key domestic
4 player as a Petitioner, Marcegaglia, who we believe to
5 be the largest U.S. producer. Now, it's not that this
6 company is shy because it participated with these
7 three domestic producers as a co-petitioner against
8 the same pipe product from China in 2008 and 2009. I
9 leave it to you, the staff, to determine the
10 significance and relevance of this, but it is a
11 curious fact indeed. Perhaps its U.S. producers
12 questionnaire will shed some light on that. I have
13 not seen that yet. I'm not sure it's been filed.

14 Note as well that this industry is also
15 receiving protection against imports of welded
16 stainless steel pipe from China, Korea, and Taiwan.
17 Although a very large Taiwanese producer has been
18 excluded from that order since year 2000 and this
19 company's exports to the U.S. from Taiwan dwarf the
20 total volume of imports from the three countries,
21 Petitioners, for reasons known only to them, have
22 chosen not to include this company in the present
23 petition. More from Mr. Jacob, Silbo's executive
24 president, about this later during our presentation.

25 Apropos of that, this is an investigation

1 where the role of nonsubject imports looms large.
2 Import data from the public version of the petition
3 demonstrates that nonsubject imports with or without
4 Canadian pipe products grew by a significant
5 proportion from 2011 to 2012 from 15 to 18 percent,
6 while imports from the three subject countries for
7 that period remained essentially flat.

8 In fact, nonsubject imports are
9 approximately three times greater than imports from
10 subject countries. Interestingly, the ratio of
11 subject import volumes to nonsubject import volumes
12 here is strikingly similar to the ratio of subject to
13 nonsubject import volumes in the investigation of
14 Circular Welded Carbon Quality Steel Pipe From India,
15 Oman, UAE and Vietnam, which you will recall went
16 negative on injury in November of 2012. To be sure,
17 an order on these subject countries will only result
18 in a replacement of that volume by nonsubject imports,
19 principally and most likely from the excluded
20 Taiwanese producer.

21 Petitioners claim that subject producers use
22 dumped Chinese stainless steel raw material with which
23 to produce subject merchandise and that this enables
24 them to sell to the U.S. at LTFV. However, Son Ha,
25 our client, the principal Vietnamese producer who we

1 represent, actually purchases a substantial quantity
2 of its stainless raw material which it uses to produce
3 this pipe from Petitioner Outokumpu's affiliate in
4 Finland. Perhaps Outokumpu is selling stainless steel
5 raw material to Vietnam at dumped prices as well.

6 Prices for welded stainless steel pipe are
7 of course influenced by the cost of its constituent
8 raw material, flat-rolled or austenitic stainless
9 steel, and the cost of the raw material is influenced
10 by the cost of its constituent inputs as well. As an
11 example, nickel is frequently a significant component
12 of the raw material used to produce pipe.

13 A reduction in world nickel prices, as has
14 occurred in the past 12 to 15 months, sends the price
15 of the raw material down as well, which in turn
16 creates pricing pressure downstream on the final end
17 product, in this end welded stainless steel pipe.
18 This has been a primary influence contributing to
19 lower prices, not competition, from subject imports.

20 Finally, we ask the staff to be especially
21 mindful, which we know it will be, of differences
22 between the financial performances of individual U.S.
23 producers. To the extent one or more is performing
24 appreciably better than others, this too is a
25 persuasive indication that subject imports are simply

1 not the problem. I thank you for your attention.

2 MS. DeFILIPPO: Thank you very much. I
3 appreciate your opening statement.

4 We will now go to the direct testimony of
5 Petitioners. Mr. Schagrin, if you and your group
6 would join us at the table and proceed when you're
7 ready?

8 (Pause.)

9 MR. SCHAGRIN: Okay. Good morning again,
10 Ms. DeFilippo. It's a pleasure to appear here with
11 the chief executives of three of the four major U.S.
12 producers, as well as a representative of the USW,
13 which represents workers at three of the four major
14 U.S. companies manufacturing this.

15 Before turning it over to our witnesses, I
16 would like to refer to a couple of the remarks made by
17 Mr. Schutzman. In 32 years, I always hear from every
18 counsel in every petition I've ever filed that this is
19 the weakest petition that's ever been filed, so he has
20 now kept the string along. So that's what we expect.

21 However, I've never been accused before in
22 my career of knowingly holding back cogent
23 information. I find that particularly offensive from
24 a fellow member of the bar to suffer that accusation.
25 And the fact that a member of this industry is not

1 present as either a Petitioner or here today is really
2 a symbol of injury, not a symbol of the domestic
3 industry trying to hold back information.

4 It's publicly acknowledged -- you can read
5 about it in the *American Metal Markets* -- that
6 Marcegaglia's president and CFO was essentially fired
7 at the beginning of March of this year prior to the
8 filing of these petitions. I think we all know based
9 on our business experience, and these gentlemen know a
10 lot about their major competitors, companies don't
11 fire presidents because they're doing really well,
12 okay? I mean, sometimes people leave because they're
13 older or for family reasons so to speak. You don't
14 get fired because your company is just doing great.

15 So the idea that either the domestic
16 industry is trying to withhold how absolutely
17 fabulously Marcegaglia is doing is ridiculous, but the
18 most ridiculous thing is that a company that is
19 certainly doing so badly that their CEO was fired,
20 that has had massive management changes, that we are
21 struggling to try to get them to participate, that
22 somehow their workers, who you will hear the USW
23 organizes, should be thrown to the wolves and should
24 suffer from unfair foreign competition or that their
25 other domestic competitors should have to shut down

1 their facilities because they've had management
2 changes and haven't had to participate in this
3 investigation is really I think the height of
4 nonsensical argument.

5 Now having disposed of that, let me welcome
6 and ask them to present their testimony. Kyle
7 Pennington, who is the president of Synalloy Metals.
8 Mr. Pennington?

9 MR. PENNINGTON: Good morning, members of
10 the Commission. For the record, my name is Kyle
11 Pennington, and I am the president of Synalloy Metals.

12 Synalloy Metals is the larger of two major operating
13 segments of Synalloy Corporation. Synalloy Metals was
14 founded in 1945. The other major segment of Synalloy
15 Corporation is Manufacturers Chemicals, which is a
16 specialty chemical producer.

17 Within Synalloy Metals, we operate three
18 primary business units. Those units are Bristol
19 Metals, which manufactures the subject welded
20 stainless pressure pipe; Synalloy Fabrication, which
21 fabricates piping systems and uses amounts of the
22 subject pipe; and Palmer of Texas, which is a tank
23 manufacturer. We are a publicly traded corporation.

24 As president of the largest business segment
25 of Synalloy, my first responsibility is to ensure the

1 welfare and safety of employees, to ensure a safe
2 working environment. That's our top initiative, and
3 we will not sacrifice profits for safety under any
4 means.

5 My second biggest responsibility is to try
6 and achieve the highest profits and best returns for
7 our shareholders. Unfortunately, over the last five
8 years Synalloy Corporation's returns to shareholders
9 have underperformed those of the Russell 2000 and
10 NASDAQ nonfinancial indices. Our Synalloy Metals
11 segment is not doing as well as our chemical segment.

12 Within a business like ours, decisions have
13 to be made allocating capital. No capital outside of
14 maintenance and repair work will be allocated to a
15 division that cannot provide a return on investment
16 better than other investment opportunities. In fact,
17 last year in 2012 Synalloy made a significant
18 acquisition of Palmer of Texas, a major manufacturer
19 of tanks and separators for the oil and gas industry.

20 Our business strategy in each segment of our
21 business is to be the lowest cost producer. However,
22 it is clear that even if we achieve this goal of being
23 the lowest cost producer we cannot obtain adequate
24 returns. The reason is because the marketplace has
25 been significantly and adversely impacted by large

1 volumes of low-priced imports from Malaysia, Thailand
2 and Vietnam.

3 To the best of my knowledge, as president of
4 this division and based on my five years' experience
5 in the stainless pipe industry and furthermore
6 acknowledging the closure of competitors with
7 significant capacity in the middle of the last decade,
8 the United States industry producing welded stainless
9 pressure pipe has more than ample capacity to supply
10 the entire United States market. Therefore, no
11 distributor buys subject imports instead of domestic
12 for any reason other than the fact that the importers
13 give them a significantly lower price than the
14 domestic prices.

15 Each of the three heads of three of the four
16 last remaining major producers of this product in the
17 United States have to face the difficult decision of
18 whether or not to close down mills or lay off
19 employees due to the unfairly traded imports. We
20 simply cannot stay in business and lose money.

21 This is not just the way the American
22 business system works. When you lose money over a
23 sustained period of time you shut it down. That's the
24 first thing they teach you in business school. In
25 fact, I doubt if you have to go to business school to

1 know that. So that we do not have to shut down our
2 continuous weld mills and lose/lay off valuable
3 employees in the Bristol Metals division, I ask you to
4 make an affirmative determination. Thank you.

5 MR. SCHAGRIN: Thank you, Mr. Pennington.

6 I'd like to invite David Hendrickson, the
7 president of Felker Brothers. David?

8 MR. HENDRICKSON: Good morning, Ms.
9 DeFilippo and members of the Commission staff. For
10 the record, my name is David Hendrickson. I am
11 president of Felker Brothers Corporation. Felker
12 Brothers is a family owned company founded in 1898 and
13 incorporated in 1903. It has been in the stainless
14 steel pipe business for approximately 50 years. I
15 have been with the company for 18 years and became
16 president in 2010.

17 Our plant in Marshfield, Wisconsin, does not
18 produce any of the subject product. We have a pipe
19 roll for making large-diameter, light-walled pipe
20 outside the scope of this investigation, as well as a
21 fabrication facility for producing piping systems.
22 These piping systems are primarily for the wastewater
23 treatment, water purification and grain processing
24 industries.

25 In 1993, Felker put in a new plant in

1 Glasgow, Kentucky. We did this in part to be close to
2 the new and extremely efficient world class stainless
3 flat-rolled facility named North American Stainless
4 and also to be closer to our customers in the
5 southeast and Gulf coast of the United States where a
6 significant quantity of welded stainless pressure pipe
7 are utilized.

8 This plant has five mills, three of which
9 produce subject merchandise and two of which produce
10 nonsubject stainless mechanical tubing. In 2009, we
11 added one new continuous mill in Glasgow to produce
12 and 12 inch pipe more efficiently. We have also added
13 new pickling and water treatment facilities, which was
14 just completed in 2012. The plant employs 57 people.

15 North American Stainless is about a two and
16 a half hour delivery truck drive from our Glasgow
17 plant. I think everyone in the stainless industry
18 would agree that this is not only the most efficient
19 stainless flat-rolled plant in the United States, but
20 one of the most efficient in the world. It is
21 certainly more efficient than stainless plants in
22 China.

23 However, its owner, Acerinox, is a publicly
24 traded company in Spain and operates for profit. This
25 is unlike Chinese flat-rolled stainless mills, which

1 are owned by the Government of China, are heavily
2 subsidized and exist primarily to maintain employment
3 in China.

4 We believe that the Asian mills we are
5 competing with in Malaysia, Thailand and Vietnam
6 primarily source their flat-rolled stainless steel
7 from these governments (sic) owned by subsidized
8 Chinese steel mills. When one considers that 90
9 percent of the cost of stainless pipe is stainless
10 flat-rolled, there's almost no explanation for how the
11 imports from these three countries that we have sued
12 can undercut our prices in the United States by
13 upwards of 20 percent.

14 Even though stainless steel mills are huge,
15 capital-intensive pieces of equipment, it is still the
16 case that the overwhelming amount of cost of stainless
17 steel is in the alloy component of the steel -- the
18 chrome, the nickel and molybdenum. Stainless steel
19 mills in China, just like mills in the United States
20 or anywhere else in the world, should be paying the
21 same price for these raw materials, each of which is
22 listed on the London Metal Exchange at a very
23 transparent price.

24 Once again, we cannot understand how the
25 producers in Malaysia, Thailand and Vietnam can

1 undercut our prices so much when raw materials account
2 for a vast majority of your overall cost in a final
3 pipe product.

4 We participated in the cases against China
5 in 2008. As a result of that relief, for about a year
6 or so the market really improved and our results
7 improved significantly. Then the imports from
8 Malaysia, Thailand and Vietnam began pouring into the
9 U.S. market at prices that significantly undercut the
10 market.

11 Regardless of the ups and downs in demand,
12 our ASTM A-312 business has deteriorated over the past
13 couple of years. In fact, I do not think I could
14 justify keeping the Glasgow plant open if the only
15 products we made there were ASTM A-312. We have not
16 laid off any employees, but as production suffers we
17 certainly cut back these employees' hours, and thus
18 their wages suffer as a result.

19 As a family-owned company that has invested
20 in good equipment and has an excellent workforce, all
21 we ask is that the U.S. Government enforce the trade
22 laws passed by Congress to give our company and its
23 employees a chance to compete fairly. When the
24 competition is fair, I am confident that our company,
25 which has already survived 115 years, can continue to

1 survive and thrive. Thank you very much.

2 MR. SCHAGRIN: I thank you, David.

3 I now invite Kris Podsiad, the Executive
4 Vice President and General Manager of Outokumpu
5 Stainless Pipe. Kris?

6 MR. PODSIAD: Thank you. Good morning, Ms.
7 DeFilippo and members of the Commission staff. For
8 the record, my name is Kris Podsiad. Outokumpu
9 Stainless Pipe is located in Wildwood, Florida, and is
10 a division of Outokumpu OYJ. That company is the
11 largest stainless steel producer in the world and is a
12 Finnish company that's publicly traded.

13 In the past two years, the company has
14 undertaken one of the largest corporate
15 reorganizations in its history. First, the company
16 acquired the worldwide stainless operations of TK
17 Stainless. That acquisition was effective in January
18 2013. And secondly, the company divested 51 percent
19 of its worldwide pipe operations to an investment
20 firm. Our U.S. operation was not part of this sale
21 and we're still 100 percent owned by Outokumpu.

22 We surmise that the buyer did not want the
23 U.S. operation, even though we were a part of the
24 original sales prospective. First of all, we were
25 losing money. Second of all, the international steel

1 market knows that the U.S. is the most open market in
2 the world and is a dumping ground for steel. So for
3 any number of reasons, we were left standing at the
4 alter, and we now have to fight for investment assets
5 within the large Outokumpu.

6 I started with the company's Canadian
7 operations in 2001 and held a number of other
8 positions in the company, including some time spent in
9 Scandinavia, before being sent to Florida, the Florida
10 pipe operation, in January 2010 as senior vice
11 president and general manager. Our Florida operation
12 has a number of press breaks and rolls in order to
13 make pipe through 84 inch diameter and up to two
14 inches in wall thickness. We've been investing in
15 this business because it's a specialty business with
16 very little foreign competition and with primarily
17 sales to specific end user projects.

18 Also at our Florida plant we have nine
19 continuous welding mills that make only the subject
20 product. We permanently discontinued two mills making
21 under two inches in January of 2013. These small
22 sizes cost as much to produce per ton, but the subject
23 foreign mills charge the same prices per ton
24 regardless of size, making it completely uneconomical
25 for us to compete. We've not been investing in this

1 business for a number of reasons.

2 ASTM A-312 is a commodity product and it has
3 been subject to intense foreign competition, much of
4 which we believe is unfair. Most days we are only
5 operating two or three of these seven mills that
6 remain, and our sales are to our master distributors
7 and between 15 to 20 smaller distributors. ASTM A-312
8 is sold only on the basis of price.

9 In early 2011, we laid off 15 workers, which
10 represented about 15 percent of our workforce at these
11 continuous mills. By the end of 2011, as we were
12 seeing imports continue to grab market share, we were
13 preparing to lay off more workers if we were unable to
14 regain volume in the marketplace. These workers are
15 highly skilled workers and very difficult to replace
16 in a place like Wildwood, Florida.

17 By late 2011, imports from Malaysia,
18 Thailand and Vietnam were underselling our prices by
19 15 to 20 percent. In early 2012, we instituted a
20 foreign fighter program where we allocated a set
21 amount of tonnage to our master distributors each
22 month significantly below our regular prices to gain
23 volume and prevent further layoffs. One particular
24 master distributor took advantage of the program and
25 bought the majority of the tons we allocated under our

1 foreign fighter program.

2 Just two weeks ago we met with this
3 distributor, and they told us that they could no
4 longer continue to buy from us under this foreign
5 fighter program because the trading companies
6 representing the foreign producers in Malaysia,
7 Thailand and Vietnam had cut their prices
8 substantially. After having already cut our prices
9 about 15 percent, we would have had to cut our prices
10 even further to get within 5 percent of the import
11 offers. We told them we simply could not afford to
12 lose that much money on these sales, and we have now
13 lost that business.

14 None of the other master distributors have
15 taken up the foreign fighter volume, so going forward
16 we are not presently taking sales under this program.

17 And our overall company volumes for the product
18 subject to this investigation are at the worst levels
19 since I took over the company in January of 2010.

20 Without relief, our small diameter welded
21 pressure pipe business will not survive and we will
22 undoubtedly have to execute plans to shut down those
23 operations and continue only as a customized large
24 diameter producer. On behalf of the employees in
25 Wildwood, I ask you to enforce the laws and give our

1 employees a chance to keep their jobs. Thank you.

2 MR. SCHAGRIN: Thank you, Kris.

3 I'd now like to ask John Tidlow, the
4 Executive Vice President of Synalloy Metals, to give
5 his testimony.

6 MR. TIDLOW: Good morning, Ms. DeFilippo and
7 members of the Commission staff. My name is John
8 Tidlow, and I'm Executive Vice President of Synalloy
9 Metals. I've been in the stainless pipe industry for
10 more than 11 years.

11 Almost all of the welded stainless pipe
12 production facilities in the entire world use the same
13 continuous welding mill production method. The mills
14 in Malaysia, Thailand and Vietnam are very similar in
15 respect to the mills utilized by Bristol Metals,
16 Felker and Outokumpu for the welded stainless pressure
17 pipe in the sizes subject to your investigation.
18 Sizes larger than those subject to the investigation
19 are made with a different batch production method that
20 produces pipe one piece at a time.

21 In the U.S. market, at least 90 percent of
22 our sales are made through distributors. There are a
23 handful of master distributors who service the entire
24 United States market plus literally 250 to 300 smaller
25 distributors spread throughout the United States.

1 These distributors send us requests for quotes, for
2 lists of sizes and quantities. Given that we know the
3 most popular sizes they order, we generally produce
4 these popular sizes for our inventory on a regular
5 rolling basis and ship these products from inventory
6 to the distributors.

7 Silbo and other importers sell to these
8 distributors on the same basis that we do and quote
9 them prices for the distributors' own inventory needs.

10 Because the distributors are in the business of
11 stocking inventory, we enjoy only a small advantage
12 when quoting distributors by virtue of our inventory
13 and shorter lead times than an importer might with
14 longer lead times.

15 Furthermore, there are master distributors
16 and other distributors who import for their own
17 accounts. These distributors are selling to end users
18 and other distributors from their inventories and
19 monitor their inventory levels when deciding to
20 restock.

21 As part of the negotiation price for a sale
22 to a distributor, these distributors generally decline
23 to disclose to us a specific price quote. For
24 example, say from Silbo for Vietnamese A-312 product,
25 two inch, Schedule 40, Grade 304. Rather, they say

1 the prices that you have quoted in response to our
2 request are not competitive with import prices. We
3 then have the choice of either foregoing the sale or
4 lowering our price to be more competitive to make the
5 sale.

6 As you have already heard, end users,
7 regardless of end use industry, such as chemicals,
8 petrochemicals, food and beverage, pharmaceutical,
9 water purification, grain processing for ethanol and
10 many more, have a specific engineering need for an
11 ASTM A-312 or A-778 product with a given outside
12 diameter, wall thickness and grade.

13 As much as every seller of these products
14 would like to believe that their service is exemplary
15 and makes them stand out compared to their
16 competitors, the simple fact is that sales of this
17 product are based on price. End users want the lowest
18 price from distributors, and distributors want the
19 lowest prices from domestic and foreign suppliers.

20 Our company ostensibly still has a surcharge
21 program in effect in which we attempt to pass on
22 surcharges for chrome, nickel and molybdenum from our
23 flat-rolled steel suppliers to our pipe customers. In
24 reality, there are no surcharge programs in pipe
25 anymore because the foreign producers of the extremely

1 low priced imports from Malaysia, Thailand and Vietnam
2 quote fixed prices at time of order.

3 We have had to abandon our surcharge
4 programs as well. Instead, we set the price when an
5 order is negotiated with the customer. If all of that
6 order is being supplied from inventory then we bear
7 less risk of a change in surcharges from our flat-
8 rolled steel suppliers. However, to the extent that
9 certain parts of an order have to be produced in the
10 future for new steel purchases then we bear the entire
11 risk of a change in our supplier surcharge. I can
12 assure you that the flat-rolled stainless industry
13 from whom we purchase still vigorously enforces a
14 quite rigorous surcharge program with monthly changes.

15 As you have already heard from Mr.
16 Pennington, our company has suffered injury as a
17 result of the extremely difficult competitive market
18 conditions thrust upon us by large volumes of unfairly
19 traded imports from Malaysia, Thailand and Vietnam at
20 dumped prices that are well below domestic market
21 prices and our cost of production.

22 We appreciate the Commission taking time to
23 hear our story, and we are hopeful that relief will be
24 forthcoming. Thank you.

25 MR. SCHAGRIN: Thank you, Mr. Tidlow.

1 We are very pleased to have Linda Andros
2 representing the United Steel Workers, which is a
3 major organizing union at most of the facilities
4 manufacturing this product in the United States. Ms.
5 Andros?

6 MS. ANDROS: Thank you. Good morning, Ms.
7 DeFilippo and members of the Commission staff. My
8 name is Linda Andros, and I'm the legislative counsel
9 for the United Steel, Paper and Forestry, Rubber,
10 Manufacturing, Energy, Allied Industrial and Services
11 Workers of the United States. For short we call
12 ourselves the United Steel Workers or the USW, but I
13 say our entire title so that you all know the range of
14 products that our members produce here.

15 We represent the workers making welded
16 stainless steel pressure pipe, which is at issue here
17 today, for Petitioners Bristol Metals, which is
18 located in Bristol, Tennessee, and Outokumpu Stainless
19 Pipe, which is located in Wildwood, Florida. We also
20 represent workers at a company producing the subject
21 merchandise, Marcegaglia, Inc., which is located in
22 Munhall, Pennsylvania, which is actually just miles
23 from our Pittsburgh headquarters, but they're not a
24 Petitioner in these investigations.

25 To my knowledge, at this preliminary stage

1 of the proceeding information shows that imports of
2 the subject products from Malaysia, Thailand and
3 Vietnam have increased significantly between 2010 and
4 2012 from 13,716 tons to 17,832 tons, yet at the same
5 time I understand from Petitioners that their
6 shipments have fallen and the Petitioners have had
7 massive excess capacity during the same time period.
8 It would seem that imports did not increase because of
9 an either booming demand or an inability of the
10 domestic industry to supply the U.S. market, but
11 instead increased solely because they were sold at
12 below market or, i.e., dumped prices.

13 The increase in these dumped imports has
14 already had an injurious impact on our union
15 workforce. You've already heard the testimony of Mr.
16 Podsiad that his company has laid off 15 employees --
17 those are our members -- last year because he had to
18 permanently close two of the seven production lines
19 earlier this year, and remaining employees are now
20 working reduced hours. That means they're bringing
21 home reduced pay and that's a hardship.

22 Unfortunately, I have heard in testimony
23 also the company executives who preceded me are saying
24 that they're seriously considering exiting the
25 business if relief isn't granted given the

1 circumstances. So we at the union do not believe that
2 these are idle threats, particularly given the
3 evidence that these companies are suffering
4 significant losses in the business and given our own
5 long history of fighting unfairly traded imports.
6 Simply stated, we've been here before many times.

7 So in addition, we understand that our union
8 representatives at the Marcegaglia facility consider
9 that their jobs are at risk as well. This is very
10 concerning to us. In addition to the direct jobs and
11 the hours and the wages that have been lost to these
12 imports that are at issue, the domestic welded
13 stainless steel pressure pipe industry, I mean the USW
14 is the organizing union also of the stainless flat-
15 rolled facilities in the United States, Allegheny
16 Technologies and AK Steel. Our members make flat-
17 rolled steel there.

18 In fact, of course, stainless flat-rolled is
19 the major input into the welded stainless pressure
20 pipe that's at issue here. Thus, every ton of
21 unfairly traded imports is not only affecting that
22 domestic pipe production, but is taking away a ton of
23 domestic flat-rolled stainless production here in the
24 United States. In effect, our members are actually
25 negatively impacted twice.

1 Strong enforcement laws, trade enforcement
2 laws, are essential to our members at the United Steel
3 Workers and other manufacturing workers in the United
4 States that are suffering from unfairly traded. When
5 the ITC allows unfairly traded imports that have been
6 found to be dumped or subsidized by the Department of
7 Commerce to evade penalties through negative injury or
8 threat, those imports could continue to increase in
9 the future, and we can lose jobs as well as other
10 workers.

11 Of course, that isn't to say that every
12 single case before the Commission has merit. We
13 understand that. But whenever we've appeared before
14 the Commission we always urge you to do your best and
15 to keep in mind that you've been entrusted with
16 ensuring that the hardworking men and women of our
17 union and of the nation that are making these goods
18 get a fair chance to compete in the U.S. market where
19 they live and work.

20 So with that, on behalf of our members and
21 the workers producing this product in the United
22 States, we appreciate the opportunity to appear before
23 you today. Thank you.

24 MR. SCHAGRIN: Thank you, Ms. Andros.

25 Now I'd like to invite my colleague, John

1 Bohn, to present some arguments on the threat case.
2 While we believe this is an extremely strong and
3 well-documented and that you all have a record that
4 you develop which will show present material injury,
5 we wanted to bring out some of the additional facts on
6 threat factors. Mr. Bohn?

7 MR. BOHN: Finally, Ms. DeFilippo, this is
8 John Bohn at Schagrin Associates, and I'll just say a
9 few things about threat. First, at this point I think
10 it's safe to say that the U.S. industry is vulnerable.
11 They've been losing money for each of the last three
12 years, and to be sure magnitude of the losses have
13 been declining, but by now we're almost four years
14 into an economic recovery.

15 In 2012, the average U.S. manufacturing
16 industry earned an operating profit margin of 7.6
17 percent and had a capacity utilization rate of 75
18 percent or so. The fact that this industry has so
19 consistently for so long been markedly underperforming
20 other manufacturers as to reasonably lead parent
21 companies and investors to question whether continued
22 production of stainless pressure pipe in the United
23 States makes sense. Whatever else the Commission may
24 do, it will help answer that question for them.

25 There's no prospect of any immediate,

1 imminent surge in demand that might boost this
2 industry by itself to competitively profitable levels.

3 At the same time, the statutory and other threat
4 factors indicate that the U.S. industry is threatened
5 with continued or increased injury.

6 As to foreign producers' capacity, we will
7 comment on any confidential information that might be
8 supplied in the briefs, but the publicly available
9 information certainly indicates that foreign producers
10 have ample capacity and are making new capacity
11 sufficient to sustain and increase their exports to
12 the United States.

13 For example, one of Malaysia's largest
14 stainless pipe producers stated that it was running at
15 only 25 percent capacity in 2010, and then in 2011 it
16 planned to add more. Or another example, Thailand's
17 EXIM bank last fall announced a subsidy for expansion
18 of one of its stainless pipe producers. In the
19 stainless pipe industry, it takes some time to ramp up
20 new production, but recently opened, expanded and
21 planned mills in southeast Asia will be able to expand
22 their production in the imminent future.

23 The subject producers have shown a tendency
24 already to increase their exports to the U.S. market,
25 and subject imports did increase by some 30 percent

1 from 2010 to 2012, and they have every reason to
2 continue to expand. One big reason for this is
3 certainly China. Even Chinese officials have started
4 complaining about their steel industry's excess
5 capacity. It's almost like they've been reading our
6 briefs from about five years ago. And this inevitably
7 has consequences in the downstream markets in
8 southeast Asia, the subject countries in particular,
9 and the United States. It's a global industry now.

10 For example, Italy's Marcegaglia recently
11 built a new stainless pipe mill in China, presumably
12 because of the availability of abundant cheap
13 stainless steel there. It publicly stated that it
14 intends to export part of this plant's output to
15 southeast Asia, specifically mentioning Thailand and
16 Malaysia. This competitive pressure from Chinese
17 stainless pipe in the subject producers' domestic and
18 local export markets will encourage them to ship more
19 to the United States.

20 It's also notable that there's been a big
21 decline of course in the economy of the EU, which is
22 collectively the world's biggest economy and certainly
23 an important export market for some subject producers.

24 For example, Son Ha, Vietnam's major stainless pipe
25 producer, said in its 2011 annual report that it

1 wanted to diversify exports, and it specifically
2 mentioned a fear that it would be subject to dumping
3 allegations in the United States. It also said that
4 it wanted to increase its exports to Europe.

5 Irrespective of its ambitions, Vietnam's
6 subject exports to the United States have kept
7 increasing. Any increase in subject imports is
8 particularly threatening because of their low prices.

9 You will hear I believe that some of the U.S.
10 producers here have exited production of some of the
11 smallest pipe sizes, which are most subject to import
12 competition.

13 We think that the pricing data will show
14 very substantial underselling, and given the
15 competition, the competitive conditions of this
16 industry, it is reasonable to expect that continued or
17 increased imports of such low-priced merchandise will
18 lead to further scale backs, reductions in product
19 lines or plant closures.

20 Thank you for listening, and I guess we're
21 ready for questions.

22 MR. SCHAGRIN: That concludes our
23 presentation, Ms. DeFilippo, and we'd be happy to
24 answer the staff's questions. Thank you.

25 MS. DeFILIPPO: Thank you, Mr. Schagrin.

1 And before turning to staff questions, I would like to
2 take a minute to thank all of you for coming here
3 today to talk about your industry. It's extremely
4 helpful for us, and I thank you in advance for
5 answering questions that I know will come from staff.

6 I realize how difficult it is to take time off from
7 work to come here, but it is extremely helpful for us
8 in understanding the product.

9 With that, I will turn first to Mr.
10 Szustakowski.

11 MR. SZUSTAKOWSKI: Hello. The first thing I
12 want to discuss is the import data. As the petition
13 shows, there's a basket category used for the official
14 import statistics, and we're just trying to narrow
15 down how to measure import volume and make sure we
16 have a reasonable metric for U.S. consumption of
17 market shares and whatnot.

18 So a couple basic questions. We see in the
19 official data imports from Canada. For the industry
20 witnesses, do you see any presence in the U.S. market
21 of WSSPP from Canada?

22 MR. TIDLOW: When we look at the Canadian
23 market, we don't expect to see imports of our
24 products. Most of the production there is ferritic
25 for automotive, so we exclude that from our look when

1 we look at the imports.

2 MR. SZUSTAKOWSKI: Anybody else? No
3 presence from Canada? Okay.

4 Now, you identify in the petition that there
5 is the normal HTS numbers under which this product is
6 entered and then there's like a secondary set of HTS
7 numbers, and in that you see some volume coming from
8 China. There is the order on China already. What I'm
9 trying to understand is that are those imports from
10 China, are those not WSSPP? Is it a different
11 product? Do you see any sort of presence of Chinese
12 WSSPP in the market?

13 MR. TIDLOW: I'm not aware that there's any
14 volumes of Chinese WSSPP coming in from China. I'm
15 sorry I stumbled.

16 MR. SZUSTAKOWSKI: I'm having a hard time
17 with that too.

18 MR. SCHAGRIN: Mr. Szustakowski, we do not
19 believe that the imports from China are a subject
20 product.

21 MR. SZUSTAKOWSKI: Okay. Now, we see a
22 large volume of import data for Korea and Taiwan. You
23 still see a large presence in the market from the
24 Taiwanese and the Koreans, correct?

25 I mean, the Respondents mentioned Ta Chen is

1 a major player. I think the Korean producers have a
2 relatively low dumping rate as well. Do you see a
3 significant presence in the market from them?

4 MR. TIDLOW: Yes. There is quite a
5 significant presence from Korea and Taiwan. The
6 difference is the pricing that we see or hear about
7 through our customer base is at a much higher level
8 than the materials coming in from the subject
9 countries, and that's borne out by the import value
10 data as well.

11 MR. SCHAGRIN: And I would just reiterate,
12 Mr. Szustakowski, I believe that you are trying to get
13 information on pricing from importers, as well as
14 using official Customs data, and I think that when you
15 get that you will find that for the individual pricing
16 products that prices from Korea and Taiwan are being
17 sold at much higher prices than are the subject
18 imports from Malaysia, Thailand and Vietnam.

19 And we know that one of the factors that
20 this Commission looks at when they consider the impact
21 of nonsubject imports versus subject imports and any
22 injury to the domestic injury is a comparison of the
23 prices of those nonsubject imports and subject
24 imports, and we think this record is going to
25 demonstrate that much as the Commission discussed in

1 their China investigation in which nonsubject imports
2 were very large at the time of the China investigation
3 in '08 and '09, but the Commission found there and we
4 think you will find again here as to the subject
5 imports from Thailand, Malaysia and Vietnam that the
6 subject imports are being sold at much lower prices
7 than the domestic industry and that nonsubject imports
8 are being sold at much higher prices than subject
9 imports.

10 MR. SZUSTAKOWSKI: Circling back to the
11 official data which we're looking at right now, what
12 about imports from we see these kind of high unit
13 values from countries like Italy and Germany, which is
14 somewhat expected. Are they in the market at all
15 really? Is this a specialty product that they're
16 bringing in? Is it not WSSPP as defined in the scope?

17 MR. PODSIAD: Yes. That product is not
18 defined because most of it is in excess of 14 inch in
19 diameter. It will be the heavier wall, special
20 applications that you'll see coming from Italy,
21 Germany, et cetera.

22 MR. SCHAGRIN: Or nonsubject mechanical
23 tubing, which carries much higher prices than the
24 subject products.

25 MR. SZUSTAKOWSKI: All right. And I was

1 just reminded that if you could all state your names
2 before you start answering the questions it would be
3 helpful for the transcript. Thank you.

4 So you were mentioning before in some of
5 your direct testimony about closing mills that produce
6 two inch in diameter. Is that correct? Or less?

7 MR. PODSIAD: Below two inch. Kris Podsiad.

8 MR. SZUSTAKOWSKI: So are imports
9 concentrated in the smaller diameter pipe?

10 MR. PODSIAD: They're stronger the smaller
11 the diameter, but you'll see one inch and two inches
12 to the bigger volumes in footage.

13 MR. SZUSTAKOWSKI: And have you all
14 experienced this where the subject import competition
15 is focused in the smaller diameter?

16 MR. PENNINGTON: Yes, we have. Excuse me.
17 Yes. Kyle Pennington with Synalloy Metals.

18 And to echo Mr. Podsiad's statement, we've
19 seen the pressure on the smaller product as well. In
20 fact, we operate three continuous mills in this size
21 range, and all of those mills have been reduced in
22 operating hours over the last couple of years.

23 MR. SZUSTAKOWSKI: Is more of this size
24 consumed, the smaller diameter sizes? Is more of that
25 consumed in the U.S. market for some reason? Is that

1 just more of the bread and butter sort of product?

2 MR. PENNINGTON: Yes. In terms of footage.

3 Yes, sir.

4 MR. SZUSTAKOWSKI: Okay.

5 MR. PENNINGTON: It's not as much weight
6 probably because we're looking at smaller ODS, but
7 certainly in footage volume.

8 MR. SCHAGRIN: And this is Roger Schagrin.
9 Yes, Mr. Szustakowski. And that's why, going back to
10 the China case and for that matter I started working
11 in this area in the first sunset review that was one
12 of those transition reviews of orders against Taiwan
13 and Korea, and that sunset review took place in I want
14 to say 2001.

15 And going back in the original investigation
16 in that case of A-312 pipe from Korea and Taiwan, the
17 Commission, based upon information from the industry,
18 has always chosen one and two inch products as the
19 primary pricing products because those are the most
20 popular sizes by footage in the marketplace. They're
21 just used in so many different applications, these
22 small sizes.

23 And I think as you heard from Mr. Podsiad,
24 just the nature, and of course we would invite the
25 staff to visit some of these mills in the course of

1 this investigation. It costs more per ton to make one
2 inch than it does say 10 or 12 inch. I mean, these
3 products move at a snail's pace down the line. They
4 literally move at the rate of maybe one to two inches
5 per minutes. It's like watching paint dry. It's that
6 difficult to weld stainless, for someone who had
7 worked in the carbon side of the industry for 15 or 20
8 years before representing stainless producers and
9 visiting their mills.

10 And so naturally as very profit-oriented
11 U.S. manufacturers, when you translate a higher cost
12 back through to selling prices per foot and per ton,
13 domestic producers would want to be paid more for the
14 additional cost. It costs more per ton to anneal the
15 product. You can only put in your batch annealer so
16 many feet and so much weight of one inch compared to a
17 lot more weight in annealing of a larger size product.

18 So all the costs are more, and when foreign
19 producers charge the same price per ton for sizes that
20 have significant additional costs then the domestic
21 industry finds that they're losing the volumes in
22 these large volume, large footage products.

23 MR. SZUSTAKOWSKI: Pardon me. The petition
24 at Exhibit 1-4, that includes a description of the
25 manufacturing process, and that is from the '94, 1994

1 ITC publication in that investigation, and it has some
2 references to cold-rolled steel as the input. Is that
3 still relevant, or is hot-rolled steel increasingly
4 used, or has the process changed much since then?

5 MR. HENDRICKSON: David Hendrickson from
6 Felker Brothers Corporation. Majority of the product
7 that we purchase for manufacturing of product in the
8 subject is hot-rolled material.

9 MR. SZUSTAKOWSKI: Is that true for
10 everybody? All the industries?

11 ALL: Yes.

12 MR. SCHAGRIN: And I would say these
13 gentlemen would know more about it than I would, Mr.
14 Szustakowski, but there's no doubt that over the last
15 20 years, since '94, steel mills have been able to
16 roll hot-rolled much thinner today than they would
17 have 20 years ago, so throughout carbon, alloy,
18 stainless, flat-rolled, you've had a lot more of
19 expansion of hot-rolled into thinner gauges than you
20 would have 20 or 25 years ago. So it's not surprising
21 that there has been a migration away from cold-rolled
22 and towards hot-rolled.

23 MR. SZUSTAKOWSKI: Do any of the industry
24 witnesses, do you use any sort of hedging instruments
25 to insulate yourself from swings in raw material

1 prices, like a nickel hedge?

2 MR. TIDLOW: Currently, we don't. I'm John
3 Tidlow. Currently, we don't use any hedging programs.

4 We've looked at them vigorously and as recently as
5 two months ago had a substantial review in our plant
6 and we cannot find a way with the inventory, and the
7 systems, and the structure of the industry that we
8 could employ a hedge that would help us.

9 MR. SZUSTAKOWSKI: So you didn't use one
10 during the, since 2010.

11 MR. TIDLOW: No, sir.

12 MR. SZUSTAKOWSKI: Anybody else?

13 MR. HENDRICKSON: David Hendrickson Felker
14 Brothers Corporation. We looked at that option, and
15 like Mr. Tidlow stated, it just wasn't practical for
16 our industry. We're in the business of manufacturing,
17 and we're not in the business of financial investment
18 so, in that kind of instrument. We looked it as a
19 possibility, but it really wasn't feasible for us.

20 MR. PODSIAD: Kris Podsiad, Outokumpu. We
21 do it at the corporate level in Finland, but we don't
22 do it locally. It never has any impact on us because,
23 due to our relative size to the Outokumpu groups.

24 MR. SZUSTAKOWSKI: Mr. Tidlow, you were
25 mentioning before the surcharges and I think that was

1 a topic that got a lot of attention in the last
2 investigation. You mentioned that you stopped using
3 the surcharge program. When did you, when did that
4 stop? For how long did you use it, and when after the
5 conclusion of the China investigation did you just
6 exit the surcharge program, using your surcharge
7 program?

8 MR. TIDLOW: This is John Tidlow. Since I
9 started with the company in 2001, surcharges have been
10 in effect in the business and we've had to pay the
11 surcharges from our suppliers of raw material since
12 that time. Typically, we try to pass them on to our
13 customers. In the last two or three years our ability
14 to pass them on to the customers has gone away. We're
15 seeing set pricing and firm pricing at time of
16 negotiation as the only course of action for selling
17 prices in the market at this point.

18 Our suppliers still charge us a changing and
19 variable surcharge that changes every month, but we
20 have no ability to pass it on to the customers based
21 on the way the pricing mechanisms are working in the
22 market now. That's all been in the last two to three
23 years.

24 MR. SZUSTAKOWSKI: For the other industry
25 witnesses?

1 MR. PODSIAD: Kris Podsiad, Outokumpu.
2 We've seen the same thing that Mr. Tidlow just
3 referenced. They went away about two years ago.
4 Everything is on fixed price now.

5 MR. HENDRICKSON: David Hendrickson, Felker
6 Brothers Corporation. I also have seen the change.
7 We still pay a surcharge from our raw material
8 suppliers, but our customers made it very aware that
9 that's no longer an option for us based on what
10 they're paying from the import products, so we had to
11 match up with the same thing.

12 MR. SZUSTAKOWSKI: Has there been any sort
13 of change in your raw material prices? Have they been
14 down during the period of investigation or up? I mean
15 I'm trying to figure out where when you're selling
16 this product are you getting caught that you're not
17 able to pass on the, you know, surcharge, or your raw
18 materials tend to be, you know -- is your selling
19 price able to reflect the increase in raw material
20 prices at all is my basic question.

21 MR. TIDLOW: I do not know the percentages,
22 and we can find that out for you. This is John Tidlow
23 again. Raw material prices have fallen slightly
24 during the last 12 to 18 months but nowhere near as
25 much as the compression on our selling prices and our

1 conversion margins have fallen.

2 MR. HENDRICKSON: David Hendrickson, Felker
3 Brothers Corporation. Like John has stated, the
4 surcharges are a monthly number, so we know what next
5 month is, we don't know the month after that. If I
6 place an order for raw material the next four to six
7 weeks, then I'd have fit in my production schedule,
8 which is another four to six weeks, so I'm selling
9 that product off the line. So I've already committed
10 to a customer on a price that I don't know what my raw
11 material costs are going to be.

12 MR. SZUSTAKOWSKI: Mr. Podsiad?

13 MR. PODSIAD: Yes. And furthermore, to Mr.
14 Hendrickson's point is that you also are building a
15 lot of stock and that's where the real risk comes in
16 is that you have large inventories to supply the
17 customers, and that's where you really have the
18 exposure.

19 We've seen, like Mr. Tidlow said, overall,
20 the prices have been down slightly, but the surcharges
21 make up such a significant portion of the total raw
22 material price it's incredibly volatile.

23 MR. SCHAGRIN: This is Roger Schagrin. Mr.
24 Szustakowski, I'm sure you're going to hear from the
25 Respondents because it just seems for the past decade

1 or so to be a common theme in any downstream steel
2 product that Respondent's tell the Commission, look,
3 it's not import prices that have any effect, look at
4 how closely input costs and output prices correlate,
5 you know? It's like the big thing here, at the
6 Commission, now. Let me show you a correlation, and
7 that's the answer to everything.

8 Well, we all know that correlation doesn't
9 equal causation, but the other thing is we know from
10 economics that correlation between two things doesn't
11 prove anything other than that there's a correlation.

12 So when hot-rolled is 80 percent of the input costs
13 of cold-rolled, they have to correlate with each
14 other. They have to. Here, stainless flat-rolled is
15 80 to 90 percent of pipe. They have to correlate.

16 These folks are converters. I think you can
17 already tell -- you've only known them now for maybe
18 the past two hours -- they're not idiots, okay? Let
19 me make that clear on the record. The executives
20 running the welded stainless pressure pipe companies
21 in the United States are not idiots. They're in
22 business to make money. It's a good thing. I'm not
23 going to go as far as saying greed is good, but
24 they're in business to make money.

25 So as converters they want to make a delta

1 between their cost of raw materials, plus conversion
2 costs and selling prices, and that would be profits,
3 but even though raw material costs and selling prices
4 have to have a high correlation because one is 80 to
5 90 percent of the other, it is the market forces of
6 supply and demand between them, as sellers, and their
7 buyers that determine the actual prices.

8 They always want the price they sell the
9 buyer to be a price that they make a healthy profit
10 margin. We can debate whether that's 10 percent
11 operating margins so you get the five, you know,
12 percent net margins, we can debate, and cost of
13 capital, and I don't want to bother the Commission
14 with these things because unfortunately the Commission
15 almost never cares about the important things that
16 businesspeople care about, but we do debate those
17 things.

18 However, what we can't debate is that in the
19 welded stainless steel pressure pipe business, just
20 like almost every other business involving commodity
21 products, it is supply and demand between sellers and
22 buyers that determines price. It is not the cost of
23 raw materials that determines the price of the pipe.

24 I just wanted to make that clear because I'm
25 sure you're going to hear just the opposite later this

1 morning, and I just want you to know from the
2 perspective of these gentlemen, who, as I say, you
3 recognize aren't idiots, that rings completely hollow
4 with them, that the only thing that determines their
5 selling prices is the changes in cost of the raw
6 materials.

7 MR. SZUSTAKOWSKI: The Respondents' panel
8 later today will feature Silbo. Do you all sell to
9 Silbo or any of the NISHU witnesses?

10 MR. PENNINGTON: No.

11 MR. HENDRICKSON: No.

12 MR. PODSIAD: No.

13 MR. SZUSTAKOWSKI: Have you attempted to
14 sell to them? Is this, you know, a potential --

15 MR. PODSIAD: No. We view them as a trader,
16 not a distributor.

17 MR. SZUSTAKOWSKI: I see. So you're
18 competing with them for Siasa distributors or not?

19 MR. PODSIAD: Correct.

20 MR. SZUSTAKOWSKI: Okay. Merit Brass,
21 they're also participate in these investigations. Is
22 that another, they're not a distributor? You
23 exclusively see them as a import operation?

24 MR. PODSIAD: Kris Podsiad, Outokumpu. We
25 view them as a distributor who also imports. However,

1 they're not -- but we don't sell them.

2 MR. SZUSTAKOWSKI: Any of the other industry
3 witnesses? Merit Brass?

4 MR. PENNINGTON: Kyle Pennington, Synalloy
5 Metals. We sell to Merit Brass as a distributor.

6 MR. HENDRICKSON: David Hendrickson, Felker
7 Brothers. We do a small bit of business with Merit
8 Brass. They're not a primary distributor for us.

9 MR. SZUSTAKOWSKI: So when did you first see
10 the presence of these subject imports in the market
11 and first kind of feel their effect? Was there a lag
12 between the order on the China investigation before
13 the subject imports came in?

14 MR. TIDLOW: There was a slight lag, but I
15 believe it started in 2010 where we started to see the
16 pressure. With the recovery in the economy we really
17 began to feel the price effect of their, the imports
18 in 2011 and '12, and that's where the margin and the
19 price pressure came to a head for us.

20 MR. SZUSTAKOWSKI: Do you see them as
21 replacing the China imports?

22 MR. SCHAGRIN: Mr. Szustakowski, I'll take
23 that as a legal proposition because I see them, and I
24 believe the statute sees them, as replacing domestic
25 sales.

1 I think -- and we had a lot of arguments
2 about this in my most recent case, which we know
3 didn't end very well, which is, I think, why you'll
4 hear all the exact same arguments from Respondents
5 today. Of course, as a result of that, people shut
6 down plants, operate unprofitably. It's not a good
7 result when we don't get the right outcome and imports
8 increase significantly and American workers are
9 injured.

10 You know, the statute is not clear about
11 this replacement. We have had the Courts kind of on
12 their own without a lot of kind of taking out of the
13 language of by reason of talk about, you know,
14 replacement benefits to the domestic industry of the
15 imposition of duties against subject imports.

16 I am pretty confident that Congress intended
17 for this Commission to look at the impact of subject
18 imports during a period of investigation as to what
19 impact they are having on the domestic industry, and
20 that it would be, I believe, deeply a travesty to the
21 statute to say that this Commission's job in
22 determining whether the domestic is injured by reason
23 of subject imports should be weighed against what
24 share of imports previously made subject to
25 investigation those imports account for.

1 I just know that the intended beneficiary of
2 import relief is the domestic industry and its
3 workers. That when this Commission decides that
4 there's injury by reason of imports from China that
5 Commerce has determined are subsidized and dumped, the
6 intention is not to benefit producers in Malaysia,
7 Thailand, and Vietnam if they trade unfairly. If they
8 trade fairly, they can benefit as much as anyone
9 benefits. As much as domestic industry.

10 Its just does extreme harm to all the
11 wonderful congressmen and senators who work so hard to
12 draft these statutes to benefit domestic industry and
13 their workers to say that the beneficiaries of import
14 relief against imports from one country should be
15 unfair traders from another country.

16 So we believe that during this period of
17 investigation you had virtually no presence of imports
18 from China, and if you stick to this POI -- and we're
19 not arguing for any lengthening of this POI. We also
20 believe there's, the Commission shouldn't lengthen the
21 POI unless the parties ask for it or unless the
22 Commission finds under its precedence that there's a
23 reason to lengthen the POI. During this POI we had no
24 imports from China. We had growing imports of
25 unfairly traded subject imports from Malaysia,

1 Thailand, and Vietnam, and they injured the U.S.
2 industry.

3 MR. SZUSTAKOWSKI: So regarding employment
4 trends, correct me if I'm wrong, if I understand
5 correctly, Outokumpu has gone through a round of lay
6 offs. Was it 15 percent or 15 workers? I might not
7 have heard it correctly.

8 MR. PODSIAD: It was both. It worked out to
9 being the same. So 15 percent, and 15 production
10 workers. In addition, there was also office staff cut
11 back as well.

12 MR. SZUSTAKOWSKI: Understood. This is for
13 the smaller diameter pipe. What's happened to that,
14 those mills, or that mill? Is it mothballed?

15 MR. PODSIAD: Yes. The smaller ones are
16 mothballed and, you know, we removed some special
17 testing equipment that we rented off and returned to
18 the supplier and effectively shut it down and even
19 scrapped the raw material we had because we couldn't
20 convert it at a price reasonable enough to recover our
21 inputs.

22 MR. SZUSTAKOWSKI: Are those mills, is that
23 something that can be brought back on line?

24 MR. PODSIAD: Yes. Yes. We would just have
25 to rent the secondary testing equipment on it and

1 start it back up.

2 MR. SZUSTAKOWSKI: So what sort of -- how
3 long would it take if you had, you know, more orders
4 to bring that back on line?

5 MR. PODSIAD: Two weeks.

6 MR. SZUSTAKOWSKI: Two weeks? Do you have
7 the employees to staff that and you could just --

8 MR. PODSIAD: We would have to remove
9 current employees and then hire some to back fill
10 those positions.

11 MR. SZUSTAKOWSKI: Did any of the other
12 industry witnesses experience any lay offs yet?

13 MR. PENNINGTON: Fortunately, we've been
14 able to shuffle some of the personnel, but as I stated
15 earlier, we run seven continuous mill operations. By
16 the way, Kyle Pennington with Synalloy Metals again.
17 Keep forgetting that.

18 We run seven continuous mills and three of
19 the seven on the smaller ranges we've grossly reduced
20 their shifts of operation. We've taken some of the
21 personnel and put it in other segments of the
22 operation. Then, the limited amount that we are
23 running those mills, we're actually doing that with
24 special alloy material. Material that's not A312. So
25 we haven't had to completely shut the mills off, as

1 Outokumpu, but we have turned them way back.

2 MR. HENDRICKSON: David Hendrickson Felker
3 Brothers Corporation. We made a decision because the
4 operation of a stainless mill isn't something you can
5 learn within a day, or a week, or a month. Those
6 skills are very important. The amount of scrap off a
7 mill can be extremely expensive.

8 So when we take the time to train people and
9 to put that effort into it, we made a decision that if
10 we idle the capacity, which we have periodically, we
11 would not lay those people off, we would utilize them
12 in other areas if we can, or we would, as we have done
13 sometimes, done some training, PMs on the equipment,
14 what is ever necessary.

15 The other thing is because we're a family-
16 owned country, company, our ownership is very adamant
17 about taking care of families. They look down at us
18 making a decision for lay offs unless it's absolutely
19 possible, impossible to get around. That's one of the
20 reasons I'm here. Thank you.

21 MR. SZUSTAKOWSKI: You all mentioned there's
22 a handful of master distributors in the U.S. market.
23 Does the Petitioner, or can you identify in your brief
24 who those are? Like who -- the major players.

25 MR. SCHAGRIN: We'll put that in our

1 posthearing brief, Mr. Szustakowski.

2 MR. SZUSTAKOWSKI: Can you discuss the
3 import trend for a little bit, subject import trend?
4 Because you see this increase from 2010 to 2011, '11
5 to '12 it's somewhat level, and then in the quarterly
6 data, Q-1 2013 compared to Q-1 2012, it's down a
7 little bit.

8 Is that quarterly comparison, is there, you
9 know, is that the beginning of a trend or is there
10 something, you know, what's going on with import
11 volume that it's declined a little bit?

12 MR. SCHAGRIN: First, and we'll further
13 elucidate on this issue in our posthearing brief, you
14 know, sometimes between looking at a year and a
15 quarter, literally, whether the boat arrives in
16 December or January has an impact, and we believe
17 that's had an impact here so that imports were up
18 somewhat in December of '12 and down somewhat in
19 January of '13. So that affects the quarterly
20 comparison of '13 to '12.

21 The other thing that's been happening is
22 that, and these gentlemen can probably speak to that,
23 is that kind of throughout the distribution chain of
24 these products and almost all steel products, there
25 was just a lot of uncertainty going on in the U.S.

1 economy at the beginning of this year.

2 We all remember the threats, some of which
3 came through, of sequestration or what was going to
4 happen with the tax code changes at the end of the
5 year, and so it just seems that throughout the supply
6 chain, that distributors have destocked inventory in
7 the first quarter of 2013. We think that had a
8 temporary impact on the level of imports arriving
9 because of just so much uncertainty going on in the
10 U.S. economy at the end of 2012 and the early part of
11 2013.

12 We're hoping those clouds part and some
13 certainty comes back for those making investments.
14 Not really clear that that is happening because you
15 have to remember, in terms of the demand drivers for
16 the WSSPP products, very heavily oriented towards
17 major capital expenditures by companies. Expenditures
18 on a chemical plant or an expansion of a chemical,
19 petro chemical, grain processing, pharmaceutical, food
20 processing, water purification systems, they're
21 virtually all big capital expenditures.

22 I think there's no doubt from the economic
23 data that it's the big capital expenditures, that
24 companies, even though they have huge amounts of cash
25 on the sidelines, are not making those. I guess

1 that's goes toward some economic analysis and maybe
2 some psychological analysis about what it takes to get
3 those animal spirits going in the economy. It's a
4 very interesting concept in economics, this whole idea
5 of the animal spirits.

6 Certainly those spirits have not been
7 awakened in terms of the demand drivers for WSSPP, and
8 we think that's had an effect on the import trends, as
9 well as some of the domestic trends.

10 MR. SZUSTAKOWSKI: I just have, I think,
11 just one more question.

12 Mr. Bohn, you mentioned before the Marcia
13 Gallia facility in China and its export orientation,
14 shipping to Malaysia and Thailand. Is there any sort
15 of trade data that we can look at that would help to
16 validate that?

17 MR. BOHN: We'll try to find something for
18 the conference brief.

19 MR. SZUSTAKOWSKI: Thank you. That
20 concludes my questions. Thank you.

21 MS. DEFILIPPO: Thank you, Mr. Szustakowski.
22 Mr. Haldenstein, questions for this panel?

23 MR. HALDENSTEIN: Michael Haldenstein,
24 Office of the General Counsel. I just have a few
25 questions.

1 With respect to domestic like product, in
2 the China case the Commission considered expanding the
3 domestic like product to include larger diameter
4 pressure pipe and it rejected that expansion because
5 the production processes were somewhat different and
6 there were actually different end uses for the two
7 types of pressure pipe. Do you think anything has
8 changed since that analysis that the Commission did,
9 and, if so, what?

10 MR. SCHAGRIN: Simple answer is no, nothing
11 has changed since the China investigation. I would
12 just also mention I think one of the main bases as
13 well for finding the larger OD products to be a
14 different like product was the channels of
15 distribution, because most of those large diameter
16 products are for specific end user projects, whereas
17 the smaller diameter subject products go through
18 distribution before they go to end users.

19 But nothing has changed in the industry in
20 terms of production, process, channels of
21 distribution, uses, customer perceptions, since the
22 Commission's like product determination in the China
23 investigation in 2009.

24 MR. HALDENSTEIN: Thank you. With respect
25 to the definition of the domestic industry, I was

1 wondering if there were any related parties that the
2 Commission would need to consider in this
3 investigation. If there are, could you be sure to
4 discuss whether they should be excluded in your
5 postconference brief.

6 MR. SCHAGRIN: We don't believe so, but
7 we'll also look at it for the postconference brief.

8 MR. HALDENSTEIN: With respect to
9 cumulation, you discussed it briefly in your opening
10 remarks. I was wondering if the subject imports from
11 the three countries are competing in the same product
12 lines.

13 MR. SCHAGRIN: Yes, we believe they
14 definitely are competing in the same sizes, the same
15 specifications, same ODs, and that they go through the
16 same channels of distribution.

17 MR. HALDENSTEIN: Do customers ask about the
18 country of origin when they order product? Can
19 anybody address that?

20 MR. TIDLOW: We see a few questions about
21 country of origin, but it's a very minor percentage of
22 all of the sales that we ever make. It might have
23 been more prevalent four or five years ago. I can
24 only recall one question this year that's happened.
25 So it's a very, very small percentage of any of our

1 orders.

2 MR. HALDENSTEIN: Thank you. Is this
3 product mainly held in inventory? Are sales mostly
4 from inventory or is the product ever made to order?

5 MR. HENDRICKSON: David Hendrickson, Felker
6 Brothers Corporation. Majority of our product were in
7 subject materials in inventory. There are some made
8 to order items, and mostly that's related to length.

9 MR. HALDENSTEIN: Related to length, did you
10 say?

11 MR. HENDRICKSON: Yes, length.

12 MR. HALDENSTEIN: Are the subject imports
13 all sold in the same geographic markets, to the extent
14 you know.

15 MR. SCHAGRIN: Yes. We can look at the
16 entry ports, but yes, the subject imports are sold
17 throughout the United States, concentrated in the
18 areas where there's, you know, the most demand in the
19 United States, which would be the Gulf Coast areas.
20 We believe they are sold throughout the United States,
21 as are the domestic producers' products sold
22 throughout the United States.

23 MR. HALDENSTEIN: Thank you. Also with
24 respect to cumulation, can you be sure to address
25 cumulation for purposes of threat in your

1 postconference brief.

2 MR. SCHAGRIN: We will do so.

3 MR. HALDENSTEIN: With respect to the prices
4 for these, for pressure pipe, your petition discusses
5 AUVs quite a bit. Do you feel that the Commission can
6 rely on AUVs in this case or is there, are there great
7 differences in product mix?

8 MR. SCHAGRIN: No. We believe that you can
9 rely on AUVs because there's not a great difference in
10 product mixes. Obviously, to the extent that you have
11 vibrant information from importer response, as well as
12 domestic, you know, we think the pricing products that
13 have been selected by the Commission in the
14 questionnaires are very representative of the overall
15 subject products in terms of both imports and
16 domestic.

17 So certainly we think the pricing products
18 are representative, and we believe that the product
19 mix for imports and domestics are, don't have any
20 significant differences that would prevent you from
21 using AUVs as well.

22 MR. HALDENSTEIN: Okay. So when we look at
23 the nonsubject imports from Taiwan, if we don't have
24 pricing data for them, you think we can look at the
25 unit values? That would be indicative of how they're

1 being marketed and priced in the U.S. market?

2 MR. SCHAGRIN: Yes, we do. Two comments
3 about Taiwan and Korea. While Ta Chen was excluded
4 from the department's antidumping duty order in I
5 believe it was either 2000, 2001, 2002, roughly a
6 decade ago, we should always remember that the
7 condition of exclusion -- which, by the way, the
8 department has amended its regulations and will not
9 exclude companies in the future. I think that was
10 published late last year or early this year.

11 But the excluded company has to transmit a
12 letter to the department saying that they agree not to
13 resume dumping in the future, there will no longer be
14 subject to any suspension liquidation, and if members
15 of the domestic industry petition the department with
16 evidence of a resumption of dumping, which happened
17 just within the last 24 months as to one producer of
18 hot-rolled sheet from Thailand, the department will
19 reimpose dumping duties.

20 So there's still discipline that exists for
21 someone who's been subject to a dumping order.
22 Doesn't exist as to someone excluded at the outset,
23 but it does as to someone who has been excluded by
24 virtue of their three and out.

25 As of the Koreans, Saia, at one time, about

1 the time of the China petition -- we requested an
2 administrative review for many years. Imports from
3 the only producer in Korea, Saia, which purchased one
4 or two other producers in Korea of stainless pressure
5 pipe, had no margins. We requested a review and the
6 margins went up to three and a half, four percent.
7 They later requested a review and the margins went
8 back down.

9 There's no doubt in our minds that their
10 ability to say chase the prices of these imports from
11 Thailand, Malaysia, and Vietnam which are not subject
12 to any disciplines is encumbered by the fact that they
13 are subject to an order. If all of a sudden we see
14 prices coming from Korea not at \$5,000 a ton but at
15 \$3,500 a ton, we're going to ask for review and say
16 that, you know, you should raise the dumping margins.

17 So, you know, we think there has been an
18 impact of the dumping orders against Taiwan and Korea
19 on the prices from Taiwan and Korea, and certainly you
20 can see from the AUVs and what these gentlemen
21 understand from the marketplace is that the people for
22 whom pricing has run amok in the U.S. marketplace are
23 the imports from Thailand, Malaysia, and Vietnam, and
24 often as we're looking at filing petitions. It's not
25 let's file a petition against anyone shipping any

1 volumes into the U.S.

2 I mean the prices at which imports are sold
3 are very important. We do have to demonstrate to the
4 Department of Commerce that these sales are at less
5 than fair value. You're not going to bring a case
6 against someone if there's import volumes, but not
7 sales at less than fair value. So I hope that answers
8 your question.

9 MR. HALDENSTEIN: Yes. Thank you. You had
10 mentioned the quarterly data. Do you feel that the
11 Commission should give less weight to that data in
12 this investigation?

13 MR. SCHAGRIN: Yes. We believe the
14 Commission should give the greatest weight to the full
15 years of '10 through '12. Obviously, consider the
16 quarterly data, but the Commission normally gives less
17 weight to interim quarterly data than it will to the
18 full years.

19 MR. HALDENSTEIN: Thank you. I have no
20 further questions.

21 MS. DEFILIPPO: Thank you, Mr. Haldenstein.

22 Ms. Preece, questions for this panel today?

23 MS. PREECE: First, I want to thank
24 everybody for cooperating with me and getting me the
25 data in feet after we made a change in the way we

1 wanted to collect it. I think that will improve it
2 greatly. And so it was very useful, and I appreciated
3 it a lot that everybody was very cooperative in that.

4 So let's start at the top. We did this
5 investigation for Chinese imports. Are there any
6 major changes in the market? You know, not these new
7 people coming in, but other changes that we need to be
8 aware of that are different from what we had in the
9 previous investigation? How it's used.

10 MR. TIDLOW: This is John Tidlow. I
11 remembered to say my name. No, I don't believe there
12 were any changes. We've had a couple of maybe demand
13 markets fall out, which would have been the ethanol
14 business which was strong back in the '08, '09 period
15 but is almost nonexistent at this point, but other
16 than that, I don't see any changes.

17 MR. SCHAGRIN: Ms. Preece, this is Roger
18 Schagrin. In reviewing the China investigation and
19 reading and obviously having participated in it,
20 that's the one thing that stands out is that given
21 maybe the government incentives for ethanol
22 production, I believe it was, some law was passed
23 around 2004 or so requiring this 15 percent ethanol in
24 the blend, and so we really had in this period from
25 like '06 to '08 -- and it shows up in the demand --

1 demand increased during that time period by roughly 35
2 or 40 percent.

3 Almost the entire increase in demand was
4 related to this boom in these new ethanol plants being
5 in, unfortunately, much of which went to imports from
6 China. I mean certainly there the Commission did a
7 great job recognizing that. The industry's profits
8 increased over the three year POI in the China case,
9 but they lost market share, they had production and
10 shipment declines, and the Commission said, you know,
11 look, during a period of increasing consumption you
12 showed, because of these increased imports from China,
13 the negative impact of the imports, so we find
14 material injury.

15 Of course the importers, who I don't even
16 believe showed up for the final investigation phase in
17 China, though they did at the preliminary phase, you
18 know, had they been there they would have been saying,
19 look, they have improving profits over the POI.

20 In that case the Commission looked at the
21 business cycle, which was a cycle of increased demand
22 because of this rapid expansion of ethanol plants, and
23 said even though your profits increased during the
24 business cycle, you've lost market share, you've lost
25 production, you've lost shipments, you've had adverse

1 employment affects. Of course I would urge the
2 Commission to do the same here.

3 Here we have a much flatter demand cycle,
4 but the result of the increased imports has been a
5 decrease in U.S. market share, production, and
6 shipments, and to the extent that, like the old tailor
7 joke I learned as a kid, to the extent that this
8 industry hasn't generally said, well, we're losing
9 money on every unit we sell, you know, let's make more
10 units and lose less money, I think you can just tell
11 from the data here, it stands out to me, that this
12 industry's losses decreased because they decided not
13 to keep selling at a loss, so they've literally cut
14 their losses by giving up market share.

15 To me, that's a sure sign of injury because
16 the statute says look at the impact on the industry in
17 terms of all the production factors, look at
18 underselling, look at profits. We don't have to prove
19 injury in each and every one of the three segments
20 within the statute. The Courts have said one is
21 sufficient. The Commission, as to this very same
22 product, found that was sufficient in the China
23 investigation, and should do so here as well.

24 MS. PREECE: Amelia Preece again. Thank
25 you. In earlier cases, some purchasers reported they

1 were willing to purchase only from certain producers.

2 People have sort of indicated that this is not true
3 now. Is this not true? True? What would you say as
4 far as that?

5 MR. TIDLOW: This is John Tidlow. I think
6 we're referencing approved manufacturers lists and
7 approved buyers lists. The relevance of that to us at
8 this point is much lower than it was 10 years ago,
9 much lower than it was two or three years ago.

10 Basically, outside of the top Fortune 500
11 top 100, maybe, we don't see the use of the AMLs as
12 much anymore. They rely on the distributors to
13 provide the product to meet their specifications.

14 MR. HENDRICKSON: David Hendrickson, Felker
15 Brothers Corporation. I would agree with Mr. Tidlow.

16 We don't see that nearly as much anymore as a
17 requirement and it just seems like unless you're
18 dealing with somebody that's very large -- which we
19 don't, we deal through distribution -- that they
20 handle that on their end of it.

21 MR. PODSIAD: Kris Podsiad, Outokumpu. We
22 do not see the importance of that anymore as we did in
23 the past.

24 MS. PREECE: Thank you. Why is this product
25 sold mainly through distributors? Is there a

1 particular reason? I mean obviously this is true and
2 has been true for quite a while. What do the
3 distributors -- what's the advantage for the
4 purchasers of buying it through the distributors? Can
5 anyone explain that?

6 MR. PENNINGTON: I can make one comment. I
7 think the -- excuse me. Kyle Pennington. I'm still
8 Kyle Pennington. I think the distributors, their
9 business model to customers offers one stop shopping,
10 so whereas they would carry other components, such as
11 fittings, couplings, phalanges, of that nature, the
12 customer can call for A to Z purchases there.

13 MS. PREECE: Okay. That's great. That's
14 very helpful and leads me into another set of
15 questions that I'm going to bother you with.

16 Now, this is going into the animal spirits
17 thing which we were discussing earlier. I'm trying to
18 figure out this product in the structure of what, that
19 it is that it's sold in. Recently, somebody said that
20 it was mainly purchased for large projects, so let me
21 give you an example of a large project. If we're
22 talking about ethanol projects, if I had an ethanol
23 project coming on, a new facility for this ethanol
24 production, what would you think? This is really
25 exciting. How much of the share of this wonderful

1 ethanol product do you think would be going, being
2 spent on your stainless steel pipe? Is this going to
3 be 10 percent of an ethanol project? Two percent?
4 Fifty percent?

5 If I gave you this ethanol project, how
6 much, would it be two percent of the cost of the
7 ethanol, the spending on the ethanol project, or would
8 it be 10 percent of the spending on the ethanol
9 project, or .5 percent? What would you say?

10 MR. TIDLOW: This is John Tidlow. We
11 typically see that it's anywhere from one to five
12 percent, as represented by our pipe and our
13 fabrication side as well. So pipe would be a very
14 small percentage of the overall capital expenditure of
15 the project.

16 MS. PREECE: So 10 percent would be the pipe
17 and fabrication, five percent --

18 MR. TIDLOW: One to five percent.

19 MS. PREECE: One to five percent. Okay.
20 Let's say it's five percent. Then how much of that
21 would be fabrication, and how much of that would be
22 pipe?

23 MR. TIDLOW: Two or three percent would be
24 fabrication, and two or three percent would be pipe.
25 It would be half and half.

1 MS. PREECE: Okay. Great. That's very
2 helpful. Is it similar for an oil cracking plant?

3 MR. TIDLOW: This is John Tidlow again. On
4 the oil cracking plants there's a lot less stainless
5 steel and a lot more carbon and chrome steels than
6 there are for an ethanol project so the percentage
7 would be a lot smaller on that as a percentage of the
8 overall capital expenditure.

9 MS. PREECE: Okay. Now, these are two that
10 we've specifically mentioned. We also had a food
11 plant. How much of the share of the food plant would
12 be these wonderful -- fewer letters, too many letters
13 -- product?

14 MR. TIDLOW: Thank you for that as well.
15 This is John Tidlow. Food and beverage would be
16 smaller percentages as well. The brewery industry is
17 a higher percentage, the ethanol industry is a
18 slightly higher percentage, and a chemical industry
19 would be towards the four or five percent, three, four
20 or five percent side.

21 MS. PREECE: Okay. So you'd say if I were
22 building a plant that was going to be using stainless
23 steel pipe it would be in the sort of five percent
24 down range.

25 MR. TIDLOW: Yes. That's correct.

1 MS. PREECE: And probably more like two
2 percent down, given we'd take out the fabrication,
3 which is a separate thing.

4 MR. TIDLOW: Yes, ma'am. that's correct.

5 MS. PREECE: Does anybody else have any
6 insight in this, or want to say no, no, no, in some
7 factories it's 45 percent or something, or is this
8 sort of something that people can agree on?

9 MR. HENDRICKSON: David Hendrickson, Felker
10 Brothers Corporation. I think the size of the project
11 and, for instance, wastewater treatment, may consume
12 more stainless product, but a lot of that may be
13 nonsubject material. So you're asking a question
14 about a project that has variability on size,
15 structure of the pipe, and so it's really hard to
16 pinpoint a percentage.

17 MR. PODSIAD: Kris Podsiad, Outokumpu.
18 Unlike my counterparts here, we do not do any
19 fabrication so we're further away from the project
20 scope, so I'll have to rely on these two gentlemen to
21 comment on that.

22 MS. PREECE: Thanks. That was really very
23 helpful because this is a question that we strive
24 mightily to get answers to, and fail frequently, and
25 that's very helpful. It's very understandable, what

1 you said, so that, I want to thank you very much for
2 that.

3 So one of the things you were talking about
4 is we've seen a reduced demand from this ethanol
5 changes. Are there any other demand factors that sort
6 of stand out for this period?

7 (No response.)

8 MS. PREECE: Okay. That's good. No. No.
9 No, you don't see anything. No is good enough. No is
10 good enough.

11 MR. SCHAGRIN: Yes. I think that means no,
12 there aren't any other factors that stand out.

13 MS. PREECE: Yes. No is good enough. I'm
14 happy with a no, as long as it's on the record, and
15 I've said it, so it's on the record.

16 Do any of you have any ideas of trends in
17 demand outside the U.S.? Is there lots of factories,
18 fracking, magic stuff going outside the United States
19 that's using lots of pipe? This pipe. I mean I'm not
20 talking about your demand, I'm talking about demand
21 from these, in other countries that would, might
22 attract, Vietnamese or something like that.

23 MR. SCHAGRIN: Ms. Preece, Dr. Schagrin.
24 Because this so much, you know, follows the overall
25 expansion or contraction of economies, two

1 generalizations certainly apply.

2 One, there would be a lot less demand in
3 Europe, meaning the fact that the EU is just imploding
4 and is having probably its most severe recession since
5 The Depression certainly is having adverse effects on
6 demand for everything, including products like this,
7 within the EU, and that is probably the single largest
8 economy when taken as the block of 30 countries
9 altogether.

10 Then secondly, even though China is not
11 expanding as quickly as it did before, there's no
12 doubt that thanks to the large *S* and the five year
13 plans of the Chinese economy, they will keep building
14 capacity for everything regardless of worldwide
15 demand. It just fosters employment to build capacity.

16 The problem of course is even though demand
17 for these goods may be expanding in China, the
18 potential supply of these goods in China vastly
19 outstrips demand, so it wouldn't have, it has still a
20 negative impact. The excess capacity to produce these
21 goods in China, notwithstanding growing demand in
22 China, still exerts negative forces in terms of supply
23 and demand for the world market for these goods.

24 MS. PREECE: Okay. Thank you. Now I want
25 to talk about substitutes. This is a product that's

1 very expensive relative to carbon steel. I think that
2 is something that is true. Nobody? Yes. Okay.
3 Everybody agrees. I had nods from all heads.

4 So is there use of WSSPP that other products
5 could be substituted for, such as carbon steel, other
6 kinds of steel, other stainless steel pipe? Is there
7 really any?

8 MR. SCHAGRIN: Probably not, only because of
9 the engineering. In other words, as you said, Ms.
10 Preece -- and this is Roger Schagrin -- if an engineer
11 working on any type of factory project could use
12 carbon or alloy instead of stainless, they would
13 because you're talking about a factor of several
14 hundred percent difference in cost. So they use these
15 products because the engineering requires that they be
16 used.

17 Similarly, probably the only thing more
18 expensive than welded stainless steel pressure pipe
19 for use in conducting liquids, gases, et cetera,
20 within a manufacturing plant would be seamless
21 stainless steel pressure pipe, and that is more
22 expensive than welded stainless steel pressure pipe.
23 So the engineer is not going to use seamless if they
24 can use welded.

25 So kind of throughout the spectrum of all

1 the products that are pipe there aren't real
2 substitutes because it's the engineering specification
3 of the uses that would drive the particular users, end
4 users, towards this product, either down from the one
5 product above it or up from a whole myriad of products
6 that would be below it and less expensive.

7 MS. PREECE: Okay. Thank you very much.
8 That's answered my questions, I think, for today.

9 MS. DEFILIPPO: Thank you, Ms. Preece.
10 Ms. Taylor?

11 MS. TAYLOR: Hello. This is Karen Taylor of
12 the Office of Industries. I'd like to welcome and
13 thank everyone who is appearing today. I only have a
14 few questions.

15 You had mentioned that the demand for this
16 product is in the one inch to two inch size range, if
17 I understand you correctly. If that is correct, what
18 share of the market would you estimate this one to two
19 inch sweet spot, if you will, occupies?

20 MR. TIDLOW: I don't have very good
21 information on that, but we might be able to provide
22 in the post brief information.

23 MS. TAYLOR: All right.

24 MR. TIDLOW: I'd like to make sure that we
25 make the point that the subject is the half inch to

1 the 14 inch.

2 MS. TAYLOR: Right.

3 MR. TIDLOW: It's very prevalent in all of
4 the other sizes, it's just the statement that one and
5 two inch is by far the largest segment of the market
6 in footage, not in tonnage.

7 MS. TAYLOR: Okay. All right. Thank you.
8 The harmonized tariff schedule classifications in
9 which the subject product enters the country includes
10 pipe other than the subject of this investigation.
11 Can you give me a feel for if using official import
12 statistics would be a good proxy for the quantities of
13 subject product subject to this investigation, or
14 would there be a large share of other nonsubject
15 product entering under those HTS numbers?

16 MR. SCHAGRIN: Ms. Taylor, this is Roger
17 Schagrin. Based on discussions with people in the
18 industry, it appears that the majority of, the
19 overwhelming majority of entries within these HTS
20 categories from the subject countries are subject
21 goods.

22 The main in these round stainless pipe
23 categories, there's two big segments of products that
24 can enter those HTSs because the other HTSs, boiler
25 condenser, heat exchanger, have their own HTSs.

1 Stainless OCTG, oil country tubular goods, has its own
2 HTS, stainless line pipe has its own HTS.

3 So by process of elimination, because these
4 HTSs are just round and not those other specific
5 items, the two main categories that would come into
6 these HTSs are either subject stainless pressure pipe
7 or round mechanical tubing made out of stainless.

8 So we do not believe that the producers in
9 Malaysia, Thailand, and Vietnam are making or
10 exporting any significant quantities of round
11 mechanical tubing. We believe that virtually all the
12 imports from Canada are round mechanical tubing
13 because these folks don't see any imports, and if you
14 look at what people make, producers in Canada aren't
15 making ASTM A312 products.

16 As to other countries, it becomes more of a
17 blend, that is to say Korea, Taiwan, Japan, where it
18 can be a lot of the subject product, as well as
19 significant quantities of mechanical tubing. I know
20 that complicates all of our lives, but it's the honest
21 answer. We're not looking for easy answers that make
22 our lives easier. I think you're looking for the
23 truthful answers and then you'll have to deal with it
24 in terms of establishing your record.

25 So there are those complicating factors and

1 we just judge by what we know about what mills make
2 and what these gentlemen tell us about what they see
3 in terms of competition.

4 MS. TAYLOR: All right. Thank you. I just
5 wanted to get an opinion from the Petitioners. There
6 is a database of pipe manufacturers called SIMDEX.
7 How do they feel about the reliability of the
8 information contained in SIMDEX, if they're familiar
9 with it. I assume they are.

10 MR. SCHAGRIN: You know, interestingly
11 enough -- this is Roger Schagrin -- as nerdy as it
12 might sound, you know, I kind of live with SIMDEX.
13 We've subscribed to it I think since it was called
14 *Pipe and Tube Mills of the World* that came out from
15 Preston Publishing maybe 15 years ago and then it
16 became SIMDEX, and because, maybe much to the chagrin
17 of this Commission, we bring a lot of cases on pipe
18 and tube.

19 No pun intended, Mr. McClure. I couldn't
20 help myself.

21 You know, we bring a lot of cases. You
22 know, we, I actually even look at SIMDEX every quarter
23 when we get the update. I know that's why my kids
24 think I am, you know, really the ultimate lawyer nerd.

25 So having worked with it for 15 years, I

1 would say, as to telling us when new mills open in the
2 world, particularly China, it's a great source.
3 Telling us what the mills make in terms of the product
4 specifications they make, it's pretty good. Telling
5 us what the capacities are at those mills, it's not
6 very good. So there's just different levels of
7 information, but overall, it's the best, you know,
8 resource we have.

9 Then of course, you know, we dig down by
10 using the internet on companies, as well as using
11 SIMDEX. It's a great resource, and they shouldn't
12 have to pay me anything for advertising it.
13 Surprisingly, very few -- in the U.S. pipe and tube
14 industry it seems that very few companies utilize it.
15 I'm not sure these folks in this industry are even
16 aware of SIMDEX.

17 Am I right? See, they never heard of it.
18 I'll put that on the record. I've heard of it.

19 MS. TAYLOR: All right. Thank you. My last
20 question, I just wanted to go back to I think it was
21 Mr. Tidlow's statement that the production process is
22 basically the same worldwide, United States and
23 outside the United States, and that companies are
24 using for this subject product and domestic like
25 product this continuous mill process and not the batch

1 process. I just wanted to confirm that my
2 understanding of your statement was correct.

3 MR. TIDLOW: This is John Tidlow. Yes, your
4 understanding is correct. There are a few people who
5 might use the batch process but that would be a very
6 high cost solution so it would be even less
7 competitive in the subject area, but --

8 MS. TAYLOR: So we're talking about
9 something very, a very small share, if any?

10 MR. TIDLOW: A very small share, if any, and
11 a vast majority, well in excess of 95, 98 percent,
12 would be produced this way.

13 MS. TAYLOR: Okay. Thank you very much.
14 That concludes my questions.

15 MS. DEFILIPPO: Thank you, Ms. Taylor.

16 Mr. McClure, do you have questions?

17 MR. MCCLURE: Jim McClure, Office of
18 Investigations. I'm the supervisory investigator,
19 which means I'm the least important person on this
20 investigative team. These guys do the heavy lifting
21 and make me look good.

22 First of all, I'd like to thank all of you
23 for coming. Having just gone out to Missouri and back
24 on a quick weekend trip, I had forgotten how wonderful
25 it is to travel through the skies of America as I sat

1 on the runway at Kansas City for five hours.

2 One question I would like to follow up on,
3 Ms. Preece asked about substitutes, and we heard from
4 Mr. Schagrin. Do any of you gentlemen have a comment
5 on that? You can give me an answer now, or if you
6 could comment on that in the postconference
7 submission, I would appreciate it.

8 MR. HENDRICKSON: David Hendrickson, Felker
9 Brothers Corporation. I think the combination of the
10 pressure requirement and the corrosion resistant
11 requirements for the product make it very difficult to
12 substitute. You may be able to substitute one option
13 for corrosion or one option for pressure, but not for
14 both. So I think it's pretty unique in that format,
15 and that's why you don't see the substitutions.

16 MR. MCCLURE: Anyone else?

17 MR. PENNINGTON: Yes. Kyle Pennington with
18 Synalloy Metals. Mr. McClure, I would just comment
19 that I think any time a potential customer, or
20 project, or engineering looks at material, build
21 materials for usage, any time that product can be
22 substituted and maintain or exceed the integrity
23 that's required, that's a viable option. Certainly,
24 you know, OEMs and industries all want to make money
25 so they're looking for a better cost solution as long

1 as it would maintain integrity. Back to Mr.
2 Schagrin's comments, that's an engineering task.

3 MR. PODSIAD: Yes. Kris Podsiad, Outokumpu.
4 I reiterate what my counterpart said, that
5 substitution is very difficult. Being part of the
6 Outokumpu Group, we often spend a great deal of time
7 trying to substitute some of our proprietary grades on
8 the flat side and trying to get engineers to
9 substitute is a very difficult and time-consuming
10 task. There really isn't anything close to what the
11 subject material is without either going up, as Mr.
12 Schagrin said, into seamless or high alloys on the up
13 side, and on the down side, there's such a drastic
14 drop down to what would be carbon steel or plastics
15 below theirs.

16 MR. MCCLURE: Thank you. On the identifying
17 one south, before you speak, I'd like to award Mr.
18 Hendrickson the gold star. You didn't miss it once.

19 Mr. Schagrin, we may need some remedial
20 work.

21 Finally, Mr. Tidlow, I was pleased to hear
22 that the brewing industry, that the piping, you know,
23 makes up the greater portion of the capital
24 investment, so you have given me yet another reason to
25 drink beer, because I'm helping your industry. That's

1 all I have.

2 MS. DEFILIPPO: Thank you, Mr. McClure. I
3 actually have a mess here because I've tried to cross
4 out everything, so I will try to just hit on a couple
5 of things that I either need clarification or I didn't
6 hear.

7 Mr. Tidlow was talking about size, and I
8 think we were talking about half inch to 14 inch being
9 the total scope. I just wanted to clarify. Are all
10 the subject countries and the domestic producers in
11 that complete size range? I know we talked about sort
12 of the sweet spot of one to two, but, excuse me, or
13 are there some products that are only available from
14 the domestics or from a certain subject country?

15 MR. TIDLOW: This is John Tidlow. I'll try
16 to remember my name again. We see all of the subject
17 materials, all the subject sizes coming in as imports.

18 MS. DeFILIPPO: Okay.

19 MR. TIDLOW: Less on the larger diameter and
20 a lot more on the smaller diameter, of course.

21 MS. DeFILIPPO: Okay.

22 MR. SCHAGRIN: This is Roger Schagrin. I am
23 aware that these three members of the domestic
24 industry make the entire size range. Another member
25 of the domestic industry, because I visited their

1 mill, does not. I believe that their largest size is
2 either a 10 or a 12 inch. Am I right? Twelve inch
3 for Marcegaglia, so they don't happen to make the 14
4 inch.

5 And it may be that not every mill in
6 Thailand, Vietnam or Malaysia makes half inch through
7 14 inch, but certainly we believe that within their
8 countries there are mills that cover the entire size
9 range of half to 14 inch.

10 MS. DeFILIPPO: Thank you. That's helpful.
11 I was just wanting to clarify that there wasn't a big
12 gap where one country didn't produce any of the upper
13 range.

14 Mr. Tidlow, I'll stay with you. You in
15 response to I think some questions and perhaps in your
16 direct testimony was talking about pricing, and a
17 couple of terms you used was we set pricing -- it's
18 firm pricing -- during negotiations. Do you guys have
19 price lists, or is it sort of negotiations with
20 customers throughout the year over a time period?

21 MR. TIDLOW: This is John Tidlow again. We
22 have price lists, but we've abandoned them. We
23 negotiate every purchase at the time of when the
24 quantity and the list come in. We negotiate that with
25 the customer at the time of the sale.

1 MS. DeFILIPPO: Is there any other different
2 responses along the panel?

3 MR. PODSIAD: Yes. Kris Podsiad, Outokumpu.
4 We have a price list, as Mr. Tidlow said, and then
5 everything ends up negotiated after that.

6 MS. DeFILIPPO: Mr. Pennington, earlier you
7 made a reference to the U.S. industry having ample
8 capacity, and I was just wondering across the panel.

9 During the period we're looking at were
10 there any instances where you had an inability to
11 supply customers in the U.S., whether it was a
12 mechanical problem or anything or shipping problems,
13 anything like that where you could not supply
14 customers the product that they were requesting? And
15 if this is something you would prefer to answer in a
16 postconference brief I'm happy with that.

17 MR. PENNINGTON: The answer is no from
18 Synalloy Metals.

19 MR. HENDRICKSON: David Hendrickson, Felker
20 Brothers. No. We've been pretty good at being able
21 to supply the product the customer has required.

22 MR. PODSIAD: Kris Podsiad, Outokumpu. No
23 as well.

24 MS. DeFILIPPO: Okay. Thank you. One last
25 question for Mr. Schagrin. You awakened the inner

1 economist in me earlier when you were doing your
2 opening statement, so I drew some graphs on my piece
3 of paper.

4 As I was looking at some of the import
5 numbers, and we've talked a little bit. I think Mr.
6 Szustakowski asked a bunch of questions, and I think
7 mine is slightly different. I have data that I'm
8 looking at, and it may not be exactly the same numbers
9 that will ultimately be in the staff report, but just
10 as an overall sort of observation looking at the
11 annual data the trend for the subtotal of subject
12 imports is increasing.

13 Within that, the composition or the trends
14 are sort of different for a given country. Thailand
15 kind of went up and then down, but was still overall
16 up. Malaysia went down and then up, and then Vietnam
17 went up the whole time. So my question is is there
18 anything that can explain what may be causing the
19 different trends for the different countries over the
20 period of investigation?

21 MR. SCHAGRIN: I bet that's going to be a
22 great question for Silbo later because my guess is
23 that the trading companies might decide as to how much
24 to purchase from any individual mill and any
25 individual country at any given time based on their

1 prices, so there's no doubt that the Thais, Malaysians
2 and Vietnamese mills would be competing with each
3 other.

4 And so I would think that's the best
5 explanation. I mean, looking at three years of data,
6 there's imports from each of these countries and each
7 month, I agree with you, Ms. DeFilippo, that there's
8 some trends that differ between country and we don't
9 have an explanation for that to answer you, so I think
10 there's certainly some competition among them.

11 The good news is that's going to, as we say,
12 wash out in the laundry when you cumulate the imports
13 because they're all selling the same things.

14 MS. DeFILIPPO: Thank you. So to the best
15 of your knowledge, or anyone on the panel, there
16 weren't any significant supply disruptions in any
17 country that may have changed their pattern?

18 MR. SCHAGRIN: Roger Schagrin again. No.
19 If Mr. Bohn wants to add anything, certainly within
20 these countries there were different expansions and
21 that might in part explain the different increases
22 because a new producer was coming online in a country
23 or a producer was increasing capacity by adding
24 additional continuous weld mills.

25 And that's probably the best explanation is

1 differing -- unlike the United States where we haven't
2 unfortunately had any expansions of capacity, any new
3 players. I think maybe one additional line was
4 brought on in Felker, a new 12 inch line, but in these
5 subject countries there were definitely differences in
6 the amount of capacity expansions during the POI.

7 MS. DeFILIPPO: Thank you. Those are all
8 the questions I have. I'm doing a quick look up and
9 down the table. Everybody is good?

10 Well, with that we are done with our
11 questions, and again I thank this panel very much for
12 coming and presenting testimony and answering all of
13 our questions. We'll take a 10 minute break to
14 stretch our legs and come back around 11:50. Thank
15 you.

16 (Whereupon, a short recess was taken.)

17 MS. DeFILIPPO: Welcome, Mr. Schutzman and
18 the next panel. Please proceed with your testimony
19 when you're ready.

20 MR. SCHUTZMAN: Thank you very much. Max
21 Schutzman, Grunfeld Desiderio. Accompanied to my left
22 by my colleague, Dharmendra Choudhary.

23 Respondents' presentation will be relatively
24 brief. It will consist of first a presentation by
25 Silbo's Executive Vice President, Mr. Jacob, to be

1 followed by a presentation by my colleague Kelly
2 Slater of Appleton Luff, and then we'd be happy to
3 answer your questions.

4 I will turn it over to Mr. Jacob.

5 MR. JACOB: Good morning. My name is Howard
6 Jacob. I am Executive Vice President of Silbo
7 Industries.

8 Silbo is an international trading company
9 specializing for over 50 years in industrial piping
10 components. Pipe flanges, fittings and related
11 products made from carbon, stainless and alloy steel.

12 Our experience and position in the market
13 provide us with a complete perspective on which to
14 assess and comment on this dubious petition.

15 From the Petitioner's side of the room we
16 note two critical absentees. The first being
17 Marcegaglia, the largest producer of stainless welded
18 pipe in the U.S. and the world.

19 The second noteworthy absentee is a producer
20 by the name of Ta Chen. Of course Ta Chen is not a
21 qualified U.S. producer, but we feel that in the long
22 term the primary beneficiary of this case and if
23 there's an antidumping order issued, will be Ta Chen.

24 The entire worldwide market including
25 virtually every U.S. distributor and every major

1 foreign producer have opined to us that this petition
2 is a clear attempt for Ta Chen to gain long term
3 advantage with the assistance, inexplicably, of those
4 who should be their primary adversaries, the U.S.
5 producers whose presentation you heard earlier. Not
6 only is Ta Chen a large worldwide producer, but it is
7 also probably the largest distributor in the United
8 States.

9 We respectfully request the Commission
10 investigate fully the nature of the relationship, if
11 any, that the domestic industry may have with Ta Chen.

12 No one in the industry would be at all
13 surprised of Ta Chen were a supporter of this case.
14 Further, Ta Chen is the subject of a prior dumping
15 case. And any and all arrangements that may exist
16 between Ta Chen and the domestic industry would be
17 critically germane to this petition.

18 Besides its formidable presence in the
19 worldwide pipe business. Ta Chen is a primary
20 distributor of the underlying coil from which the pipe
21 is made, as well as a producer of other related
22 stainless products.

23 In short, Ta Chen is a force.

24 The stainless welded pipe business is
25 historically extremely competitive with many worldwide

1 producers and generally low profit margins.
2 Commodities markets in general and metal markets in
3 particular have been soft for at least two years and
4 show signs of continuing the same malaise. Stainless
5 demand in general, despite what we read in the
6 petition, was off considerably in most of 2011, 2012,
7 and 2013. Silbo's imported tonnage was down seven
8 percent in 2012 compared to 2011, and is significantly
9 down in the first quarter of 2013 compared to the same
10 quarter 2012.

11 Any difficulty experienced by the
12 Petitioners was caused by general market conditions
13 and not by imports.

14 Most assuredly, a direct correlation can be
15 drawn between the price of nickel, a primary component
16 of stainless, and the industry's demand and
17 performance. The price of nickel on Friday was \$6.67
18 per pound compared with a January 3, 2012 price of
19 \$8.37 per pound.

20 To our understanding the price of nickel is
21 completely unaffected by imports.

22 A complete analysis of the market needs to
23 go back beyond the period of investigation to at least
24 2005 when the effective ethanol and alternative fuel
25 expansion had a dramatic impact on the demand for

1 stainless welded pipe.

2 This short term demand, which has fallen off
3 dramatically in recent years, is the primary cause of
4 the worldwide over-expansion.

5 We strongly suggest the Commission's
6 analysis include a detailed review of Taiwan's, that
7 is Ta Chen's, imports of stainless welded pipe. Not
8 once in the petition is Ta Chen mentioned. To be at
9 all meaningful, every statement and table presented by
10 the Petitioners should superimpose a discussion of Ta
11 Chen.

12 As an example, in the first paragraph of
13 page two of the petition it concludes, "So without the
14 subject imports, U.S. manufacturers could have
15 increased shipments by at least one-third." The same
16 types of conclusions are drawn in nearly every
17 paragraph of the petition.

18 The petition just simply ignores Ta Chen.
19 Our research shows that at least 90 percent of the
20 imports from Taiwan are represented by Ta Chen, so
21 equating Ta Chen with Taiwan for this purpose would be
22 appropriate.

23 The imports into the U.S. during the period
24 of investigation from Ta Chen alone significantly
25 exceed the sum of the imports from the three subject

1 countries representing some 13 or 14 producers. The
2 clear inarguable conclusion is that Ta Chen and not
3 the domestic industry will be the beneficiary of this
4 petition.

5 It is beyond credulity that any analysis of
6 the stainless welded pipe market can omit
7 overwhelmingly significant participation of Ta Chen.

8 Anecdotally if you were to review, as we do,
9 the data prepared by various import analysis services,
10 you would be jolted by the massive level of imports
11 into the U.S. every month by Ta Chen. At the same
12 time, the petition is totally mute regarding Ta Chen
13 it expends a good deal of discussion directly on pages
14 14 and 15 and indirectly throughout on a new steel
15 mill and tube facility in Malaysia. The mill
16 identified is SangSang, however SangSang produces only
17 non-subject ornamental tubing.

18 There is one statement made by Petitioners
19 that we are in agreement with. That is there is over
20 capacity worldwide in the stainless welded pipe
21 business. But Petitioners have certainly contributed
22 more than their share to the over capacity issue.

23 Page 14 of the petition discusses in some
24 detail Marcegaglia, the largest worldwide producers in
25 a non-petitioner; very dramatic recent expansion in

1 China. We respectfully direct the Commission to first
2 quarter 2013 import statistics. Imported tonnage is
3 significantly down for the first quarter 2012, nearly
4 25 percent for the subject countries. But please,
5 look if you would, at the tonnage decrease from
6 Taiwan. It is down appreciably less.

7 During the entire period of investigation
8 with particular emphasis on the five months of this
9 year, one of our primary competitors as an importer
10 from principally Malaysia and Thailand and to a lesser
11 extent from Vietnam, was Ta Chen.

12 By virtue of Ta Chen's strength in the
13 marketplace and their virtual integration, they can
14 make or take any deal they want. I think economists
15 refer to this as market power. An assessment of all
16 relevant economic factors clearly indicates that there
17 is no reasonable indication that imports have
18 materially injured or threatened material injury to
19 the domestic industry.

20 On the failure to obtain Marcegaglia's
21 participation as a petitioner, the domestic industry
22 appears to have obtained support of Ta Chen, a foreign
23 producer, to attempt at gaming the process.

24 In order to pass the reasonable indication,
25 a full, a standard of reasonable indication, a full

1 discussion of Ta Chen would be a prerequisite, both
2 with regard to its effect on the stainless welded pipe
3 market and its participation in this case. Failing
4 any reasoned causal attribution to subject producers,
5 an impossibility in my humble view, the petition
6 should be disregarded.

7 Thank you.

8 MS. SLATER: Good morning, everyone. My
9 name is Kelly Slater. I'm with Appleton Luff law firm
10 and I'm here representing Malaysian producer Pantech
11 Stainless & Alloy Industries.

12 Today I'd like to discuss several points
13 with respect to the Commission's traditional injury
14 analysis, particularly causation, and also address
15 some of the more problematic aspects of the petition
16 with respect to making a threat case.

17 It is our position that the petition has
18 failed to sufficiently demonstrate a causal connection
19 between the subject imports and material injury. This
20 is true when considering the import data, the pricing
21 data, demand condition, and other key market players
22 who are not mentioned in the petition, but nonetheless
23 may be impacting the domestic industry's experience in
24 significant ways.

25 Regarding threat, the petition suffers from

1 similar weaknesses as well as inconsistencies with the
2 evidence and widely known conditions of the industry.

3 Specifically there are serious issues with respect to
4 the characterization of demand in the U.S. and other
5 markets at issue in this case.

6 Moreover, the perception created by the
7 petition that certain producers have substantial over
8 capacity, particularly in Malaysia and Vietnam, is
9 factually inaccurate, so I'll try to dispel some of
10 those misperceptions here today.

11 To begin, the petition has failed to
12 demonstrate a nexus between subject imports and
13 material injury. Or that such imports make more than
14 a merely minimal or tangential contribution to the
15 injury being alleged.

16 First, as noted earlier this morning, the
17 import statistics demonstrate that the volume of
18 subject imports remained steady throughout the three
19 year period examined. Import volumes actually fell by
20 three percent in 2011 to 2012, making it somewhat
21 difficult to understand how such stability year to
22 year could substantially upset conditions in the U.S.
23 market or cause petitioners to lose market share.

24 The same can be said for averaging of
25 values. These too remained at steady levels in 2010

1 to 2012 and indeed increased in the period.

2 Although the petition describes prices of
3 subject imports as "low and falling" this is
4 contradicted by the data which instead shows that
5 prices actually increased for the three countries from
6 2010 to 2011 and then only decreased slightly from
7 2011 to 2012. On a net basis there were overall
8 increases in price from 2010 to 2013 for Thailand and
9 Vietnam at significant levels -- three percent and 14
10 percent respectively. And only a very modest, less
11 than one percent decrease overall for Malaysia in the
12 review period.

13 Thus the petition's characterization of AUVs
14 is unsupported by the evidence.

15 Next, the import statistics demonstrate that
16 subject import volumes are dwarfed by non-subject
17 imports which has been discussed quite a bit here
18 today. They consist of only one-third of non-subject
19 import volumes. This casts further doubt on the
20 causal connection between the subject imports and the
21 allegedly faltering domestic industry market share.

22 Thus we ask the Commission to consider the
23 role and impact of the far greater non-subject imports
24 by volume in its injury analysis.

25 I'd also mention in addition to the comments

1 that have been made about Ta Chen, which I won't
2 elaborate on any further because I think they've been
3 covered very, very well, another significant Taiwanese
4 producer out there, a company called Chang Mien was
5 excluded from the original order against Taiwanese
6 pipe from the outset, so that is not subject to any
7 order at this time.

8 So it's not surprising that an examination
9 of country-specific data with respect to non-subject
10 imports reveals that import volumes from Taiwan
11 constitute a substantial portion of such volumes
12 during the investigation period.

13 Similarly with respect to price, we ask the
14 Commission to consider the substantial impact of price
15 which was very likely caused by changes in raw
16 material costs and particularly the cost of nickel.
17 Although the petition fails to mention this, it is a
18 well known fact in the industry that stainless steel
19 costs tend to fluctuate in direct relation to the cost
20 of nickel, and that the stainless steel industry
21 comprises the greatest share of nickel consumption
22 worldwide.

23 Although the petition blames subject imports
24 for depressing prices, in fact the prices of subject
25 imports followed a general pattern in relation to

1 nickel prices in 2010 through 2012.

2 Data from the London Metal Exchange
3 demonstrate that nickel prices increased by five
4 percent from 2010 to 2011, but then dramatically fell
5 by 23 percent in 2011 to 2012 and have continued to
6 fall by an additional seven percent so far in 2013.

7 This general trend is mirrored by the AUVs
8 of subject imports which initially and consistently
9 rose from 2010 to 2011, then fell from 2011 to 2012.

10 We respectfully submit that the trends
11 associated with this important cost factor and not
12 that associated with the so-called low price subject
13 imports had a far greater impact on U.S. prices.

14 And we would respectfully submit that this
15 correlation is a meaningful one, contrary to Mr.
16 Schagrin's comments, and should impact pricing
17 behavior of any company if it's planning ahead for a
18 profit.

19 I'd like to touch on a final point regarding
20 demand conditions.

21 The petition claims that the U.S. market
22 demand for pressure pipe increased from 2010 to 2012,
23 albeit slowly, along with the recovery. However, it
24 is worth noting that this is inconsistent with the
25 evidence so far which instead demonstrates that

1 domestic producers as well as importers, seem to be in
2 general disagreement about whether demand has
3 increased, decreased, fluctuated, or remained
4 unchanged since 2010. Which is it?

5 We believe that this further serves to
6 undermine the petition's position on injury and
7 causation by reason of subject imports.

8 Now I'd like to move on to a few points
9 regarding threat.

10 The petition is deficient in several
11 significant respects on this point and we believe in
12 many cases this is a result of factual inaccuracies
13 and inconsistencies in an examination of the evidence.

14 First, the petition makes much of the role
15 and impact that certain over capacity in China's
16 stainless steel industry may have on its neighbors in
17 the region including the subject countries. Now this
18 is pure speculation, first of all, and in fact is
19 contradicted by perceptions shared by industry
20 participants like Pantech in Malaysia.

21 Using Malaysia as an example, there is a
22 general understanding there that China pressure pipe
23 is simply not competitive with Malaysian product. The
24 main reason for this in the industry's view is that
25 Chinese product is of lower quality than Malaysian

1 product. And in fact many customers in Malaysia
2 insist on guarantees in their contracts that no
3 Chinese-made product be included in their shipments.

4 On a related note, there is also a general
5 perception in the Malaysian industry that the U.S.
6 dumping order against Chinese pressure pipe has had no
7 impact at all on their sales, whether for domestic or
8 export markets.

9 In addition to the quality issue just
10 described, this lack of Chinese impact relates at
11 least in part to the fact that domestic demand in
12 Malaysia is actually strong and growing, perhaps
13 unlike that in other markets.

14 Local pressure pipe producers in Malaysia in
15 fact enjoy sufficient market share across the board
16 and have experienced no major selling pressure in
17 recent years.

18 Indeed the petition itself includes an
19 article explaining how there was a 15 percent increase
20 in the use of stainless steel in plumbing systems in
21 Malaysia in 2011. So this lack of selling pressure is
22 also evidenced by the fact that no dumping
23 investigations have been lodged against Chinese
24 imports of stainless steel pipe into Malaysia, which I
25 should also add is the case for Thailand and Vietnam

1 as well.

2 Given Malaysia's proactive stance in
3 bringing trade actions, particularly in recent years,
4 we believe that this is also a noteworthy point to
5 consider.

6 Furthermore, Pantech believes that domestic
7 demand in Malaysia is sufficient to keep the Malaysian
8 industry at high capacity across the board.

9 Given the perceptions in the market about
10 Chinese welded pipe being of questionable quality,
11 this further demonstrates that the petition's theory
12 about China is unsupported.

13 This leads me to a further point regarding
14 threat. Namely that there is no significant over
15 capacity in the subject countries, particularly in
16 Malaysia and Vietnam.

17 First of all, Pantech, which is the largest
18 Malaysian producer and represents by far the lion's
19 share of Malaysian exports to the United States, has
20 been operating at very high capacity since it began
21 operations in 2010.

22 Similarly Son Ha, the largest Vietnamese
23 producer and exporter to the U.S. reported quite high
24 capacity utilization in 2010 through 2012. So this
25 directly contradicts the petition's position on

1 foreign over capacity as a factor contributing to
2 threat.

3 Other aspects of the petition's threat
4 claims similarly fail.

5 Turning back once more to Malaysia as an
6 example, the Kesungung Company which is made much of
7 in the petition, poses no threat at all because it
8 does not sell subject pipe, and this is a company I
9 should say which was also referred to by Mr. Bohn as
10 operating at 25 percent capacity with plans to add
11 more.

12 To add to Mr. Jacob's points regarding
13 SangSang, I should say that SangSang produces only
14 ornamental, thin weld tubes that normally fall under
15 ASTM standard A-554 specifications and not ASTM, A312
16 or A778 specifications. This information is available
17 on the company's web site.

18 Furthermore, I should note with respect to
19 SangSang that it does not sell -- Even if it did sell
20 subject merchandise, the evidence shows that it does
21 not sell to the U.S. market substantial quantities of
22 any product, and the company's 2012 annual report
23 indicates that the U.S. is simply not a major market
24 for the company at all and is not even mentioned by
25 name.

1 Thus SangSang is simply not a threat to the
2 U.S. industry.

3 Finally, with regard to another Malaysian
4 producer, Bahru Stainless Steel, the petition cites to
5 an article announcing the opening of a new plant in
6 Malaysia with substantial capacity.

7 A closer examination of that article
8 reveals, however, that that plant is not slated to
9 open until 2020, if not later.

10 Thus whatever threat that plant could pose
11 is simply too remote and it of course remains to be
12 seen whether that plant will even be completed or
13 operational by 2020, so this too is entirely
14 speculative.

15 In sum, these examples demonstrate that the
16 petition suffers from serious deficiencies in terms of
17 establishing threat. This is particularly the case
18 regarding Malaysia and also Vietnam.

19 Therefore we ask the Commission to take
20 these points into consideration as well in its
21 preliminary threat analysis.

22 This concludes my presentation and I'd be
23 happy to answer any questions. Thank you.

24 MR. SCHUTZMAN: That concludes the
25 presentation.

1 MS. DeFILIPPO: Thank you very much, and
2 thank you very much to the panel for being here today.

3 It is helpful to have Respondents at a prelim.
4 Sometimes we don't, so I thank you very much for
5 coming and sharing your information with us.

6 I will turn to Mr Szustakowski for
7 questions.

8 MR. SZUSTAKOWSKI: Hello. Thank you for
9 being here today.

10 Just to start things similarly like I did
11 with the domestic panel, reviewing the official import
12 statistics and their utility, do you see, Mr. Jacob,
13 any sort of competition from Canadian products,
14 Canadian WSSPP in the market? Or --

15 MR. JACOB: I'm sorry, I didn't hear.

16 MR. SZUSTAKOWSKI: Do you see any sort of
17 competition from Canada in the U.S. market over WSSPP?

18 MR. JACOB: No.

19 MR. SZUSTAKOWSKI: So they are accurate with
20 that characterization.

21 As for China?

22 MR. JACOB: Excuse me? From China?

23 MR. SZUSTAKOWSKI: Do you face any sort of
24 competition from the Chinese in the market at all?

25 MR. JACOB: No.

1 MR. SZUSTAKOWSKI: After that order went
2 into place it was pretty effective at --

3 MR. JACOB: That's correct.

4 MR. SZUSTAKOWSKI: So that helps us
5 interpret the official data.

6 What about the higher unit value import
7 countries such as Italy, Germany, I think even Mexico?

8 MR. JACOB: Not a factor.

9 MR. SZUSTAKOWSKI: Mr. Jacob, you
10 participated in the investigation, the preliminary
11 stage, with the China petition. Were you an importer
12 then of Chinese merchandise of --

13 MR. JACOB: Yes.

14 MR. SZUSTAKOWSKI: So afterwards you were
15 seeking new suppliers? I'm just -- Were you always
16 importing from --

17 MR. JACOB: We're a trading company.

18 MR. SZUSTAKOWSKI: So any of the subject
19 countries mentioned in this petition, were you
20 importing from them historically? Or was this
21 something that after the China investigation you
22 started importing from them?

23 MR. JACOB: No, I think we were importing
24 from them to an extent before as well.

25 MR. SZUSTAKOWSKI: A similar question from

1 this morning. Are these imports replacing the Chinese
2 product?

3 MR. JACOB: Excuse me?

4 MR. SZUSTAKOWSKI: Are your imports of the
5 subject merchandise, are they replacing the Chinese
6 merchandise? Generally speaking do you see that in
7 the market today that the subject, Malaysia, Thailand,
8 Vietnamese products, re they --

9 MR. JACOB? I really can't tell you whether
10 they're replacing or not replacing. For many they're
11 perceived as a higher quality product.

12 MR. SZUSTAKOWSKI: Higher quality than --

13 MR. JACOB: As a preferred product to
14 Chinese product.

15 MR. SZUSTAKOWSKI: Higher quality than --

16 MR. JACOB: -- The Chinese product.

17 MR. SZUSTAKOWSKI: What about compared to
18 the U.S. producers?

19 MR. JACOB: In the minds of some
20 distributors, they would prefer to have domestic
21 product. And further, they would prefer to have
22 product from a particular supplier as opposed to the
23 specific supplier within a country and as compared
24 country to country.

25 MR. SZUSTAKOWSKI: When you were searching

1 for, finding new suppliers, what sort of
2 considerations do you give? Do you consider
3 purchasing from U.S. producers or is it exclusively as
4 a trading company?

5 MR. JACOB: Generally we view U.S. producers
6 as our competition.

7 We source worldwide.

8 MR. SZUSTAKOWSKI: I've got a mess of notes
9 here so It's going to take me a second to process
10 them.

11 You spent a lot of time talking about Ta
12 Chen and their presence in the market. From this
13 morning's panel, they acknowledge that Ta Chen is in
14 the market but they sell at higher price than other
15 import suppliers.

16 What's your take on that? How is Ta Chen's
17 pricing compared to say your subject imports?

18 MR. JACOB: As I said, when we quote, often
19 we quote with Ta Chen as a competitor. And not being
20 able to speak to the macro nature of those statistics,
21 we know we lose deals to Ta Chen.

22 MR. SCHUTZMAN: Mr. Szustakowski, if you
23 were to review the average unit values in the data
24 from Taiwan as compared to the subject countries, at
25 least the data in the public portion of the petition,

1 you would see that the average unit values were
2 slightly higher for Taiwan. Not materially higher but
3 slightly higher. I think Mr. Jacob's point is well
4 taken, that clearly there are instances where the
5 Taiwanese price will be lower, significantly lower,
6 perhaps, than those of other suppliers and vice versa
7 over time.

8 MR. SZUSTAKOWSKI: Does Ta Chen, can anybody
9 import from them or do they have an exclusive
10 relationship in the U.S.? Is this something that --

11 MR. JACOB: As I said, Ta Chen as well as
12 being a producer is a distributor.

13 MR. SZUSTAKOWSKI: Are they a master
14 distributor?

15 MR. JACOB: Yes. Master. People have
16 differing definitions of masters and non-masters, but
17 Ta Chen is probably, I don't have statistics, but we
18 think that Ta Chen is the largest distributor in the
19 United States. So they're buying from an affiliate,
20 their related company.

21 MR. SZUSTAKOWSKI: What does it take to be a
22 master distributor? It's something I should have
23 asked the domestic panel, so if you want to respond to
24 that in your post-conference brief, that would be
25 helpful. It's a term of art I'm not familiar with.

1 Is it just the size of the distribution facilities?

2 Is it their --

3 MR. JACOB: It's a difference that doesn't
4 really have a distinction.

5 MR. SZUSTAKOWSKI: Let's see here. I
6 realize that Son Ha and Pantech can't be here today so
7 if you could relay some questions to them, that would
8 be helpful.

9 They've provided questionnaire responses
10 which is obviously helpful for our investigation,
11 thank you. I'd like to know a little bit more about
12 their domestic markets. We heard today what the
13 drivers are for demand and if you could provide some
14 additional information about what's going on in their
15 domestic markets or even regional export markets and
16 what demand they're serving, that would be helpful.

17 Are there chemical plant expansions going on
18 there? Or a different sort of pharmaceutical, food
19 processing, that sort of demand driver overseas would
20 be helpful to have to shed some light on that.

21 MR. SCHUTZMAN: MR. Szustakowski, Max
22 Schutzman.

23 We have already posed the question to Son
24 Ha. We've asked them for that information and
25 hopefully we'll have it available for the post-

1 conference submission. I should say that we've also
2 asked them for information concerning Chinese import
3 penetration into Vietnam because I know that's
4 something you're interested in as well and I'm hopeful
5 we'll have that information as well and include it in
6 the post-conference submission.

7 MR. SZUSTAKOWSKI: That would be helpful.
8 Thank you.

9 Obviously we want to have as much coverage
10 of the foreign industries as possible, and you're
11 familiar with the record so far.

12 If your clients or if there's any sort of
13 trade associations that they might be members to that
14 can kind of help us identify good contact information
15 for foreign producers, that would be helpful.

16 We seem to have, sometimes it's a little hit
17 or miss and we just want to make sure that we cover
18 all of our bases, so additional contact information,
19 specifically for the Thai producers or any sort of
20 contacts there. That might be something Mr. Jacob
21 could help with as well. I don't know if your reach
22 into the industry would allow you to have some better
23 contact information you can share with us so we can
24 try to get their questions, the foreign producers'
25 questionnaire responses as well. That would be really

1 appreciated.

2 MR. SCHUTZMAN: Max Schutzman. We will
3 endeavor to get you that information.

4 MR. SZUSTAKOWSKI: Are there any third
5 country barriers against WSSPP for Thailand, Malaysia,
6 Vietnam? Are you aware of any? Are they subject to
7 any orders?

8 MR. SCHUTZMAN: We're not aware of any.

9 MS. SLATER: Kelly Slater. I'm not aware of
10 any either.

11 MR. SZUSTAKOWSKI: The domestic panel gave
12 some indication that they've ceded some of the market
13 for the smaller diameter pipe to subject imports. Mr.
14 Jacob, and this might be something that you want to
15 respond to in the confidential brief, but I'd like to
16 know, is the diameter of the pipe that you're
17 importing from these subject countries, is it
18 concentrated in particular sizes, particular
19 diameters? And if there's any sort of reason for why
20 imports might be concentrated in a smaller diameter
21 pipe versus a larger diameter pipe it would be helpful
22 if you could provide some explanation or some detailed
23 information about that.

24 MR. JACOB: I'll look into it further.

25 MR. SZUSTAKOWSKI: Thank you.

1 Mr. Jacob, you also mentioned in your
2 testimony, in your prepared comments, that there is
3 worldwide over capacity. Where do you see this over
4 capacity? Is it -- What countries were you thinking
5 of when you were mentioning that?

6 MR. JACOB: I was thinking certainly of the
7 United States and China principally. These days even
8 Europe has excess capacity. That's basically what I
9 was thinking of.

10 MR. SZUSTAKOWSKI: Okay.

11 Ms. Slater, you were discussing trends in
12 nickel prices and can you just help me out, explain to
13 me again. When you have a change in nickel prices,
14 you have steel being used overseas in one of the
15 subject countries that's being converted into pipe and
16 then being sold in the U.S.. This might not be the
17 most articulate question, but I'm just trying to
18 understand, when you have nickel prices used at the
19 point of consumption for the pipe producer and it's
20 ultimately sold in the U.S. from an importer to a
21 distributor, what sort of lag is there between that
22 raw material consumed overseas and when it's actually
23 entered in the market, and what does it mean when --
24 You were mentioning declining nickel prices over the
25 last two years. What sort of impact that has.

1 That kind of came out a little sideways, so
2 -- How long does it take to actually pass through the
3 changes in nickel prices?

4 MS. SLATER: That's a good question. I
5 don't know the answer to that question but I can
6 certainly confer with the client and Pantech and the
7 producers and see what their, in their experience how
8 long that lag lasts and --

9 MR. SZUSTAKOWSKI: Mr Jacob, do changes in
10 nickel prices affect your sort of ordering strategy at
11 all when you're importing from subject countries?

12 MR. JACOB: As I think I said in my remarks,
13 if you look at nickel prices historically and look at
14 it at any point in time, you can discern from the
15 price as to how well the stainless business is doing
16 worldwide. So the price at 6,000 and change per pound
17 now indicates that the stainless business worldwide is
18 doing poorly.

19 If the price were \$9 a pound, the opposite
20 would be true. It's a very, very good indicator of
21 all elements of performance.

22 MR. SZUSTAKOWSKI: So a higher nickel price
23 --

24 MR. JACOB: Means the demand is higher.
25 It's reflective of demand.

1 MR. SZUSTAKOWSKI: Okay.

2 Ms. Slater, you were discussing different
3 views of demand trends in the U.S. in your prepared
4 comments. I'm sorry if I missed that portion of your
5 testimony, but help me understand. Is demand
6 increasing or decreasing in the U.S. since 2010, '11,
7 '12? What's --

8 MS. SLATER: Go ahead.

9 MR. SCHUTZMAN: I think Ms. Slater's point
10 was that there is some confusion and uncertainty among
11 the Petitioners themselves of whether demand is
12 increasing or decreasing over the POI. I think that
13 was her point.

14 Am I correct?

15 MS. SLATER: That's true.

16 What I was saying was the petition is taking
17 the position that demand is increasing in the United
18 States, albeit slowly. Yet when you look at the
19 questionnaires that have been submitted so far, which
20 I won't get into details because they're proprietary,
21 but generally speaking the responses in the
22 questionnaires on demand conditions in the U.S.
23 market, the answers are really all over the place.
24 There doesn't seem to be a trend of up, down, one way,
25 left, right, or going nowhere.

1 The point I was making was just that the
2 evidence that we have so far in the questionnaire
3 responses doesn't support a rising demand situation as
4 described in the petition.

5 MR. SZUSTAKOWSKI: Okay.

6 How about you, Mr. Jacob? How do you see
7 demand in the U.S.? What's been happening since --

8 MR. JACOB: As it reflects in our business?

9 MR. SZUSTAKOWSKI: Not just your business,
10 but for --

11 MR. JACOB: I think our business would be
12 reflective generally of what's happening in the United
13 States.

14 In all aspects of stainless, whether it be
15 seamless pipe, welded pipe, stainless phalanges,
16 stainless fittings, all kinds of stainless fittings.
17 Demand in stainless in general has been poor during
18 the entire period. Demand that we see, not only as it
19 relates to our business but what we hear from
20 distributors, and our distributors are the largest,
21 with the exception of Ta Chen, are the largest
22 distributors in the United States. That's the
23 feedback that we get from the marketplace. Contrast
24 that with the carbon business over the last several
25 years which has been contrastingly strong. Stainless

1 is weak. That's what we see.

2 MR. SZUSTAKOWSKI: That seems to conclude my
3 questions. I've checked off a few things, so thank
4 you very much.

5 MS. DeFILIPPO: Thank you, Mr. Szustakowski.
6 Mr. Haldenstein?

7 MR. HALDENSTEIN: Thank you. Mike
8 Haldenstein, Office of the General Counsel.

9 Just a few questions.

10 Do Respondents have a position on the
11 definition of the domestic like product?

12 MR. SCHUTZMAN: Max Schutzman. Mr.
13 Haldenstein, you may recall, I think you may have been
14 present actually, at the Chinese hearing. No? Okay,
15 sorry.

16 At the hearing on Chinese stainless Mr.
17 Jacob testified and took the position that there
18 should be no differentiation between over 14 and under
19 14. And the Commission addressed that in the final
20 and determined that the facts were such that
21 differentiation should be made.

22 For purposes of the preliminary we won't
23 challenge that, but I think for purposes of the final,
24 if there is a final, it's an issue that we are going
25 to explore in much greater detail and would be in a

1 position to provide information to the Commission.

2 So to answer your question, the long and the
3 short of it is for purposes of this prelim, we will
4 accept Petitioner's definition of like product.

5 MR. HALDENSTEIN: Thank you.

6 With respect to cumulation, do you believe
7 that the subject imports from the three countries are
8 essentially competing in the same product lines? Or
9 do you see them specializing in different products?

10 MR. SCHUTZMAN: Max Schutzman again.

11 I don't think we would challenge cumulation
12 for purposes of the prelim either. So the answer to
13 your question is it's essentially a competitive
14 product in our view.

15 MR. HALDENSTEIN: Thank you.

16 MS. SLATER: Kelly Slater. I'd just like to
17 say we also concur with Mr. Schutzman's point from the
18 -- the last two points from the last two questions.

19 MR. HALDENSTEIN: Thank you.

20 I'd also like to remind you to please
21 address cumulation for purposes of threat in your
22 post-conference brief.

23 In looking at Ta Chen, if the Commission
24 doesn't have pricing data for Ta Chen are you
25 comfortable with the Commission relying on the unit

1 values?

2 MR. SCHUTZMAN: Max Schutzman again.

3 I guess, Mr. Haldenstein, you wouldn't have
4 a choice, would you? I think that would be the best
5 information available under the circumstances in the
6 absence of pricing information on time with these
7 product.

8 MR. HALDENSTEIN: Do you have any reason to
9 believe that the product mix is different from Taiwan?

10 MR. JACOB: I really don't have any
11 information on that. I can't answer the question.

12 MR. HALDENSTEIN: Thank you.

13 Mr. Schagrin alluded to the discipline of
14 the order on the Taiwanese product. Would you care to
15 comment on that?

16 MR. SCHUTZMAN: Max Schutzman.

17 We know that dumping consists of sales at
18 less than fair value. It's not defined as sales at
19 less than what U.S. producers sell the product for.

20 So Taiwan dumping is a function of the fair
21 value and the fair value in Taiwan is represented by
22 the home market price. So we have no idea what that
23 home market price would be for Ta Chen, and it would
24 be for Ta Chen. Ta Chen, if Ta Chen were being
25 analyzed. Since Ta Chen has not been the subject of a

1 dumping order for 13 years, there's no way to measure
2 that.

3 So even if Ta Chen were selling at higher
4 prices in the market, allegedly based on the
5 discipline of the order, we have no way of knowing
6 whether those are dumped prices. There's no way to
7 know.

8 In addition to which it's a little curious
9 if Taiwan, Ta Chen is selling at higher prices and
10 shipping three times what these countries are shipping
11 to the United States, how are they staying in
12 business? How are they doing that if they're selling
13 at such high prices and the Petitioners are unable to?
14 Just a query.

15 MR. HALDENSTEIN: Thank you.

16 Also with respect to Ta Chen, I heard it
17 suggested that maybe they were participating in
18 bringing this case. Do you have any evidence that
19 they're behind the petition?

20 MR. JACOB: No evidence.

21 MR. HALDENSTEIN: Thank you.

22 That's all the questions I have.

23 MS. DeFILIPPO: Thank you Mr. Haldenstein.
24 We'll now turn to Ms. Preece for her questions.

25 MS. PREECE: Thank you. Amelia Preece,

1 economics.

2 I want to thank you for your cooperation in
3 getting this data to me in feed as well. It has been
4 a very big effort to do it and I appreciate all the
5 people who have contributed to it. So I think it will
6 make the data much, much more useable.

7 Would you say there are any major changes
8 since the Chinese investigation in 2009? Do you agree
9 with what the Petitioners' claims were as to what has
10 changed in this industry since 2009? Since the last
11 case.

12 MR. SCHUTZMAN: Changes in the industry?
13 Changes in the market? Max Schutzman, sorry.

14 MS. PREECE: Yes, please.

15 MR. JACOB: No.

16 MS. PREECE: No changes in the market?

17 MR. JACOB: No changes in the general
18 structure of the marketplace.

19 MS. PREECE: You did say something about the
20 ethanol change from a boost in demand from ethanol to
21 relatively less demand.

22 MR. JACOB: That component is particularly
23 significant because it affected the demand, the short
24 term increase in demand in two or three years.

25 MS. PREECE: Right.

1 MR. JACOB: Producers worldwide ratcheted up
2 their production in response to that and fell off
3 precipitously after that period. So in that context
4 the change in the demand structure for the product.

5 MS. PREECE: So you would agree with what
6 the U.S. producers said, that there was a change, a
7 reduction in demand because of this ethanol --

8 MR. JACOB: I would agree.

9 MS. PREECE: Great.

10 In the earlier case some purchasers reported
11 they were willing to purchase from some producers and
12 not others. Have you seen any change in that, the
13 pickiness of purchasers among suppliers?

14 MR. JACOB: There are continuing preferences
15 in the marketplace.

16 MS. PREECE: And you don't think that has
17 changed significantly since the Chinese case?

18 MR. JACOB: The preferences still exist. I
19 don't know how to quantify the --

20 MS. PREECE: Okay. Maybe they're less
21 effective because the Chinese product which people
22 don't like particularly is out? I mean if there was a
23 preference not for Chinese, which some people are
24 saying Malaysia prefers not to buy Chinese because of
25 quality concerns, then maybe that has addressed much

1 of the --

2 MR. JACOB: There are still preferences.
3 The preferences, as I said earlier sometimes have a
4 country as a label that people prefer, logically or
5 illogically. They prefer pipe from Malaysia or they
6 prefer pipe from Thailand or they would prefer not to
7 buy pipe from Vietnam or from China, and those
8 preferences are just that, preferences.

9 MS. PREECE: Okay.

10 And the U.S. producers said that
11 distributors were used because of a one point
12 purchase. You don't see that as -- Do you agree with
13 that too? The sort of the one point purchase for many
14 different products? Why do people purchase from
15 distributors rather than purchase from producers?

16 MR. SCHUTZMAN: Ms. Preece, I don't think we
17 understand the question.

18 MS. PREECE: Okay. This product is sold
19 mainly through distributors.

20 MR. JACOB: Yes.

21 MS. PREECE: Why is that so rather than
22 people purchasing say from the U.S. producers
23 directly?

24 MR. JACOB: Several reasons. To an extent I
25 would agree with what Petitioners have said,

1 distributors offer a fuller range of product, one stop
2 shopping is prevalent. There's also added knowledge
3 in different places at different times. In other
4 words we like to think at a particular point in time
5 we have a very good idea of where the marketplace is.

6 A particular distributor is not in the market every
7 day, every minute of every day. They buy every month,
8 every two months, every three months. So in order to
9 get a better feel for the marketplace, a better pulse
10 on the marketplace, you're better off being in that
11 market on a daily basis, particularly with the prices
12 going up and down and fluctuating as much as they have
13 been in weight. It's very, very important to know the
14 market at a moment in time.

15 We like to think that the preference to buy,
16 for instance, through us continues because we have
17 what we like to think is a superior knowledge of the
18 marketplace moment to moment.

19 MS. PREECE: Thank you.

20 Do you, have you priced this product with an
21 index for nickel and other inputs? Or is this now
22 priced as just a flat price that's set at the time of
23 the agreement, of the sale?

24 MR. JACOB: All the transactions that we do
25 are fixed price transactions. We, Silbo, is in the

1 futures business. We buy and sell contemporaneously
2 for delivery, three, four months on average down the
3 road. There are no adjustments. The domestic
4 industry said they have curtailed to an extent
5 adjustments. Our prices are always fixed. It's an
6 important distinction between what we do and what the
7 domestics do.

8 MS. PREECE: So if the price of nickel rose,
9 how quickly would that end up in the prices that
10 purchasers are faced with?

11 MR. JACOB: It's our experience that the
12 buyers that we deal with, the distributors, master
13 distributors or not master distributors, are very
14 tuned into the price of nickel. If they know nothing
15 else they know the price of nickel. It's on the
16 internet. You can see it. Their attitude towards
17 purchases day to day, deal to deal are very much
18 reflective of nickel prices. They change buyers'
19 attitude. The nickel price changes a buyer's
20 attitude.

21 MS. PREECE: I asked the U.S. producers
22 about projects that use stainless steel pressure pipe.
23 Do you have any knowledge of the cost of stainless
24 steel pressure pipe in a project that would use that
25 pipe?

1 MR. JACOB: I'm sorry. I can't help you
2 with that question.

3 MS. PREECE: That's fine. Ignorance is a
4 perfectly appropriate state of knowledge.

5 (Laughter.)

6 MS. PREECE: I have no problem with that.

7 What trends are there that you know of for
8 demand outside the United States? We had the
9 Petitioners say something. Do you agree that it isn't
10 increasing very much, or that it's bad in Europe. Is
11 there any knowledge that we can help understand?

12 MR. JACOB: It's very much country specific
13 and sometimes area within country specific.

14 For instance demand in Brazil for the
15 product is strong. As we heard earlier, demand in
16 Malaysia is strong. Demand in Europe is very poor.
17 So there's great variation from area to area.

18 MS. PREECE: And overall would you say
19 demand is still well below what it had been before the
20 big recession? Or is it caught up to that demand?

21 MR. JACOB: It's easy for me to answer that
22 question as I think I indicated as it reflects itself
23 on my business. On my business it's poor. Demand is
24 and has been for all stainless products across the
25 board poor. Beyond that, --

1 MS. PREECE: What you know is all you can
2 know. I'm happy with that.

3 Are there substitutes for welded stainless
4 steel pressure pipe that affect the price of stainless
5 steel pressure pipe?

6 MR. JACOB: Not substantively. Not to my
7 knowledge, no.

8 MS. PREECE: Thank you.

9 I think I've asked all the questions that I
10 tried to ask other people. If there's anything that I
11 didn't ask you, please feel free to answer now or in
12 your briefs.

13 I have no more questions, thank you.

14 MS. DeFILIPPO: Thank you, Ms. Preece.

15 Ms. Taylor?

16 MS. TAYLOR: Good afternoon and I'd like to
17 welcome everyone to the ITC. This is Karen Taylor
18 from the Office of Industries.

19 I only have a few questions and they're
20 basically questions that I have asked the Petitioners
21 and I'd like to get your take on it.

22 The first one has to do with the production
23 process. The Petitioners said it's basically the same
24 worldwide with the continuous mills. Would you agree
25 with that?

1 MR. JACOB: As far as I know, that's
2 correct.

3 MS. TAYLOR: Thank you.

4 In the United States, if you will, the sweet
5 spot as far as the market for this product is in the
6 one to two inch range. Are your imports targeting
7 that? Is that what you -- Is that the product that
8 you are shipping to the United States? The one to two
9 inch. Are you focusing on that?

10 MR. JACOB: I can't discern any particular
11 focus on small diameter pipe.

12 MS. TAYLOR: It's equal across the board?

13 MR. JACOB: No focus on small OD. I know
14 that there have been changes in the domestic
15 marketplace where certain domestic producers have
16 basically gone out of that business, but there is no
17 concentration or focus as far as I'm concerned on that
18 pipe.

19 MS. TAYLOR: All right. And as far as
20 consumer preferences, to my understanding that this
21 product is basically produced to specifications,
22 certain set specifications, and you mentioned quality
23 issues with China, for example. I mean is China not
24 producing to specifications?

25 MR. JACOB: To my knowledge, everybody

1 produces to specifications. But as I said earlier,
2 there are all kinds of preferences. So as far as I
3 know, the pipe -- on an overall basis, the pipe that
4 China produced was made to specifications.

5 MS. TAYLOR: Okay, all right. That
6 concludes my questions. Thank you very much.

7 MS. DEFILIPPO: Thank you, Ms. Taylor. Mr.
8 McClure, do you have questions for this panel today?

9 MR. MCCLURE: Jim McClure, Office of
10 Investigations. First of all, thanks. I guess Mr.
11 Jacob is the only one who traveled any distance,
12 rather than from downtown. We appreciate having you
13 and your expertise here.

14 One question this morning, U.S. producers
15 essentially indicated they aren't using surcharges.
16 Do you think they still do?

17 MR. JACOB: I'd have to get back to you. I
18 have to speak to my partners on that. But I've not
19 seen surcharges of late --

20 MR. MCCLURE: Okay.

21 MR. JACOB: -- of late. But that's not a
22 studied response. I'd have to ask my traders.

23 MR. MCCLURE: Okay. And does Silbo use --

24 MR. JACOB: No.

25 MR. MCCLURE: No, okay. Anyway, thank you.

1 That's all I have.

2 MS. DEFILIPPO: Thank you, Mr. McClure.

3 Most of my questions have been asked and/or answered.

4 I guess the one question to put out there in case you
5 have any thoughts on was my question that I asked
6 earlier of Petitioners with regard to differences in
7 trends for each of the subject countries with regard
8 to imports over the 2010-2012 period. If it's
9 something you prefer to look at once we get data and
10 the date may be different, but it looked like from
11 data I was looking at that imports from Thailand went
12 up and then down, but were still higher; Malaysia went
13 down and then up; and then Vietnam went up the whole
14 time. And I just didn't know if there was any
15 information that you had with regard to supply
16 conditions in any of those countries that would have
17 explained any difference in their pattern of shipping
18 to the U.S.

19 MR. SCHUTZMAN: Ms. DeFilippo, we do not
20 have any such information. We will try to obtain some
21 information to hopefully answer your question in the
22 post-conference submission.

23 MS. DEFILIPPO: Okay, perfect. Thank you.

24 MR. SZUSTAKOWSKI: I just had a couple of
25 quick questions. Pardon me?

1 MS. DEFILIPPO: Okay.

2 MR. SZUSTAKOWSKI: It would be nice if we
3 could get this from all foreign producers, but it's
4 just Silbo and Pantech here today, but I'd like to see
5 for your exports to the U.S. if you can provide us
6 with for each period 2010, '11, '12, and the quarterly
7 Q1 for '12 and '13, export quantities of pipe in two-
8 inch diameter or less.

9 MR. SCHUTZMAN: How did I know you were
10 going to ask that question? Yes.

11 MR. SZUSTAKOWSKI: And I also recognize that
12 you also traveled here today as well, not just Mr.
13 Jacob.

14 MR. SCHUTZMAN: We will make inquiry and
15 hopefully we'll get you that information. But just to
16 be clear, that's the subset --

17 MR. SZUSTAKOWSKI: Right.

18 MS. DEFILIPPO: -- two inches and below,
19 period.

20 MR. SZUSTAKOWSKI: Correct.

21 MR. SCHUTZMAN: Okay.

22 MR. SZUSTAKOWSKI: Let's just look at that
23 for now. And I'm trying to understand from Mr. Jacob
24 this morning. You're talking about that the
25 Petitioners, you know, their panel, because

1 Marcegaglia is not participating, that, you know, they
2 were aligned, their interests are aligned with Ta Chen
3 now. Is that what you're saying or that Ta Chen was
4 somehow a partnership with this petition? I'm trying
5 to understand exactly what the allegation was and make
6 sure I understand it.

7 MR. JACOB: No, no, I wasn't making an
8 allegation. I was requesting you to inquire. Because
9 Ta Chen is such a direct beneficiary of this case, we,
10 along with others in the market, feel that there's a
11 possibility that Ta Chen could have supported this
12 case in all ways. I've heard that many times.

13 MR. SZUSTAKOWSKI: Okay. And I don't need
14 to, you know, invite Mr. Schagrin to make any comments
15 or anything, but I'm sure that he'll fill us in on
16 that. So I appreciate that. Thank you for answering
17 my questions.

18 MS. DEFILIPPO: Thank you, Mr. Szustakowski.
19 A quick look to see if anyone had any additional
20 questions that have cropped up in their minds.
21 Seeing, I guess hearing none, I thank this panel very
22 much and I appreciate your answers to our questions
23 and your information provided in direct testimony.

24 We will take a five-minute break. Will that
25 be enough for -- 20? Oh, gosh, I got nervous, 20.

1 We'll do a five-minute break and then we will come
2 back for closing statements. Thank you.

3 (Whereupon, a short recess was taken.)

4 MS. DEFILIPPO: Mr. Schagrín and please
5 proceed with your closing statement when you're ready.

6 MR. SCHAGRIN: Thank you. Roger Schagrín on
7 behalf of Petitioners and domestic interested party
8 USW.

9 This is a pretty darn solid injury case. I
10 guess it shows how difficult it has become when even
11 the really solid injury cases get disparaged
12 significantly by Respondents. And look at the basic
13 facts. Imports have increased significantly by both
14 volume and market share over the period of
15 investigation. Whether there's you will gather the
16 data making the appropriate adjustments to the import
17 data based on what you've learned today, and whether
18 it turns out that the market has been flat or
19 declining between '10 and '12, in either case it just
20 shows that the imports have been increasing their
21 market share because they did increase by about 30
22 percent between 2010 and 2012.

23 And both Respondents and Petitioners agree
24 that the U.S. industry has significant excess
25 capacity. So if the U.S. industry has significant

1 excess capacity and has enough excess capacity to
2 supply the entire U.S. market, you get back to the
3 simple question of economics, so why did subject
4 imports increase by volume and market share during a
5 time period where there was no increase in demand and
6 the domestic industry had excess capacity throughout
7 the POI? And the answer is clearly under the rules of
8 economics, because of massive underselling.

9 It's a commodity product. Everyone admits,
10 whether it's Silbo or the domestic industry, purchases
11 by master distributors, by distributors, by end users
12 are based on price. Products are brought to
13 specification. The imports and the domestic products
14 are perfect substitutes. They're fungible,
15 interchangeable. So imports gain volume and market
16 share because of massive underselling.

17 Now we come to the alternative cause of
18 injury put forth by Respondents. It wasn't us, it was
19 Ta Chen. Okay. First of all, I don't think there's
20 factual predicate of support for their comments as to
21 Ta Chen. There's no doubt Ta Chen is a significant
22 producer in Taiwan, significant importer. They are a
23 master distributor. And by the way the difference
24 between master distributors and distributors, master
25 distributors sell only to other distributors. They

1 don't sell -- they're so big, they don't sell to end
2 users. They won't put 30 things on one truck. They
3 only sell to distributors.

4 You're going to see under the AUVs, there is
5 no doubt that the imports from Taiwan are priced
6 anywhere in every single period, every single month, a
7 thousand to two thousand dollars a ton above subject
8 imports. I think if you're able to get individual
9 product pricing for Ta Chen as an importer, that
10 comparison of individual product prices would show
11 that subject imports pricing products are priced lower
12 than Taiwanese imports.

13 Now I didn't exactly understand Mr. Jacob's
14 conspiracy theory and you asked me to address it, Mr.
15 Szustakowski. It seems that it's a conspiracy between
16 Ta Chen and Marcegaglia for Ta Chen to benefit as a
17 major exporter to the United States by the filing of
18 these cases, somehow coordinating with Marcegaglia not
19 being a petitioner in these cases.

20 First, for the record, I have no knowledge
21 of this alleged conspiracy. Second, to the extent it
22 might even exist and he asked you to explore it, I
23 can't really figure out the relevance to your
24 investigation. I mean you're going to gather the
25 data. You're going to analyze it. You're going to

1 look at the business cycle, the conditions of
2 competition, the competition among all the imports.
3 The fact that Marcegaglia is a huge international
4 producer of these products and so is Ta Chen doesn't
5 mean that they're somehow in a conspiracy with each
6 other. But if they are, I have nothing possibly to do
7 with it. I have no knowledge and I can't even find
8 any relevance. I do know who shot JFK though, so
9 that's a good thing. We can clear that up for the
10 record.

11 And I don't think, you know, Ta Chen by
12 itself is bigger than four main players in the
13 domestic industry. I don't think the data shows that
14 imports from Taiwan are three times as large as
15 subject imports. So I think the data is incorrect.

16 So let's review the injury case. We have
17 imports increasing by volume and market share. We
18 have the U.S. industry losing market share. We have
19 the U.S. industry in spite of its massive excess
20 capacity reducing production, reducing shipments,
21 reducing employment, and experiencing very poor
22 financial performance. We have underselling and we
23 have price suppression.

24 Okay. I know I'm old. I know my beard is
25 now white. In the old days, this used to be what we

1 would call an absolutely lock perfect injury case. We
2 wouldn't be talking about threat. We wouldn't be
3 filing massive briefs. We would just say, okay,
4 sometimes you have a solid injury case, you vote
5 injury, you move on. Like I say, I must be getting
6 old because now there seems to be no such thing as a
7 solid injury case anymore. That's not my fault, but,
8 I mean, it does really make me think about the changes
9 over my 32 years here of why a case like this will be
10 looked at by six Commissioners as anything other than
11 this is easy for us. It's really in many ways, given
12 the differing trends, it's even easier than the China
13 case of several years ago.

14 To the extent the Commission decides to look
15 at threat, the vulnerability of this industry is
16 clear. These executives who testified here today
17 essentially under oath, who each told the Commission
18 that the financial performance of the operations they
19 have -- these are distinctive mills, they're not
20 making both subject and non-subject product on these
21 particular mills; these mills are pretty much
22 dedicated to the production of WSSPP in the sizes
23 subject to this investigation -- that they are
24 operating them at such poor rates of utilization --
25 I'm not denying that it's in part caused by poor

1 demand, as well as by the high level of subject
2 imports and their market share -- that they will not
3 continue to reinvest and they may in fact cease
4 production on those mills.

5 They may do what Outokumpu did with some of
6 their mills already, which is just to say, we're
7 shutting these down, we're not going to make these
8 sizes on these mills because these mills tend to be
9 fairly size specific. You can only make inch to two
10 inch on this mill or two to three on this, four to six
11 on this. They're very size specific mills, which is
12 why they all have five, seven, nine mills to make
13 products from half to 14.

14 So that's their testimony. If the increased
15 capacity in countries that are subject to this
16 investigation, Malaysia, Thailand, Vietnam, each of
17 them -- and we'll comment confidentially on the
18 individual questionnaire responses in our post-
19 conference brief -- these countries are adding to
20 capacity. We think the information will show that the
21 demand within their own countries is not sufficiently
22 growing to suck up that increased capacity. That's
23 why we've had the increase in exports from these
24 countries to the United States.

25 They clearly through importers international

1 trading companies like Silbo and many others, they
2 have the opportunity to sell into the United States
3 through their low prices to master distributors and/or
4 distributors and continue to gain market share to
5 price so low that they force the domestic industry to
6 choose between cutting prices to lose more money to
7 maintain volume and employment or giving up more
8 volume and cutting employment. Those are not good
9 choices. We ask this Commission to remove the
10 pressure on the domestic industry to be forced to make
11 those choices by just giving this industry what it
12 deserves, a finding of injury or threat of injury, let
13 Commerce determine what the amount of dumping is, and
14 we'll see you back here.

15 My last minute, I would like to take the
16 opportunity on the 69th anniversary of D-Day, to honor
17 my father who passed, but several months before he
18 passed told me he drove a truck off a supply ship the
19 day after D-Day as part of the Army Transportation
20 Corps, five-and-a-half years in the service. They
21 were truly the greatest generation. We hope to carry
22 on for them, continue manufacturing, which is why we
23 won that war. We were the strongest manufacturer in
24 the world. And a lot of the workers who work in these
25 plants are veterans and we should continue to honor

1 their service by allowing them to gain a living. And
2 so I thank you for the opportunity today. Thank you.

3 MS. DEFILIPPO: Thank you very much, Mr.
4 Schagrin. We will now turn to Mr. Schutzman for his
5 closing remarks. Please start when you're ready.
6 Thank you.

7 MR. SCHUTZMAN: Thank you again. Let's
8 begin by looking at some publicly available
9 information obtained doing research on the Internet
10 about what these Petitioners say about their business
11 and about the market.

12 Felker Brothers noted price buoyancy in this
13 market in 2011. During 2011, the company raised its
14 sale price of various types of ASTM A 312 stainless
15 steel pipes covered by the petition by 15 percent from
16 March 2011 to December 2011. The company declares on
17 its website that it is in a stronger position than
18 ever.

19 Outokumpu, its consolidated annual report of
20 2012, in its report the company's CEO states that the
21 starting point for the new Outokumpu is more
22 challenging than we anticipated at the beginning of
23 2012 due to continued weakness in the stainless steel
24 market, particularly in Europe. This shows the
25 company clearly recognizes it face seriously

1 challenges on account of global demand.

2 The report also evidences expansion of
3 production in the United States, construction of a new
4 integrated stainless steel production facility in
5 Calvert, Alabama. I don't think they would be
6 constructing this new stainless steel plant in the face
7 of a completing declining market for future stainless.

8 First quarter report 2013, Outokumpu, its
9 U.S. operation showed an improvement in EBITDA,
10 earnings before interest, taxes, depreciation, and
11 amortization. The company's overall poor performance
12 in the U.S. was attributable principally to higher
13 fixed costs in Calvert.

14 There was job growth in its U.S. operations
15 from fourth quarter 2012 to first quarter 2013. The
16 company is bullish about its prospects in 2013,
17 stating that growth is forecasted in this business to
18 be mainly driven by increased demand in Asia Pacific,
19 and the United States. Its U.S. operations showed
20 significant volume growth through first quarter of
21 2013 from earlier quarters. The interim report 2013
22 for the first quarter from the CEO shows continued
23 growth of stainless steel globally except in Europe.
24 Stainless delivery has increased by nine percent from
25 2012 in the fourth quarter to 2013 first quarter

1 Bristol, Synalloy, its parent company,
2 annual report of 2012 shows consistent growth in net
3 sales, gross profit, and working capital from 2010 to
4 2012. Sales increased in 2012 by 16 percent. About
5 its subsidiary, Bristol Metals, the financial states
6 that the company achieved record results in sales,
7 labor efficiencies, and quality in 2012, so that it
8 has positioned itself well for 2013. The company
9 attributed the fluctuation in nickel prices as the
10 main reason for the depressed selling prices in
11 stainless steel products in 2012.

12 That's what the public record says. A few
13 bullet points in conclusion. Again, I still maintain
14 that this is one of the most scant presentations of
15 material injury and threat in a petition we have ever
16 seen. An order on these subject countries will only
17 result in a replacement of that volume by non-subject
18 imports, principally from the excluded Taiwanese
19 producer. The U.S. industry is essentially
20 maintaining market share over the course of the POI
21 and any difficulties encountered were not by reason of
22 subject imports. Any decline in U.S. producer's
23 average unit values is a function of market
24 conditions, not attributable to subject imports.

25 This product, as has been mentioned, likely

1 has no measurable business cycle. The demand for this
2 product derives from the need for the product in
3 petrochemical, food and beverage, pulp and paper, and
4 pharmaceutical production facilities. When new
5 construction or retrofitting in these types of
6 facilities is down, demand is down as well.

7 Government policies can also influence demand. That
8 is with incentives created to encourage the production
9 of ethanol some years ago, another effect on demand.

10 Petitioners noted in the investigation of
11 welded stainless steel pipe from China that where raw
12 material prices are falling, they are much less apt to
13 build inventories of raw material and in turn finished
14 stainless pipe than when raw material prices are
15 increasing. Since the price of stainless steel raw
16 material has been depressed of late, the staff should
17 consider this in analyzing U.S. producers'
18 inventories.

19 Even if subject import volume and market
20 share is significant, the data will demonstrate that
21 it did not have significant adverse effects on the
22 domestic industry in light of U.S. industry production
23 and shipment experience over the POI. The petition
24 allegation to the contrary is just wrong.

25 Likewise, contrary to the claim of

1 Petitioners, the facts will demonstrate that subject
2 imports did not significantly depress or suppress
3 prices of the domestic like product. We are confident
4 the staff will find this to be the case based upon the
5 absence of confirmed lost sales and revenue.
6 Particularly in light of the decreased demand
7 conditions and substantial competition from non-
8 subject imports, there is no evidence that the
9 domestic industry's performance over the POI would
10 have been substantially better but for subject import
11 volumes and market share.

12 And finally, domestic industry pricing was
13 unaffected by the pricing of subject imports. If
14 anything, it closely tracked the reduction in the
15 market price of nickel during the POI. Thank you for
16 your time.

17 MS. DEFILIPPO: Thank you very much. On
18 behalf of the Commission and the staff, I would like
19 to thank the witnesses who came here today, as well as
20 counsel, for helping us gain a better understanding of
21 the product and the conditions of competition in the
22 welded stainless steel pressure pipe market.

23 Before concluding, please let me mention a
24 few dates to keep in mind. The deadline for
25 submission of corrections to the transcript and for

1 submission of post-conference briefs is Tuesday, June
2 11th. If briefs contain business proprietary
3 information, a public version is due on Wednesday,
4 June 12th. The Commission has tentatively scheduled
5 its vote on these investigations for Thursday, June
6 28th, and it will report its determinations to the
7 Secretary of the Department of Commerce on Monday,
8 July 1st. Commissioners' opinions will be transmitted
9 to Commerce on Tuesday, July 9th.

10 Thank you again for coming. This conference
11 is adjourned.

12 (Whereupon, at 1:25 p.m., the preliminary
13 conference in the above-entitled matter was
14 adjourned.)

15 (The preliminary conference was reopened for
16 correction to the record.)

17 MS. DEFILIPPO: Mr. McClure has corrected me
18 that June 28 is a Friday. Thank you.

19 (Whereupon, at 1:26 p.m., the preliminary
20 conference in the above-entitled matter was
21 concluded.)

22 //

23 //

24 //

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Welded Stainless Pressure Pipe from
Malaysia, Thailand, and Vietnam

INVESTIGATION NO.: 731-TA-1210-1212

HEARING DATE: June 6, 2013

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary Conference

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

DATE: June 6, 2013

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Rachel Tucker
Signature of Court Reporter