# UNITED STATES
# INTERNATIONAL TRADE COMMISSION

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| **In the Matter of:** | **) Investigation Nos:** |
| **STAINLESS STEEL WIRE ROD FROM ITALY,** | **) 731-TA-770-773 AND 775** |
| **JAPAN, KOREA, SPAIN, AND TAIWAN** | **) (THIRD REVIEW)** |

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IN THE MATTER OF: ) Investigation Nos.:

STAINLESS STEEL WIRE ROD FROM ITALY, ) 731-TA-770-773

JAPAN, KOREA, SPAIN, AND TAIWAN ) AND 775 (THIRD REVIEW)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, May 18, 2016

The meeting commenced pursuant to notice at 10:01 a.m., before the Commissioners of the United States International Trade Commission, the Honorable Meredith M. Broadbent, Chairman, presiding.

APPEARANCES:
On behalf of the International Trade Commission:
Commissioners:
Chairman Meredith M. Broadbent (presiding)
Commissioner Irving A. Williamson
Commissioner David S. Johanson
Commissioner Rhonda K. Schmidtlein

Staff:
William R. Bishop, Supervisory Hearings and Information Officer
Sharon Bellamy, Program Support Specialist
Nadiya Samon, Student Intern

Fred Ruggles, Investigator/Supervisory Investigator
Karen Taylor, International Trade Analyst
Craig Thomsen, International Economist
David Boyland, Accountant/Auditor
Courtney McNamara, Attorney/Advisor
Douglas Corkran, Supervisory Investigator

Opening Remarks:
In Support of Continuation (Laurence J. Lasoff, Kelley Drye & Warren LLP)
In Opposition to Continuation (Douglas J. Heffner, Drinker Biddle & Reath LLP)

In Support of the Continuation of the Antidumping Duty Orders:
Kelley Drye & Warren LLP
Washington, DC
on behalf of
The Domestic Industry

William A. Wellock, Director - Strategic Customer Development, Carpenter Technology

Brian Romans, National Sales Manager, North American Stainless

Christopher M. Zimmer, Executive Vice President and Chief Commercial Officer, Universal Stainless & Alloy Products, Inc.

Ross Wilkin, Vice President of Financial; Chief Financial Officer; and Treasurer, Universal Stainless & Alloy Products, Inc.

Tyler Sullivan, Long Products Marketing Representative, North American Stainless

Edward J. Blot, President Ed Blot and Associates

APPEARANCES (Continued):

Brad Hudgens, Economist, Georgetown Economic Services

Laurence J. Lasoff and Grace W. Kim - Of Counsel

In Opposition of the Continuation of the Antidumping Duty Orders:

Drinker Biddle & Reath LLP

Washington, DC

on behalf of

Cogne Acciai Speciali S.p.A. ("CAS")

Aceros Inoxidables Olarra S.A. ("Loarra")

Jean Paul Betemps, Chief Executive Officer, Cogne Specialty Steel USA

Douglas J. Heffner and Richard P. Ferrin - Of Counsel

Rebuttal/Closing Remarks:

In Support of Continuation (Laurence J. Lasoff, Kelley Drye & Warren LLP)

In Opposition to Continuation (Richard P. Ferrin, Drinker Biddle & Reath LLP)

I N D E X

I N D E X

P R O C E E D I N G S

(10:01 a.m.)

CHAIRMAN BROADBENT: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Number 731, 770, 773, and 775 involving Stainless Steel Wire Rod from Italy, Japan, Korea, Spain and Taiwan.

The purpose of these five year review investigations is to determine whether revocation of the antidumping orders on stainless steel wire rod from these countries would likely lead to the continuation or recurrence of material injury within a reasonably foreseeable time.

These are the Commission's third five-year review on these orders and the first of several steel-related products that the Commission will be investigating and reviewing over the next several months.

Documents concerning this hearing are available at the public distribution table. Please give all prepared testimony to the secretary. Please don't place it on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of time allocations, but if you have any questions about time, please ask the secretary.

Speakers are reminded not to refer to business proprietary information in their remarks or in answers to questions. Please speak clearly into the microphone and state your name for the record so that the court reporter knows who is speaking.

Finally, if you are submitting documents that contain information you wish classified as business confidential your request should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters?

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

CHAIRMAN BROADBENT: Very well. Let us proceed with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of the orders will be given by Laurence J. Lasoff, Kelley Drye and Warren.

OPENING REMARKS OF LAURENCE J. LASOFF

MR. LASOFF: Good morning, Madam Chairman and members of the Commission and staff. I am Larry Lasoff with Kelley Drye and Warren appearing today on behalf of the domestic stainless steel wire rod industry which is seeking continuation of the antidumping duty orders against Italy, Japan, Korea, Spain and Taiwan.

The industry you will hear from today is highly vulnerable.  The staff report document demonstrates that over the time period of review all of the major trade and financial indicators declined significantly.  It is against this backdrop that the Commission must determine whether revocation of these orders would likely lead to a continuation or recurrence of material injury in the domestic industry.  It is our contention that the record of the proceeding as reflected in the staff report strongly supports such a determination.

These orders have been affected as the subject producers.  Imports from these producers surged into the United States during the period of the original investigation at sum prices, undercutting U.S. producer prices.  The results were declines in all of the major indicators of financial performance.  These factors led to a Commission finding of material injury, a finding that resulted in substantial declines in imports from the subject producers who apparently could not sell in this market without triggering dumping liability.

The orders have created a discipline in the marketplace.  The discipline has enabled one of the domestic producers here today, North American Stainless, to enter into this market.

Like much of the U.S. steel industry today, however, the domestic stainless rod industry is in the precarious position due to the massive capacity overhang, much of it present in the subject countries. Indeed the record indicates that the subject countries individually and collectively have increase their capacity to produce stainless rod since the orders were first imposed.

Furthermore, the record indicates that substantial volumes of that capacity remain unutilized. This includes the subject producers of Taiwan and Japan who have elected not to respond to the Commission questionnaires. These countries possess some of the largest stainless rod producers in the world with excess capacity that collectively exceed U.S. apparent consumption.

The Commission should exercise its authority to take adverse inferences against these countries and continue those orders. Importantly, each of the major producers in the subject countries are significant exporters of stainless steel rod. Taiwan and Japan, for example, alone account for almost 30 percent of global exports.

History has shown that in the absence of antidumping duties subject producers are able to quickly increase exports to the United States as they did during the original period of investigation.

As you will hear today from our witnesses, the barriers to entry into the U.S. market are small and sales typically occur on a spot market basis. Quality is almost always a given and therefore price remains the predominant factor in purchasing decisions.

Moreover, the U.S. market is especially attractive because prices at this time are generally higher than anywhere else. That is an especially important point that you hear from the respondents that their interests lie anywhere but the U.S.

While there are no price comparisons in this sunset review, the statements from importers and purchasers predicting that lower-priced imports from the subject countries will resume if the orders are revoked are telling.

You will hear from the respondents' side that NAS is the price leader in this industry. They cannot compete with NAS in the U.S. market and even if they could, their ability to sell in the U.S. is limited by commitments to other export markets.

As NAS's representative will testify today, however, NAS has been forced to base its pricing policy on the competition it faces from imports currently from China and a non-subject producer from Taiwan rather than price leadership in the U.S. market.

NAS entered into this market in 2003 building a single-site, long-product facility that is among the most efficient in the world. The company should be able to reap the benefits of that investment, an investment which was facilitated in part by the issuance of these orders.

Meeting the market price forced upon them by non-subject producers, most notably China, is evidence that removal of these orders would open the floodgates in ways that would dwarf the events that occurred when these cases were first brought and China was not even a factor in the marketplace.

Given the continued price sensitive nature of the market for stainless steel rod, the historic ability for subject producers to target the U.S. market almost immediately following the determination of relief, their ongoing presence in the U.S. market in related product sectors and the statements from importers and particularly the largest purchasers that lowest priced imports from the subject countries would resume if the order is revoked it is likely that subject imports will quickly penetrate the U.S. market by underselling U.S. prices if the orders are revoked and material injury is likely to recur.

We respectfully ask that these orders be continued.

Thank you.

MR. BISHOP: Opening remarks on behalf of those in opposition to the continuation of the orders will be given by Douglas J. Heffner, Drinker, Biddle and Reath.

OPENING REMARKS OF DOUGLAS J. HEFFNER

MR. HEFFNER: Good morning.

CHAIRMAN BROADBENT: Welcome.

MR. HEFFNER: Good morning, Chairman Broadbent, Commissioners, and staff. I am Douglas Heffner for Drinker, Biddle and Reath, and we are representing today Italian respondents Cogne and Spanish respondent Olarra.

The antidumping duty order has been in place for 18 years. That's a long time. Cogne and Olarra believe that it should be revoked as to Italy and Spain.

Our presentation today will focus on why imports from Italy and Spain should not be cumulated with any other countries.

With regard to Italy, there are three Italian producers of wire rod, Valbruna, Rodacciai and Cogne. First the AD and CVD order was revoked as to Valbruna. Second with regard to Rodacciai it has a rolling mill in Cerona, Italy, but that rolling mill is used only for internal consumption. In fact, Rodacciai itself does not produce enough wire rod to meet its needs for downstream seamless bar production which is why Rodacciai's affiliate Olarra ships approximately half of its output to Rodacciai bar mills in Italy.

Put simply, Rodacciai will not export stainless steel wire rod to the U.S. because it does not sell in the open market.

Regarding Cogne, as will be discussed later in the hearing, Cogne would operate under conditions of competition different from those faced by other subject producers if the orders were revoked. Today, Mr. Jean Paul Betemps, the CEO of Cogne specialty steel, USA, Inc. will present direct testimony and will have -- and will be available to answer questions from the Commission and staff.

You will hear from Mr. Betemps that Cogne has no interest in regaining a significant presence in the U.S. market.

Since the antidumping duty order was put in place in 1998 Cogne has adjusted this business to sell exclusively to Italy, to Switzerland, which is right next door and they speak Italian there, to long-term EU customers and to Cogne's bar-producing facility in China. As for the Swiss customers, is should be noted that most of these customers are located closer to Cogne than any of its Italian home market customers.

In the last sunset review the Commission divided three, three on the question of whether subject imports from Italy should be cumulated. The dissenting Commissioner stated the following. "Shipments in the U.S. market did not increase significantly either relatively or absolutely during the original investigation, trends which set Italy apart from all other remaining subject countries."

In the years since the orders were imposed, the Italian producer, that being Cogne, successfully found other markets.

Now, the three Commissioners who declined to decumulate subject imports from Italy did not agree with -- disagree with these points, but appeared to place significant emphasis on the low-capacity utilization that Cogne had in 2009.  That situation now however is considerably different, considerably different because Cogne is operating at a high level of capacity utilization.  As such the Commission should decumulate Italian imports from other subject imports and revoke the order as to Italy.

Concerning Spanish imports, the antidumping duty order against stainless steel wire rod from Spain is no longer justified as the dominant stainless steel wire rod producer, Roldan has not participated and has had no need to participate in the U.S. market since its parent built North American Stainless in 2003.

Olarra as the only other Spanish stainless steel wire rod producer was not a significant participant in the U.S. market during the original period of investigation and it has no intention of doing so now.  Historically Olarra has internally consumed half of its stainless steel wire rod production for the manufacture of stainless steel bar and sold the remainder to its affiliates in Italy. Olarra depends on no other markets, none.

Consequently, the antidumping duty order on stainless steel wire rod from Spain serves no useful purpose and should be revoked as to Spain.

Thank you very much.

CHAIRMAN BROADBENT: Thank you, Mr. Heffner.

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

[PAUSE]

(The panel is seated.)

CHAIRMAN BROADBENT: I want to welcome the panel to the ITC and you can begin when you're ready.

OPENING REMARKS OF LAURENCE J. LASOFF

MR. LASOFF: Good morning, Madam Chairman, members of the Commission. Again, I'm Larry Lasoff from Kelley, Drye and Warren. We have a number of witnesses from the domestic stainless wire rod industry today. I'd like to introduce them and then we'll proceed with our testimony.

On my left is Brian Romans who is the national sales manager for North American Stainless. On my right is Ed Blot, President of Ed Blot and Associates, a consultant to the industry. On Mr. Blot's right is Bill Wellock who is the director of strategic customer development for Carpenter

Technology. On the second row and on the left is Brad Hudgens of Georgetown Economic Services. And next to Brad is Christopher Zimmer who is the Executive Vice President and Chief Commercial Officer of Universal Stainless and Alloy Products. To Mr. Zimmer's right is Grace Kim, my colleague from Kelley, Drye and Warren. Next to Ms. Kim is Tyler Sullivan, Long Products Marketing Manager, a marketing representative from North American Stainless and on his right is Ross Wilkin, Vice President of Financial -- Chief Financial Officer and Treasurer, Universal Stainless and Alloy Products.

Before we begin our testimony, I wanted to simply say, granted, I want to notify the Commission, in the course of our preparation for the hearing we noted a reporting error in one of the questionnaires. We were in the process of revising it. We have notified the staff. We do not believe it would in any way affect trends that are going to be discussed in that is meeting, but that will be submitted to the Commission within the next 24 hours. We have notified the staff, they're aware of this and we just wanted to let you know about this because it just came up so recently.

With that, I would like to turn it over to Mr. Romans.

STATEMENT OF BRIAN ROMANS

MR. ROMANS: Good morning. Good morning. My name is Brian Romans. I am the national sales manager for North American Stainless. I've been in the stainless steel industry for over 22 years and 12 years at North American Stainless. While at NAS, I've been involved in sales and marketing with substantial involvements in the stainless rod operations. I appreciate the opportunity to appear before you today with others in the industry to explain why the Commission should maintain the orders against the five countries under review.

North American Stainless is located in Gent, Kentucky. NAS produces a full range of stainless rod products with a variety of diameter, steel grades, and cole sizes. We began producing stainless rod in 2003 with the opening of our state-of-the-art stainless long products Raleigh mill. In addition to stainless steel rod NAS also produces stainless steel bar and angle at this facility.

Our decision to enter the stainless rod market was made primarily because of the strong market and the existence of fairly traded imports. At the time NAS entered this market most of the offshore producers were subject to antidumping duty orders. These orders ensured that there was fair pricing in the marketplace. It is unlikely that NAS would have made these investments if unfairly traded goods had continued to saturate the market as they had during the original period of investigation.

When we decided to start a new operation in the U.S. our goal was not only to ensure that the facilities could be fully utilized, but also to ensure that any capital investments we made were reasonable and that we would achieve a reasonable return on those investments.

These orders have been important to the success of NAS over the years because imports from the subject countries had to be sold at fair market prices or be subject to the duties that would bring them back to the fair market prices. The limited volume of subject imports in recent years is due to the inability of subject producers to sell in the U.S. market without dumping, not due to a lack of interest in our market.

The pricing discipline that these order imposed on the subject imports is extremely important to the U.S. market. Stainless rod is an intermediate product that competes largely on the basis of price. During the price negotiations our customers tell us that the quality of our product is no different than the imported product and that it is completely interchangeable with the subject imports.

I am unaware of any U.S. producer or even a major importer that has been able to meet specifications for the subject product. Therefore, our foreign competitors are no different from us except when they engage in unfair pricing practices.

We compete head to head with imports and a make or break decision of which producers source from comes down to price. Virtually all sales of stainless rod are made on a spot or short-term contract basis. That means the purchasers can seek out the best prices in the market and change suppliers based on prices quarter to quarter and sometimes from purchase to purchase.

Our customers pay very close attention to the market. The lack of long-term contracts is important because it allows importers to increase their sales of stainless rod based on unfair, low-priced offerings. Given these conditions of competition, there's no doubt in my mind that revocation of the orders would cause the volume of subject imports to increase significantly and prices to spiral downward.

The stainless rod producers in the subject countries have high fixed capital costs. Their goal is to fill their capacity to lower unit costs and increase profits. If these orders are removed, I believe subject import volumes will return en mass with very aggressive prices just as they did before the orders were imposed.

Given the large and unused capacity to produce stainless steel rod that exists in the subject countries, it is reasonable to expect increased exports from the subject countries if the orders are revoked since there will be nothing to prevent the unrestrained imports from increasing in the U.S. market. In fact, higher prices in the United States compared to those in third country markets makes the U.S. much more attractive to foreign producers. An influx of subject imports into the U.S. market and unfair prices will have serious negative consequences for our industry.

These dumped imports will undercut our prices making it impossible for our products to compete and for NAS to be profitable. The deterioration in prices that would be caused by revocation of the orders would lead to a reduction in our revenue, our profits, and our ability to continue to invest in capital improvements. Our production and shipment levels would also suffer in decline.

I have read in Cogne's and Olarra's brief -- the NAS -- and brief that NAS has been the predominant producer in the U.S. stainless rod market and therefore is responsible for setting the market price. I'd like to set the record straight. Although we produce a full range of stainless rod products, as part of our business model we are constantly evaluating offshore pricing. When faced with competition from our offshore competitors who sell at lower prices, we then evaluate whether to lower our prices or to simply lose the business. Therefore our prices are only reduced when we are forced to do so to compete with the lower-priced imports.

Even with the benefit of these orders limiting unfairly traded imports from the five countries, the effect of the decline in demand for stainless rod combined with a surge in imports from China has lead to a significant deterioration of the conditions in our industry. Our production, shipments, employment, and profitability all declined in 2015 and the trend appears to be continuing in 2016.

As you can see from our questionnaire response NAS's performance was substantially affected by this downturn. Lifting these orders at this time would be devastating to my company.

Our information indicates that the subject producers overall have substantial excess capacity. Producers in each of these countries therefore are looking for an outlet to which they can sell a substantial volume of idled capacity. That capacity has been growing faster than demand for several years. And China can no longer be counted on to act as a sponge to soak up the world's excess capacity since China itself has become the predominant global producer. The higher prices in the United States compared to those in third countries makes the U.S. more attractive for foreign producers.

The United States is one of the largest, most open and most attractive markets to stainless rod suppliers in the world. We also know that each of the countries has remained a significant exporter of stainless rod worldwide even if they are not currently exporting to this market.

The domestic market continues to be highly price sensitive and our customers are constantly looking for low priced supply sources. Given all the unused capacity the producers have available, if the orders are removed they will quickly resume selling into this market on the basis of low prices.

In conclusion, NAS, like other domestic producers here today strongly depends on these orders to survive in a highly competitive and price sensitive stainless wire rod market. A continuation of these orders is therefore critical to the future of the U.S. stainless rod industry and I urge you to continue these orders.

Thank you.

MR. LASOFF: Thank you, Mr. Romans. Mr. Wellock of Carpenter Technology will be our next witness.

STATEMENT OF WILLIAM A. WELLOCK

MR. WELLOCK: Good morning. My name is Bill Wellock. I am the Director of Strategic Customer Development at Carpenter Technology Corporation, which is headquartered in Redding, Pennsylvania. I have been with Carpenter for over 20 years. Carpenter is a major U.S.

producer of specialty metals and other high performance materials, including a number of non-steel products such as titanium and superalloys.

We produce stainless steel wire rod at our facilities in both Redding and Latrobe, Pennsylvania, as well as in Hartsville, South Carolina.  Carpenter is also an integrated wire producer and much of our stainless rod is consumed into the production of our stainless wire and bar products.

I am here today because I strongly believe that for our company, as well as our industry to remain viable in this market, it is crucial that the anti-dumping orders against Italy, Japan, Korea, Spain and Taiwan remain in effect.  In our capital-intensive industry, our steel mills must maximize the utilization of our casting and rolling equipment, to spread fixed costs over as wide a base as possible.

Because the equipment used to produce stainless steel wire rod is also employed to produce other products, such as stainless steel bar and stainless wire, our company must switch production between these products to meet the demands of the market place.

Stainless rod is a critical element to Carpenter's overall portfolio.  It keeps our equipment running on a consistent basis, maintaining product flow and keeping our workforce employed. Thus, it is imperative that we achieve a certain production level of stainless rod to sustain overall operations.

Stainless rod is an intermediate product and highly interchangeable. It competes in the U.S. market on the basis of price. Carpenter produces a wide range of stainless rod products, both in the basic commodity grades and specialty rod grades. Although Carpenter produces specialized grades, we continue to produce the entire line of stainless steel wire rod products, from the basic 304 grades to more specialty grades like 400 series grades and 17-7, among others.

We compete head to head with other domestic producers and importers selling stainless wire rod across all product lines, with price being the key factor determining who gets the sale. I recognize that these orders have been in place for a number of years, and that their longevity might seem to some to be sufficient reason to warrant revocation.

That assessment, however, would be unjustified for a number of reasons. Our industry is continuing to face difficult business conditions at this time. Although U.S. demand has recovered from the recession that dominated the last sunset review, demand has again declined in the most recent years.

Moreover, increased volumes of stainless steel wire rod from non-subject sources such as China, coupled with the declining demand have made the U.S. market extremely price-competitive, and we have lost market share as a result. Without the existing orders, the market conditions we are facing today would far worse.

There is no doubt that revocation of the orders will quickly lead to the return of unfairly priced imports from the subject countries, which will once again destabilize the already vulnerable U.S. industry. Each of the subject producers in the five countries continue to maintain large capacity and focus primarily on export markets for a large part of that capacity.

In addition, the U.S. market remains an attractive outlet to subject producers, given the relatively higher prices in the United States compared to other markets. In addition, with the world capacity in an over-supply situation, excess capacity for stainless steel wire rod can easily shift from country to country when left unimpeded.

With the buildup in Chinese production in particular, as well as the increased shipments of the Chinese product into other markets, subject producers will be forced to look for new outlets for their products. Thus, it is reasonable to expect increased exports from the subject countries if the orders are revoked.

Any claims by Respondents that they would not return to the U.S. market or would only sell a limited volume are simply unrealistic. Once the orders are lifted, there will be nothing to prevent the unrestrained imports from increasing in the U.S. market.

I understand that Korean producer Sae Changwon claims that their focus will be on Asia. But that is not consistent with the facts. As the data provided in our prehearing brief shows, exports of stainless steel wire rod from Korea to all major Asian markets, including China, declined sharply over the review period.

Given the oversupply of Chinese stainless steel wire rod in those markets, it is reasonable to assume that Sae Changwon exports, as well as those of other subject producers, will continue to be displaced by Chinese production in the Asian markets. I have already in Cogne's prehearing brief that it has no interest in regaining a significant presence in the U.S. market because of its commitment to its customers in the EU and Switzerland, and because of its plans to expand its sales to its stainless bar-making affiliate in China.

Given that the market is already saturated in China, is it unlikely to Cogne will increase its shipments to China any time soon. Rather, subject imports from Italy will likely return to the U.S. market in significant volumes upon revocation of the order, as well as imports from other subject countries.

In addition, I would also like to address the claim by both Cogne and Olarra that Carpenter is relatively insulated from fluctuations in supply and demand in the commercial market because much of our production of the product is internally consumed. We take issue with that claim. The ability to sell into the commercial market is vital to our country's success.

While we may consume a significant percentage of our stainless wire rod internally, our commercial sales are absolutely critical to ensuring that our mills can operate efficiently and we can recover our basic cost. Thus, we actively compete in the commercial market, and we face customers, particularly in the wire sector, who constantly use import prices as a tool to negotiate lower prices.

As I mentioned already, Carpenter competes directly with imports and price is the primary factor in our sales negotiations. I understand the Commission's record confirms that this market is very price-sensitive, with evidence of purchasers searching for low-priced alternatives from import sources.

The anticipated surge in imported stainless steel wire rod flooding the marketplace would quickly translate into further downward spiral in pricing. The minimal profit margins that presently exist for the domestic industry would quickly erode and perilously impact the financial solvency of our companies and the livelihood of our workforce.

The future of our industry rests on the ability to make continual improvements in our manufacturing facilities. An active investment strategy supported by adequate returns is an integral part of this process. If the orders are revoked, however, it is unlikely that we will be able to achieve the returns necessary for continuing investment in our wire rod mills.

The anti-dumping orders play a critical role in assuring fair and equitable competition in the highly competitive and price-sensitive stainless wire rod market, and the continuation of the orders is therefore vital the survival of our industry.

For all of these reasons, on behalf of Carpenter Technology Corporation, I urge you to find that injury to our industry is likely to continue or recur if these orders are revoked, and to leave these orders in place. Thank you.

MR. LASOFF: Thank you, Mr. Wellock. Our next witness will be Chris Zimmer of Universal Stainless and Alloy Products.

STATEMENT OF CHRISTOPHER M. ZIMMER

MR. ZIMMER: Good morning. My name is Chris Zimmer. I'm the Executive Vice President and Chief Commercial Officer at Universal Stainless and Alloy Products. I've held the position for two years. I'm currently responsible for leading all sales and marketing functions, production control, supply chain and new product development.

Prior to this position, I served as the Vice President of Sales and Marketing for Universal for six years. In total, I've spent more that 21 years of my career in the stainless steel long products business.

Universal Stainless is a small company by steel industry standards. While our volumes are small, we produce a product line that offers various grades and sizes of stainless rod to both the specialized and commodity segments of the market. Although most of the foreign producers subject to these reviews are not currently competing in the U.S. market because of the anti-dumping orders, our Dunkirk facility has competed directly with all of these producers in the past, and knows most of them very well.

Indeed, many of them already have distribution systems in place, especially in the related U.S. stainless bar market. These producers have competed with us almost exclusively on price, and we believe that revocation of the anti-dumping orders would result in a downward price spiral.

I appreciate the opportunity to appear before you to express my concerns about the negative consequences that would confront Universal and our employees if the current orders on stainless rod from Italy, Japan, Korea, Spain and Taiwan were revoked.

The orders have been effective in providing discipline to the five countries that previously shipped large volumes of stainless rod at dumped prices to the United States. They face the option of selling into our market at fair prices or not selling at all. To date, they have elected the latter.

As Mr. Romans and Mr. Wellock have testified, the U.S. stainless rod market in 2015 experienced declining demand. At the same time, the market experienced a rapid surge in imports from China. In fact, as demand for stainless rod fell from 2013 to 2015, imports from China nearly tripled in volume.

These imports increased at the direct expense of domestic industry market share. These developments have led to a deterioration in the condition of our industry. At Universal, we were forced to take production shutdowns in 2015 due to reduced sales. These shutdowns had a negative impact on the financial performance of our stainless rod operations.

I would like to comment on the argument that the

Respondent companies here today would have no incentive to compete in the U.S. market if the orders were revoked. First, these companies have substantial excess capacity to produce stainless steel. Second, without the orders in place they would, as they have done many times in the past, export that capacity to the United States because of the size and relative ease of access to this market.

We would almost certainly lose business to our foreign competitors, who will reenter this market by underselling us, compounding the downward pricing pressure that has recently been exacerbated by China's rapid entry into this market.

Lower-priced imports from stainless steel wire rod products in the five countries had a major impact on our industry at the time of the original investigation. The domestic industry lost substantial sales volume and market share, saw significant price erosion, and suffered a huge decline in profitability.

The injury these five countries are capable of inflicting on our industry is even greater today. The U.S. market for stainless rod is much smaller today than it was at the time of the original investigation, while the capacities of the subject producers are now much larger.

They are therefore more motivated than ever before to ship to the United States. The world faces significant over-capacity for stainless wire rod production, so there is a lot of wire rod that is looking for an outlet. China has now become the world's largest producer of stainless rod by far, and its growing exports are putting pressure on both home and export markets for the five countries under this review.

Moreover, as China expanded its own capacity, its viability as an export market to the producers in the subject countries has declined considerably. Given the global over-capacity, if the orders are revoked, unfairly traded stainless rod will come streaming back into the U.S. market, immediately and in very large quantities at prices that will undersell Universal and other domestic producers.

Stainless rod is primarily purchased on a spot basis and the barriers to entry into this market are less than any other stainless steel product. In summary, these orders are vitally important to Universal, particularly at a time where China is already beginning to put pressure on pricing in our markets, which already is suffering over the past year from a weakening demand environment.

Without the continuation of these orders, the market will return to these conditions that existed before the orders were imposed, and our existing investments and any future investments will be jeopardized. Thank you for your attention.

MR. LASOFF: Thank you, Mr. Zimmer. Our next witness will be Ed Blot of Ed Blot and Associates.

STATEMENT OF EDWARD J. BLOT

MR. BLOT: Good morning. I am Edward Blot, president of Ed Blow and Associates. My company provides consulting services to North American producers, service centers and consumers of specialty metals. As a regular part of these services, I provide market analysis and forecasts concerning stainless products.

I have over 40 years of experience in the stainless long products industry. Prior to establishing my consulting business in 1999, I was in charge of the sales and marketing organization for two domestic producers of stainless and specialty metals, including stainless rod that is the subject of this review.

This morning I will discuss several topics supporting the industry's position that the current orders on stainless rod from the subject countries should not be revoked. First, I will discuss the product that is the subject of this sunset review. Second, I will present my forecast for demand over the next few years.

Third, although none of the Japanese producers nor the sole Taiwanese producer under order responded to the questionnaire, I will give my views on why imports of stainless rod from these two countries would increase if the orders are revoked.

And lastly I will comment on some statements made by Shae Chang Wan, Olarra and Cogne in their public prehearing brief. To understand the market, I would first like to emphasize that stainless rod is an intermediate product. Now this feature is very, very important. As an intermediate product, stainless rod is produced as a loosely wound coil, making it suitable for purchasers that require continuous feeding of input material like for the production of wire, cold-finished bar and industrial fasteners.

Another important factor to consider is that the production process for stainless rod is basically the same worldwide. First, stainless steel is melted, refined, continuously cast into billots and rolled from cast ingots into billets. Next, the billots are hot-rolled and coiled. Then the rod is finished, which includes annealing and descaling.

General industry practice is for purchasers to place their order by grade, size, tolerance, surface quality and quantity, and to a specification. Some purchasers require suppliers to become pre-qualified by placing a trial order before placing large production orders.

Now this qualification process usually only takes a few months because there is a prevalence of short-term contracts and spot sales by the purchasers of stainless rod. Because these specifications must be set before the production process begins, and because the production process is basically the same everywhere in the world, the quality of the stainless rod is a given.

In this industry, if the stainless rod is the grade and size required by a purchaser, most any rod from any producer can be used for the application, and price becomes a very important factor in placing an order, as identified by 10 of the 13 purchasers responding to this questionnaire, as well as purchasers responding to questionnaires in prior reviews.

Now I'd like to present my analysis of the stainless rod market, along with my forecast for demand of commercial sales of stainless rod over the next three years. My independent market research indicates commercial sales of stainless rod increased in 2014, but declined significantly last year.

There are several reasons for the increase of commercial sales of stainless rod in 2014, and for the significant decline in commercial sales of stainless rod last year. First, during 2014, most markets were improving. So purchasers were buying for current requirements and also building inventory.

However, the decline in all prices substantially reduced the 2015 demand for stainless rod products in the energy market, along with capital goods spendings in other markets.

Second, imports of stainless wire and fasteners continued an increasing trend during a period of review, since there are no orders on these products made from stainless rod. Third, some manufacturers of downstream products such as drawn wire and fasteners continue to relocate to lower-cost countries like Mexico and China.

Now my forecast for the demand in commercial sales of stainless rod is a further decrease this year. However, it's followed by growth the next two years that will exceed the forecasted GDP. The major decline in demand this year will be continued inventory destocking, with very cautious ordering for any market improvements, because raw material costs have also been declining.

The third topic I want to address is the ability of the producers in the subject countries to increase stainless rod imports if the orders are revoked. None of the Japanese producers responded to the questionnaire in this review. Sumiden Wire located in Dixon, Tennessee purchases stainless rod to manufacture wire for springs and other applications.

The parent company of Sumiden Wire is Sumitomo Electric Industries. Sumitomo America is a trading company with multiple locations throughout the U.S. Prior to the orders, Daido Steel used Sumitomo as one of the trading companies to supply stainless rod to Sumiden Wire. If the orders against Japan are revoked, it's highly likely that the Daido, Sumitomo, Sumiden Wire relationship will influence the direction of stainless rod purchasers, since Daido is already and approved supplier with excess capacity.

Walson Lewa, the only Taiwanese producer under orders, did not respond to the questionnaire. However, they've shown a definite interest in the U.S. market by being a major exporter of stainless bar since this product is not under orders. Walson has doubled its capacity of stainless long products in recent years, and will look to export stainless rod to the U.S. market should the order be revoked.

In their prehearing brief, Chang Wan stated that their stainless rod focus is in high value versus commodity products. It should also be mentioned that Chang Wan is a major supplier of stainless rod to Koswire, headquartered in Korea, who is the largest stainless wire producer in the world of both commodity as well as high value products.

Now in 2002, Koswire established a stainless wire manufacturing plant in Norcross, Georgia. When the original duty was lowered to 1.67 percent in 2004, two years later, Chang Wan increased their stainless rod imports the next year. When subsequent reviews increased the studies to the current 28.44 percent, Chang Wan withdrew from the market.

Should the order against Korea be revoked, with Chang Wan operating below capacity, with demand in China declining from previous years, and with that Koswire relationship not requiring pre-approval, there is no question but they will again immediately ship stainless rod into this market.

In their prehearing brief, Olarra states that they have been absent from the stainless market for 18 years, and have no U.S. customer relationships. However, Olarra is partially owned and affiliated with Rodacciai in Italy, as you heard earlier this morning. Rota Specialty Steel is the U.S. affiliate of Rodacciai, and maintains a distribution network currently selling substantial quantities of stainless bar.

If the order on Olarra is revoked, it's very likely they will use the Rota Specialty Steel distribution network to sell stainless rod as the U.S. marketplace is very familiar with this company. Now in the prehearing brief, Cogne states that they would "not have an interest in regaining a significant presence in the stainless rod market."

This is the same statement Cogne made in the stainless bar sunset review.  Within a year, within a year of that order being revoked in 2008, they began selling significant quantities of stainless bar, along with stainless valve steel, stainless billot and tool steel into the U.S. market.

If Cogne has no interest in the U.S. market, why are they maintaining a large depot stop of stainless billot and bar in Houston and New Jersey, and why did they recently hire two sales managers who -- one of which previously worked for Carpenter and Outokumpu, and the other who previously worked for Universal?  These two sales managers know the stainless rod customers.

MR. BLOT: Cogne is well positioned with the U.S. customers and they can resume exporting stainless rod immediately if the Order is revoked.

Now to summarize my comments: Stainless rod is an intermediate commodity product that is fungible and generally substituted both between subject countries and domestic producers where quality is a given and price is extremely important.

My forecast for stainless rod demand of commercial sales has a decline in this year due primarily to destocking of inventory and growing at levels greater than forecasted GDP over the next two years.

All the subject countries have under-utilized capacity, and some producers are increasing capacity. The producers in the subject countries have the ability to shift production to stainless steel road, have maintained sales of other stainless products during the Period of Review, or have ties to U.S. purchasers of stainless rod throughout existing relationships.

Import penetration of stainless rod from the nonsubject producers increased substantially during the period of review. Respondents have argued that prices are higher in other export markets, but exports from the U.S. producers are very low. And the main reason is because prices aren't attractive in these export markets.

Revoking the Orders will continue to deteriorate pricing in the U.S. market because the subject countries will want to export their excess capacity, taking advantage of my forecasted increase in demand in the next two years, all at the expense of the domestic industry.

You know, even if a subject country producer does not receive a purchase order, their low price will be used to negotiate low prices from other approved suppliers, whether domestic or nonsubject country.

Thank you.

MR. LASOFF: Thank you, Mr. Blot. Our next witness will be Brad Hudgens of Georgetown Economic Services.

STATEMENT OF BRAD HUDGENS

MR. HUDGENS: Good morning. I am Brad Hudgens of Georgetown Economic Services. This morning I would like to summarize the likely impact of the revocation of the Orders under this review would have on the domestic industry producing stainless rod.

Given that most of the data in the Commission's record are confidential, I am limited to what I can say publicly. I have prepared confidential handouts highlighting some of the key evidence int his case. I will discuss what I can publicly on these slides and ask that you refer to the slides and to our prehearing briefs for more specifics.

(Slides are being shown.)

In terms of the likely volume of imports that would enter the U.S. market if the Orders are revoked, the producers in Italy, Japan, Korea, Spain, and Taiwan each have maintained substantial production capacity.

As the Commission is aware, only three subject producers responded to the Commission's questionnaire in this review. As a result, we have had to rely on independent market research to account for the non-responding producers' data. The methodology we used for estimating the capacity of the non-responding producers is presented in our prehearing brief.

As shown in slide one, the subject producers substantially increased capacity since the time the Orders were imposed. The subject producers are among the largest stainless rod producers in the world, with many of these producers maintaining production levels that are in excess of U.S. consumption.

Slide two demonstrates that the capacity to produce stainless rod in the subject countries is substantial compared to apparent U.S. consumption. This increase in subject producers' capacity is significant, particularly given that apparent U.S. consumption of stainless rod declined significantly since the original investigation.

Please now refer to slide three. This graph shows the decrease in apparent U.S. consumption since the imposition of the Orders. The subject producers have a substantial volume of unused stainless rod capacity.

As you can see in slide four, even with the majority of the subject producers not responding to the Commission's request for information in this review, the Commission Staff Report indicates that the unused capacity of just the three responding subject producers is significant compared to the U.S. producers' commercial shipments in this market.

These producers are export oriented and, based on past history, they would use their excess capacity to export to the United States. In fact, the Commission Staff Report indicates that the subject producers have the ability to respond to changes in demand with moderate to large changes in quantity of shipments to the U.S. market.

The export statistics indicate that all of the subject countries continue to export substantial volumes of stainless rod. Further, many of these producers have historically been dependent on China as a target for their exports. As China has increased its own capacity, however, subject producers' exports to China have been displaced, forcing them to seek out new markets.

China is also competing with the subject producers for sales in their own home markets and is also targeting the U.S. market with increasing exports.

The U.S. market will not only be attractive to the subject producers generally as an outlet for excess production, the United States will also be an attractive market based on relative pricing levels.

Pricing data based on Global Trade Atlas statistics and U.S. producers' questionnaires show that prices for stainless rod are higher in the United States than in both Europe and Asia.

As shown in slide five, U.S. prices were consistently higher than the subject producers' other major export markets that were identified in their questionnaire responses. These data are consistent with the data submitted in those questionnaire responses.

The questionnaire responses of importers and purchasers confirmed that the United States is an attractive market for the subject imports. These questionnaire responses indicated that stainless rod customers would likely increase their purchases from Italy, Japan, Korea, Spain and Taiwan in the event of the revocation of the Antidumping Orders.

As you see in slide six, a major importer indicated that revocation of the Orders would create an over-supply of stainless rod in the U.S. market.

Slide seven shows that purchasers' responses to the question about what would be the effect of the revocation of the Orders on the U.S. market. The purchasers overwhelmingly indicated that there would probably be an increase in the volume of stainless rod, and that prices would likely drop.

One purchaser stated that the subject producers would likely resume dumping stainless rod in the U.S. market; while another purchaser stated that these imports would create, quote, "downward price pressure," end quote, on the entire U.S. market.

Respondents argue that transportation costs would be an impediment to shipping to the U.S. market. But the Commission's record demonstrates that the transportation costs did not preclude these producers from shipping large quantities of stainless rod in the original investigation, nor have transportation costs precluded these producers from shipping large quantities to other export markets.

The fact that nonsubject imports of stainless rod have increased during the current period demonstrates that transportation costs are not an impediment to shipping in the U.S. market.

The subject imports would likely enter the U.S. market at low and injurious prices, as they did before the Orders were imposed. In the original investigations, the Commission found that imports from the subject countries under-sold the U.S. product in the vast majority of price comparisons.

Neither Cogne nor any of the Japanese producers have ever requested an administrative review to prove that they have not dumped stainless rod in the U.S. market.

Commerce has found dumping is likely to continue by all of the subject producers. The Commission's record presents no price comparisons in this Sunset review. This fact demonstrates that the Orders have been effective in maintaining some price discipline.

Cogne and Olarra argue that NAS is a price leader in this industry, thereby driving the price of stainless rod and forcing its competitors to meet its prices or leave the market. This is not the case.

As Mr. Romans has just testified, NAS has been forced to lower prices to meet import prices. NAS's pricing strategy has been in reaction to the low-priced imports from nonsubject imports, rather than any reflection of price leadership.

Indeed, one purchaser indicated that NAS, quote, "reacts to import pressures," end quote. The Commission Staff Report shows evidence to support this. The U.S. producers lost market share to nonsubject imports at the same time that U.S. producers experienced declining U.S. prices and profits.

The Commission Staff Report indicates that U.S. producers' prices declined further than cost, thereby demonstrating that U.S. producers experienced some price depression due to the loss of market share.

In this Sunset Review, the Commission is presented with an industry that is vulnerable to more severe injury if the Orders are revoked on imports from the subject countries.

Despite some improvements earlier in the Period of Review, the condition of the industry deteriorated in 2005, primarily due to declining demand conditions combined with a surge in imports from China.

As you see in slides eight and nine, the record demonstrates that the domestic stainless rod industry has experienced declines in virtually every trade and financial factor during the Period of Review.

If imports from Italy, Japan, Korea, Spain, and Taiwan are permitted to resume selling dumped, low-priced imports once again, the already fragile condition of this industry will deteriorate even further.

Additional production curtailments, employment reductions, and financial deterioration will only intensify. To prevent recurrent injury from these imports to this vulnerable industry, an affirmative determination is warranted in this case.

MR. LASOFF: I thank you, Mr. Hudgens.  My colleague, Grace Kim, will conclude the testimony this morning addressing the legal question of cumulation.

STATEMENT OF GRACE W. KIM

MS. KIM: Good morning.  My name is Grace Kim of Kelley, Drye & Warren.  I will conclude our panel's testimony this morning by addressing the issue of cumulation.

The Commission has cumulated subject imports from all five countries in the prior sunset reviews, as well as in the original investigation.  It should exercise its discretion to do the same in this review.

All of the statutory factors are again satisfied here, and nothing has changed with respect to the conditions of competition or the likely overlap of imports from each subject country to justify decumulating any of the subject countries.

In addition, the record does not support a finding that imports from any subject country will have no discernible adverse impact on the domestic industry if the Orders are revoked. Rather, the available information continues to demonstrate that imports from each of the subject countries will likely increase in volume at low prices.

All subject countries have increased their capacity since the original investigation. They remain highly export oriented and they continue to maintain significant excess capacity as they did in the prior reviews.

This excess capacity gives the subject producers the ability and the incentive to export significant volumes of stainless rod to the U.S. market, just as they did pre-Order.

Given that the U.S. market is much smaller than it was during the original investigation, it would not take much import volume from subject countries to capture a significant share of the market from U.S. producers, and to cause a discernible adverse impact on the domestic industry.

Moreover, despite respondents' claims, increased subject imports are likely, given the attractiveness of the U.S. market.

As we heard from the testimonies this morning, U.S. prices are generally higher in the United States than in other export markets.  There is a limited number of purchasers of wire rod in the U.S. market, and their identities are already known to subject producers.

In addition, because stainless rod is primarily sold in the spot market, the qualification process is relatively short, and therefore subject producers can easily resume shipping large volumes of stainless rod to the U.S. market.

The U.S. market is also attractive because subject producers have an established U.S. sales network in place, or have existing relationships to help facilitate their sales of stainless wire rod.

In fact, as Mr. Blot testified, Cogne recently enhanced its U.S. network by hiring key sales personnel from U.S. producers.  In addition, as China's capacity continues to increase and their exports continue to expand across the world, all subject producers are coming under pressure to find new export markets.

As a result, subject producers have an interest in diverting their export from China and other markets to the more attractive U.S. market.

Turning to the next statutory criterion for cumulation, the record also demonstrates the likelihood of competition among subject imports and between subject imports and the domestic product based on the fungible nature of stainless wire rod and the consistent statements by purchasers that price is the key factor in determining sales.

In addition, subject imports on the domestic product are sold to the same channels of distribution, mainly to end-users, and there is no indication that the likely geographic overlap and simultaneous market presence found in the original investigation would change if revocation occurred.

Finally, the record also demonstrates that imports from all subject countries would compete under the same conditions of competition for the following reasons:

All subject countries have increased capacity, as well as excess capacity to produce stainless rod.

All subject countries compete for sales of an interchangeable product on the basis of price.

All subject countries are highly export oriented and can easily shift their exports from other markets to the

United States.

And all subject countries have a history of gaining U.S. market share by significantly undercutting U.S. prices.

Accordingly, the common conditions of competition of each of the subject countries will have a collective, devastating effect on the U.S. industry and strongly warrant cumulation in this review.

Cogne, however, argues that Italy should not be cumulated with the other subject countries, but it relies on essentially the same arguments it made for decumulation in the last review.  Specifically, it again argues that imports from Italy were the only subject country whose imports declined over the original Period of Investigation.

Subject imports were absent during the current review period.  Cogne is focused on other export markets like the EU, Switzerland, and China.  And it argues that its internal consumption and home market shipments have increased over the Period of Review.  And finally, it claims that its exports to its nearby customers, or to its subsidiaries should not be treated as evidence of export orientation.

But all these arguments, however, were present during the prior reviews and the Commission found that they did not justify decumulating Italy from the other subject countries.

The only new argument raised by Cogne in this review is that its capacity utilization deviates sharply from the aggregate capacity utilization trends for the subject countries as a whole, as well as the levels reported by Korean producer Zhang Yu'an.

This argument is also not compelling. Regardless of any difference in the capacity utilization trends among the subject countries that might exist, the fact remains that Italy, like other subject countries, have significant unused capacity available, and therefore Cogne has the ability and the motivation to resume exporting to the United States if the Orders are revoked.

Olarra also claims that Spain should not be cumulated with the other subject countries, largely based on the affiliation with NAS. As detailed in our prehearing brief, the data regarding the Spanish industry, however, indicates that there is likely to be a discernible adverse impact on the domestic industry upon revocation of the Order.

And the remaining arguments raised by Olarra in its brief were all previously considered by the Commission in the prior reviews, and the Commission did not find them sufficient for decumulating Spain from the other subject countries.

Lastly, while Zhang Yu'an did not address the cumulation issue in its brief, the record evidence continues to demonstrate that subject imports from Korea will also have a discernible adverse impact on the domestic industry if the Orders are revoked, particularly given their significant excess capacity, their high export orientation, their prior underselling behavior, and their established U.S. sales network.

In summary, the Commission should exercise its discretion to cumulate all subject imports in this review consistent with its prior determinations.  Here the record evidence again does not demonstrate that imports from any subject country will have no discernible adverse impact on the domestic industry.  And nothing has changed since the last Sunset Review with respect to the relevant conditions of competition, or the likely degree of overlap among the domestic like product and subject imports.

That concludes the testimony of the Domestic Industry and we would be pleased to answer any of your questions.

MR. LASOFF: Thank you, Ms. Kim.

Madam Chairman, Members of the Commission, that concludes the affirmative testimony this morning.  We welcome your questions.

CHAIRMAN BROADBENT: Thank you, Mr. Lasoff.  I want to thank the witnesses for coming and taking time out from your businesses to be with us today.

We will begin our questioning with Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. I too want to thank all of the witnesses for coming today and presenting your testimony. It is very helpful to have complete representation.

I want to begin with a series of questions for Mr. Wellock of Carpenter. Can you describe the--I'm sorry, from NAS, Mr. Romans. I'll come to Mr. Wellock later.

Can you describe the relationship between NAS and Roldan in Spain?

MR. ROMANS: We are sister companies. We are both owned by Acerinox.

COMMISSIONER WILLIAMSON: And Acerinox is located where?

MR. ROMANS: Spain, Madrid.

COMMISSIONER WILLIAMSON: So why would--given that relationship, why would Roldan ship to the United States at injurious volumes or prices?

MR. ROMANS: Well, I--

COMMISSIONER WILLIAMSON: Sisterly love, and all that?

MR. ROMANS: --I've been in this business with

NAS since 2003 on the long products' side of things. And since 2003, we have not seen Roldan into this market in the U.S. So, you know, we do work at separate entities. So, other than that, I can't say anything more.

COMMISSIONER WILLIAMSON: Okay. If there's something additional you can say post-hearing, we would appreciate it because we've had this with other relationships around the world.

MR. ROMANS: I understand.

COMMISSIONER WILLIAMSON: Also, do you know why Roldan did not submit a questionnaire response? And did you attempt to get one from them?

MR. ROMANS: I don't know.

COMMISSIONER WILLIAMSON: Okay. Thank you. I was just curious, as I said, this sisterly love, how far does it go. Okay, thank you.

Okay, Mr. Wellock, can you--do you sell to some of the same purchasers as NAS and the importers?

MR. WELLOCK: Yes, we can.

COMMISSIONER WILLIAMSON: Okay. And I was wondering if you can say now, or post-hearing, how do you determine what share of production goes to internal consumption as opposed to selling in the open market?

MR. WELLOCK: It's a function of looking at the business environment and where the opportunities are. As we pointed out in our testimony, you know, there is the flexibility of moving production around. We are all integrated mills, and an intermediary step in making our long products is making rod. From there, you can sell the rod, or you can use it to process into wire or to stainless bar. And we have customers of all three products.

So that's how we would decide how we would move production from one level to the other.

COMMISSIONER WILLIAMSON: Okay. And as part of that as to whether or not you would use it internal consumption, or go externally, or selling to external customers?

MR. WELLOCK: The internal consumption part of it would be as it gets transformed from rod into wire, or into bar. So think of it as kind of a continuous integrated process. We can stop the process at rod level, and then sell from there. Or we can process it down further into bar.

COMMISSIONER WILLIAMSON: Okay. And are wire rod prices part of this decision-making process? And in what way?

MR. WELLOCK: Yes, wire rod process would be part of the process, the decision process, for sure, as we would look for opportunities for satisfying customer demand out there. We would look at pricing for wire rod, yes.

MR. LASOFF: Commissioner--

COMMISSIONER WILLIAMSON: Mr. Lasoff?

MR. LASOFF: --Williamson, just to add one additional point, and one of the themes that I hope we've been able to pass on. You know, notwithstanding sort of the integrated nature of the industry, note the capacity utilization of the industry and the fact of the matter is, as capital intensive companies they want to maximize their use of their facilities. And therefore, you know, we are concerned about the merchant market.

And of course that's the main focus of this investigation. And so, you know, a company like Carpenter, it doesn't necessarily become a decision, well, we're going to produce this and take this off the line and produce rod. It is an attempt to maximize--and I think all the companies would say that--that the goal is to maximize their capacity utilization. And that means taking advantage of all of the opportunities in the commercial market.

COMMISSIONER WILLIAMSON: Okay. Thank you for that.

Also, Mr. Carpenter, I was wondering if you could--you made the statement that the commercial market is crucial to you, and I was wondering if there was anything you might be able to provide post-hearing to further substantiate that statement.

MR. WELLOCK: We would certainly be glad to do that.

COMMISSIONER WILLIAMSON: Good. Thank you.

Okay, what should we make of the low dumping margins and low volume of imports from Spain? Does this indicate likely behavior if the Orders for Spain are revoked?

MR. LASOFF: I think it's difficult to make an assessment at this particular point in time. One of the factors related to these Orders, that they have been very effective, regardless of what the margins are. They have elected not to ship to the United States. They always have the opportunity to ship a small order to the United States, attempt an administrative review, attempt to eliminate those margins, but the fact of the matter is even with certain low margins in a particular situation, under Order there's always that vulnerability for assessments.

So, again, they have elected not to ship to this market regardless of the dumping margins, which means that they have made an assessment, in our view, that if they were to ship they probably couldn't compete without dumping.

MS. KIM: Commissioner Williamson, just to add to that point. You saw the Korean producers attempt to regain a presence in the U.S. market and you know, with that risk, they did have a lower margin initially and then they were found to have been dumping at a much, much higher dumping rate, and then they disappeared. So I think, you know, it's a lesson for subject producers, you know, of that inherent risk and they don't want to take that.

COMMISSIONER WILLIAMSON: Okay. As opposed to saying they got other markets that keep them fully occupied?

MS. KIM: Right, I think until they are excluded from the order, you know, that they may elect not to, you know, re-enter the U.S. market. And you've got subject producers that were initially covered and then they got excluded and they are in the market today.

MR. LASOFF: Our historic experience going back, some of these orders were revoked for reasons, not necessarily related to a Commission determination, these were related to margin calculations, as a result of the WTO determination of zeroing. So a particular producer, say for example, from Sweden, was deemed retroactively to have a zero margin. As soon as the order was revoked against them, they have now become a formidable presence in certain segments of the market. So it isn't -- again, we tend to look at this as, you know, our margins preclusive or are they not effective? We tend to view this as an anti-dumping duty order, the nature of our system is such that regardless of whether there's a low margin or a high margin, there is discipline in the marketplace and the importer and foreign producer must make a decision -- Do I want to expose myself to dumping liability, even if it's a low margin, because under our prospective system, they would be assessed a higher dumping margin during administrative review period.

COMMISSIONER WILLIAMSON: Okay. I was about to ask -- most of the complaints I've heard have been about China and their impact on the market. All right, if any of these other folks who have gotten off been a problem? Because I haven't heard anybody mention that. If you want to illustrate that post-hearing, that would be fine.

MR. LASOFF: With respect to China?

COMMISSIONER WILLIAMSON: Well, no. You've talked a lot about China. What I haven't heard is anybody complain about producers who are subject who have now gotten out because of low margins or something like that.

MR. LASOFF: Mr. Romans can talk about that right now.

MR. ROMANS: For instance, in Taiwan, you've got Huasheng and it caused us a lot of issues in the marketplace. They set the price and a lot of our customers that we have to compete with quite a bit, as we said, Sweden has become an issue for us in the marketplace. We starting to see them out there, too, so yes, we do see that in the marketplace.

COMMISSION WILLIAMSON: Okay.

MR. LASOFF: We'll be happy to address that in more detail in post-hearing, Commissioner Williamson in terms of some of these non-subject producers who have become an issue.

MR. ZIMMER: Commissioner Williamson, I'd like to add that as well. This is Chris Zimmer. We've experienced that when the orders from France were revoked. We did see them re-enter into the marketplace for a number of large pieces of business and we're forced to either reduce our prices to meet their entry into the marketplace or, in some cases, lost business altogether, so we saw discipline when the orders were in place, but when they were revoked, they returned immediately to the marketplace. So France would be a very close experience for us.

MR. LASOFF: One of our arguments is that the non-subject imports contribute in the Sunset context to the vulnerability of this industry, and to be taken into account as you evaluate the likely impact of the subject imports. And clearly there is -- that China, in and of itself, is a new development and we say that that goes to the question of the vulnerability of these companies. As you assess the statutory factors with respect to the subject imports.

COMMISSIONER WILLIAMSON: Okay. Thank you for those answers.

CHAIRMAN BROADBENT: Mr. Johanson.

COMMISSIONER JOHANSON: Thank you, Commissioner Broadbent, and I would like to thank all of you for appearing here today. On Pages 18 to 19 of its prehearing brief, Cogne argues that the Commission should view the experience of the other Italian producer, Valbruna, as a test case for the likely effect of the revocation on Cogne. Could you please respond to this contention?

MR. WELLOCK: We see Valbruna a little bit in the marketplace. I'm not sure if you want any more color than that, but we see them in the marketplace.

COMMISSIONER JOHANSON: OKAY. I think that they contend that it would not have much of an impact, that perhaps Valbruna is here, but hasn't had a deleterious effect on the industry?

MR. ZIMMER: I'd like to add to that. We do see them quite a bit. They have warehouse and sales positions --a pretty strong sales organization here in the U.S., so they've successfully grown their position on bar and forging products, so our expectation is that we would see them on wire rod products just the same.

MR. BLOT: Commissioner, I have seen the -- this is Ed Blot -- I have seen them, you know, in the marketplace from the same point of what, you know, customers tell me. They've had a steady presence since they were excluded from the order from whenever that was, I forgot the year that was. But if you look at it, you'll see that their imports from Italy during this whole period of review and during the previous period of review. So they've been around, and they have really expanded, of course, into the bar products. Whether they continue further expanding into the rod product or not, you know, we'll have to wait and see. But they certainly have increased, I think, in terms of their imports into the U.S.

COMMISSIONER JOHANSON: All right. Thanks for your responses. I'd like to move on to the issue of Korea and this pertains to cumulation. The Korean respondent points out that in March 2015, Changwon was acquired by the SeAH group, and that the new corporation, SeAH CSS generated a new business plan, a copy of which is produced in its foreign producer questionnaire response. It contends that the U.S. market does not feature in its business plan and that it will instead focus on selling higher quality, high value products in the domestic markets and other growing Asian markets. Could you all please respond to this? And I understand that this is, at least partly BPI, so feel free to do so in your post hearing brief as well.

MR. BLOT: I'd like to respond to that if I can, Commission Johanson. I mentioned in my testimony -- just to kind of go over it -- the biggest stainless wire producer in the world is a company called Koswire, which is located in

Korea. And a beautiful relationship that they have with SeAH Changwon's, whether regard to the old ownership or the new ownership, they are still shipping product to that particular company, have an excellent relationship and there's no question in my mind that if the orders are revoked, they will then go ahead and start shipping the U.S. company, Koswire in Norcross, Georgia, and start shipping that. Makes a whole lot of sense because of the overall relationship they have. And Koswire, you know they talk about whether they have commodity or whether they have specialty type of stuff. They do everything, and so therefore, they're going to want to have that material coming in from their current supplier in Korea, having it come on into the U.S. That's what they did, you know, before the order situation was there. They were shipping it in, then when the orders, you know, the administrative reviews went up the high numbers, then they pulled back. Now you can say there's a new ownership. We don't know what the heck they're going to do as far as, you know, down the road. I know what they're saying, at least what I could read at a public hearing of the brief, what they're saying that the direction's going to be, but we will not really know that until a few years down the road. But we do know they're still supplying material to Koswire in Korea. They haven't stopped doing that. They're still a major supplier there and they will therefore ship that product into the U.S. affiliate of Koswire, in my opinion.

MS. KIM: Commissioner Johanson, just to add to that. I mean the business plan -- I just wanted to point out that that business plan was implemented when the order is already in place. So I think if the order were to be revoked and given the excess capacity that exists in Korea and all of the other factors that we outlined in our brief and will do so again in our post hearing, but I think they have an incentive to ship to the United States, and I think that they would likely update their business plan to do so.

COMMISSIONER JOHANSON: Thanks, Ms. Kim. And you might be in a position to answer this, since we're talking about the same subject accumulation, which you, of course, spoke on today. One issue that did jump out at me when looking at the Korean brief, was that they mentioned transportation cost being a factor in shipping to U.S. But that doesn't always seem to be that big of an issue.

MS. KIM: I really don't think that's an issue as well. The Commission has actually rejected that argument in the prior reviews. You know, the transportation cost is not an impediment to the non-subject producers such as Huasheng in Taiwan. They're still shipping here in large volumes. And it wasn't an impediment during the original investigation. So for those reasons, I really don't think that's a compelling argument.

COMMISSIONER JOHANSON: All right, thanks. Also, Cogne states that it sells the majority of its stainless steel wire rod shipments to the Italian market in the form of commercial shipments or internal consumption, to other customers within the European union, to customers in Switzerland, which are located close to its production facility, and also to Cogne's bar-making subsidiary in China. How should this factor into our discretionary cumulation analysis?

MS. KIM: Those same arguments were made in the prior review and I think what you need to -- what the Commission should focus on, is the excess capacity that exists in Italy. That Cogne's export orientation and the fact that they have a U.S. sales network in place and as you've heard, they've enhanced that sales network. So I think all of these factors indicate that they are likely to resume shipping to the U.S. market.

COMMISSIONER JOHANSON: Do you have further information on the hiring of the two or three people?

MS. KIM: I think -- Mr. Blot?

MR. LASOFF: We do have that information and --

COMMISSIONER JOHANSON: Was that in the Appendix, or did I not see that?

MR. LASOFF: It was not in our prehearing brief.

COMMISSIONER JOHANSON: Okay.

MR. LASOFF: It's a very recent development, but we will address it in the post hearing brief. I think it's probably more appropriate to address it in that context than rather talk about that publicly.

COMMISSIONER JOHANSON: OK, that's fine. I appreciate you all presenting that to us later. But then again, Ms. Kim, you spoke of the export orientation of Cogne. However, most of its sales are in a relatively small area within the European union and Switzerland. So is it really correct to say that it has an export orientation if it's shipping largely locally?

MS. KIM: It's still an export.

COMMISSIONER JOHANSON: Okay.

MS. KIM: And, you know, that could be the same argument with U.S. shipping to Canada or something. You know, I think it's the same argument. An export is an export.

COMMISSIONER JOHANSON: Okay. I understand.

MR. BLOT: Commissioner, just a comment. And I know this is on the stainless rod that your specific question was, but they are shipping and have been shipping, you know the last few years a lot more of the stainless products into the U.S. So if they're not export oriented, I'm sure that the domestic stainless bar producers and the domestic stainless billet producers wish they would live with that statement in those particular products. Because those particular products are growing in terms of their imports into the U.S. According to my independent analysis.

MS. KIM: Commission Johanson. Just another point. I know that Cogne has argued that we should look at Valbruna as a test case, but I think now the scenario is, you should look at Cogne itself in the stainless bar case. When that order was revoked, they came quickly back into the U.S. --

COMMISSIONER JOHANSON: And what year was that again, please?

MS. KIM: The stainless steel bar?

COMMISSIONER JOHANSON: Yes.

MS. KIM: When that order was revoked?

COMMISSIONER JOHANSON: When was that revoked? DO you know the year for that?

MS. KIM: 2007, I believe?

COMMISSIONER JOHANSON: OK.

MR. BLOT: Revoked in 2008.

MS. KIM: 2008.

COMMISSIONER JOHANSON: OK. And how quickly did they re-enter the market?

MS. KIM: Within a year.

COMMISSIONER JOHANSON: OK.

MS. KIM: And the Commission has indicated that in its determination, the prior review.

COMMISSIONER JOHANSON: OK.

MS. KIM: That it didn't take that long. And as you've heard Mr. Blot testify, I mean the qualification process is just very, very short.

COMMISSIONER JOHANSON: Mm-hmm. OK. Well, thanks for your responses. My time is about to expire, so I'll let Commissioner Schmidtlein take over.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you, and welcome to all the witnesses. I want to start with a question about the chart on Page 3 of your brief, and I think, Mr. Hudgens, you referred to this in your confidential slides. And this is the chart on subject producer's capacity. So my questions is having to do with the 1998 figures.

MR. HUDGENS: Right.

COMMISSIONER SCHMIDTLEIN: Oh, I'm sorry. The companies that are included in each of those country's figures -- are those -- I guess my question is, weren't there other companies in some of those countries in 1998? So for instance, in Italy, Cogne was not the only Italian producer in 1998? I know they are now, in terms of being subject. But weren't there other subject producers in 1998 in Italy?  I'm sorry if this question is not that clear.

MR. HUDGENS:  Right.  So there -- yes, there were -- a small, another small Italian producer, yes.

COMMISSIONER SCHMIDTLEIN:  OK.  So and is that true for some of the other countries you've listed?  In other words, are the total numbers there that you've reflected for 1998 the actual capacity that existed for each of those countries in 1998?  Or are they the companies that exist now and you've gone back and looked at what their '98 numbers were?

MR. HUDGENS:  So the Japan numbers is exactly as it's stated in the staff report in the investigation.  The same is true -- for Korea, there -- you're right.  For Korea -- so for Korea and -- your question leads to -- there was another additional producer in Korea and another additional producer in Italy.

COMMISSIONER SCHMIDTLEIN:  In Italy?  OK.

MR. HUDGENS:  And Taiwan, Walsin has been the only non -- Huasheng is no longer subject to that order, so we did not include that.

COMMISSIONER SCHMIDTLEIN:  Right.  But they were back then?

MR. HUDGENS:  From the original investigation -- they were included in the original investigation.

COMMISSIONER SCHMIDTLEIN:  Right.  So can you reproduce this chart in post-hearing with those numbers so we can see, you know, what was the actual capacity in those countries for subject producers in '98 versus what the actual capacity is now in 2015. I think that would be very helpful.

MR. HUDGENS: Yes, we'd be happy to.

COMMISSION SCHMIDTLEIN: OK. So, I want to focus on, I guess, stain in Italy, since those are who we have here today. And I know Mr. Romans -- Commissioner Williamson started with a question for you about the relationship between NAS and Boldon and so I just wanted to follow up on that and ask you and the petitioners to follow up in post-hearing, because I'd like to understand what the relationship is in terms of any coordination with regard to sales in the United States. So, even if Mr. Romans doesn't know from his personal knowledge, I assume somebody at the company knows if there is a relationship there and if there is any coordination. And otherwise, is it your position that it was a coincidence that when NAS started producing stainless steel rod in 2003 that Boldon's exports to the United States disappeared?

MR. LASOFF: We will address that in the post-hearing brief. And we will address that with NAS and their affiliate and get that answer. Similar questions were asked five years ago and it's a sensitive issue. Sometimes the politics between companies can bear in some of these things, but we will get a good solid answer so that there will be an understanding of what --

COMMISSIONER SCHMIDTLEIN: OK.

MR. HUDGENS: -- the relative relationships are with respect to -- particularly the commercial issue of selling into the United States.

COMMISSIONER SCHMIDTLEIN: Right, and I assume it's your all's position that -- and correct me if I'm wrong, I guess, but -- that it's possible that Boldon would sell into the United States at prices that would undercut NAS?

MR. LASOFF: I think that is a question we'll also address in the post-hearing briefs, but the answer of the matter is these producers, the producers other than NAS, you know, have the position that all five countries should be cumulated, that there would be a discernable impact from Spain and we will address that question in terms of the other companies as well. Because it is a little bit of an unusual situation, although we're seeing more and more of it in trade cases.

COMMISSIONER SCHMIDTLEIN: We definitely are. We've had this come up more and more --

MR. LASOFF: It's a complicated issue.

COMMISSIONER SCHMIDTLEIN: Right.

MR. LASOFF: You'll have a reduced global producer, with six facilities at a subject to the case, but they're also sitting at the petitioners' table. So we understand the issue and we will do our best to try to convey -- at least in this particular situation -- what that relation is and how it may impact on the commercial market.

COMMISSIONER SCHMIDTLEIN: OK. All right. And then the other producer in Spain, Olarra, who maintains that right now it services, let's call it two fairly distinct markets. In your all's brief, you characterized them as highly export-oriented and so my question for you and I guess this could also probably be better done in post-hearing, but if you have anything to say right now that could be helpful, is -- why should we think that their pattern would change? In terms of who they're selling to right now? In other words, why should we think that they're going to divert and come to the United States? Recognizing that in the second Sunset review, they had not provided a questionnaire, right? So now we have information from them about what's been going on over the past five years.

MR. LASOFF: We will address that in the post-hearing as well, but let me throw a little history out there.

COMMISSIONER SCHMIDTLEIN: OK.

MR. LASOFF: As it is obviously something that

the Commission will rely upon on Sunset reviews and I hope that -- I'm dating myself a little bit in terms of how many years I've been doing this.  1982 I was a first-year associate and there was escape clause release on stainless long products.  The first surrogate imports in 1982 after that release was suspended was from Spain and a CVD case was brought against stainless steel wire rod from Spain.
Olarra was the only producer at that particular time, so historically -- there was clearly a history -- granted, it's old like I am, but it does go back thirty-three years.  They were the target of the first stainless case that was brought in the 1980s by this industry on stainless steel wire rod.
So there was clearly -- there is a history here.
Fast-forward ten years with the expiration of the VRAs and again, we bring a case -- I think this was even about the time that Earl Dye was coming on board.  At that time, we were still concerned about Olarra, the history in this market.  So that's long history, more than the Commission typically goes back --

COMMISSIONER SCHMIDTLEIN:  Right.

MR. LASOFF:  -- on some of these cases.

COMMISSIONER SCHMIDTLEIN:  Right.

MR. LASOFF:  But you know, you have the benefit of an old guy here.  You know who goes back to that.  So we are concerned about that.  We, you know, we look at their capacity when we don't know what their actual plans are other than what's made in their briefs. We look at their export orientation. We look at their export data. We try to get information from sources in Spain regarding what their capacities are and we try to fill the record. That's what we tried to do the last time. We try to fill the record with data that we obtained in the course, you know, of our research on that.

COMMISSIONER SCHMIDTLEIN: Thank you. I appreciate that. Right now, it just looks -- you know, they've got two pretty distinct channels here that they're selling to, and so my question for you all is, what evidence do you have that that's going to change? Why should we conclude that that is going to change if the order's lifted?

MR. LASOFF: And we understand that that is the challenge in these cases --

COMMISSIONER SCHMIDTLEIN: Yep.

MR. LASOFF: -- in many instances. And we will do our best to, you know, to provide that and the Commission will assess it accordingly.

COMMISSIONER SCHMIDTLEIN: OK. OK. And then, with regard to Italy, and Ms. Kim, you all -- I think you just discussed with Commissioner Johanson the excess capacity point, and so I guess, just for my own clarification, it's you all's position that we should look at the excess capacity obviously, and the trend in whether their capacity utilization is going up and down. Right?

MS. KIM: Mm-hmm.

COMMISSIONER SCHMIDTLEIN: OK.

MS. KIM: I think that's their argument. That they're arguing that their -- the trend in their capacity utilization over the period is different from the other producers, right? But the fact is, they have excess capacity and I think that's the more important --

COMMISSIONER SCHMIDTLEIN: OK. So this is what I'm trying to get at. So you agree, we should be looking at their trend. This is something that Commission does, but in your all's argument is, they still have excess capacity?

MS. KIM: Yes.

COMMISSIONER SCHMIDTLEIN: And because of that, we should conclude that they're going to send that here?

MS. KIM: Right. With all of the other factors that the Commission has relied on in the past, you know, this is a price sensitive market, you know, highly interchangeable product, U.S. market is attractive because of the higher prices. For all of those reasons and particularly because they have excess capacity and they're export-oriented. That they are likely to ship here.

COMMISSIONER SCHMIDTLEIN: OK.

MR. HUDGENS: Could I make one point here?

COMMISSIONER SCHMIDTLEIN: Mr. Hudgens, yeah.

MR. HUDGENS: So just in stainless steel wire rod, most of the stainless steel wire rod producers, both in the U.S. and the subject countries are also stainless steel bar producers, so there is some allocation in determining what reported capacity is, so it's -- and it's also reported capacity's based on what the demand is and what consumption is. So that is something that is fluid and can change quickly if there's further demand for that product. So just because a producer is operating on high capacity utilization doesn't mean that it would require major investments to increase that capacity. Sometimes it's just an allocation and/or sometimes the capacity is based on a constraint that's in the anneal and pickling lines, which would be a minor investment to increase that capacity substantially.

COMMISSIONER SCHMIDTLEIN: OK. And I'm sorry. Let me just -- I was going to ask this in the next round, but you actually just segued into my question, which is -- but isn't bar a higher value product? So why would they be incentivized to shift production from rod to bar?

MR. HUDGENS: Well, in many instances, even though bar's a higher value product, does not mean it's a higher, more profitable product. So we've done analysis recently on all of the long products and there is no correlation to profitability to the further downstream products in wire and bar. So it doesn't mean that they are more profitable than the rod industry.

COMMISSIONER SCHMIDTLEIN: All right, thank you. Sorry. I went over.

CHAIRMAN BROADBENT: Mr. Hudgens, following up on that a little bit -- if you're saying that the capacity can change depending on what the market demand is, how does U.S. excess capacity compare to excess capacity in Italy and Spain, for example?

MR. HUDGENS: Well, to my point earlier that from the questionnaire responses, it indicates that most of the producers, both in the subject countries and in the U.S. have indicated that their constraint on capacity is not at the hot-rolling or the steelmaking capacity. It's more at the annealing or pickling line, or it was based more on a reported capacity that was allocated between bar and rod.

So it's a number that is more fluid than absolute, and so in our prep session yesterday, the producers indicated that if the demand were to warrant it, they could increase capacity very quickly here in the United States, that the capacity really right now is more of a function on what the consumption is versus what their true capacity would be if there was an increase in consumption.

CHAIRMAN BROADBENT: Okay. So how do we compare excess capacity in the domestic market versus in the Respondent's market?

MR. HUDGENS: So --

CHAIRMAN BROADBENT: I mean do we just assume -- I mean if it's, you know, I got your point, but I'm just wondering whether we can really rely on the capacity numbers if it's so fluid.

MR. HUDGENS: So what the subject producers reported was a capacity, a number that still in all of those countries allow them to export substantial quantities to the United States, compared to what they shipped in the original investigation. With demand and consumption smaller in the current review than it was in the original investigation, they would even be at a higher market share level than before.

So even with existing capacity figures that they have reported, the potential volume and more importantly the potential market share would be substantial and more significant than in the original investigations.

CHAIRMAN BROADBENT: Okay. But you can get -- compare apples to apples in terms of capacity, like what percent of excess capacity we have in the domestic industry versus excess capacity in Spain or Italy or just as a point of comparison?

MR. HUDGENS: Well, you want to help me out here? So do you ^^^^ well, I think the report does that, you know. So this -- maybe I'm not getting the question.

CHAIRMAN BROADBENT: Yeah. I'm just asking you to kind of summarize it, how you look at it and think about it because, you know.

MR. HUDGENS: Clearly in the U.S., the capacity utilization dropped significantly over the period because there was a significant shift in market share toward the non-subject imports. So there is excess capacity in the U.S., but that's mainly because they would have been hit with a flood of imports from China and the non-subject imports.

So and -- so and that shows that the market is still very attractive to imports, and the relative pricing, the importers have indicated that the relative pricing in the U.S. is high. So there's definitely -- the U.S. is a large open market that would be very attractive to those producers.

CHAIRMAN BROADBENT: Okay, thank you. Let's see. Mr. Lasoff, how would you distinguish sort of whether it is disciplining the return of the Respondent's imports or they're disinterested? How do you know how that order is operating?

MR. LASOFF: I think historically the Commission looks at what the trend is. They see that prior to the issuance of the order there was a great interest in the marketplace.

CHAIRMAN BROADBENT: Eighteen years ago.

MR. LASOFF: Yes, 18 years ago. But nevertheless the order has been there. It has created a structure whereby they can continue to export into the United States. They have elected not to because in our view, notwithstanding their export orientations, their high capacity, they have assessed the situation as one where they have simply calculated that they're not able to export into this market without triggering dumping liabilities.

I mean this is the way the anti-dumping duty order is intended to work. I think again, the points we're making, we can't see the motivations.

CHAIRMAN BROADBENT: Not directly, no

MR. LASOFF: But so we have to look at the other factors, and we see they have the export orientation, that they pursue markets globally. We see the fact that they have the excess capacity. We see, we look at the history and we look at how quickly they have increased, they increased their imports during the period of the original investigation.

All of these factors seem to go, the question is that there is discipline there, and at this particular point in time they believe that they cannot enter into this market without triggering the dumping liability. The other thing, the other point is, and it's one that we've repeated, the nature of this particular market, the fact that most of the products are sold on a short-term basis, there are very, very few barriers to entry.

So and then we look at some of the others in the industry who were taken off the order, and we see how they have retreated, you know, back into the marketplace. So looking at all the factors, you know, we come to the conclusion that they would take advantage of the situation.

As I said, it's a little hard to say well, does this reflect disinterest or discipline, you know. We would maintain this is discipline.

CHAIRMAN BROADBENT: And then would you say that all the Respondents are basically equally interested in shipping here? Can you differentiate among all these Respondents and who would be the most interested in getting into this market?

MR. LASOFF: I think much of law gives you, the Commission, the opportunity to assess the facts that you have with respect to that.

CHAIRMAN BROADBENT: Right. No, I'm asking you. Yeah.

MR. LASOFF: With respect to that, we view them all as potential threats in connection with this particular market, because we look at it as based on the factors that I've just talked about.

The ease of entry into this market, the export orientation of all of these producers, the fact that they have been here over and over again, and have been able to ramp up their shipments here at short notice. We think of all of these factors to distinguish --

CHAIRMAN BROADBENT: Well, you wouldn't see one of the responding countries or companies as more of a threat than the other? They're all equally --

MR. LASOFF: I think and it's sort of a question.

CHAIRMAN BROADBENT: Again, how do we distinguish?

MR. LASOFF: Well, I think that's a question for the industry folks to respond to, the commercial people from the companies. They will all have -- they're all in -- they're in different markets.

CHAIRMAN BROADBENT: Sure. That would be great. Mr. Wellock, yeah.

MR. WELLOCK: One thing to add to Larry's comment is the fact that we are all integrated steel mills, you know, the domestic industry here as well as the competitors from afar.

We have big, large assets that we need to utilize. If the U.S. market becomes another opportunity to channel product, it allows their asset utilization to increase. We all want to do that. We can't add little incremental portions of capacity.

When you add capacity, you add it in big chunks. If a market opens up, it allows them to have better asset utilization. We would all want that.

CHAIRMAN BROADBENT: Right. But that doesn't help me distinguish between the Respondents in this case.

MR. WELLOCK: And my point there would be I would see no difference in any of the respondents because they all have large assets, just like all of us sitting at the table here that we want to utilize and they need to utilize. For all of them, if the marketplace in the U.S. opens up, it allows them to have another opportunity to sell the material that they're producing.

CHAIRMAN BROADBENT: Okay.

MR. ZIMMER: I'm sorry.

CHAIRMAN BROADBENT: Sure, yeah.

MR. ZIMMER: Just one other point that I would make is that, you know, the subject producers are very large producers. They maintain production levels that are well in excess of U.S. consumption. So they're not -- these aren't small, you know, niche producers. They're all very, very large producers with volumes that, you know, way -- they're way larger than U.S. consumption in many respects.

CHAIRMAN BROADBENT: Okay. Mr. Lasoff, you mentioned that France, I think it was you that mentioned that France would be an example of what would happen if the orders are revoked, that I think if you look at Table 4-16 on page 423 of the staff report, exports to the United States from France are dwarfed by exports to Italy and Germany.

Doesn't this support the Respondents' position from Italy and Spain that they are interested and focused on the EU markets? I'm just looking at the 2015 exports from France, where the order came off earlier.

MR. LASOFF: Again, I think we have to evaluate each country in terms of the markets they're targeting. France tends to target the higher end of the continuum of products, and while their volumes may not reflect perhaps some of the commodity products that are sold by others, you know, we rely on what our clients say are the problems. I think it was Chris who mentioned France, and let him address that directly.

CHAIRMAN BROADBENT: Yeah. Excuse me, I didn't remember. Yes, Chris.

MR. ZIMMER: Yeah. Our experience was that once the orders were revoked, that they were originally found guilty on, they did come back into the market in a much more meaningful way. It did mean lost business --

CHAIRMAN BROADBENT: In the U.S. market?

MR. ZIMMER: In the U.S. market.

CHAIRMAN BROADBENT: So the 5,000 short tons in 2015?

MR. ZIMMER: Yes.

CHAIRMAN BROADBENT: Okay.

MR. HUDGENS: All right. So they're the, you know, the fourth largest source of imports in wire rod in 2015, and they are increasing over the period.

CHAIRMAN BROADBENT: Okay.

MR. ZIMMER: And there was also the impact of pricing pressure as well that resulted in lost revenues, as we needed to respond to their competitive lower prices as well too.

CHAIRMAN BROADBENT: Okay. That lapsed my time. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Okay. Mr. Romans, Commissioner Schmidtlein already asked for post-hearing some additional information about Roldan and this corporate relationship and how it operates. So I was wondering if you could put in a couple of other things to include when you respond to that, not only where do they -- about the decisions, how Roldan sells to the U.S., but also how does the corporate relationship affect how they sell elsewhere too.

And I guess does Arceneaux have some control over their decisions on where they sell, both in the U.S. and elsewhere, and also what control Arceneaux exercises over Onassis decision-making.

MR. ROMANS: Okay. We'll attempt to do that.

COMMISSIONER WILLIAMSON: To have a different complete package.

MR. ROMANS: All right, thank you.

COMMISSIONER WILLIAMSON: Okay, thanks. So Mr. Carpenter, the Respondents have contended -- oh I'm sorry, Mr. Wellock, sorry. Respondents have contended their maybe underestimates capacity utilization. Can you respond to this either now or post-hearing?

MR. WELLOCK: I believe that our capacity is accurately reflected, so I'm not quite sure how else to answer it.

MR. HUDGENS: So Commissioner Williamson, Carpenter was verified in this proceeding and capacity was a factor that was verified. So these numbers reflect the data as a result of the verification.

COMMISSIONER WILLIAMSON: Okay, thank you. While I have you Mr. Hudgens, your I guess Slide 5 on page six, I know it's confidential, but I was just kind of curious, and I know there's data in the brief about prices in Europe.  This is sort of showing that -- you're trying to show me that the U.S. prices are higher; it's a more attractive market.

MR. HUDGENS:  Right.

COMMISSIONER WILLIAMSON:  And I just noticed, you know, colored charts are always nice because they're very vivid.  But I don't see any color that represents Europe, Western Europe or any of those markets here.  So I don't know whether you want to say something now or post-hearing or want to give us a chart that has a nice color for those too?

MR. HUDGENS:  So I chose those just so that there would be multiple bars, just because those were the markets that were most identified in the export, the foreign producer questionnaires as export markets.  So that if you look on page three of our brief, I have included the European countries in those tables, and they show the same trends as that graph does, that the U.S. is consistently higher.

COMMISSIONER WILLIAMSON:  Okay.  That's what I was wondering about, because I was taking a quick look at that.

MR. HUDGENS:  Yeah.  So if you look at page three of our brief.

COMMISSIONER WILLIAMSON:  Yeah, no.  I have it.

We were looking at it before I asked the question.

MR. HUDGENS: Okay, all right, all right.

COMMISSIONER WILLIAMSON: Okay. But it just wasn't quite as clear, and I did like the colored charts.

MR. HUDGENS: Okay.

COMMISSIONER WILLIAMSON: Okay, thank you. Ms. Kim, I was just wondering. You've made a lot of the fact that okay, we rejected a bunch of arguments in the last review, and but I was just wondering, five years later, you know, markets do change. Maybe some arguments that -- and do arguments have more validity of they're made five years later?

MS. KIM: I think if you look at the record that exists today, the same factors that supported cumulation of all countries still holds today. I mean you've got again, the excess capacity and the export orientation. The data all support that as well.

COMMISSIONER WILLIAMSON: But you've also got major other suppliers into the U.S. market and potential threats, and relative to those, when I should think about, what's the problem coming -- what's going to be the problem going forward?

MS. KIM: Well that just makes the industry more vulnerable with the non-subject imports here. It indicates that when a subject producer is under the U.S. market, they're going to have to price their prices low to reenter. So --

COMMISSIONER WILLIAMSON: No, okay. I was just wondering, because it just struck me that --

MR. LASOFF: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Yes.

MR. LASOFF: Actually this is a point that I was actually considering making in rebuttal, but I think there's this implication that was actually in the introductory statement by respondents that, well this order is 18 years old. Nothing has changed, and therefore, you know, it's outlived its usefulness.

First of all, I take issue with the implication that there is somehow a different legal standard in a situation where an order, it might be in the third review period rather than the first review period, and there is nothing in the statute and the Commission has never recognized an additional burden resulting from a later review period.

I think what we've tried to do is each case stands on its own or falls on its own. You look at the facts in the particular situation. Some of it is the same, that the nature of the product, the price sensitivity of the product is all the same. But you also look at differences, and if there were no differences, then probably there wouldn't be a sunset process.

There are differences. China is a new factor in the marketplace. That goes to the issue of vulnerability in there. So there are always different factors that have to be played to. We're not trying to suggest that you made this decision five years ago; you have to make the same decision, the same.

On the contrary, we have to make the case, just as we did five years ago, in the context of the facts and the record that you have before us. But there is no -- there is no legal burden, additional legal burden associated with that, and I think that's where sometimes these discussions go, as you get to these later review periods.

COMMISSIONER WILLIAMSON: Okay. I wasn't around in '82 doing trade policy like you were, and I don't discount age. So that wasn't my issue. It's just a question in a dynamic world, how much change has there been in the last five years? But let's not ^^^^ we can talk about that later.

I was also -- Mr. Blot, you made some statements about what you thought were going to be demand in the near term, and I had trouble really understanding them, you know, what's going to happen in the next year or two. So I wonder if you would go over that again.

MR. BLOT: I'll try to do that. Yeah, well the demand this year I'm saying is going to be down compared to last year, and the reason I'm saying it's going to be down is because there's still destocking occurring, you know. We've got markets that are down, you know, that are using the --

COMMISSIONER WILLIAMSON: Yeah. Very much aware of that.

MR. BLOT: Okay, but the destocking issue is a big thing in this particular market. You'll see it go up in a strong market, because people are trying to get ahead of themselves and stock that, and when things start go south, then they're sitting there with the inventory and their customers or their customers' customers are, you know, buying less.

So that destocking is a key thing that's happening this year, to drive the market down, all right. The reason, the other reason is that the purchasers right now are seeing raw material costs at very, very low levels. So what they won't to do is even buy anything more than the current requirement that they absolutely need. They don't want to start to restock, even if they think the market's picking up, because they're figuring then well, you know, the prices could be getting lower again on the raw material costs.

COMMISSIONER WILLIAMSON: Oh, they're down, so they expect maybe they're going to keep them down?

MR. BLOT: Well, they don't know. That's the concern on that, you know what I mean? The last thing they want to do is bring something in at higher prices, and then have the market be in the lower area and they have to give away some of that particular, you know, margin because they ended up with material at a higher price.

So they're cautious about, you know, about ordering material that way. But then we get to the next two years, when I analyzed the market and I don't have sophisticated pressure curves. I'm in the market every day. If it's not on the phone, I'm in person, you know what I mean? I know the suppliers, you know. I know some of the offshore producers, I know all the domestic suppliers, I know all their customers, major ones anyway.

So I keep in contact with them along with the end users. Then what I look at is what's happening with those end use markets. I don't try to forecast where the automotive market's going. I take that forecast and looked at that, and I know how much -- I believe I know how much steel may be going into the automotive market, right, or going into the energy market.

I try to monitor that. I then try to see are there changes. Are there products that are shifting from carbon steel or aluminum into stainless or vice-versa, make some rough calculations that way, and then come up with a basic estimate of where I believe the market will be going. I have to take into consideration the destocking or restocking. All these things go into play.

I don't think, you know, I guess I also forecast, you know. The next day I'm going to have another forecast. But I've been pretty consistent, and if you're looking at track record, in my forecasting when I've given a forecast to the Commission on various products, you'll see that my trend has been pretty good and my numbers have been really, fairly accurate as far as where things are going.

So the track record is that way. We'll find out two or three years down the road whether the market's going to grow more than GDP. But I believe it will. So I want the domestic producers to have the opportunity to get that.

COMMISSIONER WILLIAMSON: Okay, thank you. Just briefly, you noted that this market is -- that this industry tends to I guess sell with short-term contracts. Is there any particular reason for that?

MR. BLOT: If your question is why is it more on a spot market basis than an LTA that you hear about in many other areas --

COMMISSIONER WILLIAMSON: Yes, that's the question.

MR. BLOT: It's just the nature of these

particular, you know, the products as such and where they're going and with their customer base.  Again rod, being an intermediate product, is being sold to probably three major markets, people who are drawing it into wire.  So now what are those wire customers telling those, you know, telling the buyer companies?  In other words, what is the energy company telling the wire producers?

The same thing with people making bar.  You know, bar is not the finished product.  Bar is going into, you know, an application.  The same thing with a fastener, you know, where are the fasteners going and the fastener manufacturers have to look at well, you know, what are their demands and who are their competitors because they have both offshore and domestic competitors.

So what happens is there's not a real good communication going on to be able to say, put together a long term agreement as such.  So it ends up being where it is, what I call a spot market basis or, you know, next day, and again very easy to get into that particular market because of the fact that it's a very fungible product.

COMMISSIONER WILLIAMSON:  It's sort of a safer way to go?

MR. BLOT:  I'm sorry?

COMMISSIONER WILLIAMSON:  It's sort of a safer way to go when you --

MR. BLOT: That's the way we look at it, yeah. From the standpoint of the purchaser, right, because if you have a long-term agreement, both parties have got a commitment that way. The worse thing that can happen, we've seen that in other markets. Look at the aircraft company and they're trying to, you know, build all the new aircraft and what happened with titanium, you know.

We hear about that. They've made these long-term agreements and then there were delays in production, and now what do you do with those? There was either take or pays, I mean they're back and forth and, you know, it doesn't always work out well. LT has looked good, it may have looked good for some of the financial industry, but it doesn't always work out that way. So this particular market prefers to work it on the spot basis, in my opinion.

COMMISSIONER WILLIAMSON: Okay. Thank you very much for that explanation.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you Chairman Broadbent. I'd like to talk about Olarra for a second, the Spanish company, because you all noted that Cogne has an existing sales network in the United States, or at least you contend they could get one going pretty quickly.

But with regard to Olarra, to the extent that subject imports are virtually non-existent in the U.S.

market with the orders currently in place, how important is it for them or any other potential supplier to have an existing customer base and distribution network here in the United States, to compete and to build market share in this market?

MR. BLOT: Well, Commissioner, in the case of Olarra they have an affiliate relationship with a company called Rodacciai in Italy. And Rodacciai set up several years ago a distribution network here in the U.S. which they call Roda Specialty Steel. And so they're already networked with that. They're selling a lot of stainless steel bar here in the United States.

COMMISSIONER JOHANSON: Rodacciai, or Olarra?

MR. BLOT: No. It's from Roda--it's not OR bar, to the best of my knowledge. It is just strictly Rodacciai bar. But because of that affiliation that they have, you know, and the part ownership that they have through that--and I forget what the percentage is--it would seem to me that it's a very likely way for them to go.

In other words, they're not like us. It's a whole new entry for them. They've got to find a network to be able to do this. There is an existing network with a partner they already have between Italy and Spain to use that partnership here in the U.S. to be able to go forward into the marketplace.

They would still have to go, in all fairness, through a prequalification process because of their -- so I would put them in that area; where some of these other producers who have already been prequalified, you know, before, they could immediately come in.

In the case of Olarra, they would have to go with a trial order. You know, that would be placed. That would be shipped maybe in about four to six weeks. That would be evaluated, and then production orders would start. It's not a long process to get the approval.

And because Roda Specialty Steel has the connections and they know the people in the U.S. market, they've got the door open for them, you know. So that's the way I believe they'll go to market, and that's what they will do.

COMMISSIONER JOHANSON: I don't recall--maybe I'm wrong in this--but reading about this affiliation between Rodacciai and Olarra in your prehearing brief. Is it mentioned there?

MS. KIM: No, that--we did not include that in our brief.

COMMISSIONER JOHANSON: Okay. Could you all maybe give some type of documentation to the extent that it's publicly available?

MS. KIM: Yes, we will do so.

COMMISSIONER JOHANSON: That would be helpful. Because I'm curious as to the extent of their affiliation, if it's just all on paper or if they actually have much experience in working together on this type of matter.

And Rodacciai, pardon my ignorance on this, but are they shipping steel wire rod to the U.S. market? I guess they wouldn't be--

MR. BLOT: No. They're on the order. They're not shipping rod into the U.S. market. And, you know, they are shipping, but they're using--they are producing rod internally and making bar, which they sell in Italy and other parts of Europe. But also they're selling a lot of that bar into the United States using this Roda Specialty--Roda Specialty Steel affiliate network here in the U.S.

So they are selling bar made from rod in the U.S.

COMMISSIONER JOHANSON: Um-hmm. Okay--

MR. BLOT: They're not selling rod itself, to the best of my knowledge. And the repot shows that. You know, there have not been any imports from these subject countries during the Period of Review.

COMMISSIONER JOHANSON: Um-hmm, um-hmm, okay. Okay, yeah, if you could expand on this some in your post-hearing brief. Because of course it seems to me, and you all probably agree with this, the big issue in this investigation, or in the Sunset is the issue of cumulation.

And you have two, well, three countries advocating to be decumulated--Spain, Italy, and Korea.

So, anyway, if you could do that, that would be appreciated.

MS. KIM: Okay, Commissioner Johanson, I think you could also ask Olarra's counsel, who is present today. They did submit a scope ruling request at the Department of Commerce when they started shipping their stainless steel wire rod from Olarra to Rodacciai. There is a scope ruling request that indicates what the relationship is. But I'm sure Olarra's counsel would be able to answer that questions today, too.

COMMISSIONER JOHANSON: Okay. Thanks a lot. And you all had pointed out that even with the Orders in effect, subject imports have continued to under-sell the prices of U.S. produced steel wire rod.

Why is this the case? Is that just because there's so little coming in? Or what is the factor here? Mr. Hudgens?

MR. HUDGENS: I think our argument is that the nonsubject--

COMMISSIONER JOHANSON: I'm sorry. The nonsubject?

MR. HUDGENS: Yes. So I don't think we've made the--did not make any argument--

COMMISSIONER JOHANSON: Okay. My apologies. Okay. I'll check on that.

Alright, and I have a question regarding NAS, which I believe Mr. Romans? Is that correct?

MR. ROMANS: Yes, sir.

COMMISSIONER JOHANSON: Purchasers in the reviews referred to NAS as a price leader in the U.S. market. Do you agree with that? And how should this factor into our price analysis in these reviews?

MR. ROMANS: How NAS looks at the pricing in the market is we think the leader in the pricing is the imports. You know, the nonsubject imports are a big issue for us right now. We think if the duties are revoked that the subject importers would be the same way.

But, you know, 2015, if you look, you'll see the numbers, and we lost sales. We lost revenue in 2015 because we were not able to go to some of the prices that were coming into the U.S.

So, you know, as far as the pricing goes, we do do a lot of studies, a lot of work with what we see as the import number coming into the U.S. They are the dominant player in our market as the imports. So we have to be there to sell. We've got a--we do have a rather large facility. We need to run a lot of product through it. But we think the pricing is set by the imports.

COMMISSIONER JOHANSON: With the large volume coming in from nonsubject countries, I'm curious as to how much revoking the Order on let's say Italy and Spain would actually impact the U.S. market.

MR. ROMANS: Well I think--

COMMISSIONER JOHANSON: There are some other major players out there, very big players out there in the U.S. market.

MR. ROMANS: Yes, sir.  I'm sorry.  There is some very big players out there.  But I think there's a lot of excess capacity with the subject importers.  I think the U.S. market is very attractive. I don't see no reason why they would not want to get back into it.  It's an easy market to have access to.  It's an easy market to send product into.

So my opinion would be that they would come in and try to lower the pricing to buy their way back into this market.

MR. HUDGENS; I might add that in the case of stainless steel bar those nonsubject producers are still prevalent in the bar market, and Cogne Steel is a major exporter to the U.S. currently.

COMMISSIONER JOHANSON: And that isn't the product which was under Order which was lifted.  Is that correct?

MR. HUDGENS: That was under Order, yes.

COMMISSIONER JOHANSON: Okay. Alright, thanks to both of you.

And, Mr. Wellock, I've got a question for you. You mentioned the capital-intensive nature of the stainless steel wire rod industry. Is it--and you also note this in your prehearing brief regarding the Japanese industry and how in Japan they have to run their mills at the highest capacity. Could you explain a little bit further as to why this--as to whether this is any more capital intensive than most steel products we see?

MR. WELLOCK: The comment about the capital intensive industry for all the integrated mills was for the whole mill. Inclusive of that would be, or part of that is the intermediary product being stainless steel wire rod.

As relates to the asset utilization part of it, is we have these large assets and the goal would be to generate as much revenue as possible. I think that's a fair assessment, that everybody, all the steel producers in the room here, would agree with.

The opportunity to sell wire rod is one of those opportunities to generate revenue. One question, one comment dealt with the profitability of bar versus stainless steel wire rod. And one of the comments there would be that there's a concept called "profit velocity" relating to stainless steel wire rod that you can produce wire rod very quickly.  You can get it out the door.  So the returns that you get for producing wire rod allows the asset utilization to increase.  So it's important for all of us to want to utilize those assets.

COMMISSIONER JOHANSON: Why can you have a higher turnover in steel wire rod?  I don't know much about the industry.

MR. WELLOCK: It's because it's actually the, the, we'll call it, a, a--the first step, or the second step in the manufacturing process prior to producing downstream product such as wire, or bar products.  So you actually produce wire rod prior to producing wire or bar.  So you produce it first, and if you stop the manufacturing process there you can produce more.

COMMISSIONER JOHANSON: Okay.  Thanks for your response.  And I have just one more question for you.  What role do domestic preferences play for purchasers in the U.S. market?  So in your experience, how big a role is Buy America, or Buy American in the stainless steel wire rod market?

MR. LASOFF:  Commissioner Johanson, the specialty steel industry has--there's a domestic sourcing requirement for the Department of Defense.  That's the only specific preference that exists right now.  It requires that any purchasers of certain weapon systems, vehicles, military aircraft, be melted and produced in the United States.

And that has been in place since 1993. With respect to this particular product, however, there are very, very minimal, minimal defense utilizations. There may be an occasion where a customer may say this manufacturing fastener that may go into a particular aerospace program, and at that particular point the requirement might play, but with respect to stainless wire rod, as compared to some of the other products that Mr. Wellock's company makes like Titanium and Super Alloys, this preference really is negligible at best.

And I don't know if you have had experience with customers who have come to you and said, you know, we want you to be dequalified or--

MR. ROMANS: We have very little. In the wire rod industry there's very little of that.

MR. WELLOCK: The other comment there would be, because we talked about the spot purchasing nature of this material, and price is really the differentiation factor here. If all of our prices were equal, my opinion is that the domestic users and consumers of wire rod would rather purchase from domestic suppliers of wire rod because their inventory turns would be better. They wouldn't have to have all the inventory in place. Our responsiveness is right there because we're located--we're co-located with them.

And the transportation time in terms of delivery would be much shorter than sourcing from foreign producers.

MR. LASOFF: One other aspect of that, just to note that under the Specialty Metals Amendment, which was what I was referring to, European producers, including Italy and Spain, are qualifying countries. This is part of the NATO Interoperability. So in that particular situation, there is no preference, as well. So really it is of really no significance in this analysis.

COMMISSIONER JOHANSON: How about Spain? Do you know?

MR. LASOFF: Spain is eligible as a NATO country. It's eligible to supply U.S. defense needs.

COMMISSIONER JOHANSON: And I know I've gone over my time, but I'm going to ask one more questions. Commissioner Schmidtlein, thank you.

How about during the entire period of review? Were there "Buy America" provisions in effect then which have gone away? I'm thinking about the stimulus legislation in 2010 or 2009, something like that.

MR. LASOFF: Again, very minimal amounts. Most of that had to do with infrastructure. You don't see stainless rod as a major factor in infrastructure, much actually to the frustration of some of these companies because most of the, most of the municipalities go for low-cost. They don't take into account life cycle accounting, which would say it's better to buy something that's going to last for 30 years than something that's going to rust in 5 and you're going to have to replace it.

Unfortunately, the municipalities don't work that way. So to that extent, those particular provisions--there's also steel, domestic steel provisions under the Federal Transit Authority, the Federal Highway Administration. Again, these are not markets that impact stainless steel wire rod. You don't see municipalities buying stainless steel wire rod to build bridges. We talked a little bit about this with stainless rebar, for example, and wished we could get into those and take advantage of those Buy America provisions. But we have not been able to do it. The only real preference that exists is the one on the Defense side, and that's a national security provision.

COMMISSIONER JOHANSON: Alright--

MR. ROMANS: If I also might add, in the purchaser questionnaires they reported their Buy America sales or purchases, and it was less than 5 percent was a Buy America that was required by law. So it's total sales.

COMMISSIONER JOHANSON: Okay. Thanks for pointing that out. I've gone well over my time. I thank you for your responses.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

So I wanted to follow up with just a few general questions for the industry witnesses. Can someone talk about what is driving the declining demand in the U.S. market?

Mr. Blot?

MR. BLOT: The declining demand this year, in 2016, as it was in last year, is really--started with the--this year it's a continuation of destocking. Alright? In other words, in 2014 everything was going up. And I think your confidential information, which I'm not entitled to, but will show you, because I do my independent work, showed that 2014 was a very strong market.

2015 came down. 2015 came down because of several reasons. One of them is what happened with the oil prices. So it dropped the market demand in the energy market. And then it had a corollary with capital spending. Because a lot of people said, well wait a minute. We're supplying material into the energy market. We're going to spend less if I'm going to build some equipment. Therefore they weren't using some things.

At the same time, we saw some of the downstream products like wire and fasteners. Those imports started to continue to go up. So some of the customers who were using rod to make wire were having fiercer competition from offshore.  So they were slowing down in terms of what they were buying.

So a lot of these effects were going on in both 2015, continuing on this year.  And then what I'm saying is that next year, 2017 and 2018, is when we will see, you know, a return.  But right now we've just got some key markets that are down because of the destocking.  And we also have some key markets that are also down because of the fact that raw material costs are still at some low levels. And the question is, by the customers, is it going to get lower or it is going to get higher?  And I--

COMMISSIONER SCHMIDTLEIN: And is this true--

MR. BLOT:  --I'm sorry.

COMMISSIONER SCHMIDTLEIN: Go ahead.

MR. BLOT: I was going to say, the beginning of 2015 when the price of nickel which is an ingredient in stainless steel was around $6 a pound, I was telling people I don't think it can get much lower than that.  And, boom, what did it do?  It hit below $4 a pound.  So why would we think it can't go any lower?  We've seen it lower historically, so it's not like it can't get there.

So that's what the customers are saying, and they're saying they're going to be very cautious.  So they don't want to be ordering anything more than they absolutely need to be able to, you know, satisfy the markets for this year.

And as the markets improve next year, and hopefully as raw material costs stabilize a little more and maybe start to move up a little bit, then there will be a little bit more buying and even a little bit more restocking. So that's in my numbers as to why the market will be a little bit better next year, a combination of markets improvement and a little bit more restocking over where they are today.

COMMISSIONER SCHMIDTLEIN: And is that true for global markets, as well? I assume you're talking about the U.S. market, specifically?

MR. BLOT: I am specifically talking about the U.S. market. But that analogy is going on, you know, in some of the other countries, as such. They are faced with the same situation. Their markets may be different, you know, for stainless wire rod than what it is for the U.S. markets, but they're saying the same thing.

Energy is affecting Europe as well as it is here. So their markets are, you know, are down. So, you know, what they're looking at, capacity, looking at the information they supply, which I guess was through last year, but their capacity utilization obviously at the end of this year is going to be less because the markets are going to be down.

COMMISSIONER SCHMIDTLEIN: Um-hmm. And is there any difference in terms of the trend that you see for higher value stainless steel rod versus the commodity level rod? Do they generally follow the same--respond to the same forces, follow the same trends?

MR. BLOT: Oh, yes, as far as the markets themselves go. A market doesn't use just one grade of stainless steel. It uses a number of different grades. The more critical application may have what somebody calls a "specialty" you know, a more specialty grade. That definition varies based on producers. So even among our domestic producers here, what they may call "commodity" and "specialty" may vary amongst themselves because of, you know, the way they make it because of their customer base and so forth.

But however you define it, if you look at a particular market that's using, you know, a number of different grades, and a number of different sizes or such going in, then some of those may be for more critical specialized type of applications, and some may be for less critical. And they would call one specialty and one commodity.

COMMISSIONER SCHMIDTLEIN: Um-hmm. But they're all sold--

MR. BLOT: They would all go. If the energy market's going up or down, they're all going to go up or down.

COMMISSIONER SCHMIDTLEIN: They'll all go up or down.

MR. BLOT: Right.

COMMISSIONER SCHMIDTLEIN: And is there any difference between how those different grades are sold in terms of spot market and short-term sales versus long term? They're all sold mostly spot market, or short term?

MR. BLOT: I'll let the industry people answer this, and maybe if they've got some specifics, but what I understand from talking about the marketplace the answer is no. They still fall into the spot market situation.

MR. ZIMMER: Yeah, I can speak to that. Our experience with stainless rod, both the commodity and the specialty, it's all about price. The barriers to entry are very small. Availability, there's plenty of capacity. So at the end of the day we're competing on price.

COMMISSIONER SCHMIDTLEIN: Okay.

Mr. Blot, you sort of got into this a little bit I think with the competition from imports, but when you look at the pricing data in our Staff Report we do see some price declines, especially in 2015. And so can someone speak to that? Is that all related to the declining demand and raw material costs? Or is it imports? Or is it something else that's going on? What is your all's view on why prices are going down, especially in 2015?

MR. BLOT: I think rather than me trying to do it on a general basis, it may be better if each of the producers maybe comment on how they see that.

COMMISSIONER SCHMIDTLEIN: Sure.

MR. ZIMMER: I'll speak to that. First to kind of outline the pricing structure. The major component is what we call our base price. And then there's a raw material surcharge. Those two together come up with a net price.

So Ed talked about the environment we're in where commodity prices are dropping. That is reflected in the raw material surcharges. That is a cost pass-through. So a portion of the lower pricing today is coming from lower commodities. But the vast majority of the decline is actually on that base price side. That is where we recapture our costs, our overhead, and the margins that we make.

Because of the environment we're in, we're seeing much more international import pressure. Imports are at record levels right now because those international capacities are looking for a home. And it's been our experience the U.S. market is the most attractive.

Universal, we don't have much of an export market. The international markets are extremely competitive. This is one of the richest markets in the world. So we're able to compete here but not internationally.

That being said, we've seen more and more competition come into this market. And it has put significant pressure on what we call the base price component of our pricing.

So prices have come down. Some of that is commodities, but the majority of it has been the competitive environment that we've seen in '15.

COMMISSIONER SCHMIDTLEIN: Okay. Mr. Rolmans?

MR. ROMANS: From NAS I would say the same thing. You know, the raw materials surcharges, they are what they are. They're going to fluctuate. But in 2015, the market was so competitive the consumption was going down. So there was less pie there for everybody to grab. So we have seen a definite decrease in the base prices in 2015 because they had to get more aggressive to get the same market share or more.

COMMISSIONER SCHMIDTLEIN: Um-hmm.

MR. HUDGENS: I might just add, the staff report also supports that. They do a unit cost, a unit net sales value versus unit cost analysis. You would see that prices are declining more than cost over the period. Thereby, the U.S. producers have had a decline in operating income over the period because of that.

COMMISSIONER SCHMIDTLEIN: Okay. So one last question I had here has to do with some information reported in the Staff Report.

When you look at the Staff Report in terms of what purchasers reported at table, or at page, I guess, roman numeral ii-20, only 3 of 13 purchasers reported that they had changed suppliers since 2013.

And then when you look at the fact that there is an increased volume of nonsubject imports, can you tell me how you all would interpret that? Should we interpret that to mean that purchasers are committed to their--is it existing suppliers that are less likely to change?

MR. ZIMMER: If I could--

COMMISSIONER SCHMIDTLEIN: Sure.

MR. ZIMMER: --maybe I'll speak to that. So the impacts that we've seen--and again I'll come back on our example with France, which happens to be one of our biggest import competitors--we did see them back into the marketplace. The aggressive pricing that they brought to the marketplace in some cases cost us business, where customers moved business away, but in a lot of cases there was a need for us to respond on pricing.

So we did retain the business, but it was at a much tighter margin than we normally had been at before they were out of the market with the orders.

COMMISSIONER SCHMIDTLEIN: I see. So you would say it doesn't reflect any kind of commitment? It's just a matter of who's bot the best price?

MR. ZIMMER: Right. And in a lot of cases we may be able to retain the business, but for sure there's margin compression as we need to compete on some of those aggressive prices coming in. Sometimes the business is lost and we're going to chase unprofitable business. But in a lot of cases it's just a compression on those margins that we have.

COMMISSIONER SCHMIDTLEIN: Okay. Would anyone else like to comment on that? No?

MR. WELLOCK: No, I echo what Chris said, for sure.

COMMISSIONER SCHMIDTLEIN: Okay. Alright. Alright, thank you very much.

I don't have any other questions.

CHAIRMAN BROADBENT: Mr. Lasoff, during the previous reviews there was a Tolling Agreement between, and I can't pronounce this, Outokumpu and Allegheny Technologies. Do any of your witnesses know is this agreement is still in place, and if Allegheny Technologies also produces stainless steel wire rod from its own use--for its own use, in addition to this Tolling Agreement with

Outokumpu?

MR. BLOT: A tough name to say--

CHAIRMAN BROADBENT: Yes. It doesn't roll off your tongue.

MR. BLOT: Ou-to-kum-pu is how I think they say it. Anyway, the agreement--and I don't recall the exact year, it was a 20-year agreement between ATI and between--

CHAIRMAN BROADBENT: 20 years?

MR. BLOT: Outokumpu. That agreement is still in effect. And so rod comes in from the UK to go to that mill--excuse me, rod comes in from the UK that is then processed by Outokumpu. It does not go through that mill. Billets come in from the UK that's then rolled into rod on that mill.

Let me restate that because--

CHAIRMAN BROADBENT: Yes, I'm not sure I got that.

MR. BLOT: Alright. So Outokumpu melts stainless steel billets in the UK. They ship the billets to South Carolina to the ATI mill. They roll those billets into rod. And then that rod is further produced by Outokumpu into stainless steel bar. So it's a total internal consumption.

In addition to that, though, you'll see rod imports from the UK. And that's what I was trying to make the distinction. There are rod imports from the UK. Two things happen.

One is there are some grades, or some sizes at that mill that the ATI mill is not able to produce. So they bring in rod, Outokumpu does, brings in rod and they make small bar out of it. But they also bring in rod to sell into the commercial, as commercial sale into the U.S. market.

I don't know the specific percentages of the two, but it's significant on both ends. It's not a little bit of one and a lot of the other. So the rod that comes in from the UK is consumed internally into bar, and it's also sold externally as commercial sales to compete against these producers right here.

CHAIRMAN BROADBENT: Okay, so Outokumpu and Allegheny Technologies, are they significant producers of stainless steel wire rod?

MR. BLOT: Of stainless steel rod?

CHAIRMAN BROADBENT: Yes.

MR. BLOT: No. ATI--ATI is not in the stainless long products business. Okay? That mill in Richburg, South Carolina, produces nickel-based alloys and titanium. And so what Outokumpu did, because they said, look, we can put money in this. We'll sign a long-term agreement. We can make that mill more efficient and be able to have more cost absorption by running stainless steel through it. Because that mill was nowheres near capacity with nickel alloys and titanium.

You heard Mr. Wellock talk about how you want to be able to try to get as much capacity utilization as you can for the different products that you manufacture. So that's why that thing was put together. Outokumpu was looking at putting their own rolling mill in and decided against that because of the cost, and decided to go ahead and take this approach with ATI.

So ATI is not in th e stainless long products business. ATI is. ATI--or Outokumpu is. Outokumpu sells a lot of stainless steel bar in the United States. And that's produced by material that comes in from the UK, mostly as billet, to be rolled into bar, or rolled into rod to make bar. And as I say, a little bit of that rod that comes in goes to commercial sales of rod in the market here.

CHAIRMAN BROADBENT: Okay. Good.

Ms. Kim, how has the process of sort of economically integrating the European Union over the lift of this agreement, has it changed the export behavior of Italy and Spain in this product? And would it make it any less likely that they would return to the U.S. market?

MS. KIM: I think the fact that, you know, the change in the EU member countries, Italy still exports to the same--is very export oriented. So the fact that--

CHAIRMAN BROADBENT: To Europe?

MR. HUDGENS: Cogne's major export market is not an EU country.  So the EU would not have had an impact.

CHAIRMAN BROADBENT: Okay.  As we know, Spain and Italy have been--Commissioners in the past have dissented with regard to those Orders, with decumulation arguments in prior reviews.  Why do you think those two countries have taken--gotten the most attention for possible decumulation, albeit in a dissent?

MR. LASOFF: First off, they've appeared.

CHAIRMAN BROADBENT: What?

MR. LASOFF: First off, they've appeared before the Commission.  And therefore they did present argumentation regarding what their plans were.  We submitted information to try--to rebut, you know, some of the contentions, particularly with respect to their designs on the U.S. market.

But the bottom line is, why they've brought attention is they have appeared before this Commission, as opposed to simply, you know, not submitting questionnaires. So obviously the Commission has a responsibility, as it would with any party that appears before them, would evaluate those factors and assess it in terms of the debate.

But that's why there's been attention.  It's the fact that they come to the Commission and present a questionnaire.  Other producers, including substantial producers, have not. So this is why they've had attention. They've presented arguments to you and the Commissioners have assessed that.

CHAIRMAN BROADBENT: Okay. Alright. Well, I think that pretty much wraps up our questions for this panel. Does the staff have any questions?

MR. RUGGLES: Fred Ruggles, Office of Investigations. Staff has no questions at this time.

CHAIRMAN BROADBENT: Okay. I think it's time for a lunch break. I wanted to make sure that I asked whether those in opposition to continuation of these Orders have any questions for the panel?

(No response.)

CHAIRMAN BROADBENT: Okay. In that case, it's time for a lunch break. We will resume here at, I think we're going to go until two o'clock. The hearing room is not secure, so please return here at two o'clock and don't leave confidential business information out.

And again I want to thank all the witnesses for coming today.

(Whereupon, at 12:30 p.m., Wednesday, May 18, 2016, the hearing was recessed, to reconvene at 2:00 o'clock p.m., this same day.)

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

(2:01 p.m.)

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

CHAIRMAN BROADBENT: Thank you, Mr. Secretary. I want to welcome the afternoon panel to the ITC. I would like to again remind all witnesses to speak clearly into the microphone and state your name for the record so that our court reporter can see who is talking.

You may begin when you're ready.

MR. HEFFNER: Thank you, Chairman Broadbent. Doug Heffner from Drinker, Biddle on behalf of Cogne and Olarra. I have with me today Mr. Jean Paul Betemps and Richard Ferrin of Drinker Biddle. Jean Paul is with Cogne, USA.

We'd like to start off the presentation by having Jean Paul give his opening remarks.

STATEMENT OF JEAN PAUL BETEMPS

MR. BETEMPS: Good afternoon, ladies and gentlemen. My name is Jean Paul Betemps and I'm the chief executive officer of Cogne Specialty Steel located in Fairfield, New Jersey, a small organization of six people, with three salesmen cover the entire country.

Cogne USA sells a variety of products manufactured by its parent, Cogne Acciai Speciali or Cogne in Italy. These include stainless steel bars, valve steel, tool steel and atomized powders.

One product line that Cogne makes that Cogne USA does not currently sell is stainless steel wire rod. Cogne has not shipped any stainless steel wire into the United States since 1998 with the exception of a small quantity in 2003. Cogne has no specific plan to sell stainless steel wire now with or without the antidumping duty order. However Cogne would like to have the opportunity to respond if there are particular niches that are not being served by the U.S. mills.

While it is true that Cogne stopped shipping stainless steel wire in 1998 as a result of the antidumping duty order, much has changed since then with its business strategy. The largest portion of Cogne shipments of stainless steel wire rod, is to a long-term customer located in Switzerland at downstream facilities located about 100 miles away from Cogne. It is important to keep in mind that Cogne is located in Aosta Italy which is in the extreme northwest corner of Italy, just on the Italian side of Monte Bianco, really close to the border of Switzerland and France.

As a result these Swiss customers are located closer to the Cogne mill in our Aosta than are nearly all of Cogne Italian customers. Switzerland is part of the European Free Trade Association. As such Switzerland and the European Union have a free trade zone for the sale of industrial goods. These shipments appear in your statistics as "exports" to "other countries," but does not mean that Cogne is export oriented. To the contrary, this saves our factory local market to sales for Cogne.

Furthermore, Cogne has a long-term supply agreement with these Swiss customers in which Cogne must guarantee more than the majority of their total yearly consumption. The packages that Cogne sells to these companies have been very stable over time and Cogne simply has no incentive to shift this phase into the U.S. market if antidumping duty order is revoked.

The next biggest share of Cogne's shipments of stainless steel wire rope goes to its customers within the European Union. The European Union is an integrated market and Cogne views the European Union market as basically the same as its own Italian market. We do not believe that if Cogne stays within the European Union there should be considered evidence of so-called export orientation of Cogne.

Finally, a significant share of Cogne shipments went to Dong Guan Cogne Steel Products a current subsidiary located in China established in 2005. Yes, these are exports. However, these still are not like commercial sale exports. Dong Won Cogne does not resell the stainless steel wire rod it gets from Cogne. Instead the Dong Guan Cogne consumes all of that stainless steel wire rod to make cold-rolled bars. This is important downstream market for Cogne and Cogne will not and cannot cut off its affiliated Chinese bar producer to shift sales of stainless steel wire rod even if the antidumping duty order on Italy is revoked.

I just want to emphasize that Cogne does not sell any commodity grade to China. After taking into account what Cogne sales to Switzerland, to its Italian and other European Union customers and its shipments to its bar making plant in China Cogne adds up very little stainless steel wire rod to sell -- that it sell as well. The exact numbers are in the foreign producer questionnaire response by Cogne. And we ask the Commission to consider those numbers carefully before accepting on face value petitioners' generalization that Cogne is "export oriented."

If Cogne were to reenter the U.S. market, it would be only for small volume, specialty product that the U.S. mill cannot or will not sell. Contrary to the petitioner's allegation, Cogne will not capture a significant share of the U.S. stainless steel wire market if the order is revoked.

I understand that petitioners also have question of the capacity figures by Cogne in the sunset review. However, my understanding is that Cogne has significantly and permanently reduced its workforce and this capacity calculation is based on its normal working condition with the permanently reduced workforce.

After the financial crisis Cogne underwent a workforce reorganization that reduced its workforce by approximately 10 percent and they reduced the number of shifts that it can employ. In Italy it is not easy to dismiss workers and the views concerning a labor force dismissals and reduction are very onerous for employers. Given that Cogne completed its workforce reduction organization. It is not going to hire new workers if antidumping duty order is revoked. Thus, its capacity is not going to change from the capacity that it has reported in its questionnaire response.

Cogne would be more than willing to provide that Commission with any information on its workforce reduction reorganization in its post-hearing brief.

Nevertheless, what is clear from the data provided from Cogne is that it is operating now at dramatically higher capacity utilization than it did in 2009. Its capacity utilization increased throughout the period of the current review, 2013 through 2015. As a result if the order is revoked against Italy Cogne has just a little ability to ship significant quantities of stainless steel wire rod to the U.S. market even if it wanted to do so which it does not.

Thank you for the opportunity to testify and I will be glad to answer any questions you have.

STATEMENT OF DOUGLAS J. HEFFNER

MR. HEFFNER:  Doug Heffner again on behalf of Cogne.  I'd just like to go over a couple things here. Cogne believes that the Commission should not cumulate Italian imports with imports from other subject countries because Italian imports would be likely to compete under different conditions of competition in the U.S. market in the event that the orders are revoked.  And in the last sunset review the Commissioners split equally on whether to cumulate Italian imports with imports from other subject countries.

The three Commissioners that determined to decumulate Italian imports cited the following factors.  And these factors are still equally present today.

The preorder trends is the first thing.

"Preorder trends with regard to Italy still argue in favor of decumulating Italy.  Italy was the only subject country whose imports actually decreased during the original period of investigation.  Since that time, one of the major import sources, El Burna had the AD and CVD order revoked as to it.  Rodachi another Italian producer of stainless steel wire rod has never been present in the U.S. market.

Rodachi is not present in any stainless steel wire rod market much less the U.S. market. Rodachi's rolling mill is used only for internal consumption in the production of stainless steel bars. And in fact Rodachi does not have enough rolling capacity to meet the demand of its own bar mills which is why Rodachi's affiliate Olarra supplies roughly half of its output to Rodachi's bar mills. It suffices to say that Rodachi will not export stainless steel wire rod to the U.S. if the order is revoked.

The only other producer is Cogne. Since the order went into effect. Cogne has adjusted to the loss of the U.S. market by selling stainless wire rod in Italy other regional markets such as the EU and Switzerland and selling niche products to its wholly-owned facility in China that produce stainless steel bar.

Now, obviously Cogne sells to the Italian market. But concerning Swiss sales one thing that Jean Paul did not emphasize was the fact -- he did say it was right over the border, but they speak Italian there. It's right -- it's 100 miles from the plant, from Alisa plant. So they have a supply agreement with two big Swiss customers. And Cogne has to guarantee at least a significant amount of their yearly consumption to those two customers. These two companies are approximately 100 miles from Cogne's plant and as you can see from Cogne's questionnaire response, the quantities to these Swiss customers are very stable and I'll point to page 14 of the questionnaire response, the foreign producer questionnaire response under sales to all other markets, those are to the Swiss customers. As you can see, these are very, very stable sales.

Not only are these Swiss customers located closer than many of Cogne's Italian customers, but Cogne can ship product duty-free to its Swiss customers. Through a bilateral agreement with the EU Switzerland enjoys a free trade area with the EU called the European Free Trade Association. This means that shipments to Switzerland from Cogne are treated as the same as shipments to Italian customers or EU customers for that matter.

In addition to its sales to customers in Switzerland Cogne sells a significant amount of its sales to other customers in the European Union. And I just want to stop here and emphasize, I know Commissioner Williamson, you were one of the Commissioners that didn't -- that cumulated Italian imports before, in the last sunset review. What has changed since then? Well, that's the thing, nothing has changed since then. The fact is, you could look in the first sunset review and you can say, huh, we don't know what they're going to do. In the second sunset review you saw a pattern, Switzerland, EU, China. You saw all those three channels of sale. What has happened since? The same thing has gone on. Those are the same customers that they're selling to. So to us it's not export orientation, it's selling to their normal regional markets for Switzerland and for the EU and then for China we'll get into them in a second. I want to emphasize something a little bit different there too.

So, given these regional markets, Cogne has little incentive to abandon these customers in order to ship a significant quantity of stainless steel wire rod to the United States. Again these may be technically exports, Cogne treats them as substantially being in their natural sales area.

So Cogne has exported stainless steel wire rod to its facility in China. It recently enlarged that stainless steel facility. We heard today that China is going through a tough time, that sales are going to stop going there because China is -- they're going to take over the market essentially and you're not going to be able to sell there. Well, I'd like to point out again, on page 14 of our questionnaire response, under sales to Asia, our sales are very consistent. In fact, they have increased over the period of review to Dong Guan Cogne in China. They're not decreasing. We sell a niche product there. You can't compete with China on commodity products. That isn't what we're doing. We're selling a stainless steel wire rod that's a niche product that's made into a niche bar product that's being sold on the Chinese market.

So given the existence of these established markets and the lack of incentive to substantially increase capacity to utilization above the high rates that are already in existence, the Commission should conclude the Cogne is unlikely to substantially increase production or direct any significant additional volumes to the United States if the order were revoked. Stainless steel wire rod from Italy would not be significant in absolute terms or relative to production or consumption in the United States within a reasonably foreseeable time.

Moreover, as Mr. Betemps stated, if Cogne were to reenter the U.S. market, it would only do so as a niche player and would not focus on commodity grades. Given that Cogne is not likely to have a significant -- is not likely to have significant excess capacity and that it has markets that generally return better prices than do U.S. merchant market, the record indicates that Cogne would not have motivation to price its product aggressively in order to compete in any significant quantities in a commodity market here. It just isn't going to happen. As such, the Commission should find that subject imports from Italy would not undersell to a significant degree, lead to price suppression or depression, or otherwise have significant price effects within a reasonably foreseeable future if the order on imports from Italy were revoked.

Finally, I would like to point out that the Commission has a test case. As we said earlier, we believe it's Val Bruna. Look at their sales, what they have done. We believe that we would behave similarly. They are -- they have a minimal presence in the U.S. market despite the fact that the order was revoked to them. And I believe that we will do -- end up doing the same because our business strategy has changed, we're a niche market player. We believe that the Commission should not cumulate Italian imports with imports from other subject countries because Italian imports would compete differently in the U.S. market than imports from other subject countries. As such Cogne respectfully requests that the Commission revoke the order on stainless steel wire rod from Italy.

I will now turn it over to Mr. Ferrin to discuss imports from Spain or lack thereof, I should say.

OPENING REMARKS OF RICHARD P. FERRIN

MR. FERRIN: Good afternoon. I am Richard Ferrin appearing on behalf of our client Olarra in the sunset review. Olarra has not previously participated actively in the Commission's proceedings aside from submitting a questionnaire response in the original 1998 investigation. As explained in the staff report from the 1998 investigation, the industry in Spain was dominated by one producer, Roldan, which is a subsidiary of Arceneaux. The proportion of exports to the U.S. market from Roldan compared to Olarra is cited in the confidential version of the staff report from the 1998 investigation. Also in the original investigation are the six countries for which the Commission made an affirmative determination, the quantities from Spain were by far the lowest.

As for the dumping margins, the Department of Commerce investigated only Roldan in the original investigation. The dumping margin was originally -- for Roldan was originally 4.73 percent and then later was revised to 2.71 percent as a result of a WTO decision.

Since 2012 the cash deposit rate for Roldan has been zero. The Department of Commerce has never investigated Olarra in a dumping proceeding, so Olarra has always been subject to the all others cash deposit rate which is now 2.71 percent.

So what has changed since then? For Olarra the biggest change was that during the original investigation Rodachi owned about 30 percent of Olarra whereas now Olarra is a wholly-owned subsidiary of Rodachi. Also, the extremely small quantities of stainless steel wire rod that Olarra shipped to the United States during the original investigation ceased in 1998. Olarra has not shipped stainless steel wire rod to the United States since 1998.

The most important change for the stainless steel wire rod from Spain was the Ceranox creation of NAS in 2003. As noted in the dissenting opinions in the second sunset review, the volume of subject imports from Spanish producer Roldan did not change significantly after the imports were imposed and remained close to preorder levels through 2003. That was a different pattern than all the rest of the countries.

After 2003, however, imports from Roldan virtually disappeared from the U.S. market after the startup of NAS in July of 2003.

The Commission should keep in mind that at the time of the NAS startup Roldan was subject to a cash deposit rate of 0.80 percent, although that was later changed to zero. So there's a lot of strong circumstantial evidence that Roldan simply lost any interest in the U.S. market after its affiliate NAS began full production.

Olarra urges the Commission to decumulate imports from Spain from imports from the other subject countries because Spanish producers would compete in the U.S. market under fundamentally different conditions of competition than imports from any of the other subject countries. Certainly Roldan would compete under different conditions of competition since Roldan's parent Aceronox owns the dominant U.S. producer, North American Stainless. Roldan has given no indication that it is interested in competing in the U.S. market itself even though its current antidumping duty cash deposit rate is zero.  Even if Roldan were somehow to decide to compete if the order were revoked, it is clear that it would compete on a different footing than other subject imports, again, because it's affiliated with a dominant U.S. supplier.

Our client, Olarra, which is the other Spanish producer also would compete under different conditions of competition.   Olarra currently produced stainless steel wire rod only for internal consumption or for consumption by its affiliates in Italy.  Olarra's shipments to unaffiliated wire rod customers are minimal.  Olarra simply does not need the U.S. market or any commercial stainless steel market -- wire rod market, for that matter.

As a result, even if Olarra were to reverse course and decide to somehow sell into the U.S. market if the order were revoked, it would compete under different conditions of competition than other subject imports, all of which depend to some significant extent on sales into the commercial stainless steel wire rod market.

And, again, I emphasize, Olarra has no plans whatsoever, as far as I am aware, of selling a single pound of stainless steel bar into the U.S. market.

Now, in their prehearing brief, petitioners argue the Commission should apply adverse inferences because Roldan didn't submit a questionnaire response in this review. From Olarra's point of view, however, if the Commission decides to take action against Roldan because it didn't submit a questionnaire response, it shouldn't penalize Olarra by making adverse assumptions about likely volumes of stainless steel wire rod from Spain.

If the Commission is inclined to apply pressure to Roldan to submit data, it should do so instead through its affiliate NAS.

As for the future, Olarra has no intention of shipping stainless steel wire rod to the U.S. with or without the dumping order. Without getting into the exact numbers which are Olarra's proprietary data, Olarra has authorized as to provide a very general overview of its shipment pattern. Approximately one half of Olarra's production of stainless steel wire rod is internally consumed for the production of stainless steel bar. Almost all of the rest is shipped to Olarra's affiliates in Italy, Rodachi and Novachi both of which make stainless steel bar from the wire rod. Olarra's shipments to the Spanish home market are extremely small and Olarra's exports of stainless steel wire rod other than to its affiliates in Italy are virtually non-existent. These percentages have been stable throughout the period of review.

In preparing for this hearing, Olarra informed us that it sells very little into the Spanish market because the Spanish market is dominated by Roldan. According to Olarra, the main end users of stainless steel wire rod in Spain are all related to the Aceronox group. As a result, the Spanish home market is essentially a captive market for Roldan.

In short, Olarra simply has no interest in competing for any significant commercial sales of stainless steel wire rod since nearly every coil it produces is internally consumed in Spain or by its affiliates in Italy. There is no credible argument that Olarra is export oriented. Olarra has no plans whatsoever to ship stainless steel wire rod into the U.S. market even if the order is revoked. But Olarra does not believe that it serves any useful purpose to be subject to an antidumping duty order given that it was never a major player in the U.S. market and the circumstances that gave rise to the order have changed. The only other Spanish producer, Roldan, has no incentive to resume shipments to the U.S. market because it would be competing against its own affiliate, NAS.

Certainly dumping duty rates have not been a deterrent to Roldan reentering the market. So it makes logical sense to conclude the revocation of the antidumping duty order on imports from Spain are not likely to lead to recurrence of material injury to the U.S. industry.

Thank you.

MR. HEFFNER: Thank you.  That concludes our direct presentation.

CHAIRMAN BROADBENT: Thank you very much for your testimony.

Could you go back again over the argument for is it Cogne?  How do you pronounce that?  Con-ya?

MR. HEFFNER: Con-yeah.

CHAIRMAN BROADBENT: Cogne, okay.  Whether or not Valbruna's performance would be indicative of how Cogne would react?

MR. HEFFNER: Well our feeling is Valbruna has a zero dumping margin, or they've been revoked, so they have free access to the U.S. market.

Have they really taken advantage of that?  From what I've seen in the confidential report it's been very minimal, very minimal.  And to us that's where we would be, too.  We would be minimal.  We would be serving a niche market.

CHAIRMAN BROADBENT: Okay.  Actually, I didn't see this.  Commissioner Johanson, I think I skipped in front of you by mistake, although I do apologize.  I can yield now and you go and I'll pick it up later.

COMMISSIONER JOHANSON: Okay.  Thanks.  That's fine with me. Thank you, Chairman Broadbent, and thanks to all of you for appearing here today.

And actually I will continue with that question from somewhat of a different angle, in that I asked a similar question this morning of the Petitioners regarding Valbruna, and I said that the Respondents had stated that that would help their case, the fact that Valbruna--the issues concerning Valbruna following it being removed from the Order.

However, they had a different take on it. They thought that it would help their case. What are they getting wrong, In your mind?

MR. HEFFNER: I think what they're getting wrong is that they're saying if you have any presence in the U.S. market you are somehow going to harm them. That is not the standard. It's whether there's going to be a significant increase in imports that would result in recurrence of material injury or threat thereof.

I don't see that. The fact that there's a minimal amount of imports coming in, that just shows that there is not going to be a significant recurrence of imports that would lead to material injury.

COMMISSIONER JOHANSON: And again, my apologies but there's a lot going on in this case. They have zero duties at Commerce? Is that what the issue is?

MR. HEFFNER: They've been revoked--

COMMISSIONER JOHANSON: They've been revoked--

MR. HEFFNER: The orders have been revoked as to them, both the antidumping and the countervailing duty order.

COMMISSIONER JOHANSON: Okay, so they are no longer under the disciplining effect of potentially being--having the duties imposed?

MR. HEFFNER: Exactly. Right.

COMMISSIONER JOHANSON: Okay. To the extent you can--I was a little surprised at the answer this morning. It might have merit; I don't know. But feel free to respond further on this in the post-hearing brief, if you wouldn't mind.

MR. HEFFNER; Will do.

COMMISSIONER JOHANSON: Okay. Thank you.

Also, the domestic industry stated that we should look to Cogne itself in the stainless steel bar context as a good test case for the likely interest in U.S. stainless steel wire rod market in the event of revocation. Because, they contend, revocation of that Order on Italy in the 2008 reviews resulted in Cogne returning to the U.S. market within one year.

Could you please comment on this argument of the Petitioners?

MR. HEFFNER: We'll be glad to put any kind of confidential information on that in the post-hearing brief. But what I would like, it kind of goes along the same way here. If Mr. Betemps can talk about--they talked at length about the salesman that they hired. Would you like to hear about that?

COMMISSIONER JOHANSON: Yeah, I actually kind of would. I asked for further information from the Petitioners this morning, so it would be good to hear from you all on that issue.

MR. HEFFNER: Sure. But we will give you the other information confidentially in s post-hearing brief.

COMMISSIONER JOHANSON: Okay.

MR. BETEMPS: Yes. I would like to clarify a couple of points. Yes, we hired two gentlemen from two important companies, U.S. mill. We hired a guy during December 2013. This guy was focused on a kind of market we can find in Texas area.

COMMISSIONER JOHANSON: I'm sorry? The Texas area?

MR. BETEMPS: Texas.

COMMISSIONER JOHANSON: Okay.

MR. BETEMPS: He lives in Texas, so he's focused there. He was focused on this kind of market, in particular on, let me say, big weights and big rounds, big dimension.

Anyway, this guy left Cogne, with Cogne after 14 months and we did not replaced this placement.

The other one we just hired in January. The reason is very easy. We already had a salesman that covered the portion of the country, in particular the Midwest, but in September of 2015 he died for cancer.

And so we decided to hire a new person who could continue to take care about the small number of customer we have in that area. That person was unemployed. So--and he was working before for a distribution company, not for a melting shop or a producer.

Then for sure we want to hire, when it's possible, people that have a deep knowledge on the market. Because what is very important is not to make mistake on the market. And what I mean is a price mistake, or other kind of mistake like that. So the approach to the market must be very serious. And you can do that only for good professional people. And so this is what we try to hire every time, to respect the competitors and the U.S. producer, first of all.

COMMISSIONER JOHANSON: So you state that your sales staff has grown only marginally?

MR. BETEMPS: As I said before, we are just three salesmen. I can tell you that one is dedicated to our product that is very niche. It's a fine wire, very, very small. And the other two are dedicated to the round bar business.

And no one is making any kind of a question to customer to receive any inquiry concerning wire rod. And I am with Cogne since 1997, but I am here in charge since one year and a half, since March of last year. And believe me or not, I never received one inquiry for stainless steel wire rod. That means that the perception of Cogne in this market is very--does not exist. I mean, they do not think that we do that.

We are very clear also now on that website. We don't have the wire rod mentioned. And that means that we probably lost, I'm sure we lost 100 percent what we did 20 years ago. Okay? And everything has changed now, and I think if we have the possibility to restart, that would be very difficult because in the meantime newcomers are here. The West mill are very likely, but so I don't believe that Cogne can re-enter into this market in a easy way.

And first of all, we are--and I want to underline again, we are not interested in any kind of commodity business. Commodity is a kind of grade that we can perform to cover the enormous fixed cost that a country like Italy imposed to a company like Cogne. And so we sell this kind of material just in our country, not on the contrary going to sell overseas commodities adding the freight cost. This become no sense because the profitability is zero.

Cogne is looking for high value product and commodity is not one of them. So I believe that the research of niche would be very difficult, and that this take a lot of time.

COMMISSIONER JOHANSON: Alright. Thanks for your answers. My time is about to expire, so I will come back in a second round with some more questions. Thank you.

CHAIRMAN BROADBENT: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Alright. Thank you.

Mr. Ferrin, I wanted to start with Spain. And in particular can you clarify, are you arguing that there would be no discernible adverse impact if we decumulated Spain, or a reason to decumulate?

MR. FERRIN: Well, we are mindful of what the Commission has said, not just the three that voted affirmative, I guess it was four that voted affirmative overall, but actually all six of the Commissioners the last time around, the way they look at discernible adverse impact seems to make that very difficult to demonstrate.

But whether you look at it in terms of no discernible adverse impact or making a discretionary decision to decumulate based on differing conditions of competition, the reasons would be pretty much the same.

In other words, our argument is not based on no discernible adverse impact, but the same arguments that we make on differing conditions of competition I think would be equally applicable to a no discernible adverse impact argument. It's just we're looking at the reality of what the Commission has said in the past about what a company has to do to show no discernible adverse impact.

COMMISSIONER SCHMIDTLEIN: And can you remind me what that is that you have in mind about what the Commission has said in the past?

MR. FERRIN: Well they just said that there's--you know, you've got two big companies in Spain, and, you know, they've got excess--at that time, they believed that they had excess capacity. They didn't have any information from them.

And so they thought that they couldn't say that there was absolutely no possibility there was going to be a single bar coming in from Spain. But of course they didn't have anybody advocating for them at that time, either.

Again, it seems to me that as a commercial, practical reality, you're not going to see--you're not just going to see small amounts coming in from Spain. You're probably--you're likely to see nothing coming in from Spain if this Order is revoked.

Because Roldan has no incentive to ship to the U.S. market and compete with NAS. If they had an incentive, they certainly could have done so.  Olarra is the other producer, and they have no incentive, either, because they either consume it internally or they sell it to their affiliates who consume it internally to make bar.  And that's it.

COMMISSIONER SCHMIDTLEIN: Is that--are the sales to their affiliates in Italy pursuant to long-term contracts?

MR. FERRIN: I would have to check with them what the terms are.  I don't know if they're written or not, but keep in mind that this is--my understanding is this is why the original investment was made by Mr. Roda in the first place.  And it eventually changed from a 30 percent stake to a full ownership stake.

They have a rolling mill in Seron, but the rolling mill in Seron doesn't come close to meeting their needs for wire rod to manufacture bar from.  And so they invested in Olarra.  And they--certainly Rodacciai has an incentive to have a long-term, stable source of supply of stainless steel wire rod so that they can make their high-quality bar products in Italy.  And that is certainly the case.

But whether or not that is pursuant to a formal agreement, I would have to check with the client.

COMMISSIONER SCHMIDTLEIN: Okay.  Well if there's anything you can put on the record with regard to if there is a long-term contract, and inputting that contract on the record, or if there is some sort of corporate business plan, or strategic plan, or anything else that documents what you're saying, which is that they're going to continue to supply this amount to their affiliates in Italy, that would obviously be very helpful.

MR. FERRIN: I'll be glad to check with our clients.

COMMISSIONER SCHMIDTLEIN: Okay. Mr. Betemps, let me turn to Italy. In your testimony you mention that you would like to have the opportunity to respond if there were particular niches in the U.S. market that were not being served by U.S. mills.

Can you elaborate on that, on what you have in mind?

MR. BETEMPS: Well, sure. So we think that the only market we can approach, as I said before, should be the market of some special grade. We think that Cogne must have the possibility to supply the global customers that are in Europe, like in Asia, maybe they have some facility here, okay? And so supplying these customers are generally customers involved in a niche, in a particular market.

And so our intention is to follow these customers because we are in their approved vendor list. And if they have a plant here in the U.S., and if they would like to run with our raw material, this would be our strategy.

I mean, so just following the existing customers. They already have our material in their data sheet, in their approved vendor list. Also, as I said before, Cogne is looking for high profitability business. And so the niche is profitability business, it seems to be.

So Cogne is going to have the--make a research, if we could approach this market only on this kind of special grades that Cogne produces. Cogne is well equipped, not like the most important U.S. mill, but for sure Cogne sees many years moving its production from commodities to special grades.

In the past, very recent, in 10 years ago, we did also engineering steel for example, and we decided to stop totally this kind of production and moving just to the stainless 100 percent.

Then the other step would be moving a little bit from general stainless commodity, going deeply on the niches.

COMMISSIONER SCHMIDTLEIN: Okay. So I don't want to get into your business proprietary information, but if you could in the post-hearing elaborate on who those customers are, and any more specifics on the types of specialty products that you have in mind, I think that would be helpful.

MR. BETEMPS: For sure.

COMMISSIONER SCHMIDTLEIN: And whether or not those customers currently have plants in the U.S. and, you know, what the prospects you think are for Cogne being able to follow up with them.

MR. BETEMPS: Sure.

COMMISSIONER SCHMIDTLEIN: In your testimony you also mentioned that Cogne has a long-term supply agreement with your Swiss customers currently?

MR. BETEMPS: Yes.

COMMISSIONER SCHMIDTLEIN: Would it be possible for you to supply that for the record, copies of those contracts?

MR. BETEMPS: I think so.

COMMISSIONER SCHMIDTLEIN: I mean of course they would be protected.

MR. BETEMPS: Just a couple of words about this important slice of the cake for Cogne. These customers are Cogne customers since 30 years. When Internet does not exist, when the only opportunity was talking at the phone, so no emails, just phone.

The guys, they worked there in these companies, the 50 percent they live in Como area, so Como Lake is quite popular also here in the United States. So they live there and they drive in the morning, in 50 minutes they are in Switzerland. Okay? So we were very lucky to approach these guys, these companies, because they speak Italian 100 percent, but they also speak German. So they can export their goods for sure, but for us we have to sell it was very easy to communicate.

This helped us so much. So we created a very important relationship with them. Believe me or not, but it's closer going to Switzerland than to Venice where we live. And Venice is in the northeast. So it's really a local area for us.

When I raise up, I can go skiing in Switzerland in half an hour. So Cogne is there.

COMMISSIONER SCHMIDTLEIN: You are very fortunate.

MR. BETEMPS: Now I live in New Jersey.

(Laughter.)

COMMISSIONER SCHMIDTLEIN: I'm sure there are benefits to that, too.

(Laughter.)

COMMISSIONER SCHMIDTLEIN: Alright, well my time is up. So thank you very much.

CHAIRMAN BROADBENT: Thank you. Let's see.

Mr. Heffner, has Cogne ever sought an administrative review of the Order on SSWR from Italy?

CHAIRMAN BROADBENT: How come?

MR. HEFFNER: When I went over there to talk to them about it, explained how all the details -- they said it's not worth it, we're happy with what we're doing. I tried.

CHAIRMAN BROADBENT: Okay. Cogne is just one producer of SSWR in Italy. What would stop other producers from shipping a significant volume into the U.S.?

MR. HEFFNER: Well, as Mr. Ferrin said, Rodacciai is the other producer and Rodacciai, they internally consume all of their product. In fact, it's on their website. They consume all their product and make it into stainless steel bar. So it wouldn't stop them. It's just not their business model. It's already on their website what they do, and that's their business model. Valbruna's out of the order.

CHAIRMAN BROADBENT: Is there any other major producers there?

MR. HEFFNER: Not that I know of.

MR. FERRIN: Excuse me. Richard Ferrin. There is, of course, Valbruna, but Valbruna's outside of the order.

CHAIRMAN BROADBENT: Understood. Okay. All right. This is for Olarra, Mr. Ferrin. Given the dominance of rolled-on in the Spanish production of SSWR, absent their data, how can the Commission deduce that there is no likelihood of volumes re-entering? Why aren't they filling out the forms?

MR. FERRIN: I can't speak for Roldan as to why they're not filling out the forms. You're probably best to ask the gentleman from North American Stainless on that.

CHAIRMAN BROADBENT: He didn't seem to know.

MR. FERRIN: I can speculate in my speculation which seems certainly logical to me is, they don't want to bother, because they don't care about the U.S. market. They've already got the U.S. market through North America Stainless, so if I were at Roldan, I wouldn't bother.

CHAIRMAN BROADBENT: Okay. All right. Mr. Heffner, given that there's a lot of overcapacity issues right now in China in this product, why isn't there a threat of some of this product coming to the U.S. just because the Chinese are putting so much pressure on the global market?

MR. HEFFNER: I'm glad you asked that. If you look at our questionnaire response first -- we sell -- it's on Page 14. You see our quantities are very stable. Why? Why are our quantities stable or even increasing? Well, the reason is that we sell a niche product to them. We're not going to compete with the Chinese on a commodity product. We sell niche products to our subsidiary there and Jean Paul can talk more about that, but that's their business model. They're selling a niche product that the Chinese need that they don't make. And it was made into bar and that bar is not being made by Chinese companies, so if you'd like to elaborate, elaborate, that's permissible.

MR. BETEMPS: The intention to approach the Chinese or for this market was cross specialties and because you cannot, I mean sell commodities to Chinese. They do a lot of commodities and they can dispatch commodities in two, three weeks and they have a huge amount of commodity grades in their inventory. So it's like trying to sell ice to the Eskimos. So for us, is not business we want to pursue.

Then we have promulgation there of our production, and the kind of companies that we consider our partner and not only customers, involve only in niche of special grades. We can say how to model after a electronic and so these kind of grades in stainless are not commodities, so we can say that Cogne had a very sharp strategy when they decided to enter in the Chinese market. And then the material we produce there is not exported then back to Europe or to other countries. Ninety-nine percent rests in the Asian market.

CHAIRMAN BROADBENT: Okay. Mr. Ferrin, is it your contention that the U.S. market is no longer attractive for Olarra or that, given the absence from the U.S. market, it will take a long time for them to re-establish business connections in the U.S. market while they're competing with the domestic producers and non-subjects?

MR. FERRIN: I don't think the U.S. market has ever been attractive for Olarra. Again, if you go back to the original investigation and you look at the proportions coming from Roldan versus Olarra, it's confidential, but that'll give you an indication of where the Spanish exports to the U.S. market were coming from. They were very small from Olarra in the first place. And at that time, Olarra had, according to the original investigation report, Olarra was thirty percent owned by the Roda family.

They're now fully owned by the Roda family. The point being that the main utility, I think, Rodacciai's point of view is that Olarra is a good source of raw material for making their stainless steel bars in Italy, finishing them in Italy. And so the U.S. has really never been in the picture for that. They sold tiny amounts during the original investigation.

Again, the exact amounts, I'm not precisely sure because we don't have their questionnaire from 1998, but you can calculate it based on -- you can make a backhand calculation just using the ITC staff report from the original investigation. It was very small then, so I don't think it was ever important to Olarra. Certainly not important now.

CHAIRMAN BROADBENT: Okay. In the last five year review, I wonder if you could sort of speak to the descent and that opinion related to Italy and to Spain which you all are covering. What new information do we have, if you could summarize it. Why is it different and why would the idea of decumulating these countries be more likely to prevail now?

MR. HEFFNER: Doug Heffner for Cogne. There's two reasons. Number one, I would say that before there was -- and you weren't sure what was going on, whether they were really export-oriented or not. You have another five years now that shows that they have not gone out and gotten new markets anywhere. The pattern is the same, so instead of a pattern of export-orientism, basically what you have is a pattern of regionalism. They're selling to a regional market, so I think with another five years under your belt, you see exactly what the pattern is there, number one.

Number two, I would say that what happened before is the majority of the Commission, or the three Commissioners ended up really concentrating on the fact that that time that Cogne had very low capacity utilization, it was during the height of the financial crisis at that point. And if you recall at that point, we had provided the information to show that our book was full going forward, that we had change and that we were going to be -- our capacity utilization was going to be much better going forward.

Now you have, over the next five years, you see that, in fact, we have been very -- we've had a high capacity utilization. So it's much different than before, so I think from that perspective, those are the two real key issues here that differentiate this time from the last Sunset review.

MR. FERRIN: And if I could answer for Spain, obviously the last Sunset review, Olarra didn't even bother to put in a questionnaire response. This time, they have. We convinced them to come forward this time and participate and explain where they are in the market. And where they are in the market is a very simple, and it's a very stable story. Half of it they consume internally to make bars. The other half of it, they ship to their affiliates to make bars. End of story.

CHAIRMAN BROADBENT: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Also thank the witnesses for coming today. I think with Commissioner Schmidtlein's question about the relationship between Cogne and the Swiss company and it's the general question of pricing for stainless steel in Europe. This morning I think the petitioners were talking about -- they had a chart which we didn't see, but it didn't have the European pricing, so I was curious about European pricing for stainless steel and also, if it's not a confidential, the contract, the prices for your sales to the Swiss companies. Are those in Swiss francs?

Since, as far as I know, that is been steadily appreciation gets everybody's. But if it's confidential, you don't have to answer it now.

MR. BETEMPS: I can tell you this for sure. We have a kind of long-term agreement and this is confidential.

COMMISSIONER WILLIAMSON: Okay.

MR. HEFFNER: His question was whether you sell in Swiss francs to these two customers or --

MR. BETEMPS: We invoice in Euro.

MR HEFFNER: In Euro?

MR. BETEMPS: Yeah, in Euro.

COMMISSIONER WILLIAMSON: Okay. I was just curious because --

MR. BETEMPS: It's easy, it's the only way.

COMMISSIONER WILLIAMSON: Okay, got it. Another question about this. You were talking about Tocino and how nice the Italian part of Switzerland is. I was just curious, going up towards Geneva, through Mont Blanc, how do you ship the goods from there to your Swiss customers? The only reason I'm asking is because I once drove from Torin with a brand-new car through Valais.

MR. BETEMPS: You can go through Geneva, but the point is that there is the Mont Blanc tunnel.

COMMISSIONER WILLIAMSON: Okay.

MR. BETEMPS: Is it easier to go through Milano and from Milano, you go direction to Como and then Como there is the border without any --

COMMISSIONER WILLIAMSON: Going down the southern side of the --

MR. BETEMPS: Yes, it's very easy.

COMMISSIONER WILLIAMSON: I was just curious about that.

MR. BETEMPS: I'm sorry, we do not pay that fee for the Tuna that is very important to us, our truck.

COMMISSIONER WILLIAMSON: Okay, no thank you. I was just wondering about that. Do you export any other, as far as -- do you have any exports to China or elsewhere in Asia besides the shipments to your Chinese affiliate?

MR. BETEMPS: Can you --

COMMISSIONER WILLIAMSON: Do you have any exports to Asia or to elsewhere in Asia, other than those that you export to the Chinese affiliate that we're talking about?

MR. BETEMPS: We have other, one branch in Korea and so in South Korea and we have a small depot there and so we export some small quantities of bars into that area.

COMMISSIONER WILLIAMSON: Is this in a niche market again?

MR. BETEMPS: I really don't know that kind of market. I'm sorry.

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. BETEMPS: I know just bars and not where at.

COMMISSIONER WILLIAMSON: Let's see. Again, but what about the price? I think we were talking about the pricing in general in Europe for stainless steel rod, compared to the pricing in the U.S. or pricing in Asia. Does anyone want to comment on that? Doesn't stainless steel -- it's more used in Europe than in the U.S. in general for a wider range of things, is that a fair characterization? I think I once heard that once, long time ago.

MR. BETEMPS: You mean about -- let me say that for sure it's, for us, it's more attractive, the Chinese market for the kind of product we do there. And so we prefer absolutely that kind of market for profitability.

MR. HEFFNER: He was also asking, what is the relative pricing level? For Europe versus the U.S. for stainless steel wire rod.

MR. BETEMPS: We don't know that. Because we are out of the market this past twenty years, so I cannot help you in this answer.

COMMISSIONER WILLIAMSON: Mr. Ferrin, do you have any indication of this?

MR. FERRIN: You know, we were looking for information on this. It's very difficult to get good reliable information on specifically on stainless steel wire rod because, you know, globally so much of that tends to go among affiliated parties, get sold downstream to affiliated parties. I'm a little hesitant to make comparisons with other stainless steel products, but I will tell you this. I was looking through the Acerinox reports in preparation for this hearing and they have for the Acerinox presentation for First Quarter of 2016, there's a chart there that lists AISI 3L4 for the U.S. market, European markets and Asian markets. I think that is probably cold-rolled stainless steel sheet, so you know, it's not wire rod, but that being said, the chart that I saw actually showed slightly higher prices in Europe than they are in the United States.

Now, again, we have to take this all with a grain of salt because that's stainless sheet and strip, not wire rod, but nevertheless, a lot of these prices tend to be fairly similar for stainless products, because so much of it's driven by, you know, nickel prices, that sort of thing.

MR. HEFFNER: Or at least the trends, and if you want, we can supply that in post conference, if you'd like.

COMMISSIONER WILLIAMSON: Okay, yeah, if you have any information on it that may be relevant as to --

MR. HEFFNER: Okay.

COMMISSIONER WILLIAMSON: -- what would happen if the orders came off.

MR. HEFFNER: Very good.

COMMISSIONER WILLIAMSON: Okay, thank you. You may have already said this, if so little interest in the U.S. market, why are you here today? We often ask this question, so --

MR. FERRIN: Yes, this is Richard Ferrin. It was actually mentioned earlier this morning about a customs matter involving Olarra and Rodacciai. That's essentially how we became involved with Olarra, because we've had a relationship with Rodacciai for a long time.

I can -- obviously I can't tell you, I can't get into our confidential client communications, but I can tell you this. It was not a case of Olarra coming to us and saying, 'Oh, there's a Sunset review on stainless steel wire rod. We want to get involved with this.'

It involved a fair amount of persuasion the other way around, as in, you know, 'Doesn't it make sense, since this comes up once only every five years, even if you're not interested in selling, to at least make your case to get the market open, so that if things change in the future, you have that opportunity to examine.'

Now, going back again to what happened in this customs matter -- essentially there we had a situation where -- and it's all the documents in the Commerce Department, but there was stainless steel wire rod coming from Olarra in Spain, being shipped to Rodacciai in Italy and Rodacciai was converting it into stainless steel bar.

And customs sent an inquiry saying, you know, questioning whether or not that was properly marked as a product of Italy and asking whether or not, perhaps it should be subject to anti-dumping duties under either stainless steel wire rod from Spain or stainless steel bar from Spain. And so we got involved to try to get that all cleared up. And it was in fact cleared up that it's in fact a product of Italy because of all the finished operations that occur in Italy. But that's how we got started in all this.

COMMISSIONER WILLIAMSON: Thank you.

MR. HEFFNER: In other words, he was an ambulance chaser.

COMMISSIONER WILLIAMSON: Good marketing.

MR. DETEMPS: I think that the wealth of the company is when this company can use a hundred percent the potential of its production in every count. In a globalization world. So this the reason we are here today. So we are here, but we know that probably in the past we did not make the right things. I am talking about twenty years ago. Now our company improved so much and knows very well how to move. And how to create the right business. And we think that a small portion of this business should be here in the United States.

COMMISSIONER WILLIAMSON: Thank you very much for those answers.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: It's actually --

CHAIRMAN BROADBENT: I don't know what's wrong with me this afternoon. I got all goofed up.

COMMISSIONER JOHANSON: That's no problem. Do you all believe that suppliers' certification could present any significant limit on entering into the U.S. market of increased volumes of subject imports from Italy or Spain in the event of revocation of the anti-dumping orders? And what evidence can you point to that supports that supplier certification would impede your ability to re-enter the U.S. market and gain market share? If that is indeed the case.

MR. HEFFNER: Can I repeat it?

COMMISSIONER JOHANSON: Yes, certainly.

MR. HEFFNER: What Commissioner Johanson is asking is, is supplier certification, in other words, when you go out and have to get your products certified by the supplier, is that an impediment to you getting back into the U.S. market and if so, how long -- something along those lines, is that what you were asking?

COMMISSIONER JOHANSON: That's exactly what I was looking for.

MR. HEFFNER: Supplier certification?

MR. DETEMPS: I'm sorry. I cannot do this. I cannot answer to this question. I prefer to give you more details in the post hearing brief.

COMMISSIONER JOHANSON: All right, that's fine. And Mr. Ferrin, would you like to add something?

MR. FERRIN: Yes, from the standpoint of Olarra, I can't speak to specifically to Olarra's certification, but what I do know is this. Olarra does not sell wire rod to unaffiliated customers at all. As again, they internally consume it as bar, and of course, they're certified in bar, they're international certifications. But they do sell their wire rod to Rodacciai and Rodacciai is certified in bar. And Rodacciai does sell some in the United States of its bar, and in fact, they mentioned this morning that Mr. Blot, I believe it was, was talking about the network through Roda's specialty steel in the U.S.

If you look on their website, you'll see what they're selling. What they're selling is bar, so the point is, is it's an entirely different ball game for Olarra to get involved in trying to get certification because right now, to the best of my knowledge, they've never gone through a certification process for the wire rod itself. Bar yes, but not for wire rod. Because they don't sell wire rod in the open market.

COMMISSIONER JOHANSON: Okay, that could be done though.

MR. FERRIN: Granted. It certainly could be done, but it would be -- I think it would be very difficult for them to sit here and tell you how long it would take them to get certified in the U.S. market because this is for a market on something they simply haven't done before. They certainly haven't done it since 1998.

COMMISSIONER JOHANSON: All right, I understand. Yes, Mr. Heffner?

MR. HEFFNER: I was going to say for Cogne, we'll talk to the Italian parring and get that information for you on supplier certification.

COMMISSIONER JOHANSON: Okay, thank you, Mr. Heffner. The prehearing staff report indicates that for U.S. producers, stainless steel wire rod is primarily produced to order. This is the staff report Page 216. Is this true for Italian and Spanish industries as well? And what are the ordinary lead times for your products?

MR. BETEMPS: Okay only about Loarra?

COMMISSIONER JOHANSON: Yes.

MR. BETEMPS: I think we have to consider at least 60 days so I think that in this moment competing with the U.S. France -- it's impossible I mean because they have stock and they can release material from new production between two to three weeks.

I want to advertise these raw materials -- let me say that this is semi-product okay so it is very fast production so here in the U.S. we probably can supply also some specific treated material a maximum of four weeks. So we always have to consider one month more for the freight, for the transit time.

MR. HEFFNER: I think Commissioner Johanson also asked whether you produce to order, do you produce to order most of the time?

MR. BETEMPS: Absolutely. We do not make any kind of stock we just make material, produce material based on the order.

COMMISSIONER JOHANSON: Thank you Mr. Betemps. Mr. Ferrin?

MR. FERRIN: Yes I think we had mentioned in our -- Olarra's questionnaire response they don't keep inventories, everything is produced to order. So as far as the lead times I would be glad to check with Olarra and ask them what the lead times are, I'm not sure what those are.

COMMISSIONER JOHANSON: Alright thank you Mr. Ferrin.

MR. BETEMPS: May I adjust that one thing?

COMMISSIONER JOHANSON: Yes.

MR. BETEMPS: This morning someone talked about the fact that we have two warehouses, one in New Jersey and one in Texas. These are public warehouse, we do not own any kind of building okay so this is just to demonstrate our very -- let me say, little approach to this market, okay.

COMMISSIONER JOHANSON: Okay.

MR. BETEMPS: And we are not going in the future if we will have the possibility to stock any kind of wire rod.

COMMISSIONER JOHANSON: Alright thanks for your responses there.

Mr. Ferrin, the domestic energy panel this morning suggests that a large relationship with the Italian producer Rodacciai will facilitate Olarra's ability to enter the U.S. market in significant quantities as Rodacciai's existing distribution network in the U.S. market has an existing network in the U.S. market for stainless steel bar.

What is the relationship between Olarra and Rodacciai and what do you make of this argument that this relationship tends to support a finding that Olarra's is participating in the stainless steel wire rod market in the event that it -- that it could re-enter the market in the event of revocation of the order?

MR. FERRIN: Commissioner Olarra is now 100% owned wholly owned, subsidiary of Rodacciai. As far as participation in the U.S. market as I mentioned previously Roda Specialty Steel exists in the United States for selling their stainless steel bars but they don't sell stainless steel wire rod in the U.S. market.

So maybe the downstream product will get to the U.S. market but I think it is a bit of a stretch to argue that Olarra if they were to have an interest in selling, making commercial sales of stainless steel wire rod that they could somehow easily do so through Roda Specialty Steel because the Roda Specialty Steel because Roda Specialty Steel exists and it sells bars in the U.S. market, it doesn't sell wire rod in the market because Rodacciai itseslf is not in the business of supplying stainless steel wire rod, they are a bar producer.

COMMISSIONER JOHANSON: Okay thank you for your response. That being said you do have folks here in the U.S. from your parent company who do develop the U.S. market?

MR. FERRIN: They develop the U.S. market for stainless steel bar not stainless steel wire rod.

COMMISSIONER JOHANSON: Okay, alright thank you for response. Also you all have noted that your view that the domestic industry is currently in a healthy condition, how do you square this assessment of the industry's condition with the recent performance data in the staff report which appears to confirm that the industry is declining in both trade and in its finance rendition over the recent years.

MR. FERRIN: A lot of this would depend upon which year you are comparing it against. Without getting the specifics and this data is confidential. You get one pattern if you compare 2013 to 2015. You get a different pattern if you compare 2009 to 2015 so it depends on you know, what your base period is.

And you know this industry goes through business cycles like everybody else does and certainly however, whatever condition the industry is in now, one thing that I think everyone will agree on is that it is certainly doing better now than it was in 2009 which was the last full year of the last Sunset Review.

You know, and I would also add certainly if you are looking in terms of the profitability of the U.S. industry there's a table in the pre-hearing staff report that makes comparisons to the original period of investigation, the first Sunset Review and the second Sunset Review and now and you look at the profitability and again I can't go into details but you can look at that and draw one set of conclusions about what it's relative vulnerability is of the U.S. industry now compared to then.

COMMISSIONER JOHANSON: Alright thanks for your responses, the red light is on so I had better stop here, thank you.

CHAIRMAN BROADBENT: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay thank you. Mr. Betemps the other areas that Cogne sells to or other customers are in other EU countries according to your testimony and then the affiliate in China and so I will ask you the same question that I asked I guess with regard to the Swiss. Are these -- and you had answered it that there are long-term contracts for the Swiss.

Can you say whether you sell to these other countries pursuant to the customers in these other countries pursuant to long-term contracts? And if you can, can you put those on the record in the post-hearing?

MR. BETEMPS: Yes. We do not perform any kind of spot business with customers. We only have a -- we consider always customers partner and we can say that we have with everyone long-term agreement or let me say longer latitude. Okay if we don't have long-term agreement we base it on contract then okay. We have a long relationship with these European customers okay so this is our way.

COMMISSIONER SCHMIDTLEIN: And with the Chinese affiliate?

MR. BETEMPS: The Chinese is different because Chinese is a promulgation of our production and so what we dispatch there is a raw material that is totally machined and let me say they are going to modify completely, the raw material we supply. So is different because is our promulgation and we supply a kind of final product so it is different than in Europe but we supply just the raw material and we have no control on the downstream of the process.

COMMISSIONER SCHMIDTLEIN: But they are separate companies?

MR. BETEMPS: Absolutely because Chinese is Cogne, China Dong Guan, is Cogne branch. In Europe we have branches for distribution but they just focus on bars. We supply some customer that fundamental -- not for distribution just direct.

COMMISSIONER SCHMIDTLEIN: Okay I'm sorry I'm just now following you. Go ahead Mr. Heffner.

MR. HEFFNER: Yes I think what Commissioner Schmidtlein is asking is do you have a long-term agreement, sales agreement between Cogne Italy and Dunglon Cogne?

MR. BETEMPS: For sure because it is our process, so yes.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. FERRIN: We'll provide that post-hearing.

MR. BETEMPS: I don't know the details but this is for sure we have all kinds of long-term agreements, yes.

COMMISSIONER SCHMIDTLEIN: Okay and just for clarification earlier when you were talking about production in China of wire, stainless steel wire and I thought I heard you say -- correct me if I am wrong, that the Chinese do not produce?

MR. BETEMPS: They produce.

COMMISSOINER SCHMIDTLEIN; Let me finish they do not produce what Conge Italy produces that you are producing a specialty product that no one in China is producing that type of supply?

MR. BETEMPS: Let me correct that, maybe there are competitors of this kind of material in China but what we supply in China is a product that is not a commodity it is just a material for specific customers that our branch in China machine and make an efficient product for the Asian market.

That's all. Probably there are other competitors of Cogne there for sure but it is a niche so there are competitors on niche, we are talking about a very small percentage of the stainless steel consumption of China maybe more than 90% is commodity.

COMMISSIONER SCHMIDTLEIN: Okay thank you for that. I also noted in your brief that at least in 2015 you had a certain level of excess capacity I guess from Cogne, Italy?

MR. BETEMPS: Yes, I think that everyone so or so my back as a dream having the perfect mill can produce and achieve 100% of participation. This is -- let me say quite impossible. So it is correct we probably have a number around 9,000 tons but we do not think absolutely that we are going to use these over capacity to approach the U.S. market.

First of all because we have to take into consideration a lot of inefficiency can happen in our long process we have in our company. So the possibility to have a lot of deviation on the material and the scrap, the material -- so we never achieve the target, the top of the capacity.

Also when we had a very good year, I'm talking about like everyone 2006 - 2007 the capacity of the mill was never reached for many reasons, many technical okay. Then also Italy sometimes is complicated for social and political -- we have sometimes some shutdown okay and when we have a shutdown we lose just maybe a couple of days where we are talking about only we are out.

Just in a couple of days we lose something like 600 to 700,000 pounds in two days of production just for the wire okay. So the ratio of the overage or over quantity will be never achieved -- as I told you before maybe is a dream of everyone, it is a dream of the owner but we have to take into consideration also the customers that we still have okay.

And these customers if they have any kind of important business that is increasing we want to fill first of all our steady customers and so giving them the possibility to account to Cogne to increase our production only for them if this is possible and any way we don't think it's not our intention to come back here in the U.S. because we have this kind of over-production over space on our shoulder -- that kind of room in production.

We will never reach that number probably but also due to other reasons like the kind of different grades we do and the mixing -- so sometimes you have to take the decision to make one grade instead of another.

COMMISSIONER SCHMIDTLEIN: Yeah but I mean we are talking about I mean you mentioned a number here and it seems to be appreciably below 100 so but I know no one is perfect and can reach 100 usually -- there seems to be a little bit of room left there and so are you saying that your company if you had been -- the duties had been revoked in 2015 you would have not at all pursued any possibility of sales in the U.S. to fill that capacity recognizing that you were not going to achieve 100?

MR. BETEMPS: For sure a small volume -- I repeat small can be dedicated to this market. But due to many reasons for intend the reasons we have tried a lot of times because there is also a European market that will satisfy --

COMMISSIONER SCHMIDTLEIN: But presumably that was available to you in 2015 as well?

MR. BETEMPS: I don't think so anyway. So I think --

COMMISSIONER SCHMIDTLEIN: And what was that?

MR. BETEMPS: So it is the up and down of the market so maybe here in the U.S. we can have a couple of good years and a couple of years that are not good so we cannot count on that. It's just the potential and we never use this protection -- I don't think just because we have the possibility to come back here in the U.S. that magically we can start again the production and increase the volumes to that number.

So the 100% we never reach it, we probably reach the 85% but this is generally talking about the general production of Cogne.

COMMISSIONER SCHMIDTLEIN: So where would you -- if you want the opportunity to possibly supply the niche markets here should the order be revoked where would you divert then from if you generally don't like to produce beyond 85% of capacity?

MR. HEFFER: Can I?

COMMISSIONER SCHMIDTLEIN: Sure.

MR. HEFFER: Help you?

COMMISSIONER SCHMIDTLEIN: Yeah.

MR. HEFFER: What the Commissioner asked is if you can't use the difference here where would you divert from to fulfill the niche products that you would sell to the United States is what she was asking.

COMMISSIONER SCHMIDTLEIN: Right because I understood that what you were interested in is the opportunity for that, you have a specialty product you might want to sell into the U.S. but now I am hearing you say, "We won't probably produce above 85% capacity," so I guess you will have to divert from somewhere else.

Either your EU customers or somewhere to possibly if you see and find an opportunity here --

MR. BETEMPS: We really don't know how much is the volume we can spend here in the U.S. because we don't know this market really. So the only potential market that we see is that I told you before is regarding the global customers and so the small percentage of this volume can be dedicated to this kind of customers but I cannot give any kind of a number of this over production we can make because we have no plans to come back here in the U.S. market so we are not really prepared so I really don't know.

COMMISSIONER SCHMIDTLEIN: Okay alright well my time is up, thank you.

MR. BETEMPS: Thank you.

CHAIRMAN BROADBENT: Let's see Mr. Ferrin and Mr. Heffner could you just sort of distinguish the arguments on decumulation between Spain and Italy? Could we afford to decumulate one and not the other, is it the same argument for both how would you make it?

MR. HEFFNER: Do you want to go or do you want me?

MR. FERRIN: Well they could be -- in the last Sunset Review for example I believe two of the Commissioners grouped Italy together with Spain, I think they had two or three different groupings of countries, that's one possibility. They could alternatively the Commission could do that again.

The Commission could if it chose look at Italy by itself and then look at Spain by itself. We think that they are both very distinctively different from the rest of the four countries involved for a variety of reasons but there are differences between the two of them. The story that you have heard today about Spain is somewhat different than the story for Italy.

In both cases I think there is good circumstantial evidence that you are not going to see substantial amounts coming back to the U.S. if the orders are revoked for somewhat different reasons. For Italy it is because they have a number of committed customers close to them in Switzerland, close to them in the EU and their affiliate in China that they are dedicated to. They have been very stable for a number of years and there is no reason for them to shift away from that.

For Olarra it's quite simple they consume internally, they consume half of their wire rod to make bar and the other half they ship to their affiliate which consumes it to make bar and that is for all intents and purposes all they sell. I mean you look at the questionnaire response you see a ton here a ton there, but essentially you have practically nothing other than those two sources and so that's the situation with Spain.

Now if you want -- the Commission wants to cumulate the two of them together or cumulate them both individually that is up to the Commission on how you prefer to view this. There's a lot of discretion the Commission has but one thing is for sure I don't think that either one of them belong in the same pot with Japan or Korea or Taiwan for all the reasons that we explained.

MR. HEFFNER: I would agree also.

CHAIRMAN BROADBENT: Okay Mr. Heffner how should the Commission consider the behavior of the stainless steel bar industry in Italy in connection with this case? And how and why is the wire rod industry going to behave differently in Italy?

MR. HEFFNER: Well to tell you the truth I did not go back and look at the bar figures to see exactly what happened after the revocation. We were talking about this during the break, we are going to go back and look at it and obviously we are going to address that in our post-hearing brief.

CHAIRMAN BROADBENT: Great, alright. I don't have more questions, Commissioner Williamson?

COMMISSIONER WILLIAMSON: Just one last request and I guess this is post-hearing we were talking about Cogne sales I guess there's some sales of wire rod to Korea, I don't know if there are any other sales outside the company in China and maybe there's some more details post-hearing on that.

MR. FERRIN: Mr. Williamson I believe that the Korea sales that he was speaking to were of bar --

COMMISSIONER WILLIAMSON: Bar not wire rod, okay, they're bar so then actually other than the wire rod sales to China, there are no other sales in the Asian --

MR. BETEMPS: No, absolutely just the branch where we have sold some bars but absolutely nowhere else.

COMMISSIONER WILLIAMSON: Alright then I guess then there are no details to provide of other wire rod sales but that was going to be my question, other than that I would like to thank the witnesses for their testimony.

CHAIRMAN BROADBENT: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Yes, I just had a couple of follow-up questions for Mr. Betemps. In terms of the sales people that Cogne has here in the U.S. can you go over again what their knowledge is or what they were hired to do? What product lines they focus on?

MR. BETEMPS: For sure. Cogne and they have to sell the product that we can sell on this country so around us, any size for sure and some small portion of seal that France is anyway it is a production that is 0.3% of our production. So mainly they are focusing on selling a brown box for a different kind of application, machining or forging.

COMMISSIONER SCHMIDTLEIN: I thought I heard you say, at least one of them you recently hired maybe because somebody who was working for you past?

MR. BETEMPS: Yes we had a guy last January.

COMMISSIONER SCHMIDTLEIN: Oh, okay and so none of these salesmen have any knowledge the wire rod market here in the U.S.?

MR. BETEMPS: Absolutely no. We never talk about the possibility to hire someone that had knowledge in the world because we are definitely out of this market, okay so

France and the only market we can approach is the market around us and around us I can also have the round bars and so both the salesmen are involved in these. So we have no Plan B and we have no intention to provide anyone else for the world.

COMMISSIONER SCHMIDTLEIN: And I'm sorry I just didn't quite understand like what -- are you saying round bar?

MR. BETEMPS: Round bars yes.

COMMISSIONER SCHMIDTLEIN: Round bar, and is that a downstream product of wire rod?

MR. BETEMPS: No, no, no, no. It can be also, yes.

COMMISSIONER SCHMIDTLEIN: It can be.

MR. BETEMPS: Yes so in Cogne from the wire rod this is consumption we use round bars.

COMMISSIONER SCHMIDTLEIN: Right.

MR. BETEMPS: Up to let me say kind of range of size and then we use -- we don't use the weld we use the angled so different kind of stunting material.

COMMISSIONER SCHMIDTLEIN: So you all -- and I suppose the people that you have hired were they based in the U.S. before you hired them?

MR. BETEMPS: Absolutely.

COMMISSIONER SCHMIDTLEIN: So you have hired people based in the U.S. who have no knowledge of a downstream product and have no knowledge of the input product?

MR. BETEMPS: They have knowledge how we produce this material at the mill but they don't absolutely know the end user market or the market of the world because we do not hire them for that.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BETEMPS: So it was just as I told you before because one guy passed away so we had to hire someone else and we took four months to take our decision to hire someone new but I think it was just because, in reality, because he worked before in a couple of U.S. mills.

COMMISSIONER SCHMIDTLEIN: Okay. Given that you are based here in the U.S. as well do you have any view as to why there has been an increase in total imports here in the U.S. of stainless steel wire rod? Sure?

MR. BETEMPS: Could you repeat the question.

COMMISSIONER SCHMIDTLEIN: My question?

MR. BETEMPS: Yes.

COMMISSIONER SCHMIDTLEIN: So there has been an increase in total imports right over the POR of wire rod, stainless steel. Do you have any view as to why that's is?

MR. BETEMPS: From Italy?

COMMISSIONER SCHMIDTLEIN: No, just total to the

U.S.? Why are we seeing increased imports in the United States?

MR. BETEMPS: We never, the problem we never took care about that because we are not involved in this market since really -- the only reason is that maybe in the past maybe U.S. market was a very attractive and is very attractive so only for this reason. A lot of newcomer as I told you before made investments and they don't have a domestic market.

And when you don't have domestic markets you will go looking for other kinds of markets so I think this is the reason so they don't have a domestic one so they are going to export.

COMMISSIONER SCHMIDTLEIN: And is the U.S. market attractive because the prices are higher here than other parts of the world?

MR. BETEMPS: I believe that it is -- the prices for sure are interesting for every kind of market, not only the stainless steel.

COMMISSIONER SCHMIDTLEIN: Well let's focus on stainless steel since that what we are --

MR. BETEMPS: For sure they are but for that reason we are looking for high profitability market so we want to have the possibility to enter in this market only when there will be the right margin for us. So I don't know about the other, I don't know what they do. I don't know if they sell at the right price, what is important is what Cogne will do if they can re-enter in this market.

COMMISSIONER SCHMIDTLEIN: If, and I guess that would all come through Cogne USA right? The company that you are CEO of?

MR. BETEMPS: Yes.

COMMISSIONER SCHMIDTLEIN: Yeah, and have you all done any internal analysis of the U.S. market?

MR. BETEMPS: No, absolutely.

COMMISSIONER SCHMIDTLEIN: No absolutely.

MR. BETEMPS: No, I'm sorry.

COMMISSIONER SCHMIDTLEIN: The U.S. stainless steel market potential here for Italian, for Cogne product, you have not done any internal analysis looking at that?

MR. BETEMPS: No.

COMMISSIONER SCHMIDTLEIN: But you are here today asking for the order to be revoked?

MR. BETEMPS: We -- as I told before we have no plans to come back in the United States in an aggressive way and I'm very, very honest okay. I am very candid when I say that. So we are not thinking about coming back in this country and making a kind of announcement or anything else so we are very calm and we respect this market 100%.

COMMISSIONER SCHMIDTLEIN: Okay, alright I don't have any further questions thank you.

CHAIRMAN BROADBENT: Okay the Commissioners have no further questions does the staff have any questions for this panel?

MR. RUGGLES: Fred Ruggles, Office of Investigations -- we have no questions at this time.

CHAIRMAN BROADBENT: Thank you. Do those in support of continuation of these orders have any questions for the panel?

MR. LASOFF: No questions Madame Chairman.

CHAIRMAN BROADBENT: Thank you in that case I want to again thank the panel for their testimony and you can be dismissed.

MR. LASOFF: Thank you.

CHAIRMAN BROADBENT: With that we will come to closing statements and those in support of continuation of the orders have 8 minutes from direct and 5 for closing for a total of 13 minutes. And those in opposition to the continuation of the orders have 35 from direct and 5 for closing for a total of 40. As is our custom we will combine those.

You absolutely do not need to use all of your time. We will start with those in support of continuation of the orders you may begin when you are ready.

CLOSING REMARKS OF LAURENCE J. LASOFF

MR. LASOFF: Thank you Madame Chairman. We will not use all of our time. We want to thank the Commissioners for your attention. I know this is a busy time for the deluge of big steel cases and the domestic industry is grateful that we can have your attention in a case that perhaps does not have some of the cache of some of the other cases including the two you will be hearing next week and that you previously -- we don't have a dozen members of Congress waiting in the backroom to testify.

But we can assure you that the potential impact of your decision will affect the companies here as dramatically as your decisions of the cases you will hear next week. Just a few points that I want to make one of which I made this morning and I want to address it again. It was raised initially again by Mr. Heffner regarding the notion that these orders are 18 years old and that there somehow should be some legal burden related to the fact that they are old regardless of what the facts say and whether there is a likelihood of a recurrence of injury, there has to be a time limit after which these orders should be revoked.

As much as I enjoyed the situation hearing from folks what they were doing, what their children were doing 18 years ago and what they are doing now, there really is no additional legal burden that must be considered in these circumstances.  The Commission has never to my knowledge, ever suggested such a high legal burden.

There are industries that perpetually exist under a cloud due to large volumes of excess capacity and the Commission has continued orders for multiple decades.  The stainless wire rod industry is not the first before the Commission in a third or fourth review period.  What is correct is that each case must be evaluated on the basis of the facts accumulated in the record including some of the past history and the proper legal standards must be applied.

We would not expect the Commission to decide the case any different than that.

Second regarding the "similarities" of the conditions of competition and the notion that nothing has changed from five years ago -- we would beg to differ. There was a little discussion this afternoon regarding the comparison of the situation in the industry over the last three years and then I believe Mr. Ferrin made the comment, "Well but if you compare it from 2009 to 2015, or compare 2009 to 2015 taking those two snapshots then you are going to see a healthier improved industry."

Well you know I think historically the Commission has looked at the trends and over the past three years the financial indicators have in fact demonstrated a downward trend.  2009 we did have very different conditions of competition. We were in a recession. There was no question of that. As I indicated this morning any industry that would have appeared before the Commission at that time would have found themselves in a vulnerable condition.

But the trends themselves as reflected in this record, are clearly in a downturn and if you accept Mr. Blot's analysis we will continue to move in that direction in 2016. The other significant change in the conditions of competition that you have to take into account and particularly we actually take them into account in the context of the vulnerability in the industry is China.

China was not a factor in the last Sunset Review, not it is a dominant producer. Its imports have increased 180% and given the arguments you have heard today its imports have declined considerable as it has continued to increase its capacity directly calling into question the assertions today about being a potential export market for the responding companies including both those that have appeared today.

The numbers clearly show the trade numbers and we go out of our way to try to get that trade data through global atlas and other sources that the Chinese market for stainless steel wire rod imports is down. I think these are persuasive evidence regarding the vulnerability of the industry.

And I will also go to the point that you clearly do have a distinct record. There are other aspects of the record that are different as well and we will point those out in the brief. Regarding the presentations by the two companies just a couple of very quick points -- regarding the issue of the work force that Cogne has -- we take issue with the notion that the work force that somebody who is selling stainless bar products would not have any knowledge of this marketplace.

The way our understanding and knowledge of Cogne this is a very broad product line. Mr. Betemps mentioned stainless bar, he mentioned tool steel, he didn't mention stainless billet which is the upstream product from stainless bar so it's interesting -- it's almost like we have a doughnut here, we know about we sell in the United States stainless billet, we sell stainless bar but to assert that we really have no knowledge about this -- the market for stainless rod raises questions in our mind.

We took great note and a couple of our producers particularly those who said today that they had been driven into the specialty markets, the niche markets -- certainly to note of the statement that if we come back into this market we are going to pursue the niche markets, the specialty markets.

Well these are very critical markets to our domestic producers.  To many of them they have been driven into those markets by perhaps some of the developments on the commodity side and some of those markets when you are dealing with some of the specialty products you are not dealing with an expensive product, these are significant products for companies like Carpenter, companies like Universal who are more and more moving into that market. These are very, very significant.

And so to be able to try to minimize the potential impact by suggesting that well we are not really, really concerned about this market we are only going to pursue the niche market.  There was a little direct specifics on terms of where that was but I am sure the companies that were sitting there from the domestic industry were very interested and were listening very closely and to where those intentions may lie.

There were some questions raised about the capacity issue and I raise -- in the affirmative testimony the question of how capacity was being measured in this particular situation and the comments and I think it caused some confusion in our own minds regarding capacity based on the reduction of the work force.  It seemed to suggest that rather than utilizing traditional methods of calculating capacity and capacity utilization you were looking at it from the standpoint, okay we reduced our work force and rather than look at our equipment and the capabilities of equipment, we will look at what our capabilities are with the reduced work force.

That's an issue and again because one of the key arguments is the fact that they are at very high capacity utilizations. We encourage and we will certainly review this issue ourselves in the post-hearing brief you know how in fact capacity is being measured in this particular situation and is it as high as has been suggested.

There was a reference about Bruno, there was one fact that was not made about Bruno since the termination of the stainless rod and the stainless bar orders. Bruno has purchased a mill in the United States, Slater Steel is now Valbruna Stainless, this is a mill with full capabilities now in Fort Wayne.

And again as in the case of NES Valbruna also is a company that has shifted major elements of its operations into the United States and so it isn't exactly a clear template in terms of what would happen. Valbruna has a mill here they are operating that mill here and they are a significant player, mainly in the stainless bar market but as has been said over and over again in this morning's testimony and particularly Mr. Wellock, the fact of the matter is when you look at this market, you look at the fact that stainless rod is in fact an input material.

It is used in the production of stainless bar, it is used in the production of stainless rod, it maybe stainless wire, it may be sold into the open market to wire re-drawers, it may be sold in the open market to the fastener manufacturers but it goes against the question as to whether or not you know a company like Cogne can simply state that, "Well we are interested in this product, we are interested in this product, we have this sales force, we have added to our sales force," -- in fact one of the people who was at one point part of that sales force was a significant wire rod marketer for one of the domestic industries and knows the market.

Finally with respect again to their intention here -- my understanding from some of our clients is that they do have warehouses here, I don't know what's in their warehouses but they are large, speculative spots of material in those warehouses.

Just touching briefly on Olarra -- we learned this afternoon different from what we testified this morning when Mr. Blot noted that there was a 30% relationship between Rodacciai and Olarra and we have learned now that this is a 100% relationship so that goes to the question what Mr. Blot said not only do they have the distribution operation here but they now have 100% ownership interest in the company.

So that in fact, you know enhances the argument he has made. The second point I just want to make again referring back to this morning and my old man comment about being here in 1982 when the first stainless wire rod case was filed, that case was against Spain, that case was only against Olarra. Olarra was the major producer in that case, they had a major presence in the United States market.

We were able to demonstrate material injury in that case and countervailing duties orders were imposed so if you go back in history and then typically you know we don't ask you to go back 33 years but again here is a situation where you have a producer and the notion that they have no knowledge of this particular market when in fact there was a stainless wire rod case brought specifically against them I think is something you have to take into consideration.

The last point that I want to make goes to the issue of there was a question I believe Commissioner Johanson's question about certification. We have contended this morning that there are very few barriers to entry into this market that really all a producer has to do is demonstrate for example -- a wire rod producer has to demonstrate to a re-drawer that they in fact can meet their quality needs.

There is no "certification". To me that suggests something much more formal like an aerospace company certifying a particular material could be used in a jet engine. In this situation the way the market typically works, wire rod producers will provide to the fastener manufacturers samples, they will provide to the re-drawers samples. They will test it and see if they qualify and then they will sell.

So I want to make the point clear that this isn't truly certification, this is simply qualifying your product to a particular downstream manufacturer and it is a process that I am told may take no more than two months to do. So again the barriers to entry are very, very quick and I think that again goes to the question as you assessed the question of discernable impact with respect to the two producers, keep in mind again the ease of entry into the market place.

That concludes our presentation. Again thank you to the Commission for their attention.

CLOSING REMARKS OF RICHARD P. FERRIN

MR. FERRIN: Hello again. This is Richard Ferrin. Let me take Mr. Lasoff's points one by one.

His first point, his first argument is the Orders may be 18 years old but there's no time limit on Orders. There's no legal burden.

That's true. However, the relevance of what happened in the original investigation is written into the statute that we're supposed to take that into account. But how much weight the Commission gives to what occurred in the original investigation can and should change over time.

What happened in nineteen--what happened five years ago is much more relevant to the Commission, should be more relevant to the Commission than what happened 18 years ago. As each one of these successive sunset reviews occur, the relevance of what happened in the original investigation, it seems to me, logically should be given less weight by the Commission. And there is nothing in the statute that prohibits the Commission from doing so. It simply makes sense.

The second point. He says, well, that there's been a change in the U.S. industry's condition over the last three years, the deterioration. And he said that 2009 was a Recession year, and any industry would have been vulnerable at that time.

That is all true, but the issue is is you've got to look at what your reference point is. And ITC staff has historically in the sunset reviews, when it is the second, third, subsequent sunset reviews, they don't just look at the last three years of the Period of Investigation. They also use as a reference what happened the last sunset review, the sunset review before that and, yes, even the original investigation.

So they are all good reference points. It is something the Commission should take into account. And I can tell you without getting into the details the U.S. industry's profit situation now is much better than it was in the original investigation done in the first sunset review, or the second sunset review.

It is simply better. And I would also say, being familiar with a lot of different steel cases on a whole lot of different steel products, certainly a lot of them are going on right now. I can tell you this. My sense is that this industry is certainly doing better financially than is, say, the hot-rolled steel industry, the cold-rolled steel industry, or many of these other industries that are before the Commission right now.

So I simply urge the Commission to put it all into perspective.

Third, Mr. Lasoff says, well, the difference now is that China is now a big factor in the market. Okay, fine. Then, Mr. Lasoff and North American Stainless, and Carpenter, and Universal, should file a new dumping case against China. This is not a good reason for them to continue to keep an Order in effect that has really little purpose left on Italy and Spain.

His fourth point is, Mr. Lasoff says that he takes issue with the notion that Cogne USA doesn't know anything about stainless steel wire rod. They sell billets and bars.

Well that is true. And we didn't say that Cogne doesn't know anything about stainless steel wire rod. Of course they know about stainless steel wire rod. But what we don't know about are the U.S. consumers of stainless steel wire rod. We're not talking to them right now. We haven't talked to them in years.

That's the whole point that we're making. That's where the connection will take some time to develop.

Mr. Lasoff says, number five, that niche markets are important to some of the U.S. producers like Carpenter and Universal, and that the niche market, if Cogne went into niche markets that that would hurt them. But the point is, keep in mind that we have said all along that Cogne has no particular plans to re-enter the U.S. market. We simply said that if it decided it would re-enter the U.S. market, it would--if they did it at all, they would do so in very small quantities in areas where the U.S. industry currently doesn't make the product, or particular customer areas where the U.S. industry is not particularly familiar with them.

We're not sure precisely who those may be at this point, but that is who--those would be the logical candidates, if they're interested in selling to anybody at all.

Again, we haven't said that Cogne has any specific plans to get back into the U.S. market; simply that if it did so, it would do so in a very small way, in a very targeted way, and in only those markets that would be highly profitable to it.

Mr. Lasoff says, number six, that he raises the issue of how the capacity is measured and it shouldn't be based on the workforce.

I would like to direct the Commission's attention to page 14 of Cogne's questionnaire. And at the bottom it says exactly how it calculated capacity. We make capacity calculations like the Commission wants us to do, which is based on a certain fixed assumption of how many hours per week it's operating. And that's certainly what we do.

We have a certain number of shifts that we work per week. That number was one figure in 2009, and it has gone down since 2009 because of a permanent reduction in our workforce. I would disagree vehemently with Mr. Lasoff. I would think that the workforce has everything to do with what the capacity is.

It makes no sense to me, it seems to me, to simply say, well, Cogne can grind out, you know, X number of tons per hour, and so you multiply it by 24 hours since there's 24 hours in a day, as if that's all there is to calculating capacity. It simply doesn't make any sense.

Mr. Lasoff says, number seven, the reference to Valbruna. He says, well, Valbruna is not a good example for the reference point for what would happen with Cogne because Valbruna shifted major operations to the United States.

Well, yes, Valbruna shifted their major operations to the United States. They bought Slater. But that's in bar. Slater makes bar. Slater doesn't make wire rod. So I think the analogy is just as valid as to what's going to happen in terms of shipments of wire rod into the United States for Cogne as it was for Valbruna. If there's going to be any coming in at all, it's probably going to be in small, modest amounts just like it was for Valbruna.

And the fact that Valbruna has major operations in the United States is irrelevant to that because those operations are downstream operations. They're not stainless steel wire rod operations.

Next, Mr. Lasoff says that Roda has a 100 percent ownership of Rodacciai--or that Rodacciai now owns 100 percent of Olarra and that that somehow enhances the ability of Olarra.

This I think misses the fundamental point. The fundamental point is that Rodacciai is not a stainless steel wire rod producer. They are a consumer of stainless steel wire rod. They internally produce it, and they make bar. They are a bar marker. They are not a stainless steel wire rod maker. So the fact that Rodacciai owns 100 percent of Olarra I don't think in any way suggests that this is going to somehow allow or enhance the likelihood of Olarra getting back into the U.S. market for stainless steel wire rod.

Mr. Lasoff's last point had to do with a 1982 countervailing duty case brought against Olarra. This is a good one.

Well, I would say, respectfully, that a lot has changed since then. My recollection is in the 1982 case--by the way, I was not practicing law at the time--but what I read from the 1982 case was at that time it was a countervailing duty case because at that time Olarra was owned by the Basque Government.

Well that has changed since then. They are no longer owned by the Basque Government. They are wholly owned by Rodacciai. So the relevance of what happened in 1982 for Olarra as to what its position is today I think is just, you know, there's just no relevance whatsoever.

I simply don't believe that any of Mr. Lasoff's point have much validity. The bottom line is that we've got Cogne who has got dedicated markets, dedicated markets next door in Switzerland, dedicated markets in the EU, dedicated market with its downstream bar-making facility in China. They have no incentive to change that.

As for Olarra, the situation is very simple.

They consume half of their wire rod to make bar. The other half they ship to Rodacciai to make bar. And that's all there is to it. They don't have any incentive to ship to the U.S. market.

Finally, Roldan, the other Spanish producer, doesn't have any incentive to ship to the U.S. market either because they already own North American Stainless. So why would they want to compete with themselves?

For all those reasons, we believe that you should decumulate both Spain and Italy and make those determinations.

CHAIRMAN BROADBENT: Thank you.

I want to express the Commission's appreciation to everyone who participated in today's hearing. The closing statement, post-hearing brief statements responsive to the questions, and requests of the Commission, and corrections to the transcript must be filed by May 27th, 2016.

Closing of the record and final release of data to the parties will be on June 27th, 2016. Final comments are due on June 29th.

And with that,. This hearing is adjourned.

(Whereupon, at 4:10 o'clock p.m., Wednesday, May 18, 2016, the hearing was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Stainless Steel Wire Rod from Italy, Japan, Korea, Spain, and Taiwan

INVESTIGATION NOS.: 731-TA-770-773 and 775

HEARING DATE: 5-18-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Third Review

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: 5-18-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Christopher Weiskircher
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Larry Flowers
Signature of Court Reporter