

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation No.:
LARGE POWER TRANSFORMERS FROM KOREA) 731-TA-1189 (REVIEW)

Pages: 1 – 218
Place: Washington, D.C.
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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation No.:
LARGE POWER TRANSFORMERS) 731-TA-1189
FROM KOREA) (REVIEW)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, July 26, 2018

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Irving A.
Williamson, Commissioner, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Commissioner Irving A. Williamson (presiding)

5 Commissioner Rhonda K. Schmidlein

6 Commissioner Meredith M. Broadbent

7 Commissioner Jason E. Kearns

8

9

10

11 Staff:

12 William R. Bishop, Supervisory Hearings and

13 Information Officer

14 Sharon Bellamy, Records Management Specialist

15 Tyrell Burch, Program Support Specialist

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17

18 Nathanael Comly, Investigator

19 Christopher W. Robinson, Investigator

20 Andrew David, International Trade Analyst

21 Cindy Cohen, International Economist

22 David Boyland, Accountant/Auditor

23 Karl von Schrittz, Attorney/Advisor

24 Craig Thomsen, Supervisory Investigator

25

1 APPEARANCES:

2 Opening Remarks:

3 In Support of the Continuation of Order (R. Alan Lubberda,
4 Kelley Drye & Warren LLP)

5 In Opposition to the Continuation of Order (Jay Campbell,
6 White & Case LLP)

7

8 In Support of the Continuation of Antidumping Duty Order:

9 Kelley Drye & Warren LLP

10 Washington, DC

11 on behalf of

12 ABB Inc. ("ABB")

13 SPX Transformer Solutions, Inc. ("SPX")

14 Delta Star, Inc. ("Delta Star")

15 Pennsylvania Transformer Technology, Inc. ("PTTI")

16 Virginia Transformer Corp. and Caravels, LLC d/b/a Georgia

17 Transformer Corp. ("VA Transformer") (collectively "Domestic
18 Industry")

19 Steve Robinson, Senior Vice President, ABB

20 Counsel, ABB

21 Steve Newman, Vice President, Delta Star

22 Dennis Blake, General Manager, PTTI

23

24

25

1 APPEARANCES (Continued):

2 Brian Mason, President, SPX

3 Karen Spors, Senior Business Counsel, SPX

4 Prabhat Jain, Chief Executive Officer, VA Transformer

5 Neerja Gursahaney, Managing Director, VA Transformer

6 Gina Beck, Economic Consultant, Georgetwon Economic
7 Services

8 R. Alan Lubberda, Kathleen W. Cannon and Melissa M.

9 Brewer - Of Counsel

10

11 In Opposition to the Continuation of Antidumping Duty Order:

12 White & Case LLP

13 Washington, DC

14 on behalf of

15 Hyundai Electric & Energy System ("HEES")

16 Jun Kang, Sales Manager, HEES

17 Ted Arkuszeski, Production Manager, Hyundai Power

18 Transformers USA

19 David Bond, Jay Campbell and Ron Kendler - Of Counsel

20

21 Rebuttal/Closing Remarks:

22 In Support of the Continuation of Order (Kathleen W. Cannon,

23 Kelley Drye & Warren LLP)

24 In Opposition to the Continuation of Order (Jay Campbell and

25 Ron Kendler, White & Case LLP)

I N D E X

1		
2		Page
3	Opening Remarks:	
4	In Support of the Continuation of Order (R. Alan Luberda,	
5	Kelley Drye & Warren LLP)	8
6		
7	In Opposition to the Continuation of Order (Jay Campbell,	
8	White & Case LLP)	12
9		
10	Steve Robinson, Senior Vice President, ABB	
11	Counsel, ABB	16
12		
13	Brian Mason, President, SPX	21
14		
15	Steve Newman, Vice President, Delta Star	26
16		
17	Dennis Blake, General Manager, PTTI	31
18		
19	Prabhat Jain, Chief Executive Officer,	
20	VA Transformer	35
21		
22	Neerja Gursahaney, Managing Director,	
23	VA Transformer	38
24		
25	R. Alan Luberda - Kelley Drye & Warren LLP	41

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

	Page
Jun Kang, Sales Manager, HEES	128
Ted Arkuszeski, Production Manager, Hyundai Power Transformers USA	137
Ron Kendler - White & Case	141
David Bond - White & Case	151
Rebuttal/Closing Remarks:	
In Support of the Continuation of Order (Kathleen W. Cannon, Kelley Drye & Warren LLP)	200
In Opposition to the Continuation of Order (Jay Campbell)	210
Ron Kendler, White & Case LLP)	213

P R O C E E D I N G S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
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9:32 a.m.

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

COMMISSIONER WILLIAMSON: Good morning. On behalf of the United States International Trade Commission I welcome you to this hearing on Investigation No. 731-TA-1189 Review involving Large Power Transformers from Korea.

The purpose of this review is to determine whether revocation of the antidumping order on large power transformers from Korea would be likely to lead to continuation or recurrence of material injury within a reasonable foreseeable time.

Schedule setting forth the presentation of this hearing, Notices of Investigation and transcript order forms are available at the Public Distribution Table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the Public Distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information.

Please speak clearly into the microphones and

1 state your name for the record for the benefit of the court
2 reporter. If you will be submitting documents that contain
3 information you wish classified as business confidential
4 your requests should comply with Commission Rule 201.6.

5 Mr. Secretary, are there any preliminary matters?

6 MR. BISHOP: No, Mr. Chairman.

7 COMMISSIONER WILLIAMSON: Very well, let us begin
8 with opening remarks.

9 MR. BISHOP: Opening remarks on behalf of those
10 in support of continuation of the order will be given by R.
11 Alan Lubberda with Kelley, Drye and Warren. Mr. Lubberda, you
12 have five minutes.

13 COMMISSIONER WILLIAMSON: Welcome Mr. Lubberda, you
14 can begin when you are ready.

15 OPENING STATEMENT OF R. ALAN LUBERDA

16 MR. LUBERDA: Thank you, Mr. Chairman. Good
17 morning. I am Alan Lubberda of the law firm Kelley, Drye and
18 Warren representing the large power transformer industry of
19 the United States.

20 You have before you a strong record supporting an
21 affirmative determination in this first sunset review of the
22 antidumping duty order on large power transformers from
23 Korea. The Korean producers' behavior both pre-order and
24 over the last three years make it clear that if the
25 antidumping duty order is revoked Subject Imports will

1 rapidly and significant increase to take sales and market
2 share from the Domestic Industry.

3 They will do it through pervasive underselling
4 which will lead to more pricing depression and suppression
5 that along with the resulting loss of sales will financially
6 devastate what is already a highly vulnerable Domestic
7 Industry. In the original investigation the Commission
8 found that the Korean Transformer Producers significantly
9 increased their volume and market share to the United States
10 at the expense of the Domestic Industry.

11 Commission did a thorough examination of a large
12 number of bids and found that Korean Producers undersold the
13 Domestic Industry in a significant majority of bids. The
14 data shows that Korean Producers nearly always undersold the
15 Domestic Industry on the bids that they actually won. The
16 Commission also found that Subject Import underselling
17 suppressed domestic prices.

18 This price suppression and loss of volume with
19 the poor financial result at a finding of material injury by
20 reason of Subject Imports. Statutorily, all of this
21 preorder behavior is relevant evidence of what to expect if
22 the Korean Industry is no longer subject to discipline of
23 the order but the Korean Producers' actions over the last
24 three years and the conditions that exist now for the Korean
25 Industry and the Domestic Industry are particularly telling

1 of what is likely to occur if the order is revoked.

2 After the order was published Subject Imports
3 fell significantly from 2012 and 2013. Between 2015 and
4 2017 however the Subject Imports are beginning to increase
5 their volume and market share, just as in the original
6 investigation they did it through significant underselling.

7 The bid day the Commission examined for the
8 recent period shows that as in the original investigation
9 Korean Producers undersell domestic competitors in over 90
10 percent of the bids that the Korean Producers actually win
11 and they almost never win the bid when they oversell. This
12 explains the recent increase in Korean volume and market
13 share and also explains the price depression experience
14 during the review period.

15 Unfortunately, the Domestic Industry is currently
16 in an extremely vulnerable condition in no small part due to
17 the increase in Korean Imports. Domestic production and
18 shipments are down. Past utilization is under 50 percent.
19 Demand is falling and showing no signs of significant
20 recovery.

21 The Domestic Industry has suffered operating
22 losses in each of the last three years and with costs now
23 rising pricing pressure from additional imports from
24 low-priced Korean transformers will devastate an already
25 struggling Domestic Industry. The record evidence also

1 demonstrates that the Korean Industry has the means and the
2 will to rapidly do just that.

3 In 2017, Korea had over 54,000 MVA of reported
4 excess capacity to produce Subject Imports are roughly the
5 size of the U.S. Industry's entire reported capacity for
6 that year. Korea is export oriented. They export over 80
7 percent of their production each year. The United States is
8 already Korea's number 1 export market and Korean Producers
9 have an extensive sales network here.

10 Finally, the Korean Producers' claims that they
11 won't further target the U.S. Market for transformers with
12 more volume are contradicted by the record. The alternative
13 markets in the Middle East are small compared to the United
14 States and have been shrinking. In fact, over the last
15 three years the Korean Producers total shipments to all
16 other markets combined have fallen while exports to the
17 United States have increased.

18 Respondents cite recycle claims from the original
19 investigation that Hyundai's production in Alabama will
20 cause imports from Korea to decline are also disproven. As
21 Hyundai Alabama increased the shipments over the review
22 period Subject Imports increased rather than declined.
23 Moreover, there is no reason the entire Korean Industry
24 would forgo the very attractive U.S. Market, their number
25 one market in deference to the Hyundai's Alabama facility.

1 Finally, Hyundai has also publically stated that
2 it intends to continue shipping from Korea. If the order is
3 revoked, Korean Producers will target their huge excess
4 capacity on the United States, their number one market.
5 They will engage in precisely the same behavior that they
6 engaged in prior to the order and over the last three years
7 with the aim of displacing domestic transformer production.

8 We urge you not to let that happen and as you to
9 reach an affirmative determination. Thank you.

10 MR. BISHOP: Thank you, Mr. Luberda. Opening
11 remarks on behalf of those in opposition to continuation of
12 the order will be given by Jay Campbell of White and Case.
13 Mr. Campbell, you have five minutes.

14 COMMISSIONER WILLIAMSON: Welcome Mr. Campbell,
15 you may begin when you are ready.

16 OPENING STATEMENT OF JAY CAMPBELL

17 MR. CAMPBELL: Good morning, Chairman Williamson.
18 My name is Jay Campbell of White and Case here today on
19 behalf of Hyundai. As I read Petitioners' pre-hearing brief
20 I was struck by how little they mentioned non-Subject
21 Imports. Petitioners only gave non-Subject Imports passing
22 reference and even went so far as to note that non-Subject
23 Imports were not responsible for the Domestic Industry's
24 loss in market share.

25 In other words, ignore non-Subject Imports.

1 There is nothing to see here. I invite you to please take a
2 look at Table I-I in the Staff Report on Page I-4. Look at
3 the market share non-Subject Imports held in 2017,
4 especially compared to the market share held by Subject
5 Imports from Korea. How could non-Subject Imports not be a
6 problem? The truth is non-Subject Imports are a problem and
7 they are a big problem for the Petitioners' case.

8 If, as Petitioners suggest, non-Subject Imports
9 are fairly traded then why are U.S. Producers unsuccessful
10 competing against non-Subject Imports? U.S. Producers
11 reported that they have lots of unused capacity. Why can't
12 they use this capacity to compete against fairly-traded
13 non-Subject Imports? How can the market share held by
14 fairly-traded non-Subject Imports be so high when U.S.
15 Producers have so much extra capacity lying around?

16 Clearly, the U.S. Producers have issues, issues
17 that are unrelated to Subject Imports. Now, this gets a bit
18 more interesting when you consider that one of the U.S.
19 Producers is also an importer from non-Subject Sources.
20 Please look at table III-X in the staff report on Page 3-13.
21 Look at the ratio of this company's U.S. Production to
22 non-Subject Imports in 2017.

23 Now ask yourself, why is this company here today?
24 What is it trying to protect? U.S. Production or
25 non-Subject Imports? Non-Subject Imports are the elephant

1 in the room and non-Subject Imports are why the Petitioners'
2 story lacks credibility.

3 Now let's turn to Subject Imports. The
4 Commission must decide whether revocation of the order would
5 be likely to lead to material injury by reason of Subject
6 Imports. We submit that the Commission should find in the
7 negative for three main reasons.

8 First, the volume of Subject Imports would not be
9 likely to increase if the order were revoked. The main
10 reason for this is that Hyundai has become a significant
11 U.S. Producer since the order was issued. As a consequence,
12 Hyundai has already begun phasing down its exports of Korean
13 transformers to the United States and this process will
14 continue even in the absence of the order.

15 Moreover, even if Subject Imports were to
16 increase in volume they would do so at the expense of
17 non-Subject Imports, not Domestic Product. Table I-I in the
18 Staff Report captures this vividly, comparing 2011 to 2017
19 the market share held by imports from all sources remained
20 essentially the same at 83 percent. The market share lost
21 by Subject Imports went to non-Subject Imports.

22 Based on this result we can expect the reverse to
23 occur if the order were revoked. That is, any market share
24 gains by Subject Imports would come at the expense of
25 non-Subject Imports. U.S. Producers would be unaffected.

1 Second, significant price effects would not be
2 likely if the order were revoked. The bidding data on
3 record show mixed over and under-bidding by Subject Imports
4 which is what one would expect given the closed nature of
5 the bidding process. Absent the order, Korean Producers
6 would participate responsibly in the U.S. Market. They
7 would not want to invite a new petition. Also, the
8 importance of non-price factors diminishes the likelihood of
9 adverse price effects and the data also revealed that
10 Subject Imports are not a cause of price suppression.

11 Third, lack of causation. We observe in the
12 record data a lack of a causal nexus between Subject Imports
13 and the U.S. Industry's financial performance. It's
14 interesting though that we do see a correlation between the
15 U.S. Industry's financial performance and the one U.S.
16 Producer's non-Subject Imports.

17 With that, we have come full circle. It all
18 comes back to non-Subject Imports, the big hole in the
19 Petitioners' case. Thank you.

20 MR. BISHOP: Thank you, Mr. Campbell. Would the
21 Panel in support of the continuation of the antidumping duty
22 order please come forward and be seated? Mr. Chairman, all
23 witnesses on this panel have been sworn in. This panel has
24 60 minutes for their direct testimony.

25 COMMISSIONER WILLIAMSON: Okay, Mr. Luberda you

1 can begin when you are ready.

2 MR. LUBERDA: Thank you, Mr. Chairman. We will
3 begin with Mr. Robinson's testimony.

4 STATEMENT OF STEVE ROBINSON

5 MR. ROBINSON: Good morning, Mr. Chairman and
6 members of the Commission. I am Steve Robinson the Senior
7 Vice President of ABB's North American Transformer
8 Operations.

9 ABB is one of the world's leading electric power
10 engineering companies and their products and services in my
11 opinion are second to none. In the United States ABB and
12 its predecessor companies have been producing power
13 transformers for over 100 years. The majority of the
14 installed transformer base in the United States was
15 produced by ABB or its legacy companies.

16 Until a few months ago ABB manufactured large
17 power transformers at both our St. Louis, Missouri and South
18 Boston, Virginia facilities. ABB was a Petitioner in this
19 trade case to attempt to save its U.S. Facilities for large
20 power transformers that were being --

21 MR. BISHOP: Could you pull your mic a little bit
22 closer please and speak directly into it? Thank you.

23 MR. ROBINSON: Okay, is that better? Good. ABB
24 was a Petitioner in this trade case to attempt to save its
25 U.S. facilities for large power transformers that were being

1 decimated by aggressively low-priced imports from Korea that
2 consistently undersold us. Those imports hurt our pricing
3 and took our sales, even at long-standing customers.

4 The order did provide relief for ABB for a period
5 of time and we did win back customers. For the last several
6 years however the volume of large power transformer imports
7 from Korea has increased again using low prices that have
8 depressed our prices and taken sales and market shares.

9 Unfortunately, this increase in aggressive Korean
10 pricing practices in recent years among other factors has
11 cost us so much volume that we had trouble to justify
12 maintaining our capacity in St. Louis. ABB made the
13 difficult decision last year to close its St. Louis
14 production facility and to consolidate our production in
15 South Boston, Virginia at a reduced capacity level.

16 We have wound down transformer production in St.
17 Louis since then and our last unit from this facility will
18 ship next week. ABB however remains committed to the
19 production of large power transformers in the United States.
20 We have moved a large portion of that production and many
21 employees from St. Louis to our South Boston facility and
22 our new transformer engineering facility in St. Louis. We
23 are working to help our remaining employees in St. Louis
24 find jobs.

25 The Koreans' assertion that their imports are not

1 competing with ABB or other Domestic Producers is simply
2 false. Hyundai's and Hyosung's Korean facilities produce
3 every large power transformer model that ABB produces in the
4 United States. We have been constantly in competition with
5 them throughout the review period across our entire product
6 line.

7 The competition with Korean Producers in recent
8 years has again been on the basis of low prices; both base
9 prices and total evaluated costs. The base price is the
10 initial price of the transformer including any delivery and
11 installation. The total evaluated cost includes the base
12 price and the calculated cost advantage losses over the
13 expected life of the transformer.
14 Both of these prices are important to our customers.

15 I'll note that underselling is how the Korean
16 Producers operate globally. My previous position with ABB
17 was also the head of power transformers for Australia. In
18 market after market we have found ourselves undersold by the
19 Korean Producers. There is one exception to this and that's
20 Korea itself. Their market essentially has remained closed
21 to all Foreign Producers including ABB while the Korean
22 Producers have had access to all of the markets of the
23 world.

24 In this country while good results are generally
25 not published I think it's fair to say that every company in

1 this room has a good idea when they had been underbid and
2 lost the sale. At ABB we know our customers and our
3 competitors very well. We often have pre-bid meetings that
4 give us a good idea of the project budget and what factors
5 are going to be most important in the purchasing decision.

6 We typically know who is likely to be bidding
7 against us based on who is qualified to bid and who already
8 has blanket agreements or supply history with the customer.
9 We also see actual published bid results in public utility
10 bids. This also gives us a good idea where we have
11 historically come out against our various domestic and
12 foreign competitors.

13 We get meaningful feedback from customers after
14 the bid is awarded. While we typically would not be told
15 the actual reward price we are given enough information to
16 know whether we are price competitive or not, where we were
17 ranked to our competitors or approximately how far we are
18 above the winning bid price.

19 We might be told that any bids within a certain
20 percentage of the lowest bids were evaluated giving us an
21 idea where our bid was relative to the winning big. With
22 this collection of information we have a reasonable
23 indication of what the Koreans are offering in terms of
24 their prices.

25 We know that in recent years one or more of the

1 Korean Producers have been aggressively underselling us in
2 bids because we typically only have one chance to bid on
3 projects there is significant pressure to lower prices when
4 we are bidding against the Korean Producers. We have had to
5 lower our prices to be competitive with dumped Korean Prices
6 at a variety of customers over the last two years.

7 Please don't misunderstand me. I'm not saying
8 that non-price factors don't matter in making sales. They
9 do. Every bidder has to be able to make the customer
10 specification and provide a high quality of product and a
11 variety of services, ABB has a great reputation for quality
12 products and excellent services.

13 We have great relationships with customers
14 established over long periods but we still must compete on
15 price. If we don't even well-established customers will
16 look elsewhere. As I mentioned earlier the order was
17 initially effective in putting us in a position to win more
18 business against the Korean Producers.

19 This market however is extremely important to
20 them as an outlet for the huge capacity and they are again
21 pushing hard with low prices. We are hopeful that recent
22 higher dumping margins against them will have some renewed
23 restraining effect on their underselling.

24 If this order is revoked however our experience
25 before the order and over the last few years tells us that

1 we can expect an onslaught of imports from Korea at
2 aggressive prices that will further depress prices and
3 jeopardize our remaining production operations in the United
4 States.

5 For these reasons, it is critical to the
6 long-term survival of ABB's remaining U.S. Production
7 operations that the order be continued. I thank you for
8 your attention.

9 STATEMENT OF BRIAN MASON

10 MR. MASON: Good morning, I'm Brian Mason, the
11 president of SPX Transformer Solutions. I've served as the
12 president of SPX for the past three and a half years. I
13 appreciate the opportunity to testify before you today in
14 support of retaining the anti-dumping order on large power
15 imports from Korea.

16 SPX manufactures large powered transformers at
17 our facility in Waukesha, Wisconsin. At the time of the
18 original investigation back in 2011 and 2012, SPX had
19 undertaken significant investments in that facility to
20 expand production. That expansion created over 200 new jobs
21 in Waukesha and the surrounding community. It was our
22 expectation that the growing demand occurring in the U.S.
23 market at that time would allow SPX to expand sales and
24 increase profits in the coming years.

25 Our projections initially proved true. SPX was

1 competitive in the U.S. market and was able to gain
2 additional business. We experienced thriving sales and a
3 positive company performance for a few years and felt that
4 our investments were well justified.

5 Beginning in 2014, we saw a dramatic increase in
6 Korean imports in the United States. Those import volumes
7 have continued and accelerated further since 2015, even with
8 the order in place and at the U.S. industry's expense.

9 As the imports from Korea increased, we've seen
10 our production and sales drop. That decline is particularly
11 frustrating given that SPX is able to produce a wide range
12 of types and sizes of large power transformers, including
13 size that the Korean producers previously claimed could only
14 be secured from Korea.

15 Specifically, SPX Canon has produced
16 transformers in sizes ranging from 60 to 700 MVA or greater
17 MVA sizes since the order was imposed. We do not face any
18 technical limits on our ability to produce transformers with
19 top-rated MVA of 300 more or even 700 MVA or more.

20 There are also no economic factors affecting our
21 willingness to produce the very large sizes of transformers.
22 We specifically invest to be able to do that. The only
23 factor preventing us from producing and selling these larger
24 sizes is the low-priced import competition we face.

25 SPX also has the ability to produce large

1 powered transformers in high line voltage or kilo volt
2 ranges up to 765,000 volts. While we do not have the
3 capability to produce transformers that exceed 765 KV,
4 there's very little U.S. demand for transformers in that
5 voltage level.

6 I should add that another U.S. producer,
7 Mitsubishi, has a plant that is specifically designed to
8 solely produce shell form units of 300 MVA and larger. It
9 can also produce in sizes of over 765 KV. The domestic
10 industry is well structured to supply the needs of U.S.
11 purchasers.

12 Exceptionally low selling prices offered for the
13 Korean product in bid competitions have allowed the Korean
14 producers to gain sales and to export significant and
15 increasing volumes of large powered transformers since 2014.
16 Even with the order in place, the Korean producers routinely
17 undercut our prices and captured bids by offering the lowest
18 price, both in terms of the initial bid price and the total
19 evaluated cost of the transformer.

20 Price remains a critical factor influencing
21 buying decisions in our market. While the price offer on
22 bids are confidential, general pricing information is
23 disseminated through the market. We have a fairly good idea
24 based on purchaser feedback of how our price offers compare
25 to those of the Korean producers.

1 We know they sell below the prices we offer,
2 sometimes well below our cost, and that they capture bids on
3 that basis. In fact, we recently lost a bid to a Korean
4 producer in our own backyard in Wisconsin, where we were the
5 local supplier and we were able to meet the purchaser's
6 needs.

7 The Korean producer undercut our price even
8 after accounting for its transportation cost to ship to the
9 product to Wisconsin. In fact, Korean producers undercut
10 our prices wherever we compete throughout the U.S. market.
11 We can provide documentation to you in our brief of these
12 bid competitions and lost sales to Korea.

13 I understand that Hyundai has argued you don't
14 need to worry about large volumes of imports from Korea in
15 the future because of their affiliated Alabama facility.
16 That facility has now been operating for seven years, yet we
17 continue to face significant competition from Hyundai's
18 Korean low-priced exports of transformers.

19 The Alabama facility isn't replacing supply from
20 Korea. It's just another supply in the market. And the
21 Alabama facility has no affiliation with the other major
22 Korean supplier, Hyosung. Hyosung has shown no sign of
23 backing off in the U.S. market either and SPX continues to
24 lose sales to both of those Korean producers.

25 Some of those lost sales were particularly

1 injurious, because they involved blanket or alliance
2 agreements. In an alliance agreement, the purchaser selects
3 one or more suppliers for a specified period of time,
4 generally several years and locks up all other suppliers for
5 that period. We have already lost business in competition
6 with Korea and alliance agreements with the order in place
7 for reasons of price. If the order is removed, we have even
8 greater concerns about losing projects to the Koreans.

9 At SPX, we're struggling to fill our plant and
10 keep our workers employed with sufficient business. Our
11 capacity utilization rate is very low and we have ample
12 ability to increase sales and plenty of workers who would
13 like to work -- like more work.

14 SPX is trying to bid on everything we can in an
15 effort to increase our production, but we are struggling to
16 compete with the low prices, the Korean producers.

17 I should add that not only do we lose business
18 and competition with the lower price in Korea, but their low
19 prices also have a depressing effect on the overall U.S.
20 market prices.

21 When we hear that Korean producers are offering
22 product at prices well below ours, we try to reduce prices
23 to obtain future bids. These price reductions come at the
24 expense of our bottom line.

25 If the anti-dumping duties are removed, our

1 large transformer business will be at serious risk. We
2 would anticipate that not only future -- we would anticipate
3 not only future declines in production, but also lost jobs
4 and further deterioration in our financial condition as
5 well.

6 When the imports from Korea entered the U.S.
7 market, before the order was imposed, demand was increasing,
8 yet they still caused injury to our industry. Recently,
9 demand for transformers has been in decline. I expect
10 demand to remain flat in the next few years with no
11 projected growth and demand, increased volumes of dumped
12 imports from Korea will capture a greater share of the
13 market at our expense.

14 The financial problems in our industry have
15 suffered -- as suffered will get worse. More jobs will be
16 in jeopardy. And our significant investments will be for
17 naught.

18 On behalf of my company and our workers, I urge
19 you to leave this trade remedy in place to prevent that from
20 happening. Thank you.

21 STATEMENT OF STEVE NEWMAN

22 MR. NEWMAN: Good morning. My name is Steve
23 Newman and I'm the Vice President of Delta Star, a position
24 that I have held for the last 12 years.

25 I'm responsible for Delta Star's sales and

1 marketing of power transformers. We produce transformers in
2 Lynchburg, Virginia and San Carlos, California. Delta Star
3 has been in business for over 100 years and we entered the
4 transformer industry in the 1950s.

5 30 years ago, we proudly became an
6 employee-owned corporation. We also pride ourselves in high
7 quality products and services we provide to our customers.

8 I appeared before this Commission during the
9 original investigation in 2011 and '12 to talk about the
10 harm to my company caused by competition in the U.S. market
11 with unfairly low priced Korean imports of large power
12 transformers.

13 I thank the Commission for another opportunity
14 to be here today to explain why Delta Star continues to need
15 trade relief from these imports. If the anti-dumping duty
16 order is revoked, Korean imports are ready and able to surge
17 back into the United States in massive volumes, capture more
18 sales in our market, and drive my company and other domestic
19 producers out of the large power business.

20 I'd like to remind you how dire the situation
21 was for Delta Star before 2012. We had been struggling for
22 years to compete with the growing volumes of very low priced
23 large power transformers from Korea before we filed this
24 trade commission in 2011.

25 We experienced significant pressure to reduce

1 our prices in order to keep sales. Ultimately, we had to
2 lower prices because every sale is critical.

3 We were investing in the bid preparation
4 submission only to be continually undercut by the
5 unbelievably low Korean offers. And we knew what was going
6 on because we got informal verbal feedback from our
7 customers during or after the process.

8 Before the anti-dumping order was imposed, it
9 was not unusual for me to hear about Korean import offers at
10 20 to 30 percent below our actual costs.

11 We were losing sales to low priced Korean
12 suppliers or when the customer went into a low price Korean
13 supplier for an alliance agreement, that locked us out of
14 those -- in low prices and locked also Delta Star out for as
15 many as two to five years.

16 Demand for large power transformers growing in
17 the years before we filed our trade case, yet we won almost
18 none of that new business. It was going to Korean
19 importers.

20 In an effort to keep our workers employed, we
21 dropped our prices to keep business. We could only win bids
22 against the Korean importers, however, by offering prices
23 that were either at breakeven or lower levels.

24 Our profitability plummeted. I worried that we
25 would be forced out of the large power transformer business

1 altogether.

2 This trade case and the anti-dumping order has
3 helped Delta Start. By 2012, I noticed that the Korean
4 imports had backed off somewhat. We were able to win more
5 bids without having to drop our prices to quite so low of a
6 level.

7 But the Koreans' imports are still present in
8 the U.S. market and they have been increasing over the past
9 few years, again, by underselling us.

10 This has had a real effect on our ability to
11 thrive as a company. I did not expect the Korean imports to
12 disappear and Delta Star has never been afraid of competing
13 with imports from any country on any even level.

14 But Korean large power transformers continue to
15 exert significant volume and pricing pressure in the U.S.
16 market today. I continue to hear that Korean bids are lower
17 than ours, though to a lesser degree than before the order.

18 More troubling, however, is that even when we do
19 have to reduce our prices to win a sale, it is increasingly
20 difficult to raise our prices enough to cover our production
21 costs. As long as low price Korean import offers are
22 available in significant volumes with their established
23 sales network and aggressive bidding, we cannot make a
24 reasonable return in this price sensitive market.

25 Our modest financial recovery immediately after

1 the imposition of the anti-dumping order has been nearly
2 eviscerated. We are hanging on in the large power market,
3 but we are not growing as we had hoped.

4 If the U.S. market conditions were different, we
5 could sell our product at a price to cover all of our costs
6 and maybe make a reasonable profit. Then Delta Star would
7 increase production in large power.

8 We have plenty of available capacity to do so.
9 Instead, our LPD production has declined over the past few
10 years. There is no doubt in my mind that revoking the order
11 will be like opening the flood gates to even more low priced
12 and in fact dumped large power transformers from Korea.
13 Korean transformer producers remain major global exporters,
14 continue to be interested in the U.S. market. And without
15 the order, they will have every incentive to export even
16 greater volumes and drive us out of this business.

17 Now looking ahead, I do not expect U.S. demand
18 for large power transformers to grow the way it had grown
19 before the original investigation. That means that a flood
20 of Korean product will necessarily take more business away
21 from us.

22 We just cannot give our transformers away. The
23 situation with the anti-dumping order in place is not
24 perfect, but without the existing restraint on unfair Korean
25 pricing behavior, the outlook for Delta Star and the entire

1 U.S. industry for large power is bleak.

2 On behalf of my company and its owner employees,
3 I urge the Commission to continue the relief that we need to
4 survive as a U.S. industry. Thank you.

5 STATEMENT OF DENNIS BLAKE

6 MR. BLAKE: Good morning. I am Dennis Blake,
7 general manager of Pennsylvania Transformer. I have worked
8 in sales and marketing with several U.S. manufacturers of
9 transformers and have spent my entire career since 1988
10 working with transformers and utilities.

11 Pennsylvania Transformer's facility is located
12 in Cannonsburg, Pennsylvania. We can produce large power
13 transformers in a wide range of sizes. We have over 1
14 million square feet of shop floor space, making us the
15 largest production facility in the United States in terms of
16 square footage.

17 Our cranes can lift 1 million pounds because the
18 facility originally was built with the capacity to
19 manufacture very large transformers up to 1,000 MVA and 765
20 KV.

21 As we are currently configured, Pennsylvania
22 Transformer is able to produce large powered transformers
23 from 60 MVA up to 500 MVA. We produce, for an example,
24 quantity 3 single face 400 MVA units that are being used at
25 a nuclear power station today.

1 While we would like to build units above 600 MVA
2 and compete for 765 KV units, the prices for imports from
3 Korea in this size range are too low for PTTI to risk this
4 necessary investment.

5 Korean producers are also compete aggressively
6 across the size range that Pennsylvania Transformer is
7 currently producing.

8 We experienced a drop of imports of large power
9 transformers from Korea in the years immediately after the
10 order was imposed. We saw these imports return to the U.S.
11 market in increasing volumes starting in 2014 and again at
12 increasingly lower prices.

13 As far as I can tell, this market remains every
14 bit as important to the Korean producers as it was in 2011
15 and 2012 and that is for good reason. The Korean producers
16 have huge capacities and the United States represents the
17 largest single installed base of large power transformers in
18 the world. They also have a reputation for offering
19 aggressive low prices to get and retain business.

20 As the Korean producers have continued their
21 focus on the U.S. market, they have been driving a steadily
22 decline in prices over the past several years. The feedback
23 we get from customers on bids in which Pennsylvania
24 Transformer is competing with the Korean producers typically
25 shows the competing Korean prices well below our prices.

1 As a result, we have often dropped our prices to
2 unprofitable levels just to stay in the market.

3 Both Hyundai and Hyosung have substantial sales
4 forces in the United States. These companies are extremely
5 focused on the U.S. market and are widely accepted by
6 customers. Decisions to buy transformers are led by
7 purchasing managers who are primarily concerned with how
8 many transformers they can buy and add into the rate base
9 within their available budget.

10 While quality, reliability, and lead times are
11 important to the sales processes for all of us, price is
12 paramount and the vast majority of bids awarded.

13 Of particular concern to me is the number of
14 blanket or alliance agreements that have been won by Korean
15 producers with low prices. We compete directly with imports
16 from Korea for these bids. Such alliance agreements almost
17 always result in the largest portion of the purchases being
18 funneled to the alliance partners.

19 This is because the agreements lack in low
20 prices and reduce engineering and product review costs for
21 the producers and the purchasers. As the Korean producers
22 have grabbed an increasing number of these blanket
23 agreements, it has most often meant that we have lost the
24 opportunity to even bid on multiple transformers over an
25 extended period.

1 When those alliances are won are very low
2 prices, they tend to exert continuing downward price
3 pressure on the market over the life of this agreement.

4 For our unregulated customers, such as wind
5 farms and other renewable energy sources, prices has also
6 been a sales driver. During the original investigation
7 period, there was a lot of excitement in our industry about
8 the prospect of supplying new demand for step up
9 transformers to the wind farms being built across the United
10 States.

11 We had been very disappointed by the actual
12 level of sales we have achieved at the wind farms. We can
13 and do make these products, which are subtly within our
14 range, but it is a highly price-driven business. The
15 reality is that we had been completely shut out of the wind
16 farm business, because of the Koreans manufacturers and
17 particularly Hyosung have essentially bought all of this
18 business with low ball pricing.

19 In fact, Korean producers bid on, make, and sell
20 every side of transformer that Pennsylvania Transformer
21 currently makes and we see them competing against us and
22 most of our customers.

23 The Korean suppliers are viewed as having
24 virtually unlimited capacity and among the lowest, if not
25 the lowest pricing in the market place.

1 Pennsylvania Transformer currently has plenty of
2 unused capacity and we would like to produce more large
3 power transformers in a range of sizes. We would like to
4 manufacture more of the larger sizes of transformers that
5 our facility was designed to build and to participate more
6 in the wind market. We just cannot afford to consistently
7 meet or beat the low prices that Korean producers use to
8 maintain their dominance at those customers.

9 A Korean producer made it clear to my company
10 before the original investigation that it planned on
11 crushing any producer that stands in its path to dominate
12 the U.S. market for large power transformers.

13 That desire to dominate this market is still
14 there as far as I can see. This anti-dumping order appears
15 to be the only restraint on their ability to price us
16 entirely out of the market for large powered transformers.
17 If that is removed, the continued existence of the domestic
18 large power transformer industry will be in jeopardy. Thank
19 you.

20 STATEMENT OF PRABHAT JAIN

21 MR. JAIN: Good morning, I'm Prabhat Jain, the
22 Chief Executive Officer of Virginia Transformer. I
23 immigrated to the United States from India in 1968 with a
24 Mechanical Engineering degree and only \$8 in my pocket.
25 After I arrived here, I earned a Master's degree at

1 Villanova University while working at an engineering firm in
2 Pennsylvania.

3 I moved to Roanoke, Virginia in 1977 for an
4 opportunity to work for General Electric Power Systems. In
5 1982, I was offered an opportunity to run a Virginia
6 transformer company in Roanoke, Virginia.

7 At the time, Virginia Transformer was a
8 struggling manufacturer of small transformers with 30-some
9 employees serving the local mining industry.

10 I have spent the last 35 years working hard to
11 build the company into a world-class transformer producer
12 with one of the broadest product ranges in North America.

13 In 1982, I purchased majority share in the
14 company. And in 2007, the company became completely family
15 owned by our family. In 2003, Virginia Transformer
16 purchased the transformer facility in Pocatello, Idaho. It
17 invested \$20 million to transform it into a producer that
18 manufactures transformers up to 200 MVA and 345 KV voltage.

19 In 2015, we made a significant investment to
20 acquire the state-of-the-art large power transformer
21 facility in Rincon, Georgia that had been built by Efacec
22 Portugal only a few years earlier.

23 The Georgia plant was built with the technology
24 to produce transformers up to 1400 MVA and up to 500 KV
25 class, including the shell form and core form transformers

1 as well.

2 Acquisition of this plant gave us one of the
3 newest facilities as well as one of the broadest
4 capabilities in North America to manufacture high quality,
5 large power transformers.

6 We have top level engineers and employ 200
7 people just in the large power segment in WTC, in the United
8 States in the production of large power transformers. We
9 provide an excellent product at competitive prices and are
10 very proud of our quality, service, and on-time delivery.

11 Unfortunately, so far, we are not achieving the
12 hoped for return on our investment in the Georgia facility
13 due to the competition with low-priced imports from Korea.
14 We are also experiencing pricing on products manufactured in
15 our Pocatello facility.

16 Korean pricing is so low, that it makes it
17 virtually impossible for us to compete for that business or
18 to convince the investor-owned utilities to put the time and
19 the effort into qualifying us.

20 We are slowly overcoming that, but the biggest
21 obstacle we face going forward is the impact of low priced
22 imports. If the order is revoked, Korean producers will
23 have no limits on dumping and underselling in this market.
24 If that happens, the company I have worked most of my career
25 to build will be seriously threatened.

1 Today, a second generation of my family's
2 employed in our business, including my daughter Neerja
3 Gursahaney, who is the managing director of Georgia
4 Transformer. On behalf of my family and hundreds of
5 families that depend on Virginia Transformer for their
6 livelihood, I urge you to continue the anti-dumping duty
7 order on large power transformers from Korea. Thank you.

8 STATEMENT OF NEERJA GURSAHANEY

9 MS. GURSAHANEY: Good morning oh, sorry. Good
10 morning. I am Neerja Gursahaney, the managing director of
11 Georgia transformer. Georgia transformer's affiliated with
12 Virginia transformer. The two businesses jointly market
13 large power transformers in the United States market.

14 When we acquired the production facilities of
15 Georgia transformer in early 2015, our goal was to expand
16 our production and size range. As my father, Mr. Jane
17 testified, the Georgia facility is a state-of-the-art
18 facility that has new technology and equipment and highly
19 qualified and experienced engineers.

20 The facility has produced units up to a 900 MVA
21 transformer. Virginia Transformer's facilities and
22 production capabilities should make us one of the top
23 domestic competitors in the U.S. market. We are actively
24 working to increase our production and sales on the full
25 range of our transformer products to take advantage of our

1 expanded capability.

2 We are very eager to take full advantage of this
3 major investment. Unfortunately, we are facing a major
4 stumbling block in the form of low-priced imports from Korea
5 producers. The Korean producers are hurting our business in
6 two ways. First, they are exporting a very large volume of
7 transformers from Korea at prices with which we find
8 extremely difficult to compete. They have been depressing
9 market pricing with prices that are so low, we simply
10 cannot match them and run a successful business.

11 We have the choice of bidding at prices that are
12 either too low to be sustainable or to bid at a reasonable
13 price level and lose the bid. We have essentially been
14 priced out of the market at many customers.

15 The second problem we face is that the low
16 Korean prices have made it much more difficult to get the
17 investor and utilities to spend the considerable time and
18 effort to qualify Virginia Transformer in the large sizes of
19 transformers that our Georgia facility was designed to
20 produce.

21 It's hard to blame the purchasers. Why go to
22 the effort to qualify a new supplier than cannot meet the
23 prices of the current import source?

24 Thus, while we continue to compete with the
25 Koreans across the market, we are forced to look for bid

1 opportunities with the public utilities or with customers
2 that Korean producers have missed for some reason.

3 Public utilities are generally required to take
4 the lowest price of any producer that bids and demonstrates
5 that it can meet the specification. Thus, we are being
6 pushed into a part of the market where the prices tend to be
7 the lowest.

8 Moreover, the opportunities where the Korea
9 producers are not bidding are becoming harder to find as
10 Korea imports increase.

11 Despite the challenges created by the unfairly
12 Korea imports, we have continued to try to build and invest
13 in our company. Looking toward the future in 2017, we had
14 made a substantial multimillion dollar investment in our
15 engineering technology, tools, and capital equipment to make
16 us even more competitive.

17 To compete effectively, however, we must have a
18 market free of unfair trade that will allow us to obtain a
19 reasonable return on our investment.

20 Revocation of the order covering imports of
21 large power transformers from Korea would be incredibly
22 detrimental to our business. With the order in place and
23 the continued investment, we are hoping still to see
24 positive effects on our business in the form of increased
25 production, revenue, and employment.

1 Without the order, however, the large power
2 transformer business we have built will be seriously
3 threatened. Thank you.

4 STATEMENT OF R. ALAN LUBERDA

5 MR. LUBERDA: Good morning, I'm Al Luberda from
6 Kelley Drye. And I'll conclude our presentation this
7 morning with an outline of the main points of our case.
8 We've provided the Commission and opposing counsel with a
9 confidential version of our presentation on pink paper. A
10 number of the slides are public, but there are some
11 confidential ones.

12 If I could just ask the secretary about what our
13 time mark is right now?

14 MR. BISHOP: You have 25 minutes remaining.

15 MR. LUBERDA: Thank you very much.

16 So slide 2 is the import volume of large power
17 transformers from Korea was very high and surging between
18 2009 and 2011 prior to the filing of the petition.

19 Despite consumption growing over the period, the
20 surge in volume led to a significant jump in Korean
21 producers' market share as well. As you can see from slide
22 4, the anti-dumping case caused subject imports to decline
23 dramatically 2012 and 2013.

24 Two of our witnesses testified today, however,
25 once the Korean producers got their duty rates down, imports

1 from Korea again began to grow over the last few years
2 through aggressive low pricing.

3 The Korea producers' market share was
4 substantial and rose steadily from 2015 to 2017 despite
5 Korea producers being subject to the discipline of the
6 anti-dumping duty order and despite declining U.S. demand
7 over that period.

8 Korean producers' behavior both pre and post
9 order demonstrates that subject imports are very likely to
10 increase significantly should the order be revoked.

11 The Koreans' recent growth in U.S. market share
12 came by the same means the Commission found in the original
13 investigation, by underselling the domestic producers.
14 Prior to the order, Korea producers undersold the domestic
15 industry 93 percent of the time on an initial basis and 95
16 percent of the time on a total evaluated cost basis for the
17 bids they actually won.

18 Slide 7 shows that during the 2015 through '17
19 period, underselling remain the primary means by which the
20 Korea producers win bids. The bid data show that more often
21 than not when the Korea producers unsell -- undersell the
22 domestic industry, they win the bid.

23 But equally important, when Korea producers did
24 not undersell the domestic industry, they almost never won
25 the bid in head-to-head competition.

1 Slide 8 compares the data from the original
2 investigation to that collected in this review. In both
3 cases, Korean producers under sold the domestic industry in
4 90 percent or more of the bids they actually won against
5 domestic producers. The data from this review demonstrate
6 that Korean producers are still underselling to increase
7 their volume and market share at the expense of the domestic
8 industry. And this data should come as no surprise.

9 Mr. Robinson testified bidding events are
10 designed to achieve low prices. Purchasers confirm that
11 price and total evaluated costs are still very important and
12 that all purchasers ranked one of the -- as price as one of
13 the top three factors in the purchasing decision.

14 The vast majority of domestic purchasers and
15 domestic producers reported that differences other than
16 price were never or only sometimes significant due to
17 purchasing decision. And importantly, as you heard from our
18 witnesses, general pricing knowledge is transmitted in the
19 market just as the Commission found in the original
20 investigation.

21 The data also show that U.S. and Korean
22 producers competed throughout the period of review in every
23 size range of subject transformers. The bid data reported
24 by the purchasers in which there was at least one Korea and
25 one domestic producer bidding, the vast majority of bid

1 events had from three to six different bidders and the bid
2 events with six bidders was the largest category. So very
3 robust competition out there.

4 Moreover, the pre-hearing report states that
5 Korea companies were competing with domestic producers on 86
6 percent of the 269 projects on which they bid since January
7 2015. So respondents cannot credibly claim that they are
8 not significantly competing against domestic producers for
9 sales of large power transformers.

10 In the original investigation, the Commission
11 found that subject imports suppressed domestic prices in an
12 expanding market. Record evidence shows that Korean
13 producers depressed domestic prices during the 2015 through
14 2017 period.

15 Purchasers and importers' comments summarized on
16 slide 12 confirm that they believe that revocation of the
17 dumping order is likely to lead to further price depression
18 and suppression.

19 The data also show that the domestic industry is
20 in an extremely vulnerable condition. Domestic production
21 and shipments are already down significantly, capacity
22 utilization is under 50 percent, demand's falling not
23 showing signs of recovering, and the domestic industry has
24 suffered operating losses in each of the most recent three
25 years with demand low and costs rising, the lost volume and

1 pricing pressure from additional imports of Korea
2 transformers that undersell the domestic industry will be a
3 financial disaster for the struggling domestic industry.

4 None of the reasons offered by the Korean
5 producers as to why they will not further increase their
6 imports to the United States is supported by the record
7 data. Slide 14 shows that Korean producers have enough
8 excess capacity to significantly expand their export to the
9 United States regardless of what happens in other markets.

10 In 2017, nearly 30 percent of their capacity was
11 unused. In the first quarter of 2018, Korean producers were
12 utilizing less than half of their overall very large
13 capacity.

14 Korea's excess capacity in 2017 amounted to over
15 54,000 MVA and that's what they've reported. It's probably
16 larger. There is enough to replace nearly the entire
17 reported capacity of the domestic industry available to
18 them.

19 To use that excess capacity, the Korean
20 producers must export the vast majority of it. In 2017,
21 they exported 82 percent of their production.

22 The record shows that the United States is the
23 Korea industry's number one export market and by far larger
24 than any other export market. It's therefore the market
25 that is most likely to receive the bulk of any increase in

1 exports to absorb the Korean producers' excess capacity if
2 the restraining effects of the anti-dumping duty order are
3 removed.

4 While Korea home market sales and export sales
5 to other markets decreased during the period of review,
6 their exports to the United States increased even under the
7 discipline of the order, Korea has taken an increased share
8 of the total transformer exports between 2015 and 2017.

9 Without the dumping order, the United States
10 would represent an even more attractive out let for
11 increased subject imports from the -- Korea at the expense
12 of the domestic industry.

13 It's worth noting that while the United States
14 is Korea's top export market and neither domestic producers
15 nor any other foreign producers have access to the Korea
16 market, much of that infrastructure for large power
17 transformers in Korea is government owned and protected from
18 imports by exceptions taken from the WTO obligations.

19 The Chaebol System in Korea prevents other
20 foreign producers from access to the rest of the Korea
21 market. It's this protection that supports the dumping that
22 allows Korean producers to under sell the domestic industry
23 in the United States.

24 If the order's revoked, Korean producers still
25 in position to quickly increase their exports to the United

1 States. The majority of purchasers reported buying large
2 power transformers pursuant to alliance or other long-term
3 agreements and because those agreements limit who can bid on
4 new projects and provide long-term sales opportunities for
5 those who enter them, winning alliance agreements is
6 extremely important.

7 Purchasers reported a large number of projects
8 that are up for bid in 2018 and 2019. The huge excess
9 capacity available to Korean producers, their demonstrated
10 focus on the U.S. market, and the upcoming bid opportunities
11 to bid on significant project will allow the Korean
12 producers to very quickly overwhelm the vulnerable domestic
13 industry if the order is revoked.

14 Confidential slide 21 shows the actual 2017
15 market share for the Korean producers compared to the
16 domestic industry. Keep in mind, the Korean producers got
17 this market share while already under the discipline of the
18 order while the market was declining and while Hyundai's
19 Alabama plant was allegedly inhibiting export to the United
20 States.

21 The striped portion of the bar chart shows how
22 much additional market share the Korean producers could take
23 without product shifting and without taking any volume away
24 from any other market. Revocation of the order would be
25 devastating.

1 Korean producers have remained determined to
2 ship to the U.S. market. For example, the Korean producers
3 have dumping margins of 15 to 30 percent for the first few
4 years under the order.

5 Then they're able to get their margins down to
6 the single digits and their exports began to increase again.
7 In March 2017, however, Hyundai's duty to positive rate went
8 from about 4 percent to 61 percent.

9 To deal with this problem, Hyundai took
10 advantage of a corporate reorganization that had been
11 underway to spin off its transformer group into a division
12 called Hyundai Electric Energy Systems. As of April 2017,
13 Hyundai then began entering transformers as Hyundai
14 Electric.

15 As a result of this name change, it made only
16 the 22 percent all others rate rather than the Hyundai
17 specific rate of 60 -- about 61 percent.

18 At no point did Hyundai inform the Commerce
19 department what it was doing. When the scheme eventually
20 came to light, Commerce initiated a successor ship review.
21 Commerce has term Hyundai's behavior in not informing them
22 and -- among other things as duty avoidance and it's
23 preliminarily determined to apply retroactive 61 percent
24 duties to Hyundai

25 Final decision is pending and Hyundai still has

1 not paid the 61 deposit -- 61 percent deposit rate that it
2 earned.

3 While Hyundai had other reasons to change its
4 corporate structure, it used this reorganization to avoid
5 its correct anti-dumping rate.

6 The point is that Korean producers have been
7 doing whatever it takes to maintain and increase their
8 transformer sales to their primary market, the United
9 States.

10 Both respondents rely on alleged future increase
11 in production at Hyundai's Alabama facility as evidence that
12 imports from Korea as a whole will decline even if the order
13 is revoked.

14 Such claims are unsupported by the evidence.
15 First, Hyundai's Alabama operation has no impact on
16 Hyosung's or Ilgin's exports to the United States. The
17 question before the Commission is not what Hyundai will do
18 in isolation, but what all Korean producers will do absent
19 the order.

20 Record evidence provides that answer. While
21 Hyundai Alabama operated throughout the review period, the
22 volume and market share of subject imports nonetheless
23 increased as shown on Slide 23. This directly contradicts
24 respondent's claims.

25 Second, the Korea producers' behavior

1 individually do not support respondent's claims. In the
2 original investigation, Hyosung told the Commission that
3 subject imports would be stable or declining in the absence
4 of an order, because Efacec, Waukesha, Hyundai and
5 Mitsubishi had all expanded domestic capacity. That
6 domestic capacity was added to manufacture all the products
7 Hyosung was then claiming the domestic industry could not
8 produce.

9 Nonetheless, we invite the Commission to review
10 Hyosung's actual exports to the United States over the
11 review period and evaluate just how accurate Hyosung's
12 arguments were.

13 Hyundai's claim that the Alabama facility will
14 supplant its exports from Korea is a rehash of the argument
15 it made in the original investigation. That argument falls
16 apart when you test it against its actual behavior since the
17 order was imposed.

18 Hyundai claimed in 2012 that its U.S. production
19 facility would mean fewer exports to the United States going
20 forward. As the record shows, Hyundai was -- has continued
21 to ship significant quantities of subject merchandise to the
22 United States during the period of review from 2015 to 2017
23 even as its Alabama facility has ramped up production.

24 Hyundai's shipment levels from Korea have borne
25 no direct relationship to its shipment levels from Alabama.

1 Hyundai, in fact, is attempting to maximize shipments from
2 both facilities with anti-dumping -- with the anti-dumping
3 duty order providing only -- the only restraint on its
4 exports from Korea.

5 Hyundai also repeated in its pre-hearing brief
6 in this review the claim that the Alabama plant will replace
7 exports from Korea to the United States over time if the
8 order is revoked. Over Hyundai's 2017 prospectus, states
9 that its efforts to localize production were driven in part
10 by its need to work around the 61 percent duty it received
11 in 2017. These are the very restraining effects Hyundai is
12 seeking to eliminate.

13 Moreover in March of this year, a Hyundai
14 Official testified under oath at a Canadian international
15 trade tribunal that Hyundai intended to continue supplying
16 the United States market from Korea as well as from Alabama.
17 This, too, is inconsistent with Hyundai's claim that Hyundai
18 Alabama will largely replace Korea imports.

19 Hyundai's pre-hearing brief also claims that it
20 will focus on exports to the Middle East rather than to the
21 United States. In contrast, Hyundai's 2017 prospectus makes
22 clear that it views the Middle East as a less promising
23 market than the United States or North America in general.

24 Moreover, just a few months ago, Hyundai
25 official told the Canadian tribunal that Hyundai intends to

1 continue shipping from Korea to the United States even with
2 the high dumping duties in this market.

3 Now Hyundai was trying to convince the Canadian
4 tribunal that more Korean exports would not end up in
5 Canada. And they obviously want you to believe that they
6 won't end up here. The Canadian tribunal didn't buy it,
7 however, and neither should this Commission based on the
8 evidence before you.

9 The record shows the Commission cannot rely on
10 the Korean industry's rehash of baseless promises not to
11 increase imports to its primary export market and not to
12 undersell the domestic industry to do it.

13 Rather, the Commission should base its
14 determination on the Korean producers' documented behavior
15 pre-order and post-order. There are huge capacity in excess
16 capacity and their demonstrated focus on exports to the
17 large U.S. market, their number one market.

18 One that basis, the Commission should reach an
19 affirmative determination. Thank you. The domestic
20 industry panel would be happy to take your questions now. I
21 just take a second to introduce my other colleagues here.

22 We have Karen Spors from SPX, who is also
23 available to take questions. And then I am joined by Kathy
24 Cannon, Melissa Brewer, and Gina Beck from Georgetown
25 Economic Services. So I know you all recognize. So thank

1 you.

2 COMMISSIONER WILLIAMSON: Thank you. I want to
3 express my appreciation to all the witnesses for coming to
4 the hearing today. Your presence is very important to us.
5 We'll begin the questioning this morning with Commissioner
6 Kearns.

7 COMMISSIONER KEARNS: Yes, thank you again all
8 for appearing today. The respondents referred to nonsubject
9 imports as being the elephant in the room. And I do think
10 we need to talk quite a bit more about the role that they
11 play.

12 Hyundai provided a table on page 24 of its
13 pre-hearing brief showing the shifts in market share between
14 the domestic industry, subject imports, and nonsubject
15 imports between 2011 and 2017.

16 In light of these trends, why wouldn't any
17 increase in subject import volume after revocation come at
18 the expense of nonsubject imports instead of the domestic
19 industry?

20 MR. LUBERDA: Well, first, Commissioner Kearns,
21 I note that in -- over the last three years, you can look at
22 where the market shift has occurred as Korean underselling
23 has been prevalent there. And the -- over the last three
24 years at least, there has been a level sort of playing field
25 when it comes to nonsubjects. They are large. There's no

1 question about that. The fairly traded imports from third
2 countries, though, have been level of the last couple years
3 and the market share has been coming from domestic
4 producers.

5 So if you look at our trends and their trends,
6 I'm not sure that it holds water, but you know, I'll say
7 that and Mr. Campbell's opening, he wants to make this kind
8 of about Hyundai versus ABB, that you know, ABB is importing
9 from other places and Hyundai is now a domestic producer.

10 But this isn't about Hyundai and ABB. This is
11 about the Korean industry and the domestic industry. There
12 are, you know, five other domestic producers not named
13 Hyundai. Most of them are here today. And there are other
14 Korean producers who don't care what Hyundai USA is doing
15 here and they continue to ship here.

16 There are also third countries who are competing
17 vigorously here for business, but as you saw from the slides
18 we presented, the unfairly traded imports from Korea are
19 underselling us and taking market share right now.

20 So this is, you know, if we had -- if this were
21 an investigation, that I think their claims might be a
22 little more relevant. But in a review like this, the fact
23 that we're competing against a large number of third country
24 markets is another indication that we're vulnerable when one
25 of the largest players in the world decides that it's going

1 to be the low ball pricer in our market.

2 MS. CANNON: Commissioner Kearns, could I maybe
3 supplement that, please? So I would say, first of all, the
4 fact that nonsubject imports have come into the U.S. market
5 in increasing numbers once the order was imposed is not an
6 unusual or unique circumstance. We see that frequently in
7 sunset reviews. The Commission has seen that frequently.
8 They often come in to try to take advantage of one, you
9 know, supplier to a market and that is what initially
10 happened. There were imports that raced in from other
11 countries, trying to grab market share.

12 What the database doesn't show completely,
13 though, is that the U.S. industry was also initially able to
14 benefit. You saw the chart we put up that shows from 2012
15 to 2013 how low the imports were from the subject countries.

16 The U.S. industry's market share went up then,
17 too. You don't have those data points, but you do have a
18 data point for 2015 and you see from that even then how high
19 our market share had gone up to. So we were benefiting,
20 too. They were benefiting, we were benefiting. That's not
21 uncommon.

22 What happened increasingly over the most recent
23 three years, though, is they have become more aggressive at
24 using the low prices that they used before to take sales
25 from us. And it's not just from nonsubjects.

1 Another one of the charts that we put up showed
2 direct head-to-head competition, U.S. versus Korea, where
3 they were getting the bids because they were at the low
4 prices. They were taking them away from U.S. producers in
5 direct competition.

6 So there's ample evidence on the record not
7 simply of them displacing nonsubject, although they did
8 that, too. We're not disagreeing, but they have taken it as
9 well from the U.S. producers at the low prices that they
10 used before and they will continue to do that. And that's
11 the piece of the puzzle that they're really not
12 acknowledging. They're trying to just look back and not
13 acknowledge where they are now, what they've done recently,
14 and what they have this ample capacity to do forward that
15 will absolutely decimate this very vulnerable industry.

16 COMMISSIONER KEARNS: Okay, thank you. So I
17 mean, what I'm hearing is, because I'm looking now at our
18 staff report, Table 1-1. And there, we're comparing 2011 to
19 2017. And U.S. market share is up only .7 percent.

20 So I guess what I'm hearing from you is that you
21 really have to not look at just 2011 versus 2017, but 2011,
22 2015, 2016, 2017 and see what's happened over the past three
23 years.

24 MS. CANNON: Exactly. If you look at Table C-3,
25 not all of it is public, but one statistic on it that's

1 public is that the U.S. market share in 2015 was 19.2
2 percent. And as you've heard our industry testify, and as
3 your data show, 2012 and 2013 and 2014 were all lower volume
4 years for subject imports.

5 And in each of those years, the U.S. industry
6 was doing better, was gaining sales and had higher market
7 share. We did benefit initially from the Koreans going
8 away. It wasn't just the nonsubject.

9 What's happened over the most recent few years
10 is the Koreans have searched back in more. And you see that
11 in the confidential data for the most recent three years.
12 The nonsubjects have not been the ones that have been
13 increasing now and they're the ones that are displacing us.
14 So it is a bit of a timing issue.

15 COMMISSIONER KEARNS: Okay, thank you. I guess
16 that gets me to my next few questions, which is so you're
17 still being hurt by Korean imports, even though Korean
18 imports with the duties are now fairly traded. So what do
19 we make of that? And why -- how can it be that you all are
20 still being hurt by Korean imports?

21 And I guess part of my question, something I'd
22 like you all to explain or touch upon, is how much the
23 anti-dumping duties have changed over the past few years?
24 And you -- Mr. Lubberda, you mention that to some extent just
25 with respect to Hyundai, but I know in the most recent

1 review, I believe all of the Korean producers have -- now
2 have the same margin and I'm wondering why -- what happened
3 there, why the margins are so much higher and what impact
4 that has had on the market and is expected to have on the
5 market in the next few years?

6 MR. LUBERDA: Well, obviously, with products
7 that are, you know, go for a million, \$2 million, \$3
8 million, a 60 percent margin makes a big difference in your
9 ability to sell and to the market and to undersell the
10 domestic industry.

11 So what happened was that the Korean producers
12 received an adverse facts available for failure to
13 cooperate. You know, they of course argue they cooperated
14 fully.

15 But you know, there was comparison of documents
16 to numbers reported and the department found their responses
17 to be unreliable. So they have deposit rates of 61 percent.
18 However, as we pointed out, Hyundai is really only paying 22
19 percent right now. And as we've shown in our brief, it's
20 likely that Hyosung is also only paying 22 percent.

21 So there's no doubt that the 61 percent created
22 some burden to the extent that there has been any decrease
23 from in Korean imports from one or another, it's likely due
24 to that, not the -- anything they're doing in the United
25 States at Hyundai Alabama.

1 But the margins went up as Commerce found that
2 they had to. And so, you know, those are the margins that
3 they have to deal with right now.

4 Of course, the legal standard here is that if --
5 you know, the Commerce Department's found that if dumping
6 recurs, it'll recur at 15 to 30 percent, right? And that
7 was a level at which in '12, 2012 and 2013 subject imports
8 did decline in the market and the domestic industry was
9 better able to compete.

10 COMMISSIONER KEARNS: Right, but with those same
11 margins, more recently--

12 MR. LUBERDA: So those margins--those margins
13 start, became effective--the 2018 margins applied to
14 everybody--became effective in March of 2018. So you don't
15 have data on the record that shows their reaction to that,
16 yet. Your record only goes through the first quarter of
17 2018.

18 COMMISSIONER KEARNS: But my question is, you
19 just mentioned in the first three years after the Order was
20 put in place that margins in the range of I think you said
21 12, 13, to 20 percent, that that had a big impact on market
22 shares.

23 MR. LUBERDA: Yeah, it was 15 to 30 percent. So
24 the average was 22. The deposit rates did not change. It
25 takes about two-and-a-half years for the first deposit rate

1 to change at Commerce. So the first few years--because you
2 have a year to wait to do the review--they take 18 months to
3 complete. So it was into 2014 when they first--

4 COMMISSIONER KEARNS: So I guess your point is,
5 more recently, in the past three years, the margins were
6 lower than they were--

7 MR. LUBERDA: After that, the margins went into
8 the single digits for awhile. Those, too, are under appeal.
9 Everything--right now, everything is on deposit; nothing has
10 actually been levied yet. Everything is on deposit. But it
11 went down for three years or so, and then they started
12 jumping up in March of 2017.

13 COMMISSIONER KEARNS: Okay, thank you. I have
14 no further questions right now.

15 COMMISSIONER WILLIAMSON: Okay, thank you.
16 Since I grew up in St. Louis, I've got to ask this question
17 first. Where is the ABB plant located in St. Louis?

18 MR. ROBINSON: It's very close to--very close to
19 Ferguson. So it's probably 15 minutes from the airport in
20 St. Louis.

21 COMMISSIONER WILLIAMSON: Some place off Natural
22 Bridge?

23 MR. ROBINSON: It's on Natural Bridge Road.

24 COMMISSIONER WILLIAMSON: Okay, thank you.

25 Okay, now that I've gotten that out of the way,

1 why hasn't demand growth been more vigorous, given the
2 economic growth in the U.S.? I mean you've even indicated
3 that you don't expect demand to recover. So I'm just
4 curious, why is that the situation?

5 MR. MASON: Overall, the drivers of demand--

6 COMMISSIONER WILLIAMSON: Mr. Mason?

7 MR. MASON: Oh, I'm sorry. I'm Brian Mason with
8 SPX. Overall the drivers of demand for large power
9 transformers are actually increase in utilization of
10 electricity. Obviously there's been a lot of energy
11 conservation metrics--mechanisms put in place over the last
12 several years, so we're seeing very little growth in actual
13 consumption of electricity in the U.S.

14 So a lot of the demand for large power
15 transformers today is really more driven about replacement
16 of the aging fleet of transformers that are out there, and
17 then a little bit more on reconfiguration for really grid
18 security, you know, to make sure you've got the redundancy
19 there and spares for repairs. So all of the forecasts, all
20 of the investment numbers that are out from the publicly
21 traded utilities show kind of steady state investment in
22 the future going forward.

23 COMMISSIONER WILLIAMSON: Okay. What about in
24 terms--what impact does the increased focus on renewables--
25 does that have any effect on demand?

1 MR. MASON: It's demand, but it's
2 reconfiguration. So a couple of things are in place. It
3 used to be that the large transformer demand was really
4 driven by large nuclear and oil--or I mean coal-fired
5 facilities. Now as we see most of the investment going into
6 smaller, natural-gas-fired, renewables--wind energy, solar
7 energy installations--those tend to be kind of smaller,
8 sometimes still large power transformers, sometimes medium
9 power transformers, but they're much more distributed.

10 So we're just seeing really more a
11 reconfiguration of the grid versus a reinvestment in the
12 nuclear energy side of the plant--of the business, as well
13 as the coal side of the business. I don't know if that was
14 clear or not--much larger installations requiring bigger,
15 more robust transformers to really kind of the smaller end
16 of things.

17 COMMISSIONER WILLIAMSON: Okay. Mr. Jain, you
18 talked particularly about your capacity for the large power
19 transformers. So I was wondering your views on the market
20 going forward.

21 MR. JAIN: Would you repeat the question?

22 COMMISSIONER WILLIAMSON: You talked about
23 capacity of your form to build the large transformers, so I
24 was just wondering about your views on demand going forward,
25 particularly for the larger ones.

1 MR. JAIN: I follow up on what you were speaking
2 about the wind power energy and the renewables. You know, I
3 think it is likely it could increase. However, given the
4 competition from Korea, it's very, very difficult for us to
5 prevail in that market, even though the demand is there.
6 And, you know, in our country we are 8 percent renewable
7 right now, and are going to hopefully continue to grow, but
8 it's really just the circumstances of the pricing in the
9 marketplace is so bad right now, we just cannot prevail.

10 COMMISSIONER WILLIAMSON: Okay. What impact
11 does climate change, or the natural disasters have on
12 demand?

13 MR. NEWMAN: Mr. Chairman, we have not seen it
14 have a big demand thus far--I'm sorry, Steve Newman from
15 Delta Star--we've not seen it have a big impact. Now we do
16 have some coastal areas that are concerned and starting to
17 inquire.

18 To follow along on SPX's issue, for large power
19 the main issue that we are not seeing replacement is the
20 monitoring technology for transformers has exploded in the
21 last few years. The ability to watch a transformer and
22 allow it to go from 30 years to 50 years, but watching every
23 component within that and having online communication about
24 it is extraordinary. And that is also keeping demand low.

25 COMMISSIONER WILLIAMSON: Oh, you mean you can

1 keep using the transformers longer, as long as they tell you
2 they're not going to blow tomorrow?

3 MR. NEWMAN: Yes, the fiber optics--yes, sir,
4 the fiber optics and others that some of these companies
5 have developed is extraordinary. And you can watch a
6 transformer go all the way down to nearly the end of life,
7 where before you would have taken it out of service based on
8 time.

9 COMMISSIONER WILLIAMSON: Okay. Is there a
10 difference between the U.S. firms and the Korean firms in
11 using this technology, or competing on the basis of
12 providing that kind of service?

13 MR. MASON: Most of that technology is deployed by
14 the owners of the assets. So it's typically utilities
15 implementing those, and they can be used in any producer's
16 transformers. So it was really going more towards the
17 demand of saying that, you know, by monitoring those it kind
18 of decreases the short-term demand because you're going to
19 optimize the asset for the longest period possible.

20 COMMISSIONER WILLIAMSON: Thank you. Does
21 anybody else want to add anything on demand?

22 MR. ROBINSON: Mr. Chairman, Steve Robinson for
23 ABB. We have developed our own technology for the
24 digitalization on transformers, so we send out transformers
25 what we call digital enabled that allows the customers to do

1 the monitoring that has been spoken of. So whilst the
2 customers specify it, we do have our own technology. That
3 R&D work actually took place in St. Louis.

4 COMMISSIONER WILLIAMSON: Good. Okay. Now is
5 that a sort of separate service that goes along with the--or
6 is that incorporated in the sale of the transformer?

7 MR. ROBINSON: It--again, Steve Robinson for
8 ABB--Mr. Chairman, it does depend on what the customer asks
9 for. Sometimes the customer will ask for a service package
10 that goes with that transformer. Other times they will
11 service that unit themselves, or use third-party companies
12 for service works.

13 COMMISSIONER WILLIAMSON: Okay, thank you. I
14 want to turn to the question of the alliance agreements,
15 blanket agreements, and whatever other ways that you sell
16 transformers. Just to clarify what are the differences
17 between these different approaches?

18 MR. MASON: So there's multiple different
19 methods of--I'm sorry, this is Brian Mason from SPX--there's
20 multiple different ways that the utilities procure.

21 So an alliance agreement is typically done to
22 ease the commercial transaction. And depending on the
23 utility, sometimes they'll sole-source to a given vendor for
24 a range of transformer sizes over a period, two to five
25 years are kind of normal ranges for those. Some of the

1 utilities may pick one or two vendors to be there, and they
2 may do a split of share on those alliance agreements, again
3 for a longer term.

4 And sometimes there is a hybrid where some of
5 them will have three or four vendors into an alliance
6 agreement, and then each time there's a new design those
7 four vendors will bid for those.

8 So we differentiate that from the open market,
9 which is a bid-for-bid design that's out there which, you
10 know, public power or municipal markets are typical
11 bid-for-bid. And then there's a lot of one-off needs from
12 different utilities where those are bid-for-bid type
13 alignments.

14 So one is really made to actually ease the
15 procurement process for duplicative orders of a similar
16 transformer.

17 COMMISSIONER WILLIAMSON: So when you have an
18 alliance, is there someone who's like the lead partner, or
19 the lead--and is that usually a producer of the LPTs?

20 MR. MASON: Again, Brian Mason from SPX.
21 Normally somebody wins that alliance agreement, and they get
22 either all of the share or the lion's portion of that share,
23 the majority of that share, when they win it. And they lock
24 out all of their vendors for that period of time.

25 COMMISSIONER WILLIAMSON: I still don't

1 understand it. Why do they call them an alliance agreement?

2 MR. MASON: The other part of the alliance
3 agreement is that you typically, once you enter into that
4 agreement with them, you also reserve space within the
5 factory and guarantee them a lead time and everything. So
6 you're working to reserve time so that you've got a
7 committed baseload of volume for that duration. So really
8 from a manufacturer's standpoint, it's kind of to allow us
9 to forecast at least our manning strategies for the plant
10 for a period of time.

11 COMMISSIONER WILLIAMSON: Okay. Either now or
12 post-hearing, any estimates of what percentage of the market
13 is covered by these agreements, and what percentage is
14 covered by the open procurement.

15 MR. LUBERDA: I don't know that we can give you
16 anything public today. We can try and--

17 COMMISSIONER WILLIAMSON: Post-hearing is fine.

18 MR. LUBERDA: We will try and provide that for
19 you, Mr. Chairman.

20 COMMISSIONER WILLIAMSON: Because I guess the
21 question is to what extent does the alliance agreements
22 limit competition between subject imports and the domestic
23 like product.

24 MR. LUBERDA: The record shows that they do--
25 there is some limitation. There are some overlapping

1 alliance agreements, to they'll have more than one. And so
2 you might have two alliance partners who might compete on a
3 particular project if they're over the same size range of
4 unit, too. It's not quite as rigid as it was during the
5 original investigation. It's loosened up some. It could be
6 that the dumping case had something to do with that. There
7 was a little shock to the system there I think.

8 But it has gotten less rigid. Still, as I think
9 you heard our witnesses testify, if you have an alliance
10 agreement your chances of getting those sales over a period
11 of time go up substantially. They don't have to buy from
12 you, but, you know, to the extent that they projected that
13 they're going to purchase over that period, they're going
14 to--you know, you're the people who are going to get the
15 first crack at it, for sure.

16 COMMISSIONER WILLIAMSON: Okay. Well the vendor
17 who is not a part of the alliance agreement is worse off
18 than someone who's in it?

19 MR. LUBERDA: Absolutely.

20 COMMISSIONER WILLIAMSON: Okay, well I'm not
21 sure I fully understand it, but my time has expired. So let
22 me turn to Commissioner Broadbent. Thank you.

23 COMMISSIONER BROADBENT: Thank you. And I
24 welcome the witnesses today and thank you again for coming.
25 It really helps us. And it's fun to see the

1 father-daughter team in the back row there.

2 Most U.S. producers reported operating losses
3 throughout the period. Despite this, many producers
4 announced investments in additional capacity. Can you
5 explain what drives the lack of profitability in this
6 industry, which does not appear to make sense given the
7 industry's own actions or the nature of this market?

8 And I guess what I'm speaking about is all the
9 increases in capacity. I mean it sounds like we've got a
10 lot of structural demand decline, but then a lot of
11 additional capacity has gone in by all the domestic
12 companies. And I was trying to understand your thinking on
13 that.

14 MR. MASON: Yeah, I would say in our case--this
15 is Brian Mason with SPX--in our case, the actual investment
16 went in pre the original ruling that went in. So we were
17 actually fully operational in 2012 at the time.

18 And so our decision point really for investment
19 was back in 2007-2008, which the industry was at, you know,
20 capacity limited. We saw a lot of growing momentum for
21 large power. We were already a significant large power
22 manufacturer at the time. We just expanded the range of
23 units that we could build.

24 So we saw a positive market dynamics back in
25 2009-2012 when we made that initial investment. Investments

1 subsequent to that were really just to augment the facility
2 and drive productivity within the facility.

3 COMMISSIONER BROADBENT: So you didn't make
4 decisions to expand after 2009, except--

5 MR. MASON: We made the decision point in
6 2009-2010 really before the initial order was put in place.
7 And at that time there were very positive fundamentals for
8 growth of large power in the U.S. And most of those have
9 gone away.

10 COMMISSIONER BROADBENT: Okay, so SPX hasn't
11 really expanded since 2009?

12 MR. MASON: Yeah, we basically started full
13 production in 2012 at the Waukesha expansion, and we've
14 really made no significant investment since that time.

15 COMMISSIONER BROADBENT: Okay. And are there
16 other expansions in capacity that can be explained?

17 MR. ROBINSON: Yes, Commissioner. Steve
18 Robinson for ABB. I'd like to maybe touch on two points
19 you raised. You spoke about the operating losses over the
20 last several years.

21 So we, as I testified, we suffered significant
22 losses in the St. Louis facility. And those losses were
23 driven by a loss of market share, and effectively having to
24 compete in a market that was being aggressively underpriced
25 by the Koreans. It got to the point where those losses

1 essentially made the St. Louis facility nonsustainable.

2 We had to take the decision to close that
3 facility. But on the flip side, or part of that closure
4 process, as our commitment to the United States and our
5 customers in the United States, we are investing heavily in
6 both our South Boston, Virginia, facility, as well as our
7 Crystal Springs, Mississippi, facility.

8 Those investments are very much driven to be able
9 to serve around about 70 percent of what we did in St. Louis
10 in South Boston going forward. I would be happy to provide
11 the details of those investments in the posthearing brief.

12 COMMISSIONER BROADBENT: Okay, so what was the--
13 kind of the years you were thinking about closing the St.
14 Louis--

15 MR. ROBINSON: The decision was taken and
16 announced in November of last year.

17 COMMISSIONER BROADBENT: Okay.

18 MR. LUBERDA: Alan Luberda. If you'll remember
19 from the original investigation, the Koreans came in and
20 said, gee, the domestic industry can't make any of the stuff
21 we make. We're on the high end of the MVA range.

22 In fact, at that time Efasec came and testified
23 at the final. They had just built a facility to make the
24 things that--SPX had just invested to make those larger
25 sizes. So they were broadening the size range here to meet

1 the overall capacity of the domestic industry.

2 We're under--we're less than the whole market.
3 So it's not that these folks are over-investing in a market
4 that's not there. There's market there. We have to compete
5 for it. And maybe Ms. Gursahaney or Mr. Jain can reply, but
6 when Efasec looked to sell their facility, they looked to
7 broaden their product range. And there was a new facility
8 that they could buy.

9 So this has been about being able to service the
10 market that's actually there, and compete for that market.

11 MS. GURSAHANEY: This is Neerja Gursahaney with
12 Georgia Transformer. To add on to what Alan has said, that
13 was the reason why Virginia Transformer invested in
14 purchasing the huge asset and investment with Georgia
15 Transformer, was to increase our product scope in order to
16 meet the needs of the U.S. market.

17 COMMISSIONER BROADBENT: Okay, I should have
18 asked this question first because I still don't quite
19 understand what's going on with demand, and whether the new
20 demand, the shifting demand is within the scope of this
21 Order, or there's more demand for smaller transformers that
22 aren't covered by the Orders.

23 So if somebody could just kind of review for me--
24 and I know we talked about it, but what's going on with
25 demand?

1 MR. MASON: From a demand overall of
2 transformers, it's fairly flat. We've had, you know, some
3 slightly upyears, slightly downyears, but as we look over a
4 three- to four-year period, demand in the United States
5 proper has been fairly flat, while globally--and I think
6 Steve can speak to it--

7 COMMISSIONER BROADBENT: But it's changing,
8 right, for the different products based on the green energy
9 and--

10 MR. MASON: Actually, within the scope of this,
11 not really.

12 COMMISSIONER BROADBENT: Not really?

13 MR. MASON: So what you're really seeing is from
14 the two, three, four hundred MVA, you're seeing more of a
15 shifting down to just under a hundred MVA. So a lot of
16 these wind farms and solar farms, while they're still buying
17 large power transformers, they may not be buying a 400 or
18 500 MVA transformer the coal plant would have purchased.
19 They're buying 3- or 4, 90 or 100 MVA type units for that.

20 COMMISSIONER BROADBENT: And those are in-scope.

21 MR. MASON: Correct.

22 COMMISSIONER BROADBENT: Okay. So to the extent
23 that demand is changing because of different configurations
24 of energy, it's not really increasing demand out of scope?

25 MR. MASON: Correct.

1 COMMISSIONER BROADBENT: Okay. And demand is
2 flat overall?

3 MR. MASON: Right.

4 MR. ROBINSON: Commissioner, Steve Robinson for
5 ABB. Maybe what I would like to add there is from a global
6 perspective, from 2016 to 2017 we have seen just over a 30
7 percent drop in the market. That drop in the market
8 continues into 2018.

9 COMMISSIONER BROADBENT: So that's conflicting
10 information, right?

11 MR. ROBINSON: No, it's the global demand. So
12 outside the United States the global demand has dropped
13 quite significantly.

14 COMMISSIONER BROADBENT: So it's flat in the
15 U.S. but dropping--

16 MR. ROBINSON: But in the U.S., dropped more
17 than 30 percent. So obviously all the target markets for
18 the Korean producers has dropped significantly and hence the
19 increased pressure that we're seeing.

20 COMMISSIONER BROADBENT: And what's the cause
21 for the global drop in demand?

22 MR. ROBINSON: A lot of the drop is coming out
23 of the Middle East, and linked to the price of oil, and
24 deferred projects, and cancellations. But there's also
25 drops in Europe and the rest of the world.

1 COMMISSIONER BROADBENT: Is this because of this
2 digitally enabled sensors that are able to keep the
3 transformers online longer?

4 MR. ROBINSON: Not--I wouldn't say that's
5 contributing, Commissioner, right at the moment. We will
6 see that more and more going forward. It's just a general
7 drop in demand.

8 COMMISSIONER BROADBENT: It seems kind of odd at
9 this point. I mean, are other products following that 30
10 percent that are similar?

11 MR. ROBINSON: Commissioner, I don't have the
12 exact details, but utilities and consumers across the world
13 change out assets at a different rate. There might have
14 been investment cycles in other parts of the world that are
15 head of maybe investments like OSI or different investment
16 cycles that may be contributing to that drop in demand.

17 COMMISSIONER BROADBENT: Okay. Let's see. Mr.
18 Newman, you say that you're an employee-owned company. Are
19 you an ESOP company? And if so, what factors led to your
20 formation of ESOP?

21 MR. NEWMAN: We are. We are an ESOP
22 corporation. We have--both of our facilities in the United
23 States are part of that EOP. We were a spinoff of ATA
24 Porter, which had some asbestos problems, you may remember.
25 And when that occurred, there were a number of spinoffs, and

1 Delta Star was spun off as an ESOP.

2 COMMISSIONER BROADBENT: Okay. And does this
3 affect your ability to invest in yourself and compete in the
4 market?

5 MR. NEWMAN: It has not in the past. In fact,
6 before this Order took place back in the 2007-2006 area, we
7 invested about \$45 million into our facilities. Today, if
8 you were to visit, you would find it to be a world-class
9 facility there. And our investment has not been in
10 additional capacity over the last few years, it has been in
11 R&D to keep us leading, cutting edge.

12 COMMISSIONER BROADBENT: That's good. Thanks.

13 Mr. Mason, from SPX, you stated that the Hyundai
14 plant in the United States is an additional source of
15 supply, not a substitute for Korean supply. Do you ever see
16 bid competition from both the Hyundai plant in Alabama and
17 the Hyundai affiliate in Korea for the same project?

18 MR. MASON: Yeah, and actually it's somewhat
19 deceptive in some cases because what we will see on a bid
20 list is it'll say that it's Hyundai Montgomery Alabama
21 bidding. We will then ask specifically when the bid is won
22 where is the source of the transformer being provided, and
23 we'll get an answer back: Oh, the transformer is actually
24 being manufactured in Olson, Korea. But the repair facility
25 is in Montgomery, Alabama. That's what we meant.

1 So we are really not seeing much competition out
2 of the Alabama facility. We're still predominantly seeing
3 our bids coming out of Ulson, Korea.

4 MR. ROBINSON: Commissioner, I would support
5 that statement.

6 COMMISSIONER BROADBENT: Okay. And maybe for
7 post-hearing you could kind of document that a little bit.
8 That would be helpful. Thank you.

9 COMMISSIONER WILLIAMSON: Okay, thank you.
10 Commissioner Schmidtlein?

11 COMMISSIONER SCHMIDTLEIN: Thank you. I'd like
12 to thank the witnesses for being here today.

13 I want to go back to the question of nonsubject.
14 In the Respondent's brief they attach an exhibit, Exhibit
15 12, where they analyze some of the bid data with respect to
16 nonsubject.

17 Do you agree that this analysis and the bid data
18 that we have on the record shows that nonsubject primarily
19 oversells U.S. industry in the comparisons that we have?

20 So it's at page 29 to 30 of their brief where
21 they analyze this. And their point is, just to shortcut
22 this a little bit, is that the nonsubjects have been
23 successful in the U.S. market, even though the bid data we
24 have on the record is showing that they are not the lowest
25 price and so that would, they argue, suggest that there are

1 nonprice factors that are at play.

2 So the question really is, do you think there's
3 record evidence showing that nonsubjects are winning by
4 being the lowest price? And if they're not the lowest price
5 and they're winning, then does that suggest that there are
6 nonprice factors that come into play?

7 MR. LUBERDA: There are always -- this is Alan
8 Luberda -- we're not denying that nonprice factors enter
9 into the purchasing decision. Everybody here, you know,
10 they have to put out a good product, they have to -- people
11 have to wanna buy from them. And I wanted to point to one
12 of our slides --

13 COMMISSIONER SCHMIDTLEIN: Well, so for
14 nonsubject, do they win by being the lowest price? Or is it
15 only subject that has to be the lowest price in order to
16 win? Because there's some other issue with --

17 MR. LUBERDA: They sometimes win with low price.
18 Sometimes they win with other things. But, you know, there
19 was a chart where we had the circles, right? We more often
20 than not -- yeah, so this one.

21 So the Koreans were underselling the U.S. We
22 managed to win 8 out of 18 from the Koreans. And I'll get
23 to the third country in a second. But we managed to win 8
24 out of 18 from the Koreans where the Koreans underbid us,
25 which suggests that we did have some nonprice issues going

1 for us to win. And third countries did, too.

2 COMMISSIONER SCHMIDTLEIN: So what kinds of
3 nonprice factors would those be? Give me an idea.

4 MR. LUBERDA: I'll let the members of the
5 industry say what things --

6 MR. NEWMAN: They tend to be design, service,
7 expectations from the customer, meeting those expectations,
8 delivery time, those type items, reputation, or other items
9 that are considered.

10 MR. LUBERDA: So, yes. Nonprice factors do
11 matter. They matter to us. They matter to everybody. And
12 so we won some with nonprice factors. Nonsubject have, too.
13 But when you look at the data -- So there's no data here
14 that would suggest -- and there wasn't really on the
15 original investigation record either.

16 There's no data here that suggests that the
17 Koreans are primarily winning because of nonprice factors.
18 Because they almost never win when they oversell. You would
19 think the numbers for them would look a lot more like the
20 numbers for us, a little more 50-50, 60-40, if they could
21 argue that, hey, nonprice factors were a much bigger deal.

22 They're winning based on the record data, just as
23 they did in the original investigation where they almost
24 never -- they win when they undersell, they almost never win
25 when they don't. Now, this is a sample. But it supports

1 what you saw in the original investigation which was on a
2 much larger scale of bid data that you collected.

3 COMMISSIONER SCHMIDTLEIN: So you all would argue
4 that for the U.S. product and for nonsubject, price and
5 nonprice maybe are more equal in the consideration of
6 buyers, but when it comes to subject from Korea, based on
7 this data, we should conclude that buyers are buying because
8 of price? Is that correct? Am I understanding the
9 argument?

10 MR. LUBERDA: I think you should conclude from
11 this data that price is an extremely important consideration
12 in all sales, but it is one of the important considerations
13 that lead purchasers to purchase from the Korean industry.

14 MS. CANNON: This is Kathy Cannon. I think what
15 you should also conclude from the data is that, and what
16 we've heard from the industry, is that the nonsubject
17 imports' prices are very close to theirs. You're not seeing
18 a big difference in the prices between the -- they are
19 higher than Korea. And so when they're getting the bids,
20 the U.S. producers, like on this chart, and the nonsubject
21 producers are getting the bids, they're all at a higher
22 price point than the Koreans.

23 So when the U.S. industry, even in the early
24 years of the -- after implementation of the order -- lost
25 bids and nonsubjects got the bids, the industry did better.

1 You heard everyone testify. Because the prices weren't so
2 low. All the prices had risen. Nobody was selling as low
3 as the Korean producers were. The Korean producers are the
4 problem price-wise. Nonsubjects and U.S. producers are much
5 more on a competitive par price-wise.

6 MR. NEWMAN: If I could just add to that. The
7 fact is that we all have CRM systems. We're watching these,
8 and we know who we're bidding against. But in --

9 COMMISSIONER SCHMIDTLEIN: That's another
10 question I had. So, but go ahead.

11 MR. NEWMAN: So when we end up doing that, we
12 know if we're going up against some of our colleagues in
13 Europe, GE, SMIT, these guys, we're probably gonna win some,
14 we're gonna lose some. It's gonna be close. But when you
15 go up against the Koreans, as much as they may like us,
16 enjoy our service, enjoy our reputation and what we end up
17 doing, if you're 30% below them, they are going to be
18 inclined to buy that 30% below product. That's what gets
19 them over that hump.

20 COMMISSIONER SCHMIDTLEIN: When you said we have
21 CRM system so we know who we're bidding against, what -- can
22 you elaborate on that? 'Cuz that was a question I had. Do
23 you know in advance who you're bidding on, and how is that?

24 MR. NEWMAN: Generally we do with investor-owned
25 utilities. With some of the Muni's and Coop's, they have an

1 open process and they will take bids from anywhere across
2 the world despite reputation. It's low price.

3 We oftentimes though, when we're competing
4 against anyone else in this room, we generally know who the
5 bidders are going to be. We generally have an idea of the
6 quality factors and there, whether they won or not in the
7 past there, and that helps us. It may not help us get a
8 profit out of it, but it will help us understand kind of
9 where we need to go in.

10 COMMISSIONER SCHMIDTLEIN: So how do you have
11 that information?

12 MR. NEWMAN: We get it like everyone else, I
13 think, from our rep networks. We have a rep network through
14 the country and they receive feedback. They can come in, in
15 the form of a municipal bid, as official data that comes
16 back.

17 We can get it back from a company saying, "You
18 were coming in 5 out of 5, you were 2 out of 5, you were 20%
19 below," that information doesn't always come back and you
20 don't always get a number, but generally you did get a
21 flavor for where you were in the market.

22 COMMISSIONER SCHMIDTLEIN: But in advance, when
23 you're looking to bid and you know who you're bidding
24 against, how do you know who you're bidding against? If
25 it's not an open, you know, a publicly-owned utility?

1 MR. NEWMAN: Generally you would know. A
2 customer, like an investor-owned utility, whose approved at
3 that facility.

4 COMMISSIONER SCHMIDTLEIN: I see.

5 MR. NEWMAN: So you know that ahead of time and
6 your CRM system would tell you in the past the feedback that
7 we've gotten is, Delta Star was 3rd place, maybe ABB was
8 2nd, Koreans were 1st and you have that information as you
9 go into those bidding processes.

10 COMMISSIONER SCHMIDTLEIN: And what does CRM
11 stand for?

12 MR. NEWMAN: It is a Customer --

13 COMMISSIONER SCHMIDTLEIN: Relation --

14 MR. NEWMAN: -- Relations package, yeah.

15 COMMISSIONER SCHMIDTLEIN: Management? Okay.

16 MR. NEWMAN: Yeah.

17 COMMISSIONER SCHMIDTLEIN: Okay. And is this
18 consistent with the other experiences for the witnesses on
19 this panel?

20 MS. GURSAHANEY: I would agree. You know from
21 past history with a customer who they have bought from. So
22 you take that as knowledge going forward. Well, they have a
23 preference for possibly a Korean supplier or a domestic
24 supplier. And you know in advance what are their hot
25 buttons? Are they worried about lead times? Are they

1 worried about quality? And other factors that may not be
2 price-driven. You'll know what they emphasize. Thank you.

3 MR. MASON: Likewise, sometimes we're just told.
4 We're told right up front who is on the bid list. Sometimes
5 it's right in the specifications. Qualified bidders for
6 this bid, and they'll list whose on the list. And so you'll
7 know right up front from the documentations. So more often
8 than not, we know on a public utility, who is on the bid
9 list. From a municipal or public power opportunity, we'll
10 be told, "We'll accept anybody, and we'll evaluate the
11 submittals on a one-for-one basis."

12 COMMISSIONER SCHMIDTLEIN: Okay.

13 MR. BLAKE: A lot of times, we would see who's on
14 the bid list from our rep force, and what we see is if the
15 Koreans are on it, there's so much resource to put together
16 a proposal, that we just won't even bid it, just because we
17 know that we lost on a low-price proposal, so that's how we
18 do that.

19 COMMISSIONER SCHMIDTLEIN: So my time is up, but
20 I just wanted to follow up. Are most of these bids -- and I
21 know one of the other Commissioners touched on this, the
22 Alliance Agreements and the Master Agreements, I guess is
23 sometimes they're called, or blanket agreements -- are most
24 of these projects bid with that in place?

25 MR. MASON: The vast majority of transactions are

1 done open-market, so bid-for-bid, and you know who you're
2 bidding against in some cases, many cases you don't. The
3 Alliance Agreements tend to be higher volume over a longer
4 period of time. To exactly say what percent of the total,
5 we'll have to work on that post-brief to try to divide up
6 what we think the total market is. But in our piece of it
7 is, it's kind of a 50-50 proposition.

8 COMMISSIONER SCHMIDTLEIN: Okay. And what others
9 -- Mr. Newman, you had --

10 MR. NEWMAN: Same price. About 50%.

11 COMMISSIONER SCHMIDTLEIN: Okay. Okay. All
12 right, well, my time is up. We can follow-up with the next
13 round. Thank you.

14 COMMISSIONER WILLIAMSON: Thank you.
15 Commissioner Kearns?

16 COMMISSIONER KEARNS: Just to pick up an issue we
17 just touched on. Public utilities, can you tell me more --
18 what percentage of sales go to public utilities? I think
19 I've read that price is more important there and if you can
20 tell me more about that, how important is price?

21 And does this suggest that the Koreans, since
22 they seem to be -- that seems to be their strong point,
23 price, do you tend to see the Koreans do better in sales to
24 public utilities than you do in other segments of the
25 market?

1 MR. NEWMAN: So first, a lot of the public
2 utilities do not have as large a power as some of the
3 smaller quantities they tend to have, because they tend to
4 be distribution less transmission. Staying within the
5 guidelines of large power, yes, almost all of them are
6 price-driven.

7 Some of them do have the ability to get some very
8 carefully worded items related to quality and past actions.
9 But it does tend to be an item that relates to public
10 bidding. As a result, Delta Star doesn't always get to bid
11 in some of those because our product tends to be very
12 high-quality, a robust transformer, and if someone is
13 willing to just buy on price, it is very difficult sometimes
14 for us in that market.

15 MR. MASON: Price is always important on every
16 one of the bids. You know, really, the Alliance Agreements
17 in that part of the market, really is more about if
18 pre-qualification is required to bid on those. And you
19 typically need to motivate a utility to want to qualify
20 somebody.

21 So if they think they've got a competitive group
22 of suppliers already, they may not qualify somebody, but if
23 somebody were to walk in the door and offer them a price
24 that was significantly below what they're currently paying,
25 then they may be willing to spend the money to requalify.

1 That said, there's several large public utilities
2 or industrial-owned utilities that buy on nothing but price.
3 And every day, over the transom, that's all that matters in
4 the negotiation.

5 There are others where it's uniformity of the
6 fleet that's out there. So that, from their maintenance
7 aspects and all of that, they've got the same transformers,
8 or a very limited range of transformers, so they understand
9 what they have to do if they have to repair those units.

10 COMMISSIONER KEARNS: Just one more question
11 about public utilities. Do many of them have domestic
12 purchasing requirements? Do they Buy American?

13 MR. MASON: So all of the federally-owned or
14 municipal have some form of Buy American. But, as you know,
15 Buy American comes in many flavors and forms, and most
16 specifically, Buy American acknowledges anybody that's got
17 WTO Trade Agreement in place with the U.S. So every country
18 that we compete with is considered Buy American.

19 MR. LUBERDA: That includes Korea.

20 COMMISSIONER KEARNS: Okay, thank you. My next
21 question I think is for Mr. Robinson. How does ABB decide
22 where to source its product? When to use imported product
23 and when to use domestically-produced?

24 MR. ROBINSON: Commissioner, what we effectively
25 do is, if we don't make that product in the United States,

1 we will source that from one of our other entities
2 internationally. If it's manufactured in the United States,
3 we purchase from the United States.

4 So just to, I guess, reiterate with the closure
5 of St. Louis, we transferred around about 70% of what we did
6 in St. Louis to the South Boston, Virginia facility. So we
7 still are a very strong domestic supplier.

8 COMMISSIONER KEARNS: Okay. But, well, I mean,
9 given that these products tend to be made to order, help me
10 understand what that means when you can make it in the U.S.
11 versus when you can't.

12 MR. ROBINSON: So we have, I guess, each factory
13 has a particular range and what I call a particular "sweet
14 spot" where it's specifically that factory specifically
15 designed to compete in that size of transformer. Very few
16 factories have the ability to compete across the entire
17 range. There's multiple factories to do that. So we
18 pre-qualify our factories with our customers based on what
19 that factory is capable of manufacturing.

20 COMMISSIONER KEARNS: Okay. And if that's right,
21 that it depends on what you're producing, would it be right
22 to assume that your imports, as a percentage of total sales,
23 or however you wanna say that, imports to
24 domestically-produced ratio is roughly the same throughout,
25 over the years?

1 MR. ROBINSON: I think I would like to provide
2 that detail in the post-hearing brief.

3 COMMISSIONER KEARNS: Okay. Okay, thank you.
4 So I wanted to talk about prices in other markets. How do
5 U.S. market prices for LPTs compare to prices in other
6 export markets?

7 MR. ROBINSON: So, Commissioner, Steve Robinson
8 for ABB. The U.S. market tends to be a higher priced market
9 compared to the rest of the world.

10 COMMISSIONER KEARNS: Can you tell us more? How
11 much higher? Why it's higher? Et cetera.

12 MR. ROBINSON: I think I can include that in the
13 post-hearing brief.

14 COMMISSIONER KEARNS: Okay, that would be
15 helpful.

16 Okay, so I guess this is probably for Mr.
17 Luberda. You had mentioned--well actually it's probably for
18 all of the witnesses, but you all have talked about how the
19 Korean market is closed, whereas the U.S. market is open.
20 How do the Koreans keep their market closed? Is it
21 tariffs? Is it nontariffs? If it's nontariffs, you know,
22 what are those barriers? Is it subsidies? Help us
23 understand that.

24 MR. LUBERDA: This is Alan Luberda. So as I
25 alluded to in my comments, the first thing they do is that

1 the Korean Government took exception to the WTO obligations
2 so that they could--so that their public procurement, their
3 government procurement, would not be subject to import
4 competition.

5 It so happens that the largest utility in Korea
6 is KEPCO. It's owned by the government, Korea Hydro. For
7 large power transformers, the infrastructure that would buy
8 large power transformers is significantly controlled by the
9 government. And that then they've taken exception to the
10 WTO obligations there.

11 The rest of the market, there's not a formal ban
12 but Korean companies just do not buy from anywhere but
13 Korean companies. And I saw in the Koreans' brief that
14 well, you know, it's a small market--and it is a small
15 market--so clearly what they're doing with all that excess
16 capacity they have--it's a small market and, you know,
17 people just don't know how to sell here. Nobody has had
18 any luck. People have tried. Nobody has had luck selling
19 in the Korean market. They just won't buy foreign, period.

20 In this market, as you can tell from the record,
21 everybody is willing to consider foreign. There is no "buy
22 America" preference here, because all the major competitors
23 have agreements that allow them to sell. So whether you're
24 a TVA or Bonneville Power, whoever it is, they can buy
25 imports.

1 Maybe, I think Mr. Robinson can address this
2 since ABB is, you know, among the group here, the global
3 supplier and there are many other countries, and maybe he
4 can comment on their efforts to try to get into Korea,
5 whether they've tried, and what happened.

6 MR. ROBINSON: Commissioner, Steve Robinson for
7 ABB. The Korean market is closed to us. We don't have the
8 opportunity to pursue opportunities in that market. We
9 operate on a global basis. We have globally factories.
10 Korea just isn't open to us.

11 COMMISSIONER KEARNS: Just two quick follow up
12 questions. One is, Mr. Luberda, you mentioned the WTO
13 commitments. I'd like to know about the U.S. FTA
14 commitments, if that also--if we didn't get any better
15 market access there?

16 And then the other question--and hopefully you
17 can answer that now--the other thing, I'm hoping you can
18 help to document this, the closure of the Korean market. I
19 don't want to spend a lot of time, but maybe in the
20 post-hearing brief if you all could provide us import data
21 for the product to see, give us some rough estimate of how
22 open the market is. Because I do think it has an impact on
23 the way we look at a sunset review. That would be helpful.

24 MR. LUBERDA: Okay, we'll try to do that for you
25 post-hearing.

1 MS. CANNON: Commissioner Kearns, if I could
2 just add that the Korean Respondents I believe have admitted
3 on the record that they are a closed market. They aren't
4 contesting that here, I don't believe, although you are
5 welcome to confirm that with them. But there is a statement
6 to that effect in the staff report.

7 COMMISSIONER KEARNS: And any comments on the
8 U.S. FTA, U.S.-Korea FTA government procurement commitments.

9 MR. LUBERDA: I'll have to look back at it, but
10 we'll be happy to put that in the post-conference brief--
11 post-hearing brief, excuse me.

12 COMMISSIONER WILLIAMSON: Okay, thank you. And
13 while you're looking at that, if the EU-Korea FTA gives them
14 any better access. If you happen to know it.

15 MR. LUBERDA: I don't happen to know that, but
16 we can look at it.

17 COMMISSIONER WILLIAMSON: I mean it's not worth
18 a lot of time, but I was just a bit curious.

19 I've got a question of the evaluated costs.
20 Petitioners indicate that total evaluated cost analysis
21 doesn't involved consideration of factors such as quality or
22 lead time. This is at page 16 of your brief.

23 How do Petitioners consider nonprice factors such
24 as quality or lead time, if it's not in the evaluated costs
25 of the original costs?

1 MR. LUBERDA: Before the witnesses answer, that
2 statement, what that's meant to convey is that in the total
3 evaluated costs, so that is a number you take the base price
4 of everything you're selling them, and then they're
5 calculating--in the bid itself, or the RFP itself, it's
6 saying we are going to evaluate your transformer for its
7 load and no-load losses at this dollar amount over a
8 specified period of time. Usually about 40 years. And
9 we're going to add that into it. So those are things,
10 things like that, or a warranty. So those are monetized. A
11 warranty, if you have an extended warranty, that has a
12 value. It can be monetized. Quality. Things--quality and
13 those other things from that sentence, those are not
14 monetized things.

15 So that was what we were talking about--

16 COMMISSIONER WILLIAMSON: So is it the producer
17 or the purchaser who is coming up with this evaluated cost?

18 MR. LUBERDA: Now I'll let the knowledgeable
19 people talk about that.

20 COMMISSIONER WILLIAMSON: Okay.

21 MR. MASON: This is Brian Mason from SPX. The
22 purchaser determines the total evaluated cost. So total
23 evaluated cost is typically the total owning cost of the
24 transformer. So like we said, it's a combination of the
25 first price, plus any losses that that transformer would

1 generate while it's connected to the electric power grid.
2 And that's factored over a period of time, anywhere from 10
3 to 30 years normally. But the biggest indicator of that
4 total owning cost is the purchase price of the transformer.

5 COMMISSIONER WILLIAMSON: Okay. And do these--
6 so purchasers and sellers don't usually differ on that
7 evaluated cost? It's sort of a standard thing the industry
8 does?

9 MR. MASON: It's a standard thing, but the cost
10 per kilowatt hour of loss may change depending on where the
11 unit is deployed. So that number may move, depending on the
12 purchaser. But the actual methodology is quite similar.

13 Then there are a few non-cost factors that go in,
14 and lead time would be one of those.

15 COMMISSIONER WILLIAMSON: That go into the
16 evaluated cost figure?

17 MR. MASON: No--

18 COMMISSIONER WILLIAMSON: Oh, that are separate?

19 MR. MASON: Non-cost factors.

20 COMMISSIONER WILLIAMSON: Okay, that a purchaser
21 is going to take into account.

22 MR. MASON: Right.

23 COMMISSIONER WILLIAMSON: Okay, thank you.

24 Respondent Hyundai argued that there was no price
25 depression by reason of subject imports during the period of

1 review. Do you agree with this argument? And if not, why
2 not?

3 MR. LUBERDA: This is Alan Luberda, Commissioner
4 Williamson. So the--over the period of review, costs and
5 prices were both going down. There was price depression.
6 Prices went down by more than costs at a time when Korean
7 producers were underselling us.

8 So we think this is evidence of price depression
9 during this period, not price suppression. We're worried
10 that there's going to be price suppression going forward,
11 and maybe still even price depression as costs have been
12 going up in 2018. And if the Koreans are not restrained by
13 the Dumping Order at all, it is going to get much worse on
14 the price depression and suppression front.

15 MS. BECK: And just--

16 COMMISSIONER WILLIAMSON: Ms. Beck?

17 MS. BECK: to add, Mr. Chairman, the data on the
18 record that you do have for 2018 that do show the cost
19 increases. Prices in the U.S. are actually going down
20 during that period. So they're experiencing rising costs.
21 So we can see how the imports have influenced them in that
22 period.

23 COMMISSIONER WILLIAMSON: Okay. And is it the
24 Koreans or something else that's causing the prices not to
25 go up at the same rate?

1 MS. BECK: Well the evidence based on the
2 pricing data shows the imports from Korea are underselling.

3 COMMISSIONER WILLIAMSON: Okay, thank you. The
4 Respondent Hyundai argues that domestic industry's financial
5 performance doesn't appear to be correlated with subject
6 import volume or market share. Does this suggest that
7 adverse impacts by subject imports is not likely? I know
8 you don't agree with that.

9 MR. LUBERDA: This is Alan Luberda. So to start
10 with, if you look at what happened to our domestic
11 industry's market share compared to the Korean industry's
12 market share over the last three years, and looked at
13 nonsubject import market share, we would disagree that
14 there's no correlation between what's going on with Korean
15 imports and our bottom line.

16 I mean, if this were an investigation, original
17 investigation, there is a correlation on the volume side.
18 And the pricing data that you collected confirm exactly--
19 what's going on today is exactly what happened in 2009 to
20 2011 in terms of the prevalence of Korean underselling.

21 So I'd say our performance--and if you look t
22 2017, which the whole period was very difficult, but we got
23 worse over the period, I'd say the correlation is pretty
24 strong based on the data that's on the record for the most
25 recent three years, which from our perspective ought to be

1 fairly predictive of what we should expect to see over the
2 next imminent period from the Koreans. And in spades if the
3 Order comes off.

4 MS. CANNON: Commissioner Williamson, if I could
5 just supplement that, as I mentioned earlier this argument
6 by the Korean is based on two disparate data points, 2011
7 and 2017, and ignoring what's happening over the period as a
8 whole. And while your database doesn't pick up all of the
9 industry's performance form the 2012 to 2014 period, you do
10 see that the--as the Korean imports dropped, that's when the
11 U.S. industry has testified everything was getting better.
12 And you do see that in 2015 the industry's market share was
13 better.

14 So there was some gains by them. There is that
15 correlation. What you absolutely see, as Mr. Luberda said,
16 is the 2015 to 2017 period as the Korean market share went
17 up, the industry's market share went down and nonsubjects
18 were stable.

19 What you also see is ample evidence of
20 underselling that correlates directly with three years of
21 operating, and increasing operating losses by this industry,
22 and that does not correlate with the nonsubject import
23 pricing behavior which they themselves emphasized was not at
24 that low point as the Korean pricing.

25 COMMISSIONER WILLIAMSON: Okay, thank you. How

1 do large power transformer operations fit into or complement
2 the broader operations of domestic producers? To what
3 extent do complementary aspects of the LPT production help
4 explain the pattern of persistent LPT losses reported to the
5 Commission? You folks make other things and have other
6 operations--

7 MR. LUBERDA: Just to clarify--this is Alan
8 Luberda--just to clarify, the data we reported is only for
9 the industry. I just want to make sure I understand what
10 you're asking for.

11 So this data is only for this industry. It
12 doesn't include data for, you know, small power transformers
13 or something like that. So I just wanted to make sure that
14 the witnesses understand what you're asking us to comment
15 on.

16 COMMISSIONER WILLIAMSON: Sometimes businesses
17 in making decisions about a particular sector of their
18 industry, it depends on what's happening with the larger
19 company and how that is doing. So it's kind of a--I realize
20 we're looking at a particular industry, but it may be
21 helpful to understand the bigger picture.

22 MR. MASON: This is Brian Mason from SPX. I
23 think it's different for each one of us. I know with the
24 folks at this table that there are dedicated large power
25 only facilities. There, in the case of ABB, an ability to

1 bundle with other things. In our case, we're a discrete
2 transformer manufacturer only.

3 Our large power facility is co-located with
4 medium power as well, but the largest portion of both the
5 manpower and the size of the facility is dedicated to large
6 power. So we're pretty much all-in in making, you know, the
7 subject transformers out of our Waukesha facility. We have
8 separate facility in Goldsboro, North Carolina, that makes
9 smaller transformers. But economically isn't divorced from
10 the Waukesha facility. But we are solely a transformer
11 manufacturer.

12 MR. NEWMAN: Steve Newman with Delta Star. All
13 we make is transformers and service them, and place them in
14 place. So that's all we do.

15 MS. GURSAHANEY: This is Neerja Gursahaney, with
16 Georgia Transformer. Between Virginia and Georgia
17 Transformer, we do produce small, medium, and large power
18 transformers. Georgia Transformer specifically focuses only
19 large power.

20 MR. ROBINSON: Mr. Chairman, Steve Robinson for
21 ABB. We are a very diverse engineering company that makes a
22 huge range of products across the electrical industry.

23 We run our businesses as discrete businesses
24 within the ABB umbrella, obviously looking to serve the
25 customers as best as we can as ABB. The decisions and

1 direction that we take are as the discrete businesses.

2 COMMISSIONER WILLIAMSON: Thank you. By the
3 way, how is the small and medium sized transformer business
4 doing in general in terms of demand and how companies are
5 doing?

6 MR. MASON: Market demand in general--again this
7 is Brian Mason--

8 COMMISSIONER WILLIAMSON: Excuse me, I'm sorry.

9 MR. MASON: It's stable. But we have some of
10 the same issues that we're talking about today now entering
11 into the medium power space, as well. But in general it's
12 been a good, stable market, not growing, not shrinking.

13 COMMISSIONER WILLIAMSON: Okay. Good. Thank
14 you for those answers.

15 Commissioner Broadbent?

16 COMMISSIONER BROADBENT: Okay, let's see. Large
17 power transformers are expensive pieces of capital
18 equipment. For many product types that we look at, we
19 generally expect the U.S. industry to have an advantage in
20 producing high-tech heavy capital equipment. Why then does
21 the U.S. industry only account for a small portion of this
22 market? And why are there so few exports of this product?

23 MR. ROBINSON: So, Commissioner, Steve Robinson
24 for ABB. If I look at our company, we are a global company.
25 We have transformer manufacturing facilities around the

1 world as close to our customer markets as we can get.

2 We typically serve out of the U.S. factories for
3 the U.S. market. For other markets around the world, we
4 serve out of factories that are closer to those customers.

5 COMMISSIONER BROADBENT: So you're not even
6 selling to Central America or Mexico out of this market?

7 MR. ROBINSON: We have--Commissioner, we have
8 factories in Central America, South America. We have
9 factories in Europe, factories in Asia.

10 COMMISSIONER BROADBENT: Okay. Anybody else?

11 MR. NEWMAN: Steve Newman with Delta Star. Our
12 company believes we filed this at least 10 years too late.
13 There was a lot of demand that was gone by the time we filed
14 this, and there were a lot of decisions to defer large power
15 investment that just--I think we went too late.

16 MR. LUBERDA: Commissioner Broadbent, we were
17 discussing this a little bit yesterday. If you look around
18 the world, there is--Mr. Robinson just testified a few
19 minutes ago that--in response to a question, that demand in
20 the rest of the world is down.

21 There's overcapacity in the rest of the world.
22 The Koreans are exporting to the rest of the world, and
23 they're the low-priced--they are a low-priced getter in the
24 rest of the world. The Chinese are out there as well. So--
25 and our capacity here is less than total demand in this

1 market. It's not an inability to technologically compete in
2 any way, shape, or form. But, you know, we're having
3 trouble competing with the Koreans on our own turf. To then
4 try and, with just as good a technology, and then try and
5 go abroad and compete with them in those other markets, I'm
6 sure would present some difficulties.

7 COMMISSIONER BROADBENT: Okay, can you discuss
8 the role of Chinese suppliers both within the global market
9 and in the U.S. market?

10 MR. LUBERDA: This is Alan Luberda. I'll give a
11 quick start and then turn it over to our witnesses. So
12 imports from China have not been that large. Up to now
13 they've started into this market. They just recently got
14 put on the 301 list. We'll see what that does. But I don't
15 even think it's a 25 percent tariff, so we'll see what it
16 does. But they are the largest, according to the export
17 statistics, they are the largest exporter to other markets
18 in the world

19 COMMISSIONER BROADBENT: Yeah.

20 MR. LUBERDA: And I'll let maybe Mr. Robinson
21 comment on the Chinese in the rest of the world.

22 MR. ROBINSON: Commissioner, Steve Robinson for
23 ABB. Certainly in the U.S. I would fully agree with what
24 Alan has just said. It's a very small player that we see.

25 From a global scale, obviously we see the Chinese

1 manufacturers a lot more in the rest of the world. ABB do
2 have factories in China to support the Chinese market and
3 the Southeast Asian market, but we do see China elsewhere.
4 Less so here.

5 MR. LUBERDA: This is Alan Luberda again. I'll
6 just add that number two exporter in the world is Korea. So
7 Korea, China, both tend to be low pricers and both are out
8 and about in the world.

9 MR. BLAKE: This is Dennis Blake, PTTI
10 Transformer. Most of the industrial and utilities that buy
11 the majority of the large power transformers just won't buy
12 from China yet. And so we're watching it. You know, they
13 will buy from Korea, and they have the same prices. So we're
14 just watching the Chinese in the market, and right now the
15 utilities have not accepted them as a supplier yet.

16 COMMISSIONER BROADBENT: Thank you very much.

17 What accounts for the decline in generator
18 additions in 2017, as reported in Figure 2-2 on page 2-12 of
19 our staff report?

20 MR. LUBERDA: Okay, so you're asking what's
21 accounting for the change in capacity addition?

22 COMMISSIONER BROADBENT: In generator additions.

23 MR. LUBERDA: So that's U.S. utilities scale net
24 summer capacity additions, retirements, and changes?

25 COMMISSIONER BROADBENT: Right.

1 MR. LUBERDA: Okay--

2 COMMISSIONER BROADBENT: Maybe Mr. Newman has a-

3 -

4 MR. NEWMAN: Steve Newman for Delta Star. If I
5 could just clarify, are you talking about what has decreased
6 from 2016 to 2017?

7 COMMISSIONER BROADBENT: Yes.

8 MR. NEWMAN: We did see a change in our market.
9 I'm not sure about others. That after the Metcalfe
10 occurrence that occurred in California, there was a
11 resiliency push in 2016 to have some replacement
12 transformers for GSUs.

13 So there was a national security push that
14 occurred for about a year. There were some purchases made,
15 and I would imagine that that reasonably lines up with that.

16 COMMISSIONER BROADBENT: You had a spike in 2016
17 that kind of came back?

18 MR. NEWMAN: That's what we saw, yes, ma'am.

19 COMMISSIONER BROADBENT: That makes sense.

20 Thanks.

21 MR. MASON: Commissioner?

22 COMMISSIONER BROADBENT: Um-hmm.

23 MR. MASON: Can I add--this is Brian Mason--the
24 other thing that would go in there as well would be
25 renewable energy additions offsetting some of the need for

1 that, as well. So we're seeing a lot of the large coal, or
2 inefficient coal plants being retired. So that's
3 significant capacity, but would typically be an offset by
4 smaller gas units that probably run closer to peak capacity,
5 and then likewise wind and solar.

6 COMMISSIONER BROADBENT: Okay.

7 Mr. Blake or Mr. Luberda, domestic parties, given
8 that there are relatively few transactions within this
9 market compared to many other markets, why wouldn't all
10 qualified suppliers compete for all bids? I'm trying to
11 understand a business model where you decide not to go after
12 relatively scarce business opportunities.

13 MR. LUBERDA: So I will let Mr. Blake talk about
14 this. I think the issue--we explained some of this in our
15 testimony--is that you have to take scarce resources. There
16 were 550 bids I think in the 2015-17 period that we
17 collected data for. Not every domestic producer bid on
18 everything. The Koreans did not bid on everything.

19 The domestic industry bid on more than anybody
20 else. Nonsubjects also didn't bid on everything. In the
21 original investigation, the Commission recognized that not
22 everybody would be expected in a bid environment to bid on
23 every bid opportunity. It is expensive to put together
24 bids. And I'll let them talk about that. But it's
25 expensive.

1 If you're going into a situation in which you
2 expect to see somebody who is a complete low-ball pricer,
3 you are going to have to make a decision on whether it's
4 worth bidding at the aggressively low price you're going to
5 need to to beat out the Korean producer for example.
6 Putting all those resources there and maybe losing anyway,
7 or instead seeking another opportunity. That's how we
8 explained it in our testimony, but, Mr. Blake, why don't you
9 start and then others who want to chime in, please.

10 MR. BLAKE: Dennis Black, Pennsylvania
11 Transformer. It could take up to 5 to 10 hours of an
12 engineer's time to put a proposal together and fill out
13 pages and pages of documents for the utility. And you're
14 putting all those resources in for a bid when you know
15 you're going to lose it, we'd rather put those resources in
16 another bid where we know they're not competing to give us a
17 fair level playing field. Because we only have so many
18 limited resources to do bid preparation. So that's the
19 decisions we have to make, and hopefully we do make the
20 right ones. Sometimes we don't.

21 COMMISSIONER BROADBENT: Why is it so time
22 consuming to do the bids?

23 MR. BLAKE: The utilities require almost a full
24 design on the power transformer before you bid. And we
25 also--for the loss evaluation, we have to tell them what our

1 losses are going to be. And if we don't design it to those
2 losses, we'll get penalized later.

3 So we've got to spend a lot of time in the design
4 process, and read--their specifications could be 2- or 300
5 pages long of very detailed information. And you miss one
6 little line item on there, it could cost you a lot of money
7 and a missed bid. So we have to spend a lot of time on each
8 specification so we can meet the customer's requirements.

9 COMMISSIONER BROADBENT: You said "loss
10 evaluation"? I didn't understand that.

11 MR. BLAKE: That's the total ownership cost.
12 You have the first price of a transformer, and then you have
13 the efficiency of the transformer, and they apply a
14 dollars-per-loss for that. And it's interesting that
15 transformers are very efficient. You know, they're 99.95
16 percent efficient to like 99.8. So it's a very, very
17 efficient machine. So really the loss valuation really
18 doesn't have an effect. This really comes down to the
19 price. If you have the low price, your losses aren't really
20 going to change you ranking in the bid.

21 MR. NEWMAN: If I could add just briefly to
22 that--Steve Newman from Delta Star--I agree with Dennis with
23 the number of hours of engineering. To put together a
24 proposal takes us three weeks. It is not an easy process.
25 There is a lot of paperwork that's required. You have to

1 have a lot of certification. They want to understand every
2 part that's going into it. It is an extensive process to
3 put together a bid, and that determination is one that we
4 make very carefully.

5 MR. ROBINSON: Commissioner, Steve Robinson for
6 ABB. I would fully agree. It's weeks for us to put a bid
7 together. The larger the transformer, the more engineering
8 hours that go into that transformer to optimize as much as
9 possible in the bidding phase.

10 So it's an important factor when you're facing
11 competitors who are aggressively underpricing the market as
12 to whether you will pursue that bid.

13 COMMISSIONER BROADBENT: Are you saying you
14 think you do less bids now than you did when the Order was
15 in effect--than before the Order.

16 MR. ROBINSON: I would need to check the data
17 and come back in the post-hearing brief for that.

18 COMMISSIONER BROADBENT: Okay.

19 MR. MASON: Could I--this is Brian Mason for
20 SPX. We have pulled back because we've had to pull back on
21 some of the resources that we have up there. To give you a
22 little context, you asked kind of the level of effort that
23 goes in there, it is several weeks for us to do a single
24 bid.

25 And as you look at the product, it's not like we

1 can go through a design process and create a design that we
2 can then use over and over again like you can in most
3 industries. On average, we build 1.2 units for each design
4 that we do. So virtually every one of them is, every aspect
5 from the tank sizing to the core sizing, to all of the cut
6 pieces of material that go into the unit are designed
7 specifically for that instance. So it's quite cumbersome.

8 MR. BLAKE: Dennis Blake, Pennsylvania
9 Transformer. And with large power transformers, you have
10 the shipping considerations.

11 So you first of all have to find out, you know,
12 where's the location of where this transformer is, and can
13 you get it to that location? And what are your shipping
14 limitations? And then sometimes you take that back to your
15 design team just to do the proposal. So, you know, just all
16 that work, and using outside contractors to find locations
17 of rail sidings and stuff, it's just cumbersome.

18 COMMISSIONER BROADBENT: Okay, thank you very
19 much.

20 COMMISSIONER WILLIAMSON: Commissioner
21 Schmidtlein.

22 COMMISSIONER SCHMIDTLEIN: Thank you. Do you all
23 have any examples of instances where you haven't bid, since
24 the order has been in place, because the Koreans were going
25 to be bidding and you didn't want to use the resources to

1 put together the bid? That you could put on the record in
2 the post-hearing?

3 MS. GURSAHANEY: Yes, we have examples of
4 opportunities that we have refrained from bidding because we
5 knew there was a Korean supplier bidding on it.

6 COMMISSIONER SCHMIDTLEIN: Okay.

7 MR. LUBERDA: Commissioner Schmidtlein, we will
8 survey the industry and we'll get you some data for
9 post-hearing.

10 COMMISSIONER SCHMIDTLEIN: Okay, that would be
11 helpful. Thank you. I just have a couple more questions.
12 I wanted to go back to where we had left off when I was
13 questioning in the last round on Alliance Agreements. If
14 someone could talk to me a little bit about what those are.
15 Are they literally contracts that you have? Or is it really
16 more of a "You are now certified to bid"?

17 MR. MASON: This is Brian Mason from SPX. They
18 are contractual agreements. They vary in the substance as
19 to the commitment of both parties to the other party, but a
20 typical aspect is agreed upon terms and conditions, payment
21 terms, limits of liability, all that, but then it gets into,
22 it's typically a commitment on a design type of family of
23 design types, so typically a range of sizes of transformers
24 for different opportunities. And again, every utility does
25 them a little bit different, but it's typically a

1 contractual commitment for an estimated volume of work.

2 COMMISSIONER SCHMIDTLEIN: But when there's
3 multiple suppliers--this is what I'm having difficulty
4 understand, what are the commit-, what's the nature of the
5 contracts? So lay out sort of the specifications in general
6 terms as you're talking about, are you committing that you
7 will bid on anything that comes up?

8 MR. MASON: Yes.

9 COMMISSIONER SCHMIDTLEIN: So you're presenting
10 to the --

11 MR. MASON: In those Alliance Agreements, we've
12 then agreed that whatever opportunities come up, we will go,
13 we will bid against the other qualified vendors that are in
14 that Alliance Agreement. Or we will bid for anything, any
15 sole source agreements come up, we will in fact, design and
16 build those units.

17 COMMISSIONER SCHMIDTLEIN: Okay. So there are
18 some Alliance Agreements where you are the exclusive
19 supplier?

20 MR. MASON: Yes.

21 COMMISSIONER SCHMIDTLEIN: So you've already won
22 the business?

23 MR. MASON: Yes.

24 COMMISSIONER SCHMIDTLEIN: Okay. But other ones
25 you are competing still with the other suppliers that are --

1 MR. MASON: Correct.

2 COMMISSIONER SCHMIDTLEIN: -- you know, parties
3 to that agreement?

4 MR. MASON: Right. And they aren't -- some of
5 them have firm number of units tied to them. Others are, in
6 general, their intention is based on a forecast to give you
7 X number of units, you know, so it has some leeway depending
8 on preference or cost or delivery items where they could
9 switch the percentage that you get of that contract between
10 two vendors, based on performance.

11 COMMISSIONER SCHMIDTLEIN: So when you are in an
12 Alliance Agreement, is it the same expense in putting
13 together a bid for -- when you're not the exclusive
14 supplier, right? So you're gonna be bidding. Are you
15 incurring the same type of expense as discussed?

16 MR. MASON: Yes. Everybody bidding on that
17 Alliance Agreement would have pretty close to similar costs
18 if the costs of labor and everything else were the same.

19 COMMISSIONER SCHMIDTLEIN: But I mean in terms of
20 putting the bid together. So if the --

21 MR. BLAKE: Dennis Blake, Pennsylvania
22 Transformer. Typically, an Alliances are three to five
23 years, so a utility will buy the same transformer design,
24 maybe twelve of them over a five-year period. So in Year 1,
25 you put the total expense together for your proposal, and he

1 may buy two of these transformers in Year 2, maybe four in
2 Year 3, and you already have an agreed set of terms,
3 conditions and pricing already set in place. So in Year 3
4 the utility says, "Hey, just send me two of these orders,"
5 and they just send you those two.

6 Now, in some contracts, you would have two
7 Alliance partners and both of them would just be in that
8 little avenue in those five-year period, they maybe would
9 bid against each other just for some competition. But all
10 the six other bidders that lost out in the initial Alliance
11 will not have an opportunity in that five or six years.

12 COMMISSIONER SCHMIDTLEIN: Okay. So in a typical
13 Alliance, there's only one or two suppliers that are members
14 of that particular Alliance?

15 MR. BLAKE: Depends on the utilities. Some
16 utilities would give one supplier 100%, some utilities will
17 put three suppliers in the Alliance. It just depends on how
18 the utilities want to do it. And utilities do it because
19 it's very easy for them in Years 2 or 3 and 4, all they have
20 to do is send out a purchase order. They don't have to go
21 through the whole procurement process again. And that's the
22 huge benefit for them.

23 COMMISSIONER SCHMIDTLEIN: So an Alliance
24 Agreement usually starts with an actual project and bid that
25 you are approved to be a part of this agreement, you are

1 winning business at that point and then there are potential
2 more units that are gonna be sold in the future, is that how
3 I'm understanding this? Because just putting together a
4 design that's gonna be used --

5 MR. BLAKE: And the future units are really the
6 exact same ones that you bid --

7 COMMISSIONER SCHMIDTLEIN: In the beginning?

8 MR. BLAKE: -- in the beginning. Now they may
9 come up with a new opportunity, a different design, and they
10 may say, "Well, we like our three suppliers in Alliance.
11 These three guys will bid on it," but then they may open it
12 up to outside suppliers to give them an opportunity else,
13 and every utility is different.

14 COMMISSIONER SCHMIDTLEIN: So do you find
15 yourself in Alliance Agreements with the Koreans?

16 MR. BLAKE: Yes.

17 COMMISSIONER SCHMIDTLEIN: So in those cases
18 where it still has to be bid, I assume, you can't decline to
19 bid later because the Koreans are involved.

20 MR. BLAKE: We wanna keep the utility happy, so
21 we'll bid.

22 COMMISSIONER SCHMIDTLEIN: Right.

23 MR. BLAKE: I mean, even though they're there,
24 we'll supply a bid.

25 COMMISSIONER SCHMIDTLEIN: So how much of sales

1 involve Alliance Agreements overall?

2 MR. BLAKE: No more than 50%, you know, but more
3 than 10%. And that's, you know --

4 MR. LUBERDA: Commissioner Schmidtlein, I think a
5 few minutes ago -- we're gonna look into that, we'll survey
6 and try and figure that out, but I think a few minutes ago
7 some of the witnesses said it was sort of half and half.

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. LUBERDA: Alliance is not alliances. I just
10 wanted to make sure, just in the way it was phrased that,
11 they're not in an alliance with the Korean producer. The
12 Korean producers would have an alliance. Each individual
13 transformer producer has its alliance with the customer. So
14 the customer has multiple alliance agreements that would
15 cover the same --

16 COMMISSIONER SCHMIDTLEIN: I see.

17 MR. LUBERDA: -- products. So it's --

18 COMMISSIONER SCHMIDTLEIN: That's helpful.

19 MR. LUBERDA: -- not one agreement --

20 COMMISSIONER SCHMIDTLEIN: It's not one agreement
21 that everybody is --

22 MR. LUBERDA: Right.

23 COMMISSIONER SCHMIDTLEIN: But the terms of that
24 Alliance Agreement with the single purchaser and the
25 multiple suppliers, they're different terms covering the

1 same project?

2 MR. LUBERDA: They're gonna cover the same
3 project or, you know, types of transformer range, whether
4 they have -- or for the industry answer, whether -- the
5 terms are likely to be very similar because it's for the
6 same units, but I'll let you guys answer, whether there are
7 differences.

8 MR. BLAKE: This is Dennis Blake, Pennsylvania
9 Transformer. The alliances will be different in the terms
10 of conditions. It may be the same project or the same
11 alliance, but each supplier would have its different set of
12 terms and conditions with that customer.

13 COMMISSIONER SCHMIDTLEIN: Okay.

14 MR. BLAKE: Even though it's the same alliance,
15 they may be able to negotiate something a little bit better
16 against somebody else versus maybe someone like an ABB or
17 something like that.

18 COMMISSIONER SCHMIDTLEIN: So once there are
19 these Alliance Agreements in place, is this limiting
20 competition between the suppliers down the road to a certain
21 extent?

22 MR. BLAKE: At the beginning you have maybe eight
23 or ten people going at the alliance and that's when they get
24 their savings at that point, where people are, you know,
25 trying to put their best foot forward at the beginning, and

1 at that point, there are two or three people in there and it
2 keeps them honest until the alliance is up.

3 MR. MASON: The other thing to remember is that
4 the Alliance Agreements typically are for a range of
5 transformers for a particular use. So you could have a
6 large utility that has an Alliance Agreement only for their
7 transformers for the State of Ohio. And they may have
8 another one for only, say, 60 to 100 MVA. They may have
9 another one for 100 MVA to 250, and another one for larger.

10 So most of the larger public utilities have
11 dozens of the Alliance Agreements. But, you know, they'll
12 tend to lock up, you know, try to whittle down the number of
13 suppliers that are there. And I would like to step back to
14 the question you asked before, you know, are any of us in an
15 Alliance Agreements with Korean manufacturers?

16 I know of none that I'm in an Alliance Agreement
17 anymore with Korean manufacturer. And every one of those
18 were previously held with two or three competing alliance
19 founders, the pricing was so low by the Korean vendors that
20 they went sole source on those and blocked out all of the
21 predecessors or all of the people, the incumbents that were
22 on those. So, and we can give you some details on that.

23 COMMISSIONER SCHMIDTLEIN: And is that since the
24 order has been in place?

25 MR. MASON: Yes.

1 COMMISSIONER SCHMIDTLEIN: Okay.

2 MR. LUBERDA: Just in the last two years.

3 COMMISSIONER SCHMIDTLEIN: Okay. That would be
4 helpful. Thank you. All right. The last question I had is
5 based on something that was said in the petitioner brief.
6 And I think, Mr. Mason, you may have touched on this in your
7 testimony during the presentation, which is a statement that
8 when one or more, and maybe we just covered this, but "when
9 one or more Korean producers is among the suppliers
10 selected, price competition is particular acute," selected
11 for an Alliance Agreement.

12 And so my question was, could you put some
13 corroborating documentation on the record supporting that
14 statement as to how the price competition is particularly
15 acute, as compared to, I suppose, other domestic producers
16 or nonsubject.

17 MR. LUBERDA: We'll do our best to do that.
18 Obviously we don't get all of the bids, so we have what we
19 did and how -- we'll have information about how they bid and
20 why, but we won't have everybody else's bid. You do have a
21 pretty good record of how nothing's transpired during the
22 period of review. But we will try to give you some
23 specifics as to the particular Alliance Agreements to the
24 extent possible.

25 COMMISSIONER SCHMIDTLEIN: Okay. So that

1 statement was really just based on your experience as
2 suppliers? That when Koreans are involved in bidding
3 through an alliance that they have with that purchaser,
4 competition is more acute?

5 MR. MASON: Yes.

6 COMMISSIONER SCHMIDTLEIN: Okay, all right.
7 Thank you very much.

8 COMMISSIONER WILLIAMSON: Commissioner Kearns?

9 COMMISSIONER KEARNS: Just to follow up on
10 Alliance Agreements. So even if a purchaser has just one
11 Alliance Agreement, there's nothing in that agreement that
12 would prevent the purchaser from purchasing from another
13 source, kind of on a case-by-case basis during the term of
14 the Alliance Agreement is that right?

15 MR. MASON: It depends. We have some that, you
16 know, in the Alliance Agreement, they agree to give us, say,
17 90% of the volume. And they could go to another provider if
18 we're unable to deliver or our lead times are too far
19 extended.

20 So normally there has to be a cure period that's
21 in there, so the vast majority of agreements tend to lock up
22 for what you've been on that you'll get all of their
23 requirements when necessary. Say I'm gonna buy 100 units,
24 but they intend to buy 100 units, so you're gonna get
25 probably close to that number.

1 Then other Alliance Agreements will basically be
2 very straightforward and say we are going to split the
3 volume 50-50 between two vendors, and whether it's exactly
4 50-50 or not -- it may move a little bit, but some of them
5 have the ability to take whatever volume from whichever
6 supplier they want. So there's a range of agreements there.

7 COMMISSIONER KEARNS: Okay, thank you. I wanted
8 to go back to a point that Commissioner Broadbent was
9 raising about U.S. producers' exports. I think Mr.
10 Robinson, you, if I understood you, you basically explained
11 that in a lot of these other markets, you produce locally
12 for that market, is that right?

13 MR. ROBINSON: Yeah, Commissioner, that is
14 correct.

15 COMMISSIONER KEARNS: Okay. And so in those
16 markets, is it pretty much exclusively produced by -- your
17 sales are exclusively from production within that country,
18 or do you kind of mix and match?

19 MR. ROBINSON: No, we do mix and match.

20 COMMISSIONER KEARNS: Okay.

21 MR. ROBINSON: Just to clarify, I mean that is
22 based on the capacity that we have in those markets with the
23 factories that we have -- I mean there are some countries of
24 course where we do not have manufacturing facilities.

25 COMMISSIONER KEARNS: But that's a bit different

1 from your experience here in the U.S., isn't it? Where you,
2 as you explained when I raised this the last time around,
3 you do mix and match in the U.S., too, but I got more of a
4 sense from that answer that it depends very much on what
5 you're producing as opposed to where you're producing it.

6 MR. ROBINSON: So, Commissioner, maybe just to,
7 if I can state, just to answer that question directly. So
8 in terms of the U.S. manufacturing, what we don't do is we
9 do not bring in imported transformers that would compete
10 with our own in U.S. manufacturing base. We would import
11 transformers that are outside the range and capability of
12 our U.S. facilities.

13 COMMISSIONER KEARNS: Okay. Turning to pricing,
14 another issue that was touched upon a little while ago. I
15 understand prices are down. We were talking about price
16 suppression, price depression. Can you talk about what
17 prices have been like since March? I think that's when the
18 higher duties have gone into place.

19 MR. LUBERDA: I think we would want to do that
20 post-hearing because it involves individual company's
21 expressing things about price, I just wanna be careful about
22 them having to give out proprietary information or
23 information that might be of a competitive nature. So if
24 it's okay, we would prefer to give you some answer to that
25 after the -- in our post-hearing brief.

1 COMMISSIONER KEARNS: Okay, that's fine. Last
2 question I have, input costs. How have changes in prices
3 for inputs such as grain-oriented electrical steel affected
4 your bid pricing for LPTs during the period of review. Do
5 your contracts with customers ever include price adjustments
6 for raw materials?

7 MR. MASON: So again, depending on the customer,
8 some of ours have escalation/de-escalation clauses, so any
9 material costs would be passed through directly. As it
10 relates to the Section 232 imports and its effect on
11 grain-oriented electrical steel, to date that hasn't had an
12 effect yet as we look at, or we typically contractually buy
13 steel for a year to a year and a half forward, so since
14 those effects went into place end of February of this, that
15 has not had a net effect yet on grain-oriented electrical
16 steel.

17 MR. ROBINSON: So, Commissioner, Steve Robinson
18 for ABB. We had seen as of April/May this year, we have
19 started to pay the 232 tariffs associated with the
20 grain-oriented electrical steel. I think if you look at
21 that and then that price suppression that you spoke about in
22 the market, that's really for us the importance of
23 maintaining this order. With the import costs going up and
24 that continued price pressure downwards. It's important for
25 the survival of our U.S. facilities.

1 COMMISSIONER KEARNS: Thank you very much. I
2 have no further questions.

3 COMMISSIONER WILLIAMSON: Thank you. Just a few
4 questions. Just one more on the Alliance Agreements. Is a
5 particular utility likely to have, say, a series of Alliance
6 Agreements, one say for a particular size of units and maybe
7 another one for other sizes of units, or is it just that for
8 a -- or also gonna just have one for the all of their
9 procurement for the next year or two?

10 MR. MASON: Most of them have multiple
11 agreements. So case in point, I have one Alliance Agreement
12 where we have 100% of a range of their products that goes up
13 to roughly 100 MVA from 10 MVA. They've got another
14 supplier that does all the units that are less than 10 MVA.
15 And they have yet a different supplier for great than a 100
16 MVA.

17 COMMISSIONER WILLIAMSON: Thank you. I was
18 wondering. Mr. Blake, I was very struck by your comment
19 that this investor the utilities has not been buying
20 transformers from China. And I was -- few areas where we've
21 not seen somebody buy something from China since I've been
22 here eleven years. Can you explain that?

23 MR. BLAKE: We haven't seen it yet and when we
24 started talking about reading these specifications that are
25 very elaborate, I think sometimes the Chinese do not put

1 together great proposals and at that point the utilities
2 don't wanna risk, you know, \$2-3 million, if they're not
3 gonna take their time to put in a proposal. It could be a
4 language issue, but we just haven't seen that emphasis yet.
5 With the investor utilities. Now on the public power market
6 and that type of market, you may see them a little bit more
7 in that market, where the quoting and the specifications are
8 less stringent.

9 COMMISSIONER SCHMIDTLEIN: Okay, thank you.

10 MR. LUBERDA: Commissioner Williamson, I'm just
11 gonna put out there, this Commission has seen many times
12 that Chinese industry's come up the learning curve pretty
13 fast, so while that may not be happening now -- not saying
14 that we won't eventually be here talking about Chinese
15 transformers someday --

16 COMMISSIONER WILLIAMSON: I caught that. Thank
17 you. I think the question on this Section 232 has already
18 been asked. Is there anything else on the 301 tariffs or
19 Section 232 tariffs we should take into account here? I
20 think it's already been addressed.

21 MR. NEWMAN: Mr. Chairman, Steve Newman from
22 Delta Star. The 232 I'll speak to because it's been of
23 great interest to us. We think that it could end up
24 affecting the overall prices 6% to 7%. That's not
25 overcomeable. It's simply will be another pressure in

1 addition to the other pressures that we have. We've asked
2 the Department of Commerce to look at the steel coming
3 inside transformers from other countries and they said that
4 is not a 232 opportunity. And therefore, it will not be, so
5 there will be, if it goes through as it is, we fear that
6 there is, on top of everything else, a potential 6% to 7%
7 for U.S. manufacturers and not for others.

8 COMMISSIONER WILLIAMSON: Okay, thank you.
9 That's all the questions I have. Commissioner Broadbent?

10 COMMISSIONER BROADBENT: Okay, so that's a 6% to
11 7% increase in GOES? I mean, because of the increase in the
12 grain-oriented electrical steel?

13 MR. NEWMAN: I'm sorry? Please repeat.

14 COMMISSIONER BROADBENT: Okay. You said you were
15 looking, estimate at 6% to 7% increase because of 232
16 tariffs. And that would be a tariff on the grain-oriented
17 electrical steel as your input?

18 MR. NEWMAN: It would not only be the
19 grain-oriented electrical steel, the GOES, but also the
20 other steel that goes into the product, so the entire tank
21 is made out of very thick, 5/8-inch steel and other steel
22 would be affected and the other items is GOES steel is very
23 difficult to capture in an Alliance Agreement for inflation
24 or decreasing, because there is really not a good commodity
25 that captures GOES steel, because it follows the steel

1 price. When GOES steel on its own moves in a strained
2 direction, it's difficult to get that recovery in alliance
3 deal.

4 COMMISSIONER BROADBENT: Okay. In March, several
5 U.S. senators sent a letter to the President asking him to
6 include within 232 tariffs several additional tariff lines,
7 including laminations, cores and core assemblies used in the
8 production of transformers. These senators were concerned
9 that foreign producers would use foreign GOES to produce
10 cores for export to the U.S. Can you discuss the extent to
11 which you have seen an increase in imports of these
12 products, laminations, cores and core assemblies, as a
13 result of the 232 tariffs?

14 MR. LUBERDA: I think that's something we'd have
15 to do post-hearing.

16 COMMISSIONER BROADBENT: Okay, that'd be helpful
17 if you can.

18 MR. MASON: Commissioner, can I make one comment
19 on that.

20 COMMISSIONER SCHMIDTLEIN: Sure.

21 MR. MASON: This Brian Mason with SPX. We have a
22 lot of concerns over the expansion of the 232 tariffs to
23 fabricated GOES as well. As you know, there's only a single
24 supplier in the U.S. and that supplier does not have
25 sufficient capacity to feed the U.S. market.

1 So if the expansion were to go out and cover all
2 other fabrications and everything of grain-oriented steel,
3 we have no supply chain alternatives as an industry. And at
4 that point, we're exceptionally fragile as a group. And
5 likewise, we'll be competing against imported transformers
6 from subject and nonsubject countries that don't have any
7 tariffs on imported transformer at that point, so we're
8 gravely concerned about that.

9 COMMISSIONER BROADBENT: Okay, thank you. Mr.
10 Chairman, I have no further questions.

11 COMMISSIONER WILLIAMSON: Okay. Let's see. Any
12 further questions, Commissioners? Okay. If there are no
13 further questions from Commissioners, does staff have any
14 questions for this panel?

15 MR. THOMSEN: Craig Thomson, Office of
16 Investigations. Staff have no questions.

17 COMMISSIONER WILLIAMSON: Okay. Do respondents
18 have any questions for this panel? Okay, thank you. Well,
19 I can dismiss this panel. We can take a lunch break. We'll
20 reconvene at 1:20. I want to remind everybody that the room
21 is not secure, so please take any business proprietary
22 confidential information with you. Thank you.

23 (Whereupon a lunch recess was taken, to reconvene
24 at 1:20 p.m. this same day.)

25

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

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

3 COMMISSIONER WILLIAMSON: Thank you, Mr.

4 Secretary. Are there any preliminary matters?

5 MR. BISHOP: Mr. Chairman, I would note that the
6 Panel in opposition to the continuation of the antidumping
7 duty order have been seated. All witnesses on this Panel
8 have been sworn in and this Panel has 60 minutes for their
9 direct testimony.

10 COMMISSIONER WILLIAMSON: Good, Okay. Thank you.
11 Mr. Campbell, you may begin when you are ready.

12 MR. CAMPBELL: Good afternoon, Commissioners.
13 This is Jay Campbell again of White and Case. Our first
14 witness will be Mr. Jun Kang of Hyundai Electric.

15 STATEMENT OF JUN KANG

16 MR. KANG: Good afternoon. My name is Jun Kang.
17 I'm the Sales Manager for Hyundai Electric and Energy
18 Systems sales office in Atlanta, Georgia. I have worked in
19 the business of selling transformers since I began my career
20 with Hyundai in 2003 working both in Korea and in the United
21 States.

22 Currently, I am responsible for Hyundai's sales
23 of power transformers in North America. During my testimony
24 I will refer to large power transformers as transformers for
25 short. In the past, Hyundai only sold transformers in the

1 U.S. Market that were produced at its facility in Ulsan,
2 Korea. That changed in November of 2011 when Hyundai's U.S.
3 affiliate Hyundai Power Transformers U.S.A. or HPT for short
4 began making transformers at its new facility in Montgomery,
5 Alabama.

6 Since that time, HPT has steadily grown and is
7 now a top U.S. Producer of power transformers. We are proud
8 of our success with HPT. It is very difficult to compete in
9 the transformer market. Power transformers are expensive
10 pieces of capital equipment that are targeted to last 30
11 years or more. For this reason, most
12 customers require potential suppliers to undergo rigorous
13 qualification procedures that can last up to a year and also
14 want to see that this potential supplier has a proven track
15 record of supplying high quality transformers with low
16 failure rates.

17 With HPT we had to start small selling
18 transformers with a low to medium MVA and Kilovolt ranges
19 but we steadily gained customers' confidence for larger
20 sizes and now supply the U.S. Market with transformers up to
21 600 top-rated MVA and 500 Kilovolts. Also, as my colleague
22 will explain, we are working to expand HPT's production
23 capacity.

24 As we have increased sales of transformers made
25 out of our Alabama facility we have decreased our exports to

1 the US from Korea. By establishing firm roots in the United
2 States Hyundai has made clear that it intends to serve the
3 U.S. Market from its U.S. Facility. In contrast, we are
4 focused on selling transformers made at our Ulsan plant to
5 our principle markets in Korea, Asia and the Middle East,
6 all of which are growing markets.

7 I will now comment on each of these markets.
8 Starting with Korea, although demand for transformers was
9 soft over the past several years it is poised to grow
10 substantially. As everyone in the industry knows growth in
11 renewable energy has led to and is expected to continue
12 generating an increase in the demand for transformers.
13 Korea leads the way in such growth.

14 As noted in our prehearing brief, the Korean
15 Government has announced its new energy road map which aims
16 to generate 20 percent of Korea's electricity from renewable
17 energy sources by the year 2030. We anticipate that Korea's
18 investment in green energy will require a significant number
19 of transformers over the next several years and beyond.

20 Indeed, over the next two years various Korean
21 firms intend to develop 4 gigawatts of offshore wind energy
22 including a 1 gigawatts joint venture project between
23 Australian Energy Development Firm Macquarie and Korea's
24 Gyeongbuk Offshore floating wind power. A separate project
25 being built by Korea Offshore Windpower, which is a

1 subsidiary of the Korea Electric Power Corporate KEPCO which
2 is Korea's state-owned utility will be a 2.5 gigawatt
3 offshore wind farm. For context based on estimates we would
4 expect to sell more than 20 transformers for our 2.5
5 gigawatt project.

6 More generally, KEPCO is increasing its
7 investment in energy generation, transmission and
8 distribution by 17 percent in 2018 and will continue to
9 increase its annual investments over the next two years.
10 This too will generate additional demand for our
11 transformers.

12 Speaking of KEPCO I would like to address one
13 argument made by Petitioners contending that we are banned
14 from selling transformers to KEPCO. However that ban
15 applies to Hyundai Heavy Industries or HHI not to Hyundai
16 Electric. Although HHI used to produce transformers,
17 Hyundai Electric has been responsible for Hyundai's
18 transformer business since the 2nd quarter of 2017.

19 Accordingly, the ban does not apply to our sale
20 of transformers in Korea. Outside of Korea we see
21 significant investment in the electricity grids in other
22 Asian Countries such as Malaysia, Indonesia, Thailand and
23 Vietnam. So we also expect there to be opportunities to
24 sell transformers in these countries.

25 Indeed, Hyundai opened a new office in Bangkok,

1 Thailand in 2017 to further pursue such efforts. We also
2 sell high volumes of transformers to Middle Eastern
3 Countries including Saudi Arabia, Bahrain, Qatar, and the
4 United Arab Emirates. Although demand was down during the
5 past several years due to low oil prices, demand is on the
6 rebound.

7 According to public reports, the six member
8 states of the Gulf Cooperation Council will need to reinvest
9 131 billion U.S. Dollars in electricity generation,
10 transmission and distribution infrastructure to meet the
11 needs of growing populations and economic development in
12 those countries. Because of their central role in
13 electricity generation and energy grids, transformers are
14 at the heart of such investment.

15 By way of example, projects in Al Mutla, Kuwait,
16 the New Makkah Gate in Saudi Arabia and the New Sudair Solar
17 Power Project in Saudi Arabia have all generated demand for
18 electricity and in turn, transformers.

19 Additionally, recent changes to Korean Labor Law
20 will, by their nature restrict Hyundai's future production
21 capacity, effective July 1st, large Korean companies are
22 required to restrict workers to a 40-hour work week with 12
23 hours of overtime. Firms which violate this rule will be
24 subject to fines and possible prison sentences for
25 executives.

1 We have no plans to hire new workers at this time
2 and it would take 3-5 years to train them. As a result,
3 Hyundai will necessarily have to reduce its transformer
4 production in order to comply with the law. I will now
5 return to the U.S. Market and discuss the nature of
6 competition in this market.

7 With respect to supply, there are three main
8 sources of transformers to the U.S. Market: U.S. Producers,
9 Korean or Subject Producers and third country or non-Subject
10 Producers. First, I will comment on the U.S. Producers
11 based on what our sales representatives observed and also
12 based on our market intelligence.

13 Starting with ABB, this company recently closed
14 its main U.S. facility in St. Louis which was a surprise to
15 everyone in the industry. ABB can still produce
16 transformers at its South Boston facility but I understand
17 that this facility is limited to medium-sized transformers
18 probably up to 200 top MVA rating. I have not heard of any
19 ABB plans to expand the capacity of that plant to produce
20 larger transformers.

21 Also, when ABB participates in bids we mostly see
22 them offering transformers made in their foreign plants
23 including plants in Brazil, Canada, Spain and Poland.
24 Regarding Pennsylvania Transformer, I do not see this
25 company bidding much in the U.S. Based on feedback we have

1 received from customers we understand that Pennsylvania
2 Transformer has lost customers in the past because their
3 transformers have not performed very well.

4 In light of this, we do not consider Pennsylvania
5 Transformer to be a significant competitor. Virginia
6 Transformer is mostly active in bids to supply transformers
7 up to 100 MVA and below and our customers give them mixed
8 reviews in terms of quality. Virginia Transformer also owns
9 Georgia Transformer which have a plant in Rincon, Georgia.
10 This is a newer plant that came online around the same time
11 that HPT opened the Alabama facility.

12 However, our sense from customer feedback is that
13 customers remain skeptical about Georgia Transformers'
14 ability to deliver transformers that will perform well over
15 the life of the product. We also hear rumors that Georgia
16 Transformer has financial issues which is another factor
17 that scares off customers.

18 Mitsubishi is another newer entrant that opened a
19 plant in Memphis, Tennessee in 2012. However Mitsubishi only
20 makes shell-type transformers and focuses on high voltage
21 classes, so we do not see them much in bid competition.
22 This leaves Delta Starr and SPX both of which we see as
23 active in bidding for medium-sized transformers up to 200
24 MVA.

25 Based on our discussions with customers we

1 understand that both companies have good reputations for the
2 supply of small to medium sized transformers. Regarding
3 Korean Producers, there are four but only two are
4 significant participants in the U.S. Market. Hyundai, as I
5 have discussed, is currently phasing down its U.S. Exports
6 to make room for HPT's local production.

7 Hyosung has been successful in developing a
8 reputation as a reliable supplier of high quality
9 transformers. Iljin has made some sales in the U.S. but is
10 a much smaller producer capacity-wise and is more focused on
11 other markets. LSIS, the 4th producer is also small and has
12 never been active in the U.S. transformer market. In fact,
13 even in Korea we find LSIS is more focused on selling other
14 types of electrical equipment other than transformers.

15 Turning to non-subject suppliers, our sense is
16 that non-Subject Imports are the largest source of supply in
17 the U.S. Transformer Market. Of the non-Subject Suppliers,
18 ABB and Siemens have top brands and good reputations. ABB,
19 as mentioned, imports from their facilities in Brazil,
20 Canada, Spain and Poland. ABB is a global producer and that
21 is how they are perceived in the market place.

22 Siemens has plants in Austria and Brazil. SMIT
23 which has facilities in the Netherlands and Germany is
24 another strong competitor. Then there are two producers in
25 Mexico, GE Prolec and WEG which we spell W-E-G both of which

1 we understand offer low prices but I do not have specific
2 information.

3 There are also Chinese suppliers of transformers
4 to the U.S. Market. These are low-priced transformers that
5 are mostly sold to the public utilities. Because
6 non-Subject Imports have such a strong presence in the U.S.
7 Market we have had to work hard to make sales of
8 transformers produced by HPT and to gain the customers'
9 trust.

10 To do so, we focused first on selling to
11 municipal and public utilities because many of these buyers
12 do not require prequalification. As we established HPT's
13 ability to supply transformers to these type of customers we
14 were gradually able to demonstrate HPT's reliability and
15 could approach other types of customers such as
16 investor-owned utilities which do have rigorous
17 qualification requirements.

18 Today, we tend to stay away from public utility
19 bids because it is very hard to compete with the Chinese so
20 active there. Consequently to that extent we compete
21 against U.S. Producers it is primarily for sales to
22 investor-owned utilities. The bidding process for private
23 utilities is strictly closed. These utilities do not
24 disclose competing prices. At most, they give us vague
25 feedback after the project has been awarded that out base

1 price was low or high.

2 Consequently we find that our success with
3 private utilities has more to do with the quality of our
4 product, the overall soundness of our proposal and our past
5 performance. Price is just one of many factors that private
6 utilities consider when awarding bids for transformers.
7 Moreover, each bid project is unique, calling for customized
8 specifications. As a consequence we could not
9 sell at lower prices even if we wanted to. Rather, we set
10 prices based on our costs and reasonable profit. Also, it
11 is important to note that investor-owned utilities invite
12 which suppliers will bid and many investor-owned utilities
13 perceive U.S. producers as unable to supply quality high
14 voltage and large sized transformers probably greater than
15 300 MVA.

16 This concludes my comments and thank you very
17 much for the opportunity to testify today and I am happy to
18 answer your questions.

19 MR. CAMPBELL: Thank you. Our next witness is
20 Mr. Ted Arkuszeski of Howard Power Transformers USA.

21 STATEMENT OF TED ARKUSZESKI

22 MR. ARKUSZESKI: Good afternoon everyone. My
23 name's Ted Arkuszeski. I'm the Production Manger for
24 Hyundai Power Transformers USA or HPT for short. HPT is a
25 subsidiary of Hyundai Electric and Energy Systems Company

1 and a U.S. Producer of large power transformers. Our
2 production facility is located in Montgomery, Alabama. I
3 personally have worked for HPT for seven years and have
4 worked in the area of transformer production since
5 September of 2011.

6 I'm here today to discuss HPT's history and
7 current capabilities as well as our contribution to the
8 local economy. Hyundai Power Transformers USA was
9 established in July of 2010 and we commenced production
10 operations in 2011. Initially, we had the capability to
11 produce power transformers up to 600 in top-rated MVA and up
12 to a 550 Kilovolts in voltage.

13 Over the years we have steadily expanded our
14 manufacturing capabilities, increasing our manpower and
15 developing the skill of our members and adding manufacturing
16 equipment. It's not enough however to make power
17 transformers. To sell them and be successful in the
18 marketplace a supplier must pass the purchaser's rigorous
19 qualification requirements before it can bid for any
20 business.

21 These qualifications include customer reviews of
22 a host of metrics related to our company's past performance
23 and current operating conditions which include our safety
24 records, quality processes, our on-time delivery
25 performance, the skill level and years of experience of our

1 members, internal test failure rates and various
2 certifications for special processes as defined by our
3 company's ISO standards.

4 Customers also review raw material procurement
5 and evaluate our vendors and component suppliers. The
6 qualification process can range from several months to up to
7 over a year and it is most commonly accompanied by an
8 outside audit and evaluation of our facility prior to any
9 final decision being made.

10 Also for many customers, qualification is not
11 enough. The supplier must also demonstrate a proven track
12 record of supplying reliable transformers. As my colleague
13 June Kang explained, although progress developed steadily
14 over a number of years, Hyundai Power Transformers USA in
15 Montgomery, Alabama has proven to the marketplace that we
16 can make high quality and reliable power transformers and
17 this explains the success we've had to date.

18 Currently, our plant has the capacity to produce
19 roughly 85 power transformers this year, both subject and
20 non-subject. In terms of MVA, our overall production
21 capacity is around 14,000 MVA. However, our capacity is set
22 to expand. Earlier this year Hyundai Power transformers USA
23 announced a multimillion dollar expansion of the Montgomery
24 plant that will increase our production capacity by over 60
25 percent.

1 With the expansion we will also have enhanced
2 capabilities, producing transformers up to 650 in top-rated
3 MVA. Construction began just this month and we expect to be
4 completed over the next 18 months. As part of the expansion
5 we are making modifications to our existing capacitor bank,
6 adding another testing generator, increasing our crane
7 capacity.

8 Currently, we are working to relocate our 200 ton
9 and 300 ton cranes and adding yet another 200 ton capacity
10 overhead bridge crane. We are also proud of HTP's
11 contributions to Alabama's economy. Our Montgomery facility
12 currently employs just over 300 people. With the expansion
13 we plan to hire 86 more workers.

14 Because of the production of transformers
15 requires highly skilled workers we are also investing in
16 workforce training. In this regard, we have partnered with
17 the state government to help develop its workforce training
18 planning an activity through the Alabama Industrial
19 Development Training Program. We also have partnerships
20 with Alabama's two and four year state colleges in order to
21 contribute to workforce training and development.

22 In conclusion, we are proud of the success HPT
23 has achieved so far and we look forward to more success in
24 the future. Since Hyundai Power Transformers USA was
25 established in 2011 we have demonstrated a solid track

1 record as a supplier of high quality and reliable
2 transformers in the U.S. Market, have steadily increased
3 production and sales and we are implementing plans to grow
4 our production capacity and capabilities.

5 I want to thank you all for your time and Mr. Jun
6 and I will welcome any questions.

7 MR. CAMPBELL: Our last speaker is Ron Kendler
8 of White & Case.

9 STATEMENT OF RON KENDLER

10 MR. KENDLER: Good afternoon. My name is Ron
11 Kendler with White & Case here on behalf of Hyundai.

12 You have heard today from Hyundai representatives
13 who have worked both in Korea and in the United States.
14 Their testimony lays the foundation for and strongly
15 supports a finding that a revocation of this Order would not
16 lead to the recurrence of injury.

17 This is evident by first examining the conditions
18 of competition in this unique, highly specialized industry.
19 And, second, by assessing the likely volume, price effects,
20 and impact of revocation.

21 Regarding conditions of competition, the
22 Commission has recognized, both in this review and in the
23 original investigation, the unique nature of this industry.
24 LPTs are custom-made capital equipment costing millions of
25 dollars each, and designed to last for decades.

1 The process of selling such goods is likewise
2 unique. Competition in the LPT industry is marked by five
3 distinct conditions of competition. First, nontransparent
4 bid competition. Second, the predominance of factors other
5 than price. Third, alliance agreements that are open to
6 competition. Fourth, supply conditions highlighting that
7 subject imports are not the problem. And, finally, demand
8 conditions that will ensure vibrant competition both in and
9 outside of the United States. I will address each in turn.

10 First, starting with the nontransparent nature of
11 bidding. As you've heard from Jun Kang earlier today,
12 Hyundai primarily sells to private utilities whose bidding
13 process is strictly closed. The record before the
14 Commission corroborates Hyundai's experience.

15 Data shows that most purchasers and suppliers--17
16 out of 24--hold prebid meetings during which pricing is not
17 discussed. And then, in the course of bidding negotiations
18 themselves, 18 out of 23 purchasers stated that they do not
19 quote competing prices during negotiations. Even those who
20 stated that they do report pricing information do not
21 disclose actual prices.

22 Taken together, these responses share one
23 underlying crucial fact. Private purchasers typically do
24 not reveal the details of producers' pricing to competing
25 bidders. Without such information, it is impossible for

1 suppliers to attempt to gain market share through
2 underselling.

3 Second, purchasers consistently stated that price
4 is not the most important factor. Indeed, only one, one out
5 of twenty-seven responding purchasers, stated that it is.
6 It is therefore hard to understand Petitioner's argument
7 that, quote, "price drives purchasing decisions in the LPT
8 market." End quote.

9 So then if not price, what is most important?
10 Quality. Specifications. And technical expertise were all
11 cited by a plurality of purchasers as being the most
12 important factors in their decisionmaking. And, other
13 non-price factors such as product consistency, technical
14 support, and meeting industry standards were deemed very
15 important.

16 Now this makes perfect sense, given the nature of
17 the LPT industry. When purchasers spend millions of dollars
18 on a complex technical good, the failure of which would be
19 catastrophic, quality and reliability rank supreme. And
20 just as they recognize that price is not a central factor,
21 so too should the Commission in its analysis of competitive
22 conditions in this case, and in turn in assessing whether
23 injury can recur.

24 The third unique condition of competition in this
25 industry is the use of long-term agreements, including

1 alliance agreements. As Commission staff notes, just over
2 half of purchasers have bought LPTs under such agreements.
3 However, viewing such agreements as locking in supply from
4 particular producers, as the Petitioners allege,
5 over-simplifies and obfuscates the nature of such
6 agreements.

7 In the original investigation, the Commission
8 recognized that alliance agreements--and I quote--"do not
9 guarantee sales for a producer." And during the POR, only
10 one alliance agreement actually required the purchaser to
11 buy from the supplier. Although a handful of agreements in
12 place--excuse me--although a handful of agreements were
13 exclusive in nature, responses generally indicate that even
14 with alliance agreements in place purchasers provide
15 bidding opportunities to multiple suppliers.

16 In sum, alliance agreements neither lock in
17 supply nor lock out competitors.

18 Fourth, I'll turn to supply conditions in the
19 United States which make one thing clear: Subject imports
20 are not the problem. A number of U.S. producers for various
21 reasons unrelated to subject imports are simply not able to
22 supply the U.S. market.

23 For starters, a number of purchasers have stated
24 that U.S. producers cannot supply the larger size
25 transformers in which these purchasers are interested.

1 Record data corroborates this, as well as the fact that U.S.
2 producers have historically supplied smaller rather than
3 larger transformers.

4 Unfortunately, the specific information related
5 to this point is confidential, but we refer the Commission
6 to pages 9 and 25 of our prehearing brief, and the
7 confidential purchaser's views contained therein.

8 Next, the shutdown of ABB's St. Louis facility
9 eliminated a key source of domestic supply. And as noted in
10 our prehearing brief, ABB's refusal to directly answer
11 straightforward questions from Commission staff with respect
12 to this shutdown is disconcerting. It raises more questions
13 than it answers.

14 At the same time, you've heard today from Ted
15 Arkuszeski. HPT has made significant strides in production
16 and sales from its Montgomery, Alabama, plant. This
17 underscores the seriousness with which Hyundai treats its
18 status as a U.S. manufacturer.

19 If the Order is lifted, HPT's success as a U.S.
20 producer precludes a meaningful import--increase in import
21 volume, let alone the alleged flood of imports that
22 Petitioners envision.

23 Now on the import side of U.S. supply, two trends
24 are clear. First, subject imports from Korea will not
25 likely be significant in the event of revocation in light of

1 HPT's ramp up of U.S. production and the fact that Elgin and
2 LSIS, as the Commission has recognized, are not significant
3 exporters.

4 But second, and more importantly, to the degree
5 at all that imports are problematic, it is nonsubject
6 imports that deserve the Commission's scrutiny. Nonsubject
7 imports were the largest source of LPTs during the original
8 investigation and had an even greater presence during the
9 POR, constituting a sizeable majority of U.S. consumption,
10 demonstrating that these nonsubject foreign producers,
11 rather than the domestic industry, are the true
12 beneficiaries of the Antidumping Order.

13 Again, much of this information is confidential,
14 but we urge the Commission to take a close look and keep
15 these figures in mind to provide context when considering
16 Petitioners' arguments.

17 The final relevant condition of competition is
18 demand both in and outside of the United States. And with
19 respect to each, it is apparent that demand will drive
20 continued growth for LPTs, while at the same time ensuring
21 that Korean producers will also focus on market outside of
22 the United States.

23 As discussed in our prehearing brief, the factors
24 that drive U.S. demand for LPTs, electric power, industrial
25 construction, and housing starts, all recognized by the

1 Commission in the original investigation, are all projected
2 to grow.

3 The U.S. Department of Energy predicts the steady
4 growth of electricity demand from now until 2050.
5 Industrial construction is forecasted to grow 2.8 percent
6 this year, and then more than double to 5.8 percent next
7 year. And single-family housing starts, which the
8 Commission noted are more influential with respect to
9 electricity demand than multi-family housing starts, have
10 grown 40 percent by first quarter over the last three years.

11 Because LPT sales lag housing starts by 18
12 months, this, along with the other projected trends in
13 electricity demand and industrial construction, will drive
14 LPT demand in the coming years. And the current state of
15 the U.S. energy market will further propel such growth.

16 U.S. infrastructure is aging rapidly, with over
17 65 percent of power transformers in the national grid being
18 over 25 years old. Their replacement will stimulate new
19 purchases. And the growth in utility-scale renewable energy
20 will add to demand, a fact to which numerous purchasers have
21 attested on the Commission's record.

22 Put simply, U.S. demand is expected to grow for
23 the foreseeable future. Similar trends are evident in
24 subject producers other key markets, starting at home in
25 Korea. As the Commission is aware, Hyundai produces LPTs

1 for sale in both the domestic and export markets.

2 Korea represents a sizeable and growing portion
3 of Hyundai's sales. Further, as seen in table IV-8 of the
4 Commission staff report, in the first quarter of 2017
5 approximately 18 percent of Korean producers sales were made
6 to the domestic market.

7 In the first quarter of 2018, this figure doubled
8 to 39 percent. And this increase is expected to continue.
9 Data on the record before the Commission reflect the fact
10 that the growth in renewable energy has led to, and is
11 expected to continue generating, an increase in the demand
12 for LPTs.

13 Korea leads the way in such growth. As noted in
14 our prehearing brief, the Korean Government announced its
15 new energy roadmap which aims to generate 20 percent of
16 Korea's electricity from renewable energy sources by 2030.

17 Next, when Hyundai looks abroad, it seems
18 significant demand from other key markets. The Middle East
19 is a key market, both currently and in the future.

20 As seen in Table IV-12 of the Commission staff
21 report, in 2017 Korean exports of LPTs to Saudi Arabia,
22 Bahrain, the United Arab Emirates, Qatar, and Kuwait,
23 together represented 34 percent of all such exports.

24 Moreover, the need for electricity, particularly
25 in the Gulf States, is surging. The six member states of

1 the Gulf Cooperation Council will need to invest \$131
2 billion in electricity generation, transmission, and
3 distribution infrastructure in the next five years to meet
4 the needs of growing populations and economic development.

5 Because of their central role in electricity
6 generation and energy grids, LPTs are at the heart of such
7 investment. Demand from the Middle East is therefore
8 likewise expected to grow.

9 With these conditions of competition in mind, we
10 can turn to the statutory factors to be considered by the
11 Commission in determining whether or not to revoke the
12 Order. That is, based on the conditions of competition for
13 the industry, we see that the likely volume and price
14 effects and impact of revocation will not lead to the
15 recurrence of material injury.

16 Starting with volume, in the event of revocation
17 any increase in the volume of subject imports would not be
18 significant. First and foremost this is because of HPT's
19 considerable presence in and sales to the U.S. market. But
20 it is also because the other statutory factors upon which
21 the Commission relies all indicate that any increase will
22 not be significant.

23 Korea's production capacity declined over the
24 POR, and none of the four Korean producers have invested in
25 any additional capacity. Increased demand in key markets

1 such as the Middle East, East and Southeast Asia, will lead
2 to greater subject shipments to those markets rather than to
3 the United States.

4 The lack of inventories in this industry means
5 that that factor is not relevant. Antidumping Orders in
6 Argentina and Canada will not affect imports as Korean
7 shipments to Argentina were already low prior to the
8 Argentine Order, and Korean producers reported shipping LPTs
9 to Canada during the POR when the Canadian Order was in
10 place. Product shifting is unlikely due to the long lead
11 times in this industry and the fact that 94 percent of
12 Korean producers' current production is focused on the
13 production of subject merchandise.

14 And finally, any increase of subject imports
15 would come at the expense of nonsubject imports. Adverse
16 price effects are equally unlikely. The reported bidding
17 data, combined with the closed bidding process, indicate
18 that underbidding is not likely to be a problem.

19 The nature of this industry and the product
20 ensures that purchasers will continue to focus on nonprice
21 factors such as quality and reliability, thereby precluding
22 any adverse price effects. And the lack of price
23 suppression by subject imports during the POR means that it
24 will not likely be a factor in the future.

25 In addition to the lack of volume and price

1 effects, there would be no likely adverse impact in the
2 event of revocation. There is no causal nexus between
3 subject imports and the domestic industry's financial
4 performance. After the Order went into effect, nonsubject
5 imports replaced subject imports in the market. Thus, if
6 the Order is revoked, and if subject imports increase, they
7 will replace nonsubject imports rather than domestic
8 production.

9 And finally, the projected growth in U.S. demand
10 necessitates a steady supply of LPTs in the market.

11 As the Commission considers whether to revoke the
12 Order, I would like to echo the words from our prehearing
13 brief and urge you to look beneath the surface. Once the
14 Commission does so, numerous key elements inherent to this
15 case from the unique nature of this industry to the role of
16 nonsubject imports, and indeed the efforts of a U.S.
17 producer to import nonsubject merchandise, indicate that
18 injury will not recur if the Commission revokes the Order.

19 Accordingly, Hyundai urges the Commission to do
20 so. Thank you for your time today, and we look forward to
21 your questions.

22 STATEMENT OF DAVID BOND

23 MR. BOND: Good afternoon. My name is David
24 Bond, and I'm an attorney with White & Case.

25 In the Petitioners' brief, and again this morning

1 during their presentation, they spent a considerable amount
2 of time talking about the spinoff of HEES from Hyundai Heavy
3 Industries. In our view, the spinoff is irrelevant to your
4 analysis here. But at the risk of being dragged down into
5 the mud, we think it is important to set the record straight
6 on a few points.

7 First of all, all of the key decisions related to
8 the spinoffs occurred long before the Commerce Department's
9 preliminary changed circumstance determination--I'm sorry,
10 before the Commerce Department's final determination in
11 March 2017 where it assigned the AFA margin to Hyundai.

12 In November 2016, four months before the Commerce
13 Department's decision, the board approved the spinoff. In
14 January 2017, about eight weeks before the Commerce
15 Department's determination, Hyundai notified the Korea
16 Financial Services Commission. And in February, about a
17 month before the Commerce Department's determination, the
18 shareholders approved the spinoff.

19 So while it is true that the spinoff only became
20 effective a few weeks after the Commerce Department's
21 determination, all of the key decisions that led to that
22 were set in motion long before Hyundai was aware that the
23 Commerce Department would assign it an AFA margin in
24 mid-March.

25 Second of all, the spinoffs were made for purely

1 commercial reasons. Prior to the spinoffs, HHI consisted of
2 several divisions, each of which made very different
3 products, had very different groups of clients, et cetera.
4 You had divisions that made ships. The shipyard at Uulstan
5 is the largest in the world, so you had ship productions
6 side by side with the production of transformers, robots, a
7 variety of different products.

8 So in order to improve the efficiency of these
9 companies, the decision was made to split them up so that
10 the individual companies were more rationally related to
11 specific products and client groups. And I'd note that HEES
12 with the transformers was not the only spinoff. Multiple
13 companies were spun off at the same time, most of which have
14 absolutely nothing to do with transformers.

15 Therefore, the claim that the transactions were
16 performed in order to avoid dumping duties, or in relation
17 to any other findings by Korean authorities, is obviously
18 incorrect.

19 Third, Petitioners counsel incorrectly states
20 that DOC was not notified prior to the spinoffs. That is
21 incorrect. As the Department itself noted in its
22 preliminary changed circumstance determination, and I quote,
23 "On January 27th, 2017, counsel to HHI informed Commerce of
24 the likely spinoffs when they met with Commerce officials."

25 So Commerce clearly was on record about eight

1 weeks before the spunoff--I'm sorry, eight weeks before
2 their AFA determination and even longer prior to the actual
3 effective date of the spinoffs.

4 And fourth, we believe that the Commerce
5 Department's AFA determinations were illegal, and for that
6 reason both of them are currently on appeal before the Court
7 of International Trade. Oral argument in the POR-3 appeal
8 was heard recently, and we expect a ruling to be issued in
9 that case probably before you have a vote in this sunset
10 review. So hopefully you will have an opportunity to see
11 where the court comes out with respect to our claims and the
12 legality of those AFA rates.

13 Thank you.

14 MR. CAMPBELL: Jay Campbell with White & Case
15 again. This concludes our affirmative presentation. We
16 look forward to your questions. Thank you.

17 COMMISSIONER WILLIAMSON: Thank you. I wanna
18 express appreciation for all the witnesses for coming and
19 the testimony that's been presented. It's kind of hard to
20 figure out where to begin. So I'm gonna be jumping around
21 here.

22 Mr. Kendler, you had, I'll use that -- because
23 quality was much more important than price, therefore price
24 is not that driving force. But that would indicate that,
25 look at Tables 2-8 and -10, it looks like domestic producers

1 and subject producers are comparable. I mean there's
2 nothing that indicates that one has an advantage over the
3 other when it comes to quality. And so if that's the case,
4 why isn't price the driving force?

5 MR. KENDLER: Thank you, Commissioner Williamson.
6 Ron Kendler, White & Case. I would contend that it boils
7 down to, again, other nonprice factors. It's not just
8 quality. We have existing relationships. We have technical
9 support. We have the fact that, even though at times you
10 have Alliance Agreements that set out basic design.
11 Producers still have unique transformers to offer. There's
12 a whole host of nonprice factors that become relevant in an
13 industry like that where the product is very expensive.
14 It's highly customizable. It's meant to go into service for
15 decades.

16 COMMISSIONER WILLIAMSON: Yeah, but usually when
17 we have those kind of things, you have a bunch of purchasers
18 in here telling us this is what's driving it. We don't have
19 anything really on the record that substantiates those
20 differences. At least that I can recall seeing.

21 MR. KENDLER: Well, I would point again to the
22 purchasers stating the most important factors all of which
23 are not price. That in my mind is what sets up the counter
24 to petitioners point that it is the driving factor.

25 COMMISSIONER WILLIAMSON: But when they talk

1 about what's, you know, does one side have advantage over
2 the other? They're basically comparable. I don't -- I'm
3 mixing up the tables here, but if you look at those -- well,
4 there's three sets of tables. 3-6 and I guess 2-8 and 2-10.
5 Anyway, you can look at post-hearing. But the data that we
6 have show that products are comparable.

7 They don't seem to give advantage to one or the
8 other. More so than we see in most cases. And then I know
9 what you said about, where quality ranks, but price is the
10 second factor. So I just, I don't see what's the basis for
11 them saying these other factors outweigh price?

12 MR. KENDLER: We can address this post-hearing,
13 but at this point, I would just point to things like
14 existing relationships, customer support --

15 COMMISSIONER WILLIAMSON: But anything to
16 substantiate that, because right now we -- at least I
17 haven't seen anything yet.

18 MR. KENDLER: Certainly.

19 COMMISSIONER WILLIAMSON: And it's just, they say
20 it and you say it. Okay. The other thing that struck me, I
21 think you said, the fact that, you know, Hyundai's, you
22 know, the Alabama operation precludes increases in imports.
23 And that word precludes really struck me. Because if they
24 can sell both from the Alabama facility and from Korea, why
25 not do that?

1 MR. KENDLER: Well, I think the focus is to
2 increase imports from Alabama and that's what we've seen
3 over the POR is that ramp-up of production. We see that now
4 with the investments efforts that are being made as we've
5 heard from Mr. Arkuszeski. I think that that's the aim over
6 time is to shift.

7 I mean it makes sense certainly for Hyundai's
8 U.S. customers to source more and more from the United
9 States. It makes sense for Hyundai to serve those customers
10 from the United States. So I would say that the effect is
11 preclusionary insofar in that it's in Hyundai's interests
12 and in its customers interests to serve from the Montgomery
13 plant and Hyundai intends to continue doing so and to ramp
14 that up.

15 COMMISSIONER WILLIAMSON: Okay, Mr. Campbell?

16 MR. CAMPBELL: I would just add that over the
17 three-year POR, you actually see that phase-down. You see
18 the declining exports coming from Hyundai in the reported
19 U.S. shipments and you see conversely an increase overall
20 from 2015 to 2017 for HPT, the U.S. facility.

21 COMMISSIONER WILLIAMSON: Okay. But then you
22 have the other Korean producer, too. So the volume --

23 MR. CAMPBELL: Right, with respect --

24 COMMISSIONER WILLIAMSON: -- at the end, the
25 volume of imports is --

1 MR. CAMPBELL: Right, but the fact remains that
2 -- I'm sorry, I don't mean to interrupt, but in the original
3 investigation, and it was true then and it's true now that
4 Hyundai and Hyosung were the only two Korean producers of
5 significance that exported to the United States.

6 That remains true today. Ilgin and LSIS are both
7 much smaller Korean producers with insignificant exports to
8 the United States. And Hyosung, based on their pre-hearing
9 brief, you know, they have discussed how, explained how
10 their success in the U.S. market is largely based on the
11 reputation that they've established based on quality power
12 transformers and reliability, and not based on price.

13 And in fact, we submit that the bid data
14 corroborate that, that point that they've made and we can
15 discuss that more in post-hearing since it involves
16 confidential data. But that's how we account for each
17 producers. The fact remains that Hyundai is a very
18 significant, one of the two significant exporters.

19 And the fact that it has now an affiliated U.S.
20 producer that is one of the top U.S. producers at this
21 point, is a very significant change since the original
22 investigation, that adds to and demonstrates why, if there
23 were a revocation of the order, there would not likely be a
24 significant increase in imports from Korea.

25 COMMISSIONER WILLIAMSON: Okay. How dependent on

1 demand growth is your argument that an adverse impact is
2 unlikely? And I ask this question, given that the domestic
3 producers said demand, I guess, basically gonna be flat. I
4 know other arguments you've made about why you expect it to
5 grow, but they were also talking about the fact that the
6 existing, with the monitoring that can be done, the existing
7 transformers can last longer. And I don't think you
8 mentioned that fact. So I was -- so you do have different
9 outlooks on growth going forward?

10 MR. KENDLER: We would posit that the projected
11 demand that's been stated are ones that have made by sources
12 that are very familiar with the industry. They were
13 submitted with our brief. These are sources, as well as the
14 producers themselves, are familiar with the equipment.

15 The equipment itself is not going to double the
16 life of a transformer just by virtue of its placement. And
17 the calculations are made for the equipment stand. So I
18 would just point to the studies that have been done of this
19 industry by professionals who are familiar with it.

20 COMMISSIONER WILLIAMSON: Okay. But why are the
21 producers that went out looking -- you have the other
22 since--

23 MR. KENDLER: Well the one thing --

24 COMMISSIONER WILLIAMSON: Why are the exports
25 dueling?

1 MR. KENDLER: Certainly. Particularly, one thing
2 that struck me listening to petitioners' testimony and the
3 producers' testimony was that it was very rear-ward looking,
4 with respect to both the United States and the rest of the
5 world in terms of demand.

6 The only thing they mentioned was low oil prices
7 in the Middle East, and that is a condition that did exist,
8 but the condition looking forward is the massive increase in
9 electricity consumption that we're seeing, and the
10 industrialization in those countries which is demonstrably
11 linked to an increase in demand in the future.

12 At the same time, petitioners said nothing of the
13 factors that the Commission noted in the original
14 investigation -- are tied to projected demands in LPTs,
15 housing starts, industrial construction, electricity demand,
16 those have all been projected to increase.

17 All I heard from the other side was about things
18 that have been happening in the past and other hardware
19 changes that could be linked to improvement, but do nothing
20 to counter the data, again, from independent surveys that
21 demonstrate that, on a macro level, this market will
22 increase significantly in demand in the coming years.

23 COMMISSIONER WILLIAMSON: Mr. Kang?

24 MR. KANG: If I may add -- this is Jun Kang from
25 Hyundai -- I listen the domestic suppliers mentioning

1 something about the fiber optic technology and monitoring
2 devices to predict the life cycle of a transformer unit.
3 That's just for better prediction and better management of
4 an existing transformer unit. It doesn't change the fact
5 that that unit is old and it needs to be replaced
6 eventually after 30 or 40 years of life cycle has been
7 achieved.

8 So we think historically the U.S. market has had
9 that constant need of replacement transformers throughout
10 the system. Some units out there are 70, 80 years old.
11 Just because, you know, the purchasers have their own
12 budgets. So depending on their budgets and plans, they keep
13 on postponing it or they want to use it a little bit more.
14 Give it a try. But the need is out there. And also, one
15 more point I would like to make is, we see some of the
16 private utilities now teaming up to come up with stacking
17 the transformers and sharing among them.

18 Because in preparation of the major events such
19 as climate disasters or terrorists attacks, these are
20 critical infrastructure equipment. So we see even
21 Department of Energy heading program that looked into this,
22 but a number of utility companies are trying to get prepared
23 in advance and they buy, they are trying to buy a
24 standardized type of transformers where they can share the
25 transformers in a certain location and get prepared for the

1 very bad incidents.

2 COMMISSIONER WILLIAMSON: Does that mean a higher
3 level of demand? This sharing? Or how does that effect
4 overall demand?

5 MR. KANG: Overall demand? I wouldn't say it
6 would be a substantial increase, but it is -- yes.

7 COMMISSIONER WILLIAMSON: Okay. Good. Thank you
8 for those answers. Commissioner Broadbent?

9 COMMISSIONER BROADBENT: Thank you. I wanna
10 welcome the panel and thank you for your clear presentation.
11 Mr. Kang, this morning, we heard testimony from producers
12 that in some cases, Hyundai Montgomery will win a bid, but
13 the transformer will actually be made in Korea, and the
14 maintenance will occur in Montgomery. Does this happen?
15 And if so, under what circumstances?

16 MR. KANG: That particular project was where we
17 produced a shunt reactor unit which is a type of a
18 transformer, but it's a nonsubject item. And we produced it
19 from Korea and brought it into Wisconsin, but we utilized
20 Alabama's entity name because Alabama was responsible for
21 the local installation and the transportation.

22 COMMISSIONER BROADBENT: So that just happened
23 once?

24 MR. KANG: As far as I know, yes.

25 COMMISSIONER BROADBENT: Okay. Can you explain

1 in greater detail which Hyundai entities are covered by the
2 ban on sales to KEPCO? And which ones are able to sell to
3 KEPCO?

4 MR. KANG: Hyundai is banned from KEPCO in terms
5 of Hyundai heavy industry is being banned, but being Hyundai
6 Electric, we are not the entity that is banned from KEPCO.

7 MR. CAMPBELL: And Hyundai Electric is the entity
8 that makes large power transformers. So in effect, there is
9 no current KEPCO ban on LPTs supplied by Hyundai from their
10 Ulsan plant in Korea.

11 COMMISSIONER BROADBENT: Did that spin-off help
12 that situation? In addition to the dumping duties?

13 MR. KANG: Yes, it did help.

14 COMMISSIONER BROADBENT: Okay. Mr. Kang, given
15 the size of the large power transformers, how important are
16 transportation costs dictating whether a specific supplier
17 will be able to sell to purchasers that are not in close
18 geographic proximity?

19 MR. KANG: Transportation costs occupies quite
20 substantial portion of the overall offer amount.

21 COMMISSIONER BROADBENT: Mr. Kang, on Page 2-13
22 of the staff report, it states that one reporter whose name
23 is in brackets, or confidential, reported a large increase
24 in the number of smaller windfarm generator transformers.
25 The importer expects the future electrical grid to be more

1 decentralized, which will reduce the average size and
2 increase the quantity of new power transformers. Do you
3 agree that the grid is likely to become more decentralized?

4 MR. KANG: As the domestic supplier mentioned
5 during earlier today hearing, we agree that the renewable
6 energy sources, the shift towards renewable does make the
7 transformers smaller and may require quantity-wise, it may
8 require more transformers. Comparing to the existing main
9 power sources from nuclear or cold-fired.

10 COMMISSIONER BROADBENT: Okay. So what does that
11 do the in-scope group of transformers? Is that all in-scope
12 that you're talking about? Are they gonna shift from larger
13 to smaller and maybe more, but they'll still be in-scope?

14 MR. KANG: The feedback that I just provided
15 about expecting smaller and more transformers from renewable
16 side is just for that windfarm or the solar farm only. And
17 there may be some auxiliary or distribution infrastructure
18 that may accompany that new windfarm or solar farm in the
19 certain location. But in terms of LPTs, 60 MFAs and above,
20 yes, shift towards renewable will make the transformer sizes
21 smaller and we expect more quantity.

22 I see. This is Jun Kang from Hyundai. The
23 average sizes of windfarms or solar farms that I see, based
24 on my experience, they are maximum, on a single farm, it
25 will be a 200 megawatt project. And those farms can go down

1 probably below the scope of 60 MVA or 60 megawatt sizes.
2 But most of the windfarms I would say 60 are within the
3 scope, yes.

4 COMMISSIONER BROADBENT: Thank you very much. I
5 appreciate that. So what factors drive increased demand for
6 the larger transformers?

7 MR. KANG: The larger transformers I would say,
8 as I mentioned before, the replacement needs are still
9 there. Not all the generating stations are closing down
10 these days. We do see needs from the nuclear side and also
11 cold-fired and also gas-fired plant replacement needs. And
12 also there are substation units which are
13 transmission-purpose transformers that are pretty good size
14 units within the transmission system that needs to be
15 replaced.

16 COMMISSIONER BROADBENT: Okay. What accounts for
17 the consistent presence of subject imports from Korea in the
18 U.S. market, despite the presence of the antidumping order?
19 Isn't this an extremely expensive product for purchasers to
20 buy while paying an antidumping duty as well?

21 MR. CAMPBELL: Some customers we understand that
22 Mr. Kang corroborate or elaborate, but my understanding is
23 that some U.S. customers still prefer Korean product based
24 on prior experience. This is the type of product that
25 proven track record and knowledge and familiarity with the

1 product matters, so there is still U.S. demand for Korean
2 transformers, even with the duty. But I'll let Mr. Kang
3 elaborate on that.

4 MR. KANG: Yes, so this is Jun Kang from Hyundai.
5 Purchasers, they approve the vendors by factory,
6 manufacturing location. So, for example, if they approve
7 Alabama, that doesn't mean they approve Ulsan. They
8 separately pre-qualify each manufacturing location and in
9 terms of Alabama, there are still limitations in terms of,
10 because of the crane size and the test slab capacity, there
11 are types of units that Alabama cannot produce at this
12 moment. So in those cases, we need to look into bringing
13 in from Korea.

14 COMMISSIONER BROADBENT: Okay. This question
15 relates to the transparency of the pricing information. You
16 all were pretty clear in your view that price information
17 doesn't transfer about very easily. Most purchasers
18 reported that they generally do not quote competing prices
19 during negotiations.

20 But on Page 513 we provide purchasers statements
21 about how general pricing information becomes known in the
22 U.S. market, including through post-bid feedback, the RFP
23 process, win/loss rates, historical price data and market
24 index trends. This suggests that there are many informal
25 mechanisms for prices to be shared throughout this market

1 even if there's little formal quotation of competing prices
2 in the market. Do you agree with this characterization?

3 MR. KANG: I will like to make a distinction
4 between the types of customers we deal with, the public
5 utilities. Because it's an open bid, of course, we can take
6 a look at the competitors or the participants pricing level.
7 IOUs, Investor-Owned Utilities, it is extremely difficult to
8 get any type of feedback from our customers, even after they
9 order through our competitor, they wouldn't even share who
10 won that project.

11 They wouldn't give out the name. So obtaining
12 pricing feedback, we do occasionally get a vague feedback
13 that, "Hyundai, you were not quite there," that level of
14 feedback. But in terms of giving us exact percentage or any
15 value, they would not give out those type of information.

16 COMMISSIONER BROADBENT: Well, for just the
17 post-hearing, could you look at Page 5-13 and just comment
18 on how that's characterized? I don't know if it's
19 distinguished between the utilities versus the IOUs. Thank
20 you.

21 COMMISSIONER WILLIAMSON: Commissioner
22 Schmidtlein.

23 COMMISSIONER SCHMIDTLEIN: Thank you very much.
24 I'd like to thank the witnesses for being here this
25 afternoon. With regard to Hyundai U.S., Hyundai Korea's

1 production and supply strategy, is there a coordinated
2 supply strategy for the U.S. market between those two
3 entities? Do the two entities talk to each other and decide
4 which entity is going to bid on a particular project?

5 MR. KANG: When we first receive a new request
6 for quotation, then that RFQ is shared with the sales teams
7 of both entities, and we do -- unless the client specifies,
8 "Hyundai Ulsan, you guys come in, Hyundai Alabama, don't
9 come in," that kind of -- unless they don't specify, we
10 usually come up with two quotations for a certain type of
11 transformer. And that quotation, two quotations are
12 compared at our sales headquarters in Korea.

13 COMMISSIONER SCHMIDTLEIN: And then you make a
14 decision to submit one? Or do you sometimes compete with
15 each other on the same project?

16 MR. KANG: There are times when the customer
17 doesn't have a preference, so we let the customer choose
18 which location you would like us to proceed with. So we
19 submit two proposals.

20 COMMISSIONER SCHMIDTLEIN: There are times when
21 you will submit two proposals?

22 MR. KANG: Yes.

23 COMMISSIONER SCHMIDTLEIN: And if you are
24 submitting only one proposal, can you talk about what is the
25 determining factor for --

1 MR. KANG: Yes. If it's a situation where the
2 customer wants local manufacturing only, they sometimes
3 specify that. They only want U.S. or North American
4 suppliers. In those cases, we only pursue our Alabama
5 facilities' proposal. And vice versa, there are customers
6 who really prefer Ulsan factory, and also, as I mentioned
7 before, there are types of units that we cannot manufacture
8 from Alabama. So in those types of cases, we only go with
9 Ulsan proposal.

10 COMMISSIONER SCHMIDTLEIN: So is that the only
11 time you would go with the Korean factory is if Alabama
12 doesn't produce it or if the customer has a stated
13 preference for the Ulsan factory?

14 MR. KANG: Yes, that is.

15 COMMISSIONER SCHMIDTLEIN: Okay, thank you. This
16 might be a question for Mr. Campbell. In the petitioners'
17 exhibits that they attached and in the, actually the public
18 version, at Slide 8, in looking at the bid data, they
19 created an exhibit -- I'll let you pull it up here -- so the
20 caption on the exhibit is "Underselling remains the key when
21 Korean producers win bids."

22 And they've calculated the percentage that -- the
23 percentage of Bids 1 where the Korean bid was the lowest was
24 90% from over the period of, well, most of the period of
25 review, '15 to '17, and that that demonstrates that price is

1 the driving factor when the Koreans win. Can you respond to
2 that argument?

3 MR. CAMPBELL: First of all, yes, because this
4 is limited to instances where Korea actually won. In our
5 view, it presents a limited picture and is not indicative of
6 the Korean producers' behavior overall.

7 In Exhibit 12 to our prehearing brief, we
8 provided the bidding--a compilation of the bidding data
9 results. And in our view what it shows is mixed
10 over-bidding and under-bidding. So if you look overall at
11 the Koreans' behavior, I think that's what you see, rather
12 than under-bidding. It's a mixed picture.

13 Secondly, more broadly than the bid data,
14 purchasers reported--it's indicated in the staff report that
15 there is no price leader. There are no price leaders in the
16 U.S. LPT market. And secondly, purchasers also reported
17 that Korean and U.S. prices are comparable.

18 So I would say that limiting this slide, which
19 limits the instances to where Koreans won, is not indicative
20 of the overall behavior. And overall behavior shows more of
21 a mixed over-bidding, under-bidding, which is what you would
22 expect in the context of a bid competition for
23 investor-owned utilities that largely closed.

24 COMMISSIONER SCHMIDTLEIN: But doesn't it
25 suggest something, that 90 percent--when you look at just

1 the ones the Koreans won, that 90 percent of the time they
2 are at the lowest price, whereas if you look at when the
3 U.S. wins or when nonsubject wins, it doesn't approach the
4 90 percent level of it being the lowest price?

5 In other words, it looks like price is driving
6 those decisions. But when you're talking about other
7 bidders, it's not always based on price. And that because
8 of--and the reason that that's--you know, the demonstration
9 for that is this bid data that we have. I mean, is it just
10 a coincidence that 90 percent of the time they're the lowest
11 bidder when they win?

12 MR. CAMPBELL: I think we've have to comment
13 posthearing, because--

14 COMMISSIONER SCHMIDTLEIN: Okay.

15 MR. CAMPBELL: --there is--you know, also in the
16 bid data the purchasers were asked to report the reasons for
17 awarding the project. And all of that is confidential, but
18 that would help us dig into the details of each of these
19 instances where Korea won.

20 And my point is that I believe from memory at
21 least, there are, you know, explanations of why the Koreans
22 won, and the explanation is not price.

23 COMMISSIONER SCHMIDTLEIN: Okay. If you could
24 do that posthearing, that would be helpful.

25 Okay, shifting gears just a little bit with

1 regard to the question of the role of nonsubjects, and I
2 think this was part of the presentation, the argument being
3 made that nonsubjects are the largest source in the market.
4 And that if the Order is revoked Koreans would take subject-
5 -would take share from the nonsubjects rather than the U.S.
6 producers. That's basically the argument. Because--and the
7 argument goes--the U.S. is not benefitting from the Order,
8 and this is demonstrated by the increase in nonsubject
9 share over the course of the period of review.

10 So can you respond to the argument, if you look
11 at Figure I-1, which is on page 1-6, which shows the
12 relative shares of apparent consumption from 2012 to 2017?
13 And you see there that after the Order was put in place,
14 subject does decrease U.S. gain in 2013. And then around
15 two thousand--actually the U.S. does better in I think
16 '13-'14-'15, and then starting in '15, Koreans start to
17 increase but they take share from not just nonsubject but
18 also U.S. over '15, '16, and '17, and in fact take more
19 share from the U.S. than they do from nonsubject.

20 So doesn't that undermine the argument that if
21 you revoke the Order, it won't have an adverse effect on the
22 U.S. producers?

23 MR. CAMPBELL: Well what I would point you to,
24 Commissioner, is Tables I-8 and I-9 in the staff report,
25 which provide a more accurate view or picture of what's

1 going on. Because those tables break MVA down by range, 60
2 to 299, and 300 MVA and above.

3 And Petitioners made a big deal about the past
4 three years, and they argued that, look, if you look at 2015
5 to 2017, you see that the subject imports' market share
6 increased while the U.S. producers' market share decreased.
7 But that's skewed by MVA and product mix.

8 And when you look at the tables I-8 and I-9,
9 which are broken down by MVA range, you see a more accurate
10 picture. You see in Table--I can't use numbers, it's VPI,
11 but if you look at Table roman numeral I-9, you see that in
12 the larger MVA, transformers 300 MVA and above, where U.S.
13 producers aren't as active, you see that they actually
14 gained market share.

15 And then if you turn to--so subject imports were
16 not taking market share there in that MVA range. And then
17 if you turn to Table roman numeral I-8 in the size ranges
18 from 60 to 209 MVA, 299 MVA, where U.S. producers are more
19 prevalent and where they indicate demand is trending, you
20 see a much different story. And you see what's going on
21 with the nonsubject imports compared to the U.S. producers,
22 and the U.S. producers' loss of market share.

23 So I would point you to those tables. And we
24 submit that that demonstrates that nonsubject imports are
25 the principal cause of any harm, and nonsubject imports were

1 the main beneficiaries of subject import--any loss in market
2 share by subject imports. And figure I-1, we can elaborate
3 posthearing, but a limitation with that table is that it's
4 not broken down by MVA range like Tables roman numeral I-8
5 and I-9.

6 COMMISSIONER SCHMIDTLEIN: So is it your
7 argument, though, that the U.S. isn't--I mean they do
8 participate in the greater-than-300 MVA, right?

9 MR. CAMPBELL: We recognize that, yes.

10 COMMISSIONER SCHMIDTLEIN: Okay.

11 MR. CAMPBELL: But nevertheless, we also
12 understand from Mr. Kang that a perception still persists
13 among U.S. purchasers that U.S. producers lack--that U.S.
14 producers lack--that U.S. producers lack capabilities in the
15 greater-than-300 MVA range. And you do see that U.S.
16 producers aren't as active there as they are in the 60 to
17 299 MVA range.

18 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
19 you. My time is up

20 COMMISSIONER WILLIAMSON: Commissioner Kearns?

21 COMMISSIONER KEARNS: Thank you, all the
22 witnesses, for appearing before us today. I guess I want to
23 go back to an issue that was discussed earlier about demand
24 in the future.

25 As I understand it, you expect that LPT demand

1 will go up because electricity consumption in the United
2 States is likely to go up? Is that basically right?

3 MR. KENDLER: That's correct. Based on
4 projections by the Department of Energy, yes.

5 COMMISSIONER KEARNS: Okay, so I'm wondering, if
6 you look at--now I've lost the page--we've got a graph in
7 the staff report that shows electricity consumption over the
8 past I think it's five years. And one point is, demand has
9 been pretty constant during that whole period.

10 And I heard what you said before, Mr. Kendler,
11 about how you think Petitioners are kind of relying too much
12 on the past to project the future, but--and it's not just
13 three years, it's five years they're showing pretty constant
14 electricity consumption. And I'm wondering, you know, given
15 that, how much credence we should put in the idea that
16 demand will take off going forward?

17 MR. KENDLER: The credence I would give is the
18 fact that this is a study from the Energy Information
19 Authority of the U.S. Department of Energy. They, in that
20 study that we submitted with our brief, noted the kind of
21 stagnant demand that you, Commissioner Kearns, had noted.
22 And based on their projection there will be that steady
23 increase for the next 32--sorry--yes, 32 years.

24 So I recognize and understand that demand has
25 been, as you said, relatively staid for the last several

1 years, but the projections are that it is going to increase,
2 and that's based on studies from authorities that regularly
3 study and understand these markets.

4 COMMISSIONER KEARNS: Okay. Now the other point
5 on this, though, is, doesn't the recent past suggest that,
6 that electricity consumption and LPT consumption are not all
7 that well related?

8 In other words, you see on that graph pretty flat
9 electricity consumption, but we know that LPT has sort of
10 gone up and down, and we talked throughout the day about the
11 reasons for that. And so--and especially given that this is
12 a product that lasts 30 years, and that there's these other
13 factors that play, changes in energy types, the monitors
14 that allow the product to last longer, all these other
15 factors, is it really a good basis to kind of project what
16 LPT demand will be based on electricity demand when the past
17 seems to suggest that they're not that well correlated?

18 MR. KENDLER: I would say that it's one of
19 several bases--

20 MR. BURCH: Would you please identify yourself?

21 MR. KENDLER: Ron Kendler, White & Case. I
22 would say that it's one of several bases. It's not the only
23 one. Just to go through a few of your points, we heard from
24 Mr. Kang earlier that these monitors will essentially just
25 tell you what's going on inside the transformer. They don't

1 mean that the lifespan of the good is changing, necessarily.

2 We've also seen the other elements of demand, or
3 the demand drivers that the Commission has noted in the
4 original investigation, particularly industrial construction
5 and housing starts. And those have increased, or are
6 increasing, with industrial construction increasing this
7 year and next year, projected, as well as housing starts
8 increasing over the last three years every first quarter.
9 And there is an 18-month lag between that increase and the
10 increase in demand for LPTs.

11 So I'm not suggesting that purely by virtue of
12 the projected increase of electricity that will
13 automatically result in increase in demand for LPTs. This
14 is just one factor in a broad picture that, taken together,
15 suggests that the increase in demand for LPTs is there.

16 COMMISSIONER KEARNS: Okay, thank you.

17 Now turning to price, Commissioner Schmidtlein
18 had you look at slide 8 of Petitioner's presentation. I
19 guess I'd have you look at slide 7, as well. I mean there--
20 because I think I heard in your answer that you said, well,
21 slide 8 only relates to bids won with under-selling, but
22 with slide 7 we're seeing what happened where Korea
23 over-sold. And it's a pretty different picture from when
24 Korean under-sold.

25 So how do you square this with the notion that

1 pricing isn't that important?

2 MR. CAMPBELL: Jay Campbell with White & Case.
3 Well first of all, I will point out again that this slide is
4 limited to instances where either the United States or Korea
5 won the bid. So it's not indicative of the Korean
6 industry's overall behavior with respect to price.

7 COMMISSIONER KEARNS: Could you--before you go
8 on--what do you mean by that? Can you flesh that out a
9 little bit more?

10 MR. CAMPBELL: Well this only shows--this data
11 set is limited to instances where both Koreans and U.S.
12 producers were present in terms of competing for a bid
13 project. And it's also limited to instances where either a
14 U.S. producer or a Korean producer won.

15 So in that sense, it's not complete. It's not
16 showing Korean producers' bidding behavior overall, because
17 it's limited to instances where they competed against a U.S.
18 producer, and it's limited to instances where either a
19 Korean or a U.S. producer won.

20 COMMISSIONER KEARNS: So basically it's not
21 really factoring in nonsubject imports and what role they
22 played in this?

23 MR. CAMPBELL: Right.

24 COMMISSIONER KEARNS: Okay. And was there
25 something else you--I kind of cut you off there. Was there

1 something else you wanted to say?

2 MR. CAMPBELL: Yeah, could you please repeat the
3 question, actually?

4 COMMISSIONER KEARNS: Sure. Sorry. I mean it
5 just seems to me that overall this chart does seem to
6 suggest that pricing does matter; that Korea does pretty
7 well when it under-sells, and it doesn't do very well when
8 it over-sells.

9 MR. CAMPBELL: Okay, so--Jay Campbell with White
10 & Case. First to clarify our argument, we are not
11 contending that price is not important. In fact, we
12 recognize that in the staff report purchasers rated it as
13 very important.

14 But nevertheless, our point is that price is not
15 the most important factor. And that's also supported by the
16 staff report where purchasers rated three other factors as
17 the most important factor more often than they rated price
18 as the most important factor.

19 COMMISSIONER KEARNS: On that, because we hear
20 this argument a lot, and it seems to me that--I mean
21 normally what we have to decide is, okay, price and quality
22 and several other factors are all over important, but what
23 distinguishes the subject imports from the U.S. produce?

24 And as Commissioner Williamson seemed to suggest,
25 it just seems to me like what I've seen on the record

1 suggests that price has distinguished subject imports from
2 domestic product. And I'm not so sure that quality really
3 dos, or these other factors. How would you all respond to
4 that?

5 MR. CAMPBELL: Well, Commissioner Kearns, I
6 would point you again to--or remind you that this is a
7 limited data set. It's a sample. And, you know, the
8 purchasers were asked to report their five top bids over the
9 past three years, or over the POR, when both a Korean and a
10 U.S. producer were present.

11 So it's a limited data set in that sense. And if
12 you look more broadly, you find that purchasers reported
13 that Korean prices and U.S. prices were comparable. And
14 they also reported that there's no price leader in the
15 market.

16 So, you know, we submit that that more broad
17 evidence indicates that with respect to Korean, it's not
18 price that is the sole factor that is driving their winds,
19 or that is distinguishing their power transformers from the
20 power transformers of U.S. producers.

21 COMMISSIONER KEARNS: Okay. I think this
22 question is for Mr. Bond. I think you were talking about
23 how you all are appealing the AFA determination. Do we know
24 what the rates would be if AFA had not been applied? And
25 maybe the answer is no. I don't know the answer.

1 MR. BOND: This is David Bond. There are two
2 periods of revision Hyundai received AFA. The same
3 60 percent AFA rate. The first, which was POR 3, the
4 Commerce Department issued a preliminary determination
5 without the use of any AFA, and the percentage there was 3
6 or 4 percent. And for reasons which we still don't
7 understand, things changed drastically by the final in
8 that.

9 For POR 4, the Commerce Department went--

10 COMMISSIONER KEARNS: Changed drastically just in the sense
11 that they found AFA? Or other things as well?

12 MR. BOND: Correct. So they went from using all
13 of their information in calculating a rate, to disregarding
14 it all and just using the 60 percent rate.

15 In POR 4, they went immediately in the
16 preliminary determination to using the same 60 percent AFA
17 rate. So there never was a preliminary calculation of our
18 rate that I can provide to you But it would have been in
19 line with previous reviews in about the 5 to 10 percent
20 range.

21 COMMISSIONER KEARNS: Okay. And would your
22 appeal affect the rates for all of the Korean producers, or
23 just for Hyundai?

24 MR. BOND: So for POR 3, Hyundai did not receive
25 AFA. Only we did. So it would only affect us there. For

1 POR 4, we both received AFA and we both appealed. So, yes,
2 it would affect both for POR 4.

3 COMMISSIONER KEARNS: Okay. Thank you. I have
4 no further questions.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. BURCH: Commissioner Williamson?

7 COMMISSIONER WILLIAMSON: It's me?

8 MR. BURCH: Um-hmm.

9 COMMISSIONER WILLIAMSON: Let me start again.
10 What explains the volume pattern for subject imports we see
11 on the record with significant declines just after the Order
12 was imposed, followed by significant increases? The
13 domestics have argued this at pages 29 and 30 of their
14 brief.

15 MR. KANG: This is Jun Kang from Hyundai. Of
16 course when we initially was imposed of the tariff, it was a
17 very surprising decision for us. So we initially panicked.
18 And also later on, moving forward, we came up with the
19 Alabama plant, and Alabama plant gradually gained its
20 reputation as a qualified U.S. producer. But as I mentioned
21 before, there are certain types of units that cannot be
22 produced from Alabama. At certain times, Alabama was
23 gaining traction so their manufacturing slots were becoming
24 limited. So I believe that is the reason for that type of a
25 pattern.

1 COMMISSIONER WILLIAMSON: In other words, you're
2 saying that once you regained your balance, you had Alabama
3 but you also resumed the exports from Korea?

4 MR. KANG: And also there are clients who still
5 prefer Korea plant. So we cannot predict the client's
6 purchasing plant in advance, whether they're going to order
7 \$10 million of units per year, or twenty. But for that
8 certain period of time, I believe those customers placed
9 orders more than usual.

10 COMMISSIONER WILLIAMSON: Okay, thank you.

11 What happened to subject imports in the interim
12 period 2018? There was a significant change there.

13 MR. CAMPBELL: This is Jay Campbell, White &
14 Case. We can address that more posthearing. For now we can
15 only really speak for Hyundai. But for Hyundai, it's just
16 indicative of their shift, phasing down, decreasing
17 shipments from exports from Korea in favor of U.S.
18 production.

19 COMMISSIONER WILLIAMSON: Okay, thanks.
20 Anything more you can add posthearing will be helpful.

21 What about Korean exports to Saudi Arabia in
22 2017? There was a significant change there, too.

23 MR. CAMPBELL: This is Jay Campbell with White &
24 Case. I'll let Ron Kendler elaborate, if he can, but, you
25 know, as we've noted, demand was down in the Middle East

1 over the past three years largely due to low oil prices.
2 But based on the public information and the studies we've
3 put on the record, and Hyundai's information, we believe the
4 demand in the Middle East bottomed out, and now it's
5 rebounding. So looking forward we project that the Korean
6 industry's shipments to the Middle East will increase as
7 demand in the Middle East picks up.

8 COMMISSIONER WILLIAMSON: Okay. But the pattern
9 wasn't uniform among all the Middle East countries, I don't
10 think.

11 MR. KENDLER: Ron Kendler from White & Case.
12 Beyond reiterating what Mr. Campbell--

13 COMMISSIONER WILLIAMSON: If you want to address
14 it--if there's anything further posthearing--

15 MR KENDLER: We can address that, yes.

16 COMMISSIONER WILLIAMSON: Thanks.

17 Petitioners say that the basic market dynamics,
18 importance of price, dissemination of pricing information in
19 the market and the decision by our suppliers about when and
20 how they fit, you're saying these factors or these dynamics
21 really haven't changed since the original POI. Do you agree
22 with that?

23 MR. CAMPBELL: This is Jay Campbell with White &
24 Case. The basic bidding dynamics?

25 COMMISSIONER WILLIAMSON: The bidding and market

1 dynamics. I guess they might be the same, actually.

2 MR. CAMPBELL: Well in terms of the bidding
3 dynamics, I'll let me Kang speak to this, if he'd like to,
4 but our understanding is that the basic bidding dynamics
5 have not changed in the sense that for public utilities the
6 bids are public, whereas for investor-owned utilities,
7 private utilities, the bidding process is largely closed.

8 So we would say, no, that there haven't been
9 significant changes in the bidding dynamics.

10 COMMISSIONER WILLIAMSON: What about the
11 purchasers' decisions about when--about when and how to--no,
12 what about the decisions by suppliers about when and how to
13 bid?

14 MR. CAMPBELL: Well--this is Jay Campbell with
15 White & Case--on that point, I think what you're referring
16 to is the argument by Petitioners that if they perceive that
17 a Korean is present, they're not going to bid. But the bid
18 data on record do not support that contention at all.

19 There were 267 bids reported, or bidding projects
20 reported where a Korean was present. And out of those 267
21 bids, U.S. producers were bidding, or at least one U.S.
22 producer was bidding in 231 of the bids. That's 87 percent
23 of the time.

24 So the Petitioners' argument that they stay away
25 when they hear that Koreans are present is totally refuted

1 by the record facts.

2 COMMISSIONER WILLIAMSON: Okay. On that score,
3 there was a lot of talk this morning about the alliance
4 arrangements. In any respects do you disagree with what the
5 Petitioners were saying about those?

6 MR. KANG: This is Jun Kang from Hyundai. In
7 terms of alliance agreements, we most of all agree with what
8 the domestic suppliers have mentioned this morning.
9 Alliance agreements, once under the agreement, that
10 particular supplier can supply transformers to that
11 purchaser for extended period of time.

12 But many times the large size investor-owned
13 utility company, they have multiple types of transformers
14 within that bid package, 25, 30 types of transformers. So
15 what they do is, they divide it by subcategories, and it can
16 range from 60 MV sizes up to 400, 500 sizes.

17 So we do compete with domestic suppliers in those
18 type of alliance agreement bids, but in the large size, 300
19 maybe above, we do not see domestic suppliers being
20 competitive in those type of units.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.
22 I'll come back to that, but did Hyundai and Honsai ever
23 really pay the lower duties that I guess were in effect for
24 awhile? And sort of how did that happen?

25 MR. BOND: This David Bond from White & Case.

1 I'm not sure what you mean by "really ever pay," but since
2 the original investigation there have been five annual
3 reviews. And it's only a final determination and a review,
4 once all court litigation has been completed, that results
5 in payment of duties. And to this point, all of the reviews
6 are still in court. So we haven't gotten to the point yet
7 of paying any duties because the results in each of the
8 reviews are still subject to change by the court appeals.

9 COMMISSIONER WILLIAMSON: Okay, thank you. I
10 think this came up earlier about the ban by KEPCO of certain
11 companies. And I guess both Hyundai and Honsai are now
12 saying because under the name changes they are no longer
13 affected by those bans. Is that correct?

14 MR. KANG: This is Jun Kang from Hyundai. Yes,
15 that is correct. We are no longer affected by the KEPCO
16 ban.

17 COMMISSIONER WILLIAMSON: I was just surprised
18 that, wouldn't an administering authority or whoever say
19 just because you changed your name, that doesn't mean that
20 it's not the same company?

21 MR. KANG: I cannot--I do not have the answers
22 to that question.

23 MR. BOND: This is David Bond. I think it's
24 important to reiterate a point I made earlier, which is that
25 HEES, the transformer company, was not the only company that

1 was spun off. There were six divisions. Several of those
2 divisions, which made products ranging from ships to robots
3 to environmentally--

4 COMMISSIONER WILLIAMSON: I understood your
5 argument that--

6 MR. BOND: It's not an argument, I'm telling you
7 about--

8 COMMISSIONER WILLIAMSON: I understand your
9 point. There's some real commercial reasons to do it. But
10 there were also some benefits that flow from that.

11 MR. BOND: Absolutely. And my guess would be
12 that the authorities inferred from the fact that there were
13 commercial reasons for doing this, that there was no reason
14 to object.

15 COMMISSIONER WILLIAMSON: Okay. How significant
16 are those bans in terms of the market, the Korean market?
17 If you don't know, that's okay, or you can do it
18 posthearing.

19 MR. KANG: KEPCO is, although the domestic
20 suppliers introduced the material that, you know, we are
21 export driven company, but domestic market KEPCO is the only
22 electrical utility company in Korea. So it is a very big
23 customer for us.

24 COMMISSIONER WILLIAMSON: Good. Okay, thank you
25 for those answers.

1 Commissioner Broadbent?

2 COMMISSIONER BROADBENT: Thank you.

3 Let's see. Mr. Kang, and Mr. Campbell maybe,
4 too, can you respond to the argument raised on pages 26 to
5 28 of domestic party's prehearing brief in which they state
6 that the Korean Utility KEPCO is not required to consider
7 bids from foreign suppliers of large transformers, which is
8 an exception from the WTO agreement on government
9 procurement? Is that true?

10 MR. KANG: I am the sales manager for North
11 American sales, but based on what I hear from my colleagues
12 who are in charge of the domestic sales, yes, I believe that
13 is true.

14 COMMISSIONER BROADBENT: Okay, so doesn't that
15 make the Korean market fairly closed and insulated?

16 MR. CAMPBELL: This is Jay Campbell, White &
17 Case. Yes, it does. But also for purposes of the
18 Commission's analysis, I think the significance of that is
19 that it also means that the Korean market is a significant
20 market. More importantly, what it means is the Korean
21 market is a significant market for the Korean industry
22 where they make a significant number of sales.

23 COMMISSIONER BROADBENT: Good point.

24 Oh, and then I just had one question out of
25 curiosity. Mr. Kang, have you seen a slowdown in the growth

1 of demand for the generators within the renewable energy
2 segment of the market as a result of the solar safeguard
3 tariffs?

4 MR. KANG: I am aware -- this is Jun Kang from
5 Hyundai. I am aware there was a tariff towards the solar PV
6 modules, but based on the market intelligence that I
7 receive, I do not see any kind of declination of such
8 opportunities.

9 COMMISSIONER BROADBENT: Okay, good, thank you
10 very much, and that concludes my questions.

11 COMMISSIONER WILLIAMSON: Thank you, Commissioner
12 Schmidtlein?

13 COMMISSIONER SCHMIDTLEIN: Thank you, I just had
14 a couple more questions -- one having to do with demand. I
15 thought I read somewhere it might -- I don't know if it's in
16 Hyundai's brief or Petitioner's brief that housing starts
17 were up 20% over the period of review from '15 to '17 but
18 yet demand in the U.S. for LPT's had gone down.

19 So I just wondered since your projection for
20 demand in the future seems to be based on housing starts
21 along with a few other things, but my sense was housing
22 starts was a large driver of demand for LPT since it drives
23 electricity demand.

24 How do you square that?

25 MR. KENDLER: Ron Kendler from White & Case, very

1 easily. The staff report notes, and this is based on the
2 questionnaire response I believe of a domestic producer that
3 the demand for LPT lags housing starts by approximately 18
4 months.

5 COMMISSIONER SCHMIDTLEIN: I see.

6 MR. KENDLER: So we've seen the marked increase,
7 particularly in the last year to two years so we can expect
8 that in the next year and a half that demand in LPT's will
9 continue to rise.

10 COMMISSIONER SCHMIDTLEIN: Okay, alright, thank
11 you. And my last question and I'm not sure you can answer
12 this but I feel like it's a little bit ironic that we have
13 Hyundai here represented in full force by counsel who has a
14 U.S. plant and your argument is you're going to produce more
15 from the U.S. plant, that you're not going to bring in as
16 much from Korea.

17 And presumably, you don't have that as much of an
18 interest in whether or not the order stays in place but
19 Hyosung is not here and they're bringing in quite a bit from
20 Korea. So why aren't they here?

21 Right -- it seems to be the opposite of what you
22 might expect, any ideas why -- I mean they submitted a brief
23 but why aren't they here to answer questions since they
24 don't have a U.S. facility and --

25 MR. CAMPBELL: This is Jay Campbell with White &

1 Case. I'm very reluctant to speculate or speak on their
2 behalf but I think perhaps we could invite them to address
3 that in a post-hearing brief.

4 COMMISSIONER SCHMIDTLEIN: Okay.

5 MR. CAMPBELL: That's probably the most accurate
6 way to get an answer.

7 COMMISSIONER SCHMIDTLEIN: Yes, you're probably
8 right about that.

9 MR. CAMPBELL: As far as why we are here --
10 Hyundai, yes even though we are -- Hyundai is phasing down
11 exports, you know, it doesn't want -- an anti-dumping order
12 is a real pain frankly. You have to -- they will continue
13 shipping to some extent more limited than before and in
14 decreasing volumes and certainly there won't be an increase,
15 but to have to participate in the administrative review
16 process and deal with the uncertainties of anti-dumping
17 reviews and all that, I mean they would like to see the
18 order go away.

19 COMMISSIONER SCHMIDTLEIN: Yeah, I understand
20 that. Okay, thank you very much I have no further
21 questions.

22 COMMISSIONER WILLIAMSON: I'm sorry, Commissioner
23 Kearns?

24 COMMISSIONER KEARNS: Thank you. Well let me
25 just pick-up from there. I mean I understand an order, it's

1 a pain but I guess if I were you I would also be thinking
2 well it's a lot bigger pain on your Korean competitor who's
3 very dependent on exports from Korea and you're less
4 dependent, so it does seem surprising that if you all are
5 moving even more into U.S. production I would think you'd
6 see some benefits since you're having an order in place, any
7 thoughts on that?

8 MR. BOND: This is David Bond, I have a few. I
9 have just two -- two in particular and these are more
10 personal views than -- well based on some experience but
11 first of all you can imagine the financial consequences of a
12 60% duty on the, you know, the annual trade that we're
13 talking about it. It's enormous potential liability.

14 In our view, a liability that's based on an
15 illegal finding by the Commerce Department but nevertheless
16 there it is. So, you know, to the extent that there might
17 be some marginal benefit of having Hyundai continue to be
18 subject to duties from HPT's point of view, those benefits
19 pale in comparison to the liability and the uncertainty
20 that's generated with respect to the imports that we will
21 have to continue to make of some transformers from Korea.

22 So, you know, overall it's a much better
23 situation for Hyundai to have the dumping order go away even
24 if that means that Hyundai is to some extent benefitted as
25 well because we'd get rid of the risk of very high duties

1 with no legal justification as well as the administrative
2 costs both to the companies and their legal fees of
3 participating in these processes each year.

4 COMMISSIONER KEARNS: Okay, thank you and Mr.
5 Kang, if I heard you correctly earlier, you explained the
6 reason why you all originally invested in Alabama and that
7 you sort of panicked when you -- when the order was on its
8 way, is that about right?

9 MR. KANG: Yes, this is Jun Kang Hong, from
10 Hyundai, that is correct sir.

11 COMMISSIONER KEARNS: Okay, and then the timing
12 of that makes sense. I mean I -- you know, in terms of when
13 the petition was filed and when you began production. But I
14 guess if the order is what got you to invest in the U.S.,
15 you know, it's hard to think that when we remove the order
16 that you'll invest even more in the U.S.

17 MR. KANG: This is Jun Kang from Hyundai. The
18 Alabama plant was established -- the construction was
19 finished in November of 2011 so the start of construction
20 was, I believe, late 2010 timeframe.

21 The top management's review and consideration
22 plans to establish a new plant was 2009 timeframe I believe.
23 So this was before any kind of indication that we're going
24 to be hit with tariff.

25 COMMISSIONER KEARNS: Okay, but then what did you

1 mean earlier about, you know, panicking and that's why you
2 decided to invest in Alabama?

3 MR. KANG: That is not correct sir. We panicked
4 after we initially were penalized for the tariff but that
5 was not the driving force of making a -- we did not, that
6 had nothing to do, nothing to do with the establishment of
7 the Alabama plant.

8 MR. BOND: This is David Bond. I think what he
9 was saying was they panicked and therefore for a period of
10 time stopped exporting from Korea. Yeah there was a period
11 of time I can tell you -- we were there where the company
12 needed to understand the process and what a final
13 anti-dumping duty order meant and to consider how they were
14 going to continue exporting from Korea.

15 And during that period there was a suspension or
16 a significant reduction in exports, but the panic related to
17 the dumping order is completely unrelated to the decision of
18 opening the plant in the United States. That was well
19 underway before the anti-dumping investigation was
20 initiated.

21 COMMISSIONER KEARNS: Okay, thank you. Switching
22 subject to non-subject imports -- I think Mr. Campbell you
23 had us look at Table 1-8 and Table 1-9 to explain what was
24 happening with respect to non-subject imports versus subject
25 imports, versus domestic production from 2015 through 2017.

1 And I think that's a very interesting point that
2 you made, you know, when you compared the different types of
3 LPT's that are covered here and I hope that the Petitioners
4 will respond to that because I think it's a pretty
5 interesting argument.

6 But I will ask -- I note that if you look at 2015
7 to 2016 on the smaller MVA side of the market, it looks like
8 maybe that does tell a different story and I don't know if
9 you can address that now or just in a post-hearing brief but
10 if you can help me understand what we're looking at there,
11 it does seem like kind of a different situation there where
12 Korea was more of a force.

13 MR. CAMPBELL: Yeah, if it's alright with you
14 Commissioner, we'll address that post-hearing.

15 COMMISSIONER KEARNS: Sure. I don't have the
16 data in front of me but if you look at I think average unit
17 values of Korea product in third country markets versus
18 U.S., it seems that you know, that that would give -- that
19 would cause you to question whether third country markets
20 are going to be a real focus of Korean producers in the
21 future.

22 Can you say anything about that in terms of, you
23 know, and also this morning we talked a bit about -- about
24 export prices and prices in third markets -- in third
25 country markets and I think the domestic industry suggested

1 that the prices in the U.S. market are much higher.

2 So can you help us understand sort of if an order
3 is revoked what impact that -- what impact, how likely it is
4 that Korea will start exporting more to the U.S. vis- -vis
5 third country markets, given pricing in the U.S. and third
6 countries?

7 MR. CAMPBELL: Okay, this is Jay Campbell of
8 White & Case. With respect to AUV's you know our opinion is
9 that they're not meaningful -- terribly meaningful when
10 you're talking about a customized product so I don't think
11 the AUV's can really tell you the story of prices.

12 But on comparing prices in other markets to the
13 U.S. market, that's something where we're going to have to
14 do further research and comment post-hearing.

15 COMMISSIONER KEARNS: Okay, okay, thank you.
16 Just a couple more questions here -- oh I want to turn back
17 to private utilities. I think you all had said that you
18 don't sell much to private utilities -- I'm sorry public,
19 I'm sorry I wrote down private but I meant public utilities
20 -- public utilities.

21 Can you tell me more about you know, what
22 percentage of the market is public utilities and is it that
23 you sell not at all in to public utilities or almost not at
24 all -- just tell me more about that aspect of the market.

25 MR. KANG: In terms of public utilities I believe

1 there are thousands of them in the United States because
2 each city has you know, municipal public utility boards.
3 There are many public entities where the transformers --
4 transformer bids come out.

5 In terms of the private investor-owned utilities,
6 there are only a limited number of companies out there in
7 the United States although probably combining all of them --
8 maybe a couple of hundreds of them, IOU's out there.

9 So the number-wise there are a lot more public
10 utilities out there in the U.S. market and in terms of our
11 participating we -- we actually penetrated into the U.S.
12 market in the '80's so it's been more than 30 years since
13 we've been doing business in the U.S.A.

14 Back then we knew -- we found out that the public
15 utilities they don't have a pre-qualification process so
16 like the maybe, what the Chinese are doing right now, you
17 know, that was what we did in the '80's.

18 For 30 years we've accumulated many reputation
19 and many -- we have customer clients in place. There's no
20 more reason for us to participate in a bid where we know
21 we're going to lose money. So that's why we are more
22 focusing towards the investor-owned utilities where the
23 IOU's they have vigorous pre-qualification process and they
24 select what vendors they want to participate in the bid,
25 whereas public's -- you know, everybody can bid.

1 COMMISSIONER KEARNS: Okay, so basically the
2 pricing's just too low for public utility?

3 MR. KANG: Yes.

4 COMMISSIONER KEARNS: Okay, oh last question --
5 the same question I asked the Petitioners this morning about
6 pricing and pricing in this year and I know you test on
7 this, a second ago in response to a question from
8 Commissioner Williamson, but I'm trying to figure out the --
9 what impact the new dumping margins since March -- what
10 impact that has had on the market in terms of pricing?

11 MR. CAMPBELL: Yeah, Commissioner, I don't think
12 we know the answer at this time but we'll look into it for
13 the post-hearing brief.

14 COMMISSIONER KEARNS: Okay.

15 MR. CAMPBELL: Okay.

16 COMMISSIONER KEARNS: Thank you, I have no
17 further questions.

18 COMMISSIONER WILLIAMSON: Does any Commissioner
19 have any further questions? Since there are no questions
20 from Commissioners, does staff have any questions for this
21 panel?

22 MR. THOMSON: Craig Thomson, Office of
23 Investigations, staff has no questions at this time.

24 COMMISSIONER WILLIAMSON: Thank you, do
25 Petitioners have any questions for this panel?

1 MR. LUBERDA: No Mr. Chairman.

2 COMMISSIONER WILLIAMSON: Okay, thank you, then I
3 can dismiss the panel and thank you for coming. And we will
4 now have closing statements. Those in support of
5 continuation have 9 minutes from direct and 5 from closing
6 for a total of 14 minutes.

7 And those in opposition have 19 minutes from
8 direct, 5 from closing for a total of 24 minutes, and as
9 usual we'll combine those times and of course you don't have
10 to use all that time, thank you.

11 MR. BURCH: Closing and rebuttal remarks on
12 behalf of support of the continuation of the order will be
13 given by Kathleen W. Cannon of Kelley Drye & Warren. Miss
14 Cannon you have 14 minutes.

15 COMMISSIONER WILLIAMSON: Welcome Miss Cannon,
16 you may begin when you're ready.

17 CLOSING STATEMENT OF KATHLEEN W. CANNON

18 MS. CANNON: Thank you Chairman Williamson and
19 thank you to all the Commissioners for your attention today.
20 We appreciate that. I'd like to start by recognizing an
21 issue that Commissioner Schmidtlein just mentioned regarding
22 who's not here today which is Hyosung, a Korean producer
23 that everybody admits is a major supplier to this market and
24 has been very active over the review period.

25 I always have a concern when only one of the

1 Respondent producers comes to a hearing, that the
2 presentation becomes a little bit stilted and skewed so that
3 it appears that that one producer's experience speaks for
4 everyone -- here in particular it does not.

5 Hyosung, as you recognize does not have an
6 Alabama facility and Hyosung behavior has not always been
7 the same as Hyundai's so I refer just urge caution in
8 listening to the presentation and assessing both the
9 comments today as well as what you may see in the briefs,
10 not to accept the presentation by Hyundai as speaking for
11 the industry as a whole.

12 When you asked about Alabama facility, Mr.
13 Campbell claimed that there would be declining exports as a
14 result of that but again that's only limited to his claim
15 with respect to his company, Hyundai that he's representing.

16 He's not able to speak, as he said, for Hyosung
17 overall and I would encourage you instead to look at your
18 staff report and the behavior by the Korean industry overall
19 and the market share that they have gained over 2015-2017
20 period when you're assessing the likely behavior of the
21 industry as a whole, not simply that of Hyundai.

22 I also have a little bit of a deva vu experience
23 here, heartened back to the original investigation because
24 we've heard a lot of the same arguments presented here that
25 we heard at the original investigation and you'll find if

1 you look back at the final determination of the Commission
2 at that time, one of the most noteworthy arguments they made
3 back then was that in 2012 the Alabama facility was going to
4 replace the Korea market -- the Korean producer, Hyundai as
5 a source of supply. If you see slide 25 in our
6 presentation, you'll see the exact quote in the 2012 brief
7 by Hyundai to that effect. Well it's now 2018 -- 6 years
8 later. That didn't happen. And their arguments today that
9 we'll qualification takes up to a year or we have to get to
10 know people, I mean come on.

11 First of all qualification generally takes much
12 less than a year especially with the low price supplier and
13 second, six years is more than enough time for them to have
14 been accepted. They haven't replaced that source of supply
15 now so their new argument is, "Well, we're going to expand.
16 We're going to add 60% capacity."

17 That isn't as significant an action as
18 establishing the facility was originally and the original
19 establishment didn't stop them from selling so even if you
20 accept those arguments, that's not going to cut off supply
21 any more than it has during the last few years.

22 And the final point I'd make on that is that
23 their testimony was also construction's going to take 18
24 months. Well 18 months from now puts that into 2020 so
25 that's a long time for us to continue to endure what they're

1 doing right now without that capacity expansion.

2 I think Commissioner Broadbent, you asked if the
3 spinoff helped the situation of abating the KEPCO ban on
4 Hyundai and Respondents acknowledged that it did. It made a
5 big deal about our arguments that this spin-off was not --
6 was done in advance of them knowing about the duties and the
7 change.

8 Our point isn't that the spinoff was done
9 precisely to avoid the duties, our point is that when they
10 did it first they didn't tell Commerce about it once they
11 did it and second that they basically took advantage of it.

12 They took advantage of it by coming in with the
13 new named company and saying just as apparently they have
14 done in Korea -- oh, we're no longer Hyundai. But what's
15 interesting is if you look at what they've actually said at
16 Commerce where this issue has been vetted in extensive
17 detail, they haven't made the argument that they are not the
18 successor in interest to Hyundai.

19 And when you look at what Commerce found and this
20 is on the record, this is in our pre-hearing brief in
21 Exhibit 5, we've given you the Commerce findings. And I
22 think one of the statements is worthy of quoting.

23 What Commerce said is, "That Congress anticipated
24 that companies may make certain business decisions that
25 would allow them to avoid the payment of appropriate cash

1 deposits.

2 For example, a company could create a new entity
3 in which that new entity would produce and export the prior
4 company's merchandise and enter that merchandise at a
5 different or lower deposit rate.

6 In this chain circumstances review, we are
7 concerned that such a situation exists," and then they go on
8 to describe these facts. So that is exactly what our
9 concern is and that's what, you know, has led to their
10 behavior over these last few years.

11 Let me shift now to demand. There's been a lot
12 of discussion about demand. We're going to give you some
13 further details from the U.S. Energy Information
14 Administration in our post-hearing brief regarding the
15 electricity demand increase which has been subject to a lot
16 of discussion.

17 Our data show that the forecast is only for a
18 0.9% annual increase through 2050 and that you know, up
19 until 2017 it was negative so that really isn't the dramatic
20 growth that would be needed to allow them to expand their
21 exports or continue to supply here as they urge that they
22 would like to do.

23 They also have claimed that Korean capacity has
24 declined. But look at your staff report carefully. There
25 aren't any reports of actual plant closures by these Korean

1 producers over the period.

2 In any event, what is uncontested is the massive
3 idle capacity that continues to exist in Korea today. And
4 if you look at slide 15 in our presentation you will see how
5 large that idle capacity is that exists even under the data
6 they have presented relative to U.S. capacity as well as the
7 size of the U.S. market and it's devastating.

8 There's been a lot of discussions too that
9 they're not going to sell here because they're going to be
10 selling increasingly to the whole market or the Middle East
11 or other markets. Again, I would encourage you to look at
12 our PowerPoint presentation slide 27, see what Hyundai said
13 which was in their prospectus. They said there are all
14 kinds of downtrends in the Middle East which is not
15 consistent with their claims.

16 And look at the past behavior -- over the period
17 these markets are going down. Their whole market and the
18 other export markets are going down. I'd call your
19 attention in particular to ITC pre-hearing report at IV-21
20 which has global statistics on each of the different markets
21 and it shows that the sales to the U.S. market are going up,
22 but sales to Saudi Arabia and many of the other markets are
23 going down, and also shows just how much smaller those
24 markets are relative to what the U.S. is -- I think we're at
25 like 34% and they're at you know, single digit percentages.

1 So these are not going to be markets that are
2 going to be able to replace what they're selling here.
3 Their arguments also about demand encouraged you to pay no
4 attention to history and rely instead on claims and
5 projections by them as to what they intend to do.

6 But I would remind you that under the statute,
7 Congress said that some of the best indicators for you in a
8 sunset review as to what behavior will be are the pre-order
9 behavior when they were allowed to operate without the
10 discipline of the order as well as their actual behavior
11 under order and factors such as idle capacity, export
12 orientation and whether they target the United States, all
13 of which support a finding that their likely volumes will be
14 substantial here.

15 They claim that the success with public utilities
16 was based on quality not price. Again, that was a claim
17 they presented below and yet as you see in the data, it's
18 not just the 90% underselling that we cited, which was true
19 for the bids where they won as Mr. Campbell said.

20 It's also the case on -- as you see on slide 7 of
21 our PowerPoint that they were winning by low price.
22 Whenever they were not the low price, they were not the ones
23 getting the bid. That's not consistent with claims that
24 they are getting bids because of their quality or other
25 extraneous factors in price.

1 There were also some comments about the reason
2 they're getting bids is because the U.S. producers have
3 shell-type transformers or high voltage transformers and
4 Hyundai doesn't really see that.

5 I found those kind of ironic because in the
6 original investigation there were a lot of comments about
7 needs for those types of products and since the original
8 investigation, the U.S. industry has actually undertaken a
9 lot of investments to be able to make large sizes, we make
10 shelf room, we make everything and yet we still are unable
11 to compete because again it goes back to price and not our
12 capabilities.

13 If you look at slide 10 on our PowerPoint you
14 will also see a very significant overlap regardless of size
15 between the Korean and the U.S. supply so it's not a matter
16 of what size range they're in, it's simply a matter of the
17 prices at which they're sold. I think one of their
18 statements today was also that South Boston is only in
19 medium large power transformers. I'm not sure what they're
20 calling medium but ABB manufactures large power transformers
21 as they're defined in the scope of this order in South
22 Boston.

23 And as you heard the testimony this morning,
24 despite the closure of St. Louis, they have shifted and
25 expanded sales at South Boston by 70% so they're not out of

1 that business or this subject product business by any means.

2 Non-subject imports have been a heavy focus of
3 theirs today. Again, I would urge you not to focus on the
4 two data points on which they've asked you to focus. I
5 would say that we would like to address Tables I-8 and I-9
6 that they have cited in our post-hearing brief because most
7 of that is confidential but we will do that.

8 And I would also flag that when they talk about
9 this they're completely ignoring the price effects of the
10 imports. They talked very little about that but their brief
11 actually acknowledges that the non-subject imports aren't as
12 low priced as they are.

13 They claim we recognize that price is not an
14 essential factor in sales -- that's wrong, we've never said
15 that. Slide 9 of our presentation says just the opposite
16 and flags all the purchaser quotes about the importance of
17 price.

18 And slide 7, as I mentioned earlier, shows that
19 they win quotes when they are lower priced. They told you
20 the elephant in the room was non-subject imports. I
21 disagree -- I think the elephant in the room is price based
22 nature of their competition -- that is what they
23 consistently hide from today.

24 They focus on everything else as to why they're
25 getting sales but they completely ignore the very compelling

1 data that you have that shows that they are underselling
2 still in 90% of instances, and that when they capture bids,
3 they are doing it on the basis of low price.

4 You recognized in the past that industries that
5 are selling a more technically advanced product wouldn't be
6 underselling and yet that is what they are continuing to do
7 here.

8 And I'll finally just comment on their complaint
9 at the end that they've been subject to enormous costs of
10 this case and the duties and their concern that it needs to
11 be lifted because of the terrible burden it inflicts on
12 them.

13 I would simply submit that that pales in
14 comparison to the devastating injury that they have caused
15 this industry, both before the order was enclosed, as well
16 as on-going injury while this order has been in effect and
17 as they have been able to avoid some of the duties through
18 the schemes that we cited earlier today.

19 So I would encourage you to find based on the
20 evidence of record, that relief is continued to be needed in
21 this case and to leave this anti-dumping duty order in
22 place. Thank you very much.

23 MR. BURCH: Closing and rebuttal remarks on
24 behalf of opposition to the continuation of order will be
25 given by Jay Campbell and Ron Kendler of White & Case. Mr.

1 Campbell and Mr. Kendler you have 24 minutes.

2 COMMISSIONER WILLIAMSON: Mr. Campbell and Mr.
3 Kendler, you can begin when you're ready.

4 CLOSING STATEMENT OF JAY CAMPBELL

5 MR. CAMPBELL: Thank you, this is Jay Campbell of
6 White & Case, 24 minutes? Alright sorry, we're going to be
7 here for 24 more minutes -- no, I'm just kidding. Alright
8 so ultimately this case is about causation.

9 Would revoking the anti-dumping order have a
10 material impact and the answer is no. Subject imports would
11 not be likely to increase significantly. That's primarily
12 because Hyundai is not a significant U.S. producer but also
13 because of growing demand in other markets and new labor
14 laws that are restraining the Korean industries production.

15 But perhaps most importantly, even if subject
16 imports were to increase, they would do so at the expense of
17 non-subject imports. I would turn your attention again to
18 Table I-1, look at what happened after the anti-dumping
19 order was issued comparing 2011 to 2011, excuse me -- 2011
20 to 2017.

21 Subject imports market share went to non-subject
22 imports and we can expect the reverse to happen if subject
23 import volume were to increase. Now the Petitioners have
24 focused on the past three years -- 2015 to 2017, and again I
25 would turn your attention to Tables I-8 and I-9 -- those

1 tables tell a different story and they show that subject
2 imports are not the problem. Again, lack of causation,
3 revocation of the order would not have a material impact.

4 Also, something that remains unexplained. I made
5 a point this morning and there was no attempt to rebut it.
6 I did say non-subject elephant -- non-subject elephants. I
7 did say that non-subject imports are the elephant in the
8 room -- they are. The U.S. producers claim to have a lot of
9 excess capacity and at the same time they look at the market
10 share that non-subject imports have.

11 Look at Table I-1 -- look at that market share.
12 If U.S. producers have so much excess capacity, how come
13 they are so unsuccessful competing against non-subject
14 imports? The reasons -- they must have problems, they must
15 have issues and those issues are other -- are not subject
16 imports or else they would be able to compete against what
17 they consider to be fairly traded, non-subject imports and
18 they're not.

19 On pricing again we -- I point you to our Exhibit
20 12 in our pre-hearing brief. We believe overall the picture
21 -- the data, the bidding data on record reveal that the
22 pricing by the Korean industry was mixed overbidding and
23 underbidding -- again, more broadly than the reported bid
24 data.

25 Purchasers' reports that there are no price

1 leaders in the market and purchasers also reported that
2 Korean prices and U.S. product prices are comparable. The
3 U.S. producers also make the point that in their brief and
4 today again, but they stay away from bids where they think
5 Koreans are present but again, the record facts -- the data
6 on record totally refute that contention. They show that
7 actually in 87% of the bid projects where Koreans were
8 present, a U.S. producer also bid -- clearly they're not
9 staying away when they perceive that Koreans are present.

10 Now we've been -- it's true that we represent
11 Hyundai and Hyundai is the one that opens up the U.S.
12 facility and we can only speak for Hyundai in that respect
13 but we've been called out a bit for that saying that we
14 can't speak for the rest of the Korean industry.

15 And the fact remains that LSIS and ILJIN are
16 small, they were not significant exporters during the
17 original period of investigation -- they would not likely be
18 significant exporters if the order were revoked. That
19 leaves only Hyosung and Hyosung has argued in their brief
20 and demonstrated that they are successful in competing on
21 the basis of non-price factors and we will comment
22 post-hearing but we will demonstrate that the bid data
23 corroborates their claim.

24 Overall however, we -- the larger point is that
25 because of a number of factors -- if you revoke the order on

1 that there would not likely be a significant increase in the
2 imports from Korea overall.

3 My final point before I turn it over to my
4 colleague, Ron, I have to call out ABB's credibility on a
5 point they made -- their representatives made earlier today.
6 Their representative testified that they only import from
7 their non-subject plants when it's a -- when the
8 specification calls for a size transformer that they do not
9 manufacture in the U.S. market.

10 While I ask you to please take a look at their
11 ABB's ratio of imports compared to their production. It's a
12 significant number and it really calls into credibility that
13 statement made earlier today by their representative. Thank
14 you.

15 CLOSING STATEMENT OF RON KENDLER

16 MR. KENDLER: Thank you Jay, thank you Chairman
17 Williamson and the Commissioners. I'm just going to hit on
18 a few brief points. Listening to Petitioners, I thought a
19 lot about what a sunset review means and what the Commission
20 does.

21 And in my mind the goal of a sunset review is
22 forward looking. The Commission is to evaluate what will
23 happen granted based on the past, if the order is revoked.
24 And in order to make that determination it has to look like
25 it does in other investigations, other reviews, at a whole

1 host of volume and information -- much of it very complex.

2 And what perturbs me in particular about what I
3 heard from the Petitioner's side today is that it's all
4 looking in the rear-view mirror and it's all simplifying a
5 lot of complex information. And in my mind I heard this
6 both when talking about demand, when talking in part about
7 alliance agreements and when talking about Montgomery and
8 I'm just going to briefly touch upon each of those issues.

9 So with respect to demand, what we did is we
10 looked at the factors that the Commission highlighted in the
11 original investigation -- electricity, industrial
12 construction and housing starts. We heard nothing from the
13 other side about those factors and we see that those factors
14 will lead to projected demand.

15 What we did hear, I'm glad Miss Cannon brought it
16 up in her closing was that .9% figure from the EIA -- that's
17 exactly what we cited in our brief and I quote the exact
18 language of the EIA -- "Electricity demand will grow
19 steadily through 2050."

20 Now I'm not staying electricity demand alone will
21 generate the increased demand in LPT's but again it's a
22 complex picture. There are a lot of factors here and we
23 have to look forward, not back.

24 What you heard from Petitioners was the decrease
25 in electricity. We heard about the decrease in foreign

1 demand, for example from the Middle East in the past. But
2 what we have is numerous independent reports, both public,
3 and proprietary, estimating and predicting significant
4 demand increases in the future.

5 So again, are we going to look forward, are we
6 going to look back, are we going to look at the complex data
7 or are we going to look at the simplification? And when we
8 look at the complexity and when we look forward we see
9 increases in demand.

10 We see the same thing with respect to alliance
11 agreements. We heard a lot from the other side about how
12 they shut out competition, when again in reality this has to
13 do with qualification, with quality, with the expediting of
14 process while at the same time ensuring competition.

15 It's through looking at those details that we
16 understand the effect of the alliance agreements. Finally,
17 I was particularly disturbed also by this notion of Hyundai
18 recycling arguments.

19 When you look at the factual record -- yes,
20 Montgomery was planned prior to the investigation, it was
21 cited by us in the investigation but it also shows a
22 significant disregard for what it takes to build capacity
23 and experience in this industry.

24 At the risk of repeating myself, these are
25 complex goods. Hyundai invested in a new work force in

1 creating hundreds of jobs in the United States -- that's no
2 small task and we can't simply be expected to snap our
3 fingers building large power transformers takes time and
4 training.

5 HPT has done that. HPT has accomplished that and
6 it continues to -- intends to continue doing so. And so we
7 have to look forward at what HPT intends to do in this
8 market. It's not about recycling arguments, it's about
9 making long-lasting investments in the United States, which
10 is what Hyundai is doing. Thank you again for your time.

11 MR. CAMPBELL: Actually this is Jay Campbell, I
12 apologize I can't help but make one quick plug for Hyundai.
13 Contrasting them to ABB it's really interesting that while
14 ABB shut down a facility and laid off employees, Hyundai is
15 expanding its Montgomery facility and hiring employees, so
16 I'm just pointing that out. Thank you today for your time.

17 COMMISSIONER WILLIAMSON: Thank you. I want to
18 thank all of the participants in the hearing today and it's
19 now time for closing statement. Post-hearing briefs,
20 statements responsive to questions and requests of the
21 Commission and corrections to the transcript must be filed
22 by August 3rd, 2018.

23 Closing of the record and final release of data
24 to parties is September 5th, 2018. Final comments are due
25 September 7th, 2018. And again thank you to all for

1 participating, this hearing is adjourned.

2 (Whereupon the meeting was adjourned at 3:40 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Large Power Transformers from Korea

INVESTIGATION NO.: 731-TA-1189

HEARING DATE: 7-26-18

LOCATION: Washington, D.C.

NATURE OF HEARING: 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: 7-26-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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