

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
FORGED STEEL FITTINGS FROM) 701-TA-631 AND 731-TA-1463-1464
INDIA AND KOREA) (PRELIMINARY)

Pages: 1 - 85
Place: Washington, D.C.
Date: Wednesday, November 13, 2019



Ace-Federal Reporters, Inc.

Stenotype Reporters

555 12th Street, NW

Suite 630-A

Washington, D.C. 20006

202-347-3700

Nationwide Coverage

www.acefederal.com

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

UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
FORGED STEEL FITTINGS FROM) 701-TA-631 AND
INDIA AND KOREA) 731-TA-1463-1464
) (PRELIMINARY)

Hearing Room B
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:30
a.m., before the Investigative Staff of the United States
International Trade Commission, Nannette Christ, Director of
Investigations, presiding.

1 APPEARANCES:

2 Staff:

3 William R. Bishop, Supervisory Hearings and

4 Information Officer

5 Tyrell T. Burch, Management Analyst

6 Nannette Christ, Director of Investigations

7 Douglas Corkran, Supervisory Investigator

8 Christopher Watson, Investigator

9 Mark Brininstool, International Trade Analyst

10 Alexander Melton, International Trade Analyst

11 Cindy E. Cohen, Economist

12 Emily Kim, Accountant/Auditor

13 David Goldfine, Attorney/Advisor

14

15

16

17

18

19

20

21

22

23

24

25

1 Opening Remarks:

2 In Support of Imposition (Luke A. Meisner, Schagrin

3 Associates)

4

5 In Support of the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 Schagrin Associates

8 Washington, DC

9 on behalf of

10 Bonney Forge Corporation

11 The United Steel, Paper and Forestry, Rubber,

12 Manufacturing, Energy, Allied Industrial and Serviced

13 Workers International Union

14 Susan Leone, Executive Vice President, WFI

15 International

16 Heather McClure, Vice President, Corporate Controller,

17 and Assistant Treasurer, Bonney Forge Corporation

18 Chuck Almer, Vice President of Operations, Bonney Forge

19 Corporation

20 Ken O'Connell, Vice President, Business Development

21 Eastern Region, Bonney Forge Corporation

22 Roy Houseman, Legislative Director, United Steelworkers

23 Union

24 Roger B. Schagrin, Elizabeth J. Drake and Luke A.

25 Meisner - Of Counsel

1 Closing Remarks:
2 In Support of Imposition (Elizabeth J. Drake, Schagrin
3 Associates)
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
1	
2	
3 In Support of Imposition (Luke A. Meisner, Schagrin	
4 Associates)	7
5	
6 Chuck Almer, Vice President of Operations, Bonney Forge	
7 Corporation	11
8	
9 Susan Leone, Executive Vice President,	
10 WFI International	17
11	
12 Heather McClure, Vice President, Corporate Controller, and	
13 Assistant Treasurer, Bonney Forge Corporation	20
14	
15 Ken O'Connell, Vice President, Business Development Eastern	
16 Region, Bonney Forge Corporation	23
17	
18 In Support of Imposition (Luke A. Meisner, Schagrin	
19 Associates)	81
20	
21	
22	
23	
24	
25	

P R O C E E D I N G S

(9:30 a.m.)

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

MS. CHRIST: Good morning, and welcome to the United States International Trade Commission's Conference in connection with the Preliminary Phase of Antidumping and Countervailing Duty Investigation Numbers 701-TA-631 and 731-TA-1463 to 1464 (Preliminary), concerning forced steel fittings from India and Korea.

My name is Nannette Christ. I am the Director of Investigations and I will preside at this conference.

Among those present from the Commission staff, from my far right, Doug Corkran, Supervisory Investigator; Christopher Watson, the Investigator; David Goldfine, the Attorney Investigator; Cindy Cohen, the Economist; Emily Kim, the Accountant/Auditor; Mark Brininstool, the Industry Economist Analyst; and Alexander Melton, the Industry Analyst.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in your remarks to business proprietary information, and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your

1 presentation or answering questions, for the benefit of the
2 Court Reporter. All witnesses must be sworn in before
3 presenting testimony.

4 Are there any questions?

5 (No response.)

6 MS. CHRIST: Mr. Secretary, are there any
7 preliminary matters?

8 MR. BURCH: Madam Chairman, I would like to note
9 that all witnesses have been sworn in. There are no other
10 preliminary matters.

11 MS. CHRIST: Thank you.

12 MR. BURCH: Opening remarks on behalf of those in
13 support of imposition will be given by Luke A. Meisner of
14 Schagrin Associates. Mr. Meisner, you have five minutes.

15 STATEMENT OF LUKE A. MEISNER

16 MR. MEISNER: Good morning, Ms. Christ and
17 members of the Commission staff. Again, my name is Luke
18 Meisner from Schagrin Associates, and I am here on behalf of
19 Bonney Forge and the United Steelworkers Union, the USW.

20 Just over two years ago Bonney Forge filed
21 petitions against forged steel fittings from China, Italy,
22 and Taiwan. Thanks to the relief that was provided in early
23 2018, Bonney Forge was able to increase production and
24 shipments, hire back almost 50 workers, and was on the way
25 to recovery.

1 Now as the Commission is aware, forged steel
2 fittings are used to connect steel pipes together in
3 critical applications, with the majority of the fittings
4 being used in the oil and gas industry.

5 When made to standard, they are fungible
6 commodity products. However, because of their use in
7 critical applications where failure is not an option,
8 importers could not instantaneously replace imports from
9 china, Italy, and Taiwan with imports from other countries.
10 But eventually they did find a replacement: Unfairly traded
11 imports from India and Korea.

12 And as low-priced imports from India and Korea
13 rushed into the U.S. market, Bonney Forge's production and
14 shipments have begun to fall. The evidence of material
15 injury is clear.

16 As is common in the broader steel industry,
17 Bonney Forge has high fixed overhead costs. It can only
18 turn a decent profit with a high rate of capacity
19 utilization that spreads its fixed costs over a large
20 production volume.

21 Because of declining production due to subject
22 imports, Bonney Forge has had to absorb more fixed overhead
23 costs over a smaller production volume. This has negatively
24 impacted Bonney Forge's financial performance. Bonney
25 Forge's performance has also suffered because, due to the

1 low prices of subject imports, it has not been able to pass
2 along increases in its costs to its consumers.

3 Bonney Forge's employment has also suffered due
4 to subject imports. Overall, the company has reduced its
5 workforce by over 40 employees, and has had to cut its
6 production schedule to only 32 hours a week.

7 The threat of additional material injury is also
8 clear if relief is not provided. Foreign producers have
9 already shown their ability to quickly penetrate the U.S.
10 market with excess capacity. They are incentivized to do so
11 not only by the receipt of export subsidies, but also by the
12 Section 232 duties on steel bar and seamless pipe, which are
13 the major inputs used to produce forged steel fittings.

14 The 232 duties encourage foreign producers to
15 process steel bar and pipe into downstream products like
16 forged steel fittings that are not subject to the Section
17 232 duties.

18 A quick note about scope. Unlike the last
19 investigation, this scope specifically includes all types of
20 branch outlets which are an important component of Bonney
21 Forge's business. But there is still only one like-product
22 that is co-extensive with the scope, because the raw
23 materials, production process, and channels of distribution
24 for branch outlets are the same as all other types of
25 forged steel fittings.

1 You may have questions about how Bonney Forge's
2 performance relates to trends in the oil and gas sector.
3 You will hear from the witness today how softening demand
4 from the oil and gas sector does not explain the company's
5 declining performance. It does, however, underscore the
6 threat posed to Bonney Forge if relief is not granted.

7 Faced with both an onslaught of unfairly traded
8 imports and softening demand, the company will not be able
9 to reinvest in its business to remain competitive in the
10 future.

11 This domestic industry was well on its way to
12 recovery in 2018 after relief was imposed in the first
13 investigations. There is a path to get the domestic
14 industry back on the road to recovery.

15 We are here today on behalf of Bonney Forge and
16 the American workers employed in this industry to ask that
17 you clear this path by reaching affirmative preliminary
18 determinations in investigations of forged steel fittings
19 from India and Korea.

20 Thank you.

21 MR. BURCH: Thank you, Mr. Meisner. And those in
22 support of the imposition of antidumping and countervailing
23 duty orders have been sworn and are seated.

24 And, Madam Chairman, I would like to note they
25 have 60 minutes for their direct testimony.

1 MS. CHRIST: Thank you. Welcome to all the panel
2 members, and begin when you are ready.

3 MR. SCHAGRIN: Good morning, Ms. Christ. My name
4 is Roger Schagrin of Schagrin Associates, counsel for
5 Petitioners. Our first witness this morning will be Chuck
6 Almer, the Vice President of Operations for Bonney Forge.

7 STATEMENT OF CHUCK ALMER

8 MR. ALMER: Good morning, Ms. Christ, and members
9 of the Commission staff. For the record, my name is Chuck
10 Almer and I am Vice President of Operations for Bonney Forge
11 at its facilities in Mount Union, Pennsylvania.

12 Bonney Forge started with a 10,000 square foot
13 building on roughly 25 acres of ground at its current
14 location in the mid-1980s, and now has over 320,000 square
15 feet, state-of-art manufacturing and warehousing space on
16 over 42 acres of land.

17 I have been with the company for over 29 years.
18 At our Mount Union plant we purchase steel bars from U.S.
19 and Canadian producers. After receipt and inspection, we
20 cut the bars into varied lengths depending on the fitting
21 that we are going to manufacture.

22 Common steps in the production process for
23 forgings include heating the bars in an induction furnace to
24 approximately 2300 degrees, forging the product, and then
25 trimming the excess material known as flashing.

1 We have a variety of forged press equipment to
2 accommodate the wide range of product configurations and
3 materials we produce.

4 After the forgings are produced, they are staged
5 for production in the machine shop where they are
6 manufactured into their finished product type. Common steps
7 included for the manufacture of the finished fittings
8 include blasting the rough forgings with steel shot,
9 drilling, boring, threading, socket-boring, and stamping the
10 finished product.

11 We have a variety of rotary transfer machines to
12 accommodate the different sizes and types of fittings we
13 produce. Due to the critical service applications these
14 fittings could be exposed to, we inspect 100 percent of
15 every work order that goes to the floor, and we have roving
16 inspectors throughout the process as our ISO 9001 Quality
17 System dictates.

18 All product is marked with a unique lot number,
19 which is fully traceable back to the original mill heat
20 number for the raw material produced by the steel mill.

21 Finally, we process the fittings through a
22 state-of-the-art wash-and-coat line where they are cleaned,
23 coated with zinc phosphate, and lightly oiled for product
24 reservation.

25 The finished product is then packaged and placed

1 in our finished goods warehouse where it is eventually
2 assigned to a customer order, pulled, and shipped to our
3 distributors. Product certifications are also made
4 available as required by the order. These certifications
5 depict the full detail of all chemical and physical
6 properties of every fitting we produce.

7 Our fittings are all produced to recognize
8 industry standards and specifications, which include ASME,
9 B-16.11, MSSP-83, MSSP-97, to name a few. To the best of my
10 knowledge, all domestic and imported forged steel fittings
11 are made to the same industry specification.

12 The vast majority of our fittings are produced
13 from rough forgings through the process I just described. A
14 portion of our fittings are, however, machined directly out
15 of steel bar. These fittings are also manufactured in
16 accordance with the previously mentioned industry standards
17 and materials specifications, although not from a forging.

18 The scope of this case has been clarified to
19 include all integrated reinforced forged branch outlet
20 fittings, whereas butt-weld outlets were excluded from the
21 prior case in 2017 based on Commerce's recommendation.
22 These branch outlets are made at our Mount Union facilities
23 through the same process I described above. They are all
24 made from the exact same bar raw materials as other
25 fittings, and the bar is cut to length, heated, forged,

1 trimmed, and finished.

2 This gives branch outlets the same physical
3 characteristics and chemistries as the other forged steel
4 fittings we make.

5 The only difference in the production process is
6 that outlets have their own dedicated machine tools because
7 of their different dimensions, but this is true of other
8 types of forged steel fittings as well. We also have
9 dedicated machine tools for certain size elbows, crosses,
10 T's, et cetera. This does not distinguish branch outlets
11 from other types of forged steel fittings.

12 Because the production process and quality
13 requirements are the same, our employees are cross-trained
14 to produce all types of forged steel fittings. Depending on
15 the customer demand and our inventory position, the same
16 employee may make branch outlets one day and other types of
17 forged steel fittings the next.

18 The finishing, marking, testing, inventorying,
19 and shipping process are also the same for branch outlets as
20 they are for other types of forged steel fittings.

21 When Bonney Forge filed petitions on the forged
22 steel fittings from China, Italy, Taiwan, a little over two
23 years ago, we were running at very low capacity utilization
24 levels and far below peak employment. After the petitions
25 were filed in late 2017 and preliminary duties were imposed

1 in the spring of 2018, we saw significant improvements in
2 our plant.

3 Production, employment, and hours all increased
4 substantially as imports from China, Italy, Taiwan,
5 retreated. It greatly improved our capacity utilization
6 rate from 2017 to 2018, and we rehired 56 workers in 2018.
7 We still had unused capacity and were below prior peak
8 levels. The benefits from the decline in imports from
9 China, Italy, Taiwan were substantial.

10 This much-needed relief was all too short-lived
11 as customers found alternative sources of cheap imports from
12 India and Korea in 2019. Our sales and production volumes
13 fell significantly. Sales fell much as we had to reduce our
14 production hours and reduce our workforce. We shut down
15 production activities 16 days so far this year, and reduced
16 our hourly workforce by 40 employees with potentially more
17 to come.

18 The only way we have been able to minimize
19 layoffs is by working fewer hours, though neither option is
20 good for our workers and our community. These cutbacks were
21 very tough for our workforce because there is not a lot of
22 similar employment opportunities in rural Pennsylvania.
23 In fact, Bonney Forge is the largest manufacturing employer
24 in our county.

25 Bonney Forge has constantly reinvested in its

1 plants, including in robotics, during my years with the
2 company. We have excellent equipment in our forging,
3 normalizing, and finishing operations. We also have an
4 excellent relationship with all our associates in the plant,
5 as both USW members and management treat the plant as one
6 family working toward success of the company.

7 Unfortunately with the decline in orders and
8 production we have seen this year, we will have to take a
9 hard look at our investment plans going forward. We simply
10 cannot justify significant new investments if our market is
11 increasingly taken by unfairly traded imports from India and
12 Korea.

13 In 2018 our company had a glimpse of the benefits
14 that relief from unfairly traded imports can provide, and we
15 saw first-hand the improvements that are possible if the
16 playing field is level. Unfortunately, a new wave of
17 imports has come in to once again disrupt our market and
18 injure our industry. We are very grateful for the
19 Commission's affirmative determination in prior cases on
20 forged steel fittings, and we are hopeful these cases will
21 once again give us a chance to compete.

22 Thank you for the opportunity to testify today.
23 I look forward to answering your questions.

24

25 MR. SCHAGRIN: Thank you, Chuck. Our next

1 witness is Susan Leone, the Executive Vice President of the
2 WFI International Division of Bonney Forge. Susan?

3 STATEMENT OF SUSAN LEONE

4 MS. LEONE: Good morning, Ms. Christ, and members
5 of the Commission staff. I am Susan Leone, Executive Vice
6 President of WFI International in Houston, Texas.

7 WFI is a subsidiary of Bonney Forge. After I
8 joined Bonney Forge in 1998, we acquired WFI in 2002. My
9 responsibilities include overseeing WFI's sales and
10 manufacturing operations, and all day-to-day operations of
11 WFI, as well as participating in executive decisionmaking
12 for the overall Bonney Forge Corporation and its other
13 subsidiaries.

14 As part of the family that owns and manages
15 Bonney Forge, I can attest to my father and our family's
16 commitment to this company and our workers. Bonney Forge
17 was founded in Philadelphia in 1869. Though the company has
18 made a variety of products throughout its history, since
19 World War II the company has focused on forged steel
20 fittings and forged steel valves.

21 My father, Mr. John Leone, purchased Bonney Forge
22 in a leveraged buyout in 1984 from the conglomerate Gulf &
23 Western. The vast majority of our business is energy
24 related, either oil, gas, or power generation. Given the
25 energy nature of our business, it is not surprising that we

1 are subject to the cycles of the oil and gas industry.

2 We have become accustomed to planning our
3 business around these cycles. What has changed
4 significantly in recent years is the much larger role that
5 imports have come to play in the U.S. market.

6 Bonney Forge filed petitions on dumped and
7 subsidized forged steel fittings from China, Italy, and
8 Taiwan just over two years ago. We rightly expected that
9 orders would bring relief from these imports and help remove
10 distortions from the marketplace.

11 When preliminary duties were imposed starting in
12 March and May of 2018, the domestic industry was able to
13 increase production and employment as the unfairly traded
14 imports from these countries began to subside.

15 Last summer this Commission specifically cited
16 the benefits of the filing of these cases had for the
17 domestic industry in its determination. On behalf of our
18 company, my family, and all of our team members at Bonney
19 Forge and WFI, I want to express our deep thanks to the
20 Commission for its affirmative vote in those cases.

21 We expected the significant positive benefits of
22 those first cases would continue after Order were imposed in
23 the fall of last year. Unfortunately, the relief we worked
24 so hard for was quickly undermined by rising volumes of
25 low-priced imports from India and Korea.

1 Customers who had expected to keep coming back to
2 us found they could turn to other sources of cheap imports
3 instead. This increase in imports from India and Korea has
4 been especially painful as demand in the energy sector
5 started to decline in 2019.

6 Despite falling demand, the volume of imports
7 from India and Korea continued to grow in 2019, taking
8 market share from Bonney Forge, WFI, and the rest of the
9 domestic industry.

10 These imports have had a direct negative impact
11 on WFI. About 25 to 30 percent of WFI's sales are made up
12 of the branch outlets that are included in this case. These
13 are commodity items made to standard specifications and sold
14 from inventory. They are sold largely to distributors at
15 set list prices subject to standard multipliers. Because
16 they are standard products, they are largely sold on price.

17 Our customers typically get more than one quote
18 for a project. And if our quote is not competitive, our
19 distributors will let us know. If we cannot meet the price,
20 we will often lose the sale. As low-priced imports from
21 India and Korea increased in 2019, we saw our own sales and
22 production fall.

23 Given the importance to our operation, WFI needs
24 to be able to rely on the traditionally more steady volumes
25 of commodity branch outlet sales to be viable. Instead, as

1 production volumes have fallen in 2019, we have been forced
2 to absorb more fixed overhead over lower production volumes
3 and our performance has suffered.

4 In addition, our head count has fallen since the
5 end of 2018 as we have been unable to justify replacing the
6 workers we have lost through attrition. These workers who
7 are left are also down to 32-hour work weeks due to our
8 lower production volumes. We don't blame our customers for
9 buying dumped and subsidized imports at prices much lower
10 than ours. They have to compete with other distributors
11 that are purchasing these unfairly traded products. We are
12 confident that when the playing field is level, these
13 customers who know they get quality products, fair prices,
14 and good service from our company will return.

15 We thank you for your efforts to preserve our
16 company's future.

17 MR. SCHAGRIN: Thank you, Susan. Our next
18 witness is Heather McClure, Vice President, Corporate
19 Controller, and Assistant Treasurer of Bonney Forge.

20 STATEMENT OF HEATHER MCCLURE

21 MS. MCCLURE: Good morning, Ms. Christ and members
22 of the Commission staff. I am Heather McClure, the Vice
23 President, Corporate Controller, and Assistant Treasurer of
24 Bonney Forge Corporation. I have been with Bonney Forge for
25 over 22 years.

1 As my colleague Mr. Almer testified, our company
2 saw significant improvements after we filed petitions on
3 dumping and subsidized forged steel fittings from China,
4 Italy, and Taiwan in the Fall of 2017.

5 In 2018, as imports from China, Italy, and Taiwan
6 exited the market, our shipments, production, capacity
7 utilization, employment, and profitability all improved. In
8 a capital-intensive industry like ours, our profits depend
9 heavily on our capital utilization rate.

10 As our production rose in 2018, we had more
11 volume to absorb our overhead costs. Unit overhead costs
12 fell and profits improved considerably. I join my
13 colleagues in thanking the Commission for its affirmative
14 determination in those cases.

15 Unfortunately, imports from India and Korea
16 swooped in to take advantage of the opportunities our cases
17 had created. As a result, the upswing we saw in 2018
18 reversed itself in 2019. As subject imports took our
19 market share, shipments and production fell.

20 As Mr. Almer testified, we were forced to cut
21 back hours and production days, and we had to lay off
22 workers in June of this year. As production and capacity
23 utilization fell, we had fewer tons to absorb our fixed
24 costs. As unit overhead rose, our profits shrank. This
25 path is simply not sustainable for a business like ours.

1 It is true that demand in our end user segment
2 also fell in 2019, but this made the increase in subject
3 imports even more damaging. As Mrs. Leone mentioned, Bonney
4 Forge basically has two business lines: valves, and forged
5 steel fittings. These two product lines are both used in
6 the energy sector, and so they have similar demand drivers.
7 If the decline in our forged steel fittings business were
8 due only to softening demand, we would see the same declines
9 in our valve business but that has not been the case.

10 While our bookings of valves throughout the third
11 quarter of this year were down from last year, the decline
12 has been much sharper for our forged steel fittings. The
13 reason is the rapid growth in forged steel fittings from
14 India and Korea.

15 These circumstances are extremely unfortunate
16 because Bonney Forge is the industrial leader in forged
17 steel fittings in the United States, and the company has
18 consistently reinvested in the fittings business with the
19 best equipment available.

20 With the reduced sales and profit we are seeing
21 in 2019, we will likely be forced to cut back our capital
22 expenditure budget in 2020. In a heavy manufacturing
23 operation like ours, the inability to make continuous robust
24 investments will eventually catch up with us and undermine
25 our competitiveness over the long term.

1 We are also very concerned about the impact of
2 these imports on our employees. As we lost market share to
3 imports from India and Korea and cut back on production, we
4 were forced to let some of our people go in June of this
5 year. In order to keep as many of our associates employed
6 as possible, we have to cut back on hours.

7 As we look at our business plan for next year,
8 the only way we can avoid further cuts is if we get relief
9 from India and Korean imports.

10 For all of these reasons, I join my colleagues
11 today in asking the Commission to make an affirmative
12 preliminary injury determination. Thank you.

13 MR. SCHAGRIN: Thank you, Heather. Our next
14 witness is Ken O'Connell, the Vice President of Business
15 Development, Eastern Region of Bonney Forge. Ken?

16 STATEMENT OF KEN O'CONNELL

17 MR. O'CONNELL: Thank you. Good morning, Ms.
18 Christ and members of the Commission staff. For the record,
19 my name is Ken O'Connell, and I am Vice President of
20 Business Development for the Eastern Region. I have been
21 with the company for over 22 years, and I have over 41 years
22 experience in the forged fitting business.

23 Our corporation is very flat and efficient. At
24 Bonney Forge, we have four regional sales vice presidents
25 who work with each other as a total marketing team. We al

1 report to Mr. Leone. Each of us have various sales
2 assistants, and I am responsible for the Northeast, the Mid
3 Atlantic, and the Southeast Regions.

4 Forged steel fittings are sold exclusively
5 through distributors, and I would like to explain a bit
6 about those distribution networks.

7 There are a handful of national pipe, valve, and
8 fitting distributors such as MRC, DNOW, and Ferguson, who
9 have literally hundreds of branches throughout the United
10 States. In addition to these national distributors, there
11 are also regional distributors who have dozens of branches
12 in any particular region of the country. Then there are
13 maybe hundreds of independent distributors. They generally
14 have just one or two distribution warehouses, and they will
15 either buy directly from manufacturers or they will buy from
16 a handful of master distributors.

17 These master distributors serve only independent
18 distributors as regional and national distributors always
19 buy direct from the manufacturer.

20 Our channels of distribution are the same for
21 branch outlet fittings and all other forged steel fittings.
22 They are sold through distributors, and the same type of
23 distributors handle all different types of forged steel
24 fittings.

25 At Bonney Forge, we generally ship forged steel

1 fittings from inventory. And this is true for branch outlet
2 fittings as well as other forged steel fittings. U.S.
3 producers and foreign producers or trading companies sell
4 basically the same way. At Bonney Forge we have always sold
5 off of a published list price, and we use a multiplier to
6 then discount from that list price.

7 Until the trade cases we filed in 2017, the last
8 time we increased our published prices was in 2011. We
9 lowered actual prices through bigger discounts off that list
10 price repeatedly to compete with rising imports.

11 Fortunately, this Commission reached an
12 affirmative determination in those cases. Soon after those
13 cases were filed and preliminary relief was imposed,
14 distributors were coming back to me and placing orders.

15 This contributed to a strong improvement in the
16 sales volumes and profitability for our company from 2017 to
17 2018. I want to echo my colleagues' gratitude for the
18 Commission's vote in those cases. We came out of 2018
19 expecting continued strong performance. We decided to
20 finally implement an increase in our price list for the
21 first time since 2011 in January of 2019.

22 This increase was necessary and justifiable given
23 our rising costs and length of time we had gone without an
24 increase. Unfortunately, low-priced imports from Korea and
25 India rose sharply into a contracting market in 2019.

1 In a highly price-sensitive market, the result
2 for Bonney Forge was lost sales and market share, and
3 declining profit. The benefits we deserved to enjoy once
4 Chinese, Italian, and Taiwanese imports retreated were far
5 too fleeting.

6 Distributors who had been accustomed to cheap
7 import supplies simply turned to India and Korea to take
8 advantage of unfairly low prices. As a result, our 2019
9 performance has fallen far short of expectations. Our
10 industry has faced one wave of dumped and subsidized imports
11 and survived only because relief was provided.

12 We ask that additional relief be imposed on
13 imports from India and Korea to give our company a fair
14 chance to compete.

15 I appreciate the opportunity to appear again
16 before the Commission today, and I will be happy to answer
17 your questions. Thank you.

18 MR. SCHAGRIN: Thank you, Ken. Ms. Christ,
19 Roy Houseman, the legislative director for the co-petitioner
20 United Steel Workers has taken ill and was unable to attend
21 the hearing this morning, and given that this just occurred,
22 the USW was unable to send another representative this
23 morning.

24 Rather than reading his testimony into the
25 record, I would just ask that you accept his written

1 testimony and append to the transcript of the conference
2 this morning. We can give that to the court reporter as well
3 as the Secretary, and I think we've already done so. With
4 that, if that's okay?

5 MS. CHRIST: Yes, yes.

6 MR. SCHAGRIN: Thank you. With that, that
7 ends our direct testimony this morning. We'd be happy to
8 answer your questions. Thank you.

9 MS. CHRIST: Thank you very much everyone for
10 coming down. I'm sorry we couldn't have provided you with a
11 little bit better weather. It should be getting better in a
12 few days, but unfortunately you caught it right at the worst
13 period. And also do pass on our well wishes for a speedy
14 recovery for Mr. Houseman. I wish him the best. We'll now
15 turn to staff questions, and we'll start with Christopher
16 Watson, the Investigator.

17 MR. WATSON: Good morning. My name's
18 Christopher Watson with the Office of Investigations here.
19 Thank you for taking the time and giving us your testimony
20 this morning. I do have a few follow-up questions. First
21 with respect to U.S. apparent consumption, from your
22 position what are the key factors that are driving U.S.
23 apparent consumption down?

24 MR. O'CONNELL: I'm sorry. I didn't know that
25 question was directed. The question is contributions to the

1 downturn in our industry. I would say it's a combination of
2 both the influence of unfairly dumped forged steel fittings
3 in our market, and in addition to that our industry, like
4 others, do follow certain business cycles. So what we have
5 right now is a softening or a contracted energy industry
6 right now that's in a convergence with these illegally
7 dumped products. So we have both a softening market and an
8 unfair, dumped product.

9 Thank you for the response. Kind of shedding
10 more into that, what you basically just relayed, this can be
11 either for counsel or industry representatives. Are there
12 other applications of forged steel fittings beyond oil and
13 gas that are perhaps offsetting reduction in U.S. oil and
14 gas demand?

15 MR. SCHAGRIN: This is Roger Schagrin. So in
16 addition to oil and gas and of course we have an excellent
17 final staff report from the Commission's previous
18 investigations, so in addition to oil and gas these products
19 are also used in chemical plants, refineries, petrochemical
20 plants. That is a much steadier source of demand because
21 those plants, based on safety requirements, have to be
22 retrofitted periodically.

23 That's what the engineers require, and so that
24 segment of demand for these products is pretty steady. It's
25 the use in oil and gas drillings because these products are

1 used at the well sites that are much more cyclical and go up
2 and down with the rig count. Both of the uses, whether it
3 be in the refinery, petrochemical or chemical plants,
4 they're both serviced by the same distribution network. If
5 anyone from Bonney would like to add to that, that's
6 sufficient.

7 MR. WATSON: Next, how would you describe the
8 competitive nature of the fittings market? In particular,
9 how does your firm, Bonney Forge, compete with firms with an
10 alternate business model, for instance Anvil International?

11 MR. O'CONNELL: I'll take that. Ken
12 O'Connell. Did you mention Anvil International
13 specifically? Very competitive. Most domestic forged steel
14 fitting manufacturers operate similarly, with similar
15 pricing structures for domestic consumption. The problem is
16 the reason we're here today is imports from India and
17 Korea. So most domestic forged steel fitting manufacturers
18 do operate very similarly.

19 MR. SCHAGRIN: Mr. Watson, I would just add,
20 in the public and the Commission's final determination in
21 731-TA-1396 that Anvil was excluded from the domestic
22 industry by the Commission, and we will comment on that
23 issue confidentially in our post-conference brief because
24 the information is subject to protective order.

25 MR. WATSON: Thank you for that.

1 Additionally, can please tell us about your sales of
2 unfinished fittings in the domestic market?

3 MR. O'CONNELL: Ken O'Connell. Can you
4 describe unfinished fittings? We manufacture finished good
5 products, so maybe I don't understand your question.

6 MR. WATSON: Typically forgings.

7 MR. O'CONNELL: We do not sell unfinished
8 forgings.

9 MR. WATSON: Could you elaborate upon the
10 nature of the operations regarding integrated production of
11 fittings? More specifically, what factors do you consider
12 when to sell blanks or rough forgings rather than finished
13 fittings? Additionally, how much investment do you have in
14 the equipment that is involved in finishing operations?

15 MR. ALMER: This is Chuck Almer. Let's start
16 with the investment in finishing operations. We constantly
17 measure or hopefully get, look for an ROI in investments and
18 when we have a downturn like this, it obviously is going to
19 impact it. Over the years, we traditionally invest one to
20 almost two times our depreciation at times. But in times
21 like this, it may not be that substantial. And the other
22 part of that question was are --

23 (Pause.)

24 MR. ALMER: The investment in the forging.
25 It's usually, there's twice as much put in the finishing

1 operation as the forging operation, sometimes three times as
2 much.

3 MR. SCHAGRIN: This is Roger Schagrin. We can
4 elaborate further based on Bonney's information in our
5 post-conference brief.

6 MR. WATSON: Excellent, thank you. Next can
7 you please specify when specifically subject imports,
8 imports of forged steel fittings from India and Korea were
9 present in the domestic market, when you began to notice it?

10 MR. O'CONNELL: Heather.

11 MS. McCLURE: Hi, this is Heather McClure. We
12 began to notice at the beginning of 2019.

13 MR. WATSON: Would you say the first quarter
14 specifically or deeper than that?

15 MS. McCLURE: Like March-April time frame.

16 MR. SCHAGRIN: Based on the data, we'll
17 elaborate further. This is Roger Schagrin. For some
18 imports prior, but imports increased significantly in 2019,
19 much more so than had ever been present in the market during
20 the first three years of your Period of Investigation.

21 MR. WATSON: Next, with respect to the scope
22 of these investigations, could you shed light into the
23 decision of including branch outlet fittings?

24 MS. DRAKE: Right. So branch, many kinds of
25 branch outlet fittings actually were included in the prior

1 case, and the intent was to include all types of branch
2 outlet fittings. But Commerce in response to requests from
3 Respondents read a term in the scope that said "butt weld
4 fittings are excluded," to mean that any fitting with all
5 butt weld connections is excluded. Whereas we had intended
6 the butt weld exclusion more as a term of art to refer to
7 butt weld fittings that you all are familiar with from a
8 separate case on butt weld fittings, which are made out of
9 bent pipe. They're not forgings like these, most of these
10 forged steel fittings.

11 But that was Commerce's decision. They
12 decided to exclude branch outlets that are butt welded on
13 all ends. So this time around, we sought to clarify before
14 we filed the petition that we wanted to include all branch
15 outlets, including those that are connected by butt welding.

16
17 So that's what the revised scope is, and we
18 think that the domestic like product factors all support
19 finding the domestic like product to be co-extensive with
20 the scope, based on the similar physical characteristics and
21 the manufacturing processes and channels that our witnesses
22 described.

23 MR. SCHAGRIN: This is Roger Schagrin. Just a
24 point of additional clarification. Commerce was very
25 concerned in the earlier proceeding to make sure that there

1 wasn't any potential double coverage between the order on
2 butt weld fittings from China and the investigation on
3 forged steel fittings from China, because there are no
4 orders on butt weld fittings from either India or Korea.
5 Commerce doesn't have to worry about that issue, and so
6 this I think it makes their getting the scope that we want
7 clearer, more easy for them because of the lack of the
8 potential for overlap in orders.

9 MR. MEISNER: This is Luke Meisner. In case
10 it's useful, you can see that we brought some examples of
11 forged steel fittings here, and this is an outlet and this
12 is a different kind of forged steel fitting, and you're
13 welcome to see this if you like or we can pass them around.
14 But as you can see, they have very similar physical
15 characteristics and if you have any further questions about
16 the differences and similarities between the models, of
17 course we would welcome those questions.

18 MR. WATSON: Excellent, thank you. Lastly,
19 can you please discuss any potential preference for
20 procurement programs that may be applicable to
21 domestically-sourced forged steel fittings, and if this is
22 the case, how would this affect your operations?

23 MR. O'CONNELL: This is Ken O'Connell, no.
24 I'm sorry, not a significant factor.

25 MR. WATSON: Thank you for all your responses.

1 Those are all the questions that I have presently.

2 MS. CHRIST: Thank you. We'll now turn to the
3 attorney, David Goldfine.

4 MR. GOLDFINE: Good morning. My name is David
5 Goldfine. I'm with the Office of General Counsel. Thank
6 you all for coming this morning. My questions are for
7 whoever would like to answer them. With respect to branch
8 outlets, how much of Bonney Forge's production is branch
9 outlets versus all other types of fittings, roughly if you
10 know? Or if that's for --

11 MR. ALMER: This is Chuck Almer. Branch
12 outlets probably make up about 20 percent, 20 to 25 percent
13 depending on customer demand currently.

14 MR. GOLDFINE: Okay, and with respect to like
15 product, I understand your argument it's for one like
16 product now, and Mr. Almer touched on some of the factors.
17 But in your post-conference brief for the in scope branch
18 outlets, if you could run through the six factors for that,
19 that would be very helpful to the Commission.

20 Some of that was touched upon, but I think the
21 physical characteristics uses manufacturing production and
22 facilities are the same for branch outlets versus the other
23 type of fittings. Is that correct?

24 MR. ALMER: Correct.

25 MR. GOLDFINE: So it's the same employees and

1 the same equipment?

2 MR. ALMER: It's the same equipment. It's
3 just fixtured a little differently. But the employees are
4 cross-trained to run both.

5 MR. GOLDFINE: And they're all -- both of
6 those types of branch outlets, like other forged steel
7 fittings, are sold to distributors?

8 MR. ALMER: Correct.

9 MR. O'CONNELL: That's correct.

10 MR. GOLDFINE: And with respect to price, are
11 branch outlets priced about the same or differently from
12 other forged steel fittings, and if you could say your name
13 before? We should be, just keep doing this.

14 MR. O'CONNELL: This is Ken O'Connell. What
15 Mr. Almer was saying, the manufacture is the same, same
16 machinery, same materials, same people. They are marketed
17 differently, even though they're packaged together. As you
18 can see, the fittings themselves are only different in
19 shape. They are marketed.

20 Both have independent price sheets and
21 independent multipliers, and they really don't have, as far
22 as pricing goes they don't have anything in common.

23 MR. GOLDFINE: Are they -- is one more
24 expensive than the other? Is there a price differential or
25 you can't really, you can't really say?

1 MR. O'CONNELL: I think that's a function of
2 size and material, you know. There's a lot of varying
3 factors that come into play.

4 MR. GOLDFINE: Okay. Maybe in your
5 post-conference brief, if you get any better sense of that.

6 MR. SCHAGRIN: Yeah. We'll try to give you
7 factors like pricing per pound and things like that as we
8 can work with the company to do some of that type of
9 analysis, and we'll include it in our post-conference brief.

10 MR. GOLDFINE: Okay, and one of our factors --

11 MS. LEONE: This is Susan Leone. I'd just
12 like to add a couple of comments and then --

13 MR. GOLDFINE: Sure.

14 MS. LEONE: The pricing methodology that we
15 use for the fittings and the branch connections are very
16 similar, but the manufacturing processes are not
17 considerably different but there are differences in the
18 manufacturing processes. But the methodology on the costing
19 of the product that we use is very, is similar.

20 MR. GOLDFINE: Okay. When you say there are
21 differences, some differences in the manufacturing
22 processes, what would -- such as?

23 MS. LEONE: Well, as you can see that the
24 branch connection is a little bit more contoured than the
25 fitting. So just, just differences that maybe the average

1 person wouldn't notice and 20 years ago I wouldn't have
2 noticed the difference. But when you're involved in
3 manufacturing, it's just the contouring and just the
4 machining time. It's also, depending on the difference,
5 obviously the different sizes. But it's not vastly
6 different manufacturing processes because as Chuck Almer
7 said that we use the same operators who are cross-trained to
8 different work centers.

9 But the methodology for costing up the product
10 is very similar, the same. If that answers the question.

11 MR. GOLDFINE: Yes. One of our factors we
12 look at on like product is interchangeability, and I
13 understand there may be some limited interchangeability here
14 depending on specifications. But as a lay person, if I
15 ordered -- if I ordered a forged steel fitting and you sent
16 me a branch outlet, could I use that for the same or is that
17 -- or are they --

18 MS. DRAKE: This is Elizabeth Drake. I think
19 they're not interchangeable, but that's true of all forged
20 steel fittings because they all have different shapes. So
21 you couldn't interchange a Y with a T with a cross with an
22 outlet. But that characterizes all forged steel fittings
23 and doesn't differentiate the branch outlets from the other
24 shapes of fittings.

25 MR. SCHAGRIN: And this is Roger Schagrin. I

1 think that the key here, Mr. Goldfine, is in addition to the
2 commonality of the manufacturing processes and the
3 employees, that in terms of both channels of distribution
4 and uses, the same distributors always handle both products
5 because in the systems, in the -- on the well sites, in the
6 refineries or chemical plants, the engineering requires that
7 all of these various fittings be used in the systems.

8 You would just use the branch outlet to change
9 more the sizes of the pipes, and the other fittings would be
10 used more to change the direction. But they won't get used
11 together in the same system, and the engineers, who are the
12 really smart people I guess, figure out when they need to
13 use a branch outlet versus a different fitting and whether
14 they need in the system to use a T or a Y or a branch
15 outlet. They're all used in the same way and sold through
16 the distribution and go into the same systems.

17 MR. GOLDFINE: Okay, thank you for that. And
18 with respect to producer and customer perceptions, I
19 understand that there's been testimony, I think, that the
20 forged steel fittings and branch outlets are perceived by
21 Bonney Forge to be part of the same like product. What
22 about, and this may be for your post-conference, is there
23 anything that we would have in the record on customer
24 perceptions?

25 MS. DRAKE: Like one thing on producer

1 perceptions is that Bonney is not the only producer of
2 forged steel fittings that also makes branch outlets. Both
3 Penn Machine and Capital Manufacturing also make branch
4 outlets as well as other types of forged steel fittings, and
5 we excerpts from their websites in the petition to show
6 that.

7 MR. GOLDFINE: Oh okay, thank you.

8 MR. SCHAGRIN: And the distributors in terms
9 of their lists of products that an MRC and a DNOW would
10 have, they would list them all together. So that the
11 distributors are offering all these products to their end
12 user customers together.

13 MR. GOLDFINE: Okay, thank you for that. And
14 now with respect to the out of scope products here, flanges
15 and butt weld pipe fittings, is the exclusion for butt weld
16 fittings, should we think of that exclusion as essentially
17 the same or narrower as the last go-round?

18 MS. DRAKE: This is Elizabeth Drake.
19 Hopefully it's clearer. I think it's what we intended to do
20 last time around, and so this time instead of just saying
21 butt weld fittings are excluded, we excluded the specific
22 industry, fittings made to the specific industry
23 specifications that apply to butt weld fittings as properly
24 understood.

25 And so while to us conceptually it's the same,

1 we hope that it's clearer that it's not just based on
2 whether or not it's connected with a butt weld, but that
3 it's these actual true bent pipe butt weld fittings that are
4 made to specific butt weld specifications. So that was our
5 main change to the exclusion.

6 MR. GOLDFINE: I guess when I looked at the
7 exclusion from the last time, it says just "butt weld
8 fittings." Now we have language about certain
9 specifications. So as a lay person, should I think about,
10 you know, the universe of butt weld fittings? It was
11 everything last time. Is it 90 percent of that? Is it 100
12 percent of that? Is it functionally the same or is it maybe
13 slightly less or there's some --

14 MS. DRAKE: Yeah. It depends if you're us or
15 if you're Commerce. So Commerce interpreted our last
16 exclusion for butt weld fittings to include these butt weld
17 outlets. That was not our intention to exclude the butt
18 weld outlets. So we see the exclusions as being the same
19 from last time to this time. Obviously, Commerce read it
20 more broadly than we expected.

21 MR. GOLDFINE: But your position is it's the
22 same exclusion?

23 MS. DRAKE: Yeah, but then once they excluded
24 them, the butt weld outlets, that changed the final scope
25 from what we intended.

1 MR. GOLDFINE: Okay, okay. And this can be
2 for the post-conference too, but your argument is that it's
3 one like product and flanges and butt weld fittings are --
4 the out of scope products are not part of the like product
5 here, right?

6 MR. SCHAGRIN: That's correct for a number of
7 reasons. They have everything different from these
8 products. They have different manufacturing processes, they
9 have different customer perceptions and they are used when
10 the engineers specify that in the system you have to use a
11 flange or butt weld fitting.

12 So even though they may share common
13 distribution, they're different products made to different
14 specifications and engineers specify their uses for
15 different reasons, as compared to the products in scope and
16 this like product. They're also manufactured by different
17 manufacturers.

18 MR. GOLDFINE: Okay, and I think the
19 Commission addressed this in the last round. But to the
20 extent you can address the six factors for the excluded, the
21 butt, the all other products, butt weld, that would be
22 helpful. I won't run through them here now.

23 And with respect to the domestic industry Mr.
24 Schagrin, I think you indicated you would address that in
25 your post-conference brief. But would you accept for

1 purposes of the prelim that since the Commission found last
2 time that there were -- the finishing operations were -- we
3 included finishers in the industry, are you going to --

4 MR. SCHAGRIN: Yeah. We're not going to
5 dispute the inclusion of finishers.

6 (Simultaneous speaking.)

7 MR. SCHAGRIN: --related and that's all
8 confidential, and we'll address it in our post-conference
9 brief.

10 MR. GOLDFINE: Can you say, is your position
11 on whether they should be excluded though as a related party
12 or that's for the post-conference brief?

13 MR. SCHAGRIN: We're going to answer that in
14 the post-conference. But as to, you know, the extent of
15 finishing operations here and those with extensive finishing
16 operations being part of the industry, we do not disagree
17 with the Commission's determination in the prior case.

18 MR. GOLDFINE: Okay, thank you. And your
19 position is that -- oh there's not -- negligible is not --
20 negligibility is not an issue here; correct?

21 MR. SCHAGRIN: No, it's not.

22 MR. GOLDFINE: And cumulation, your position
23 is that the Commission should cumulate for present injury?

24 MR. SCHAGRIN: Yep.

25 MR. GOLDFINE: And you can run through the --

1 MR. SCHAGRIN: And for threat.

2 MR. GOLDFINE: And for threat.

3 MR. SCHAGRIN: If you were. We don't think
4 you'll get to threat, but if you were to because both of the
5 products from India and Korea meet the same specifications,
6 are sold in the same channels of distribution. They are
7 available and sold during the same time periods, and they
8 are completely interchangeable with each other and with
9 domestic products.

10 MR. GOLDFINE: Okay, and I think you've
11 addressed some of this in your petition, but in the
12 post-conference brief if you could address cumulation for
13 threat, for present and threat that would be helpful.

14 MR. SCHAGRIN: We will do so.

15 MR. GOLDFINE: Okay, thank you. Lastly, with
16 respect to non-attribution, how should the Commission
17 analyze non-subject imports in this case?

18 MR. SCHAGRIN: This is Roger Schagrin. I mean
19 it's pretty clear that as we get into 2019 where the
20 Commission's going to see the injury and we do have three
21 quarters of data; we're not arguing for a period of injury
22 here that's just a quarter, that there is very little other
23 non-subject in the marketplace because of the orders that
24 went into effect against China, Italy and Taiwan.

25 And so we don't see any difficulty for the

1 Commission focusing on the big increase in imports from the
2 subject countries and we think the information is
3 confidential, but I'll characterize it. We think that you
4 will find that the increased import market share by the two
5 subject countries came largely at the expense of lost market
6 share for the domestic industry.

7 MR. GOLDFINE: Okay. Would any of the
8 witnesses have any information on whether the non-subject
9 imports, the imports from China, Italy or Taiwan are priced
10 higher, lower than the imports here from India and Korea?

11 MR. O'CONNELL: This is Ken O'Donnell. I
12 think they would be similar.

13 MR. GOLDFINE: Okay, thank you. How should
14 for non-attribution with respect to declining demand, how
15 should the Commission analyze that?

16 MR. SCHAGRIN: This is Roger Schagrin. We
17 would make two points. First, there's no question that
18 declining demand would affect the domestic industry.
19 However, it's clear that the injury suffered by the domestic
20 industry cannot be entirely attributed to declining demand
21 because the industry lost market share to the subject
22 imports. So that the industry's declining shipments were
23 not caused solely by declining demand, but were exacerbated
24 by losing market share to the subject imports.

25 What's amazing is that these imports increased

1 so significantly at a time when demand was declining, which
2 increased the injury that they caused. The second thing
3 we'll provide some confidential information in our
4 post-conference brief. Bonney Forge essentially has two
5 distinct product lines, but that both go into the exact same
6 demand driver.

7 They are the United States' largest producer
8 of forged steel fittings and the United States' large
9 producer of forged steel valves. Both products get used in
10 the oil and gas industry. We'll show you in our
11 post-conference brief that while their shipments of forged
12 steel valves declined somewhat because of declining demand,
13 the decline in their shipments of forged steel fittings were
14 much more significant and that was because of the unfairly
15 traded imports.

16 Fortunately, they don't face a lot of import
17 competition in their forged steel valve line. So that,
18 they're -- all of their production and shipment indicators
19 in that product reflected just the change in demand, whereas
20 the much more significant decline in their forged steel
21 fittings business was reflective of the increased unfairly
22 traded imports from Korea and India. So we'll elucidate
23 that more fully in our post-conference brief.

24 MR. GOLDFINE: Thank you. I have no further
25 questions.

1 MS. CHRIST: Thank you. We'll now turn to
2 Cindy Cohen, the Economist.

3 MS. COHEN: Hi, good morning. I'm Cindy Cohen
4 from our Office of Economics. Thank you all for appearing
5 today. My first question is about price lists and Mr.
6 O'Connell you addressed that some. You mentioned that your
7 price list hadn't changed since 2011 until this year.

8 MR. O'CONNELL: That's correct.

9 MS. COHEN: And have you kept that price list?

10 MR. O'CONNELL: Ken O'Connell, yes ma'am.

11 MS. COHEN: You're discounting, your discounts
12 have increased off of the price list. Is that your --

13 MR. O'CONNELL: I would -- Ken O'Connell. I
14 would say since the initiation of the price increase, the
15 price sheet in January of this year, the discounts have
16 remained relatively the same.

17 MS. COHEN: So the prices are above what they
18 --

19 MS. DRAKE: So I think if you look at -- this
20 is Elizabeth Drake. If you look at Bonney Forge's
21 confidential data just to summarize it, there was a price
22 increase in 2019. There was a sharp decline in volume due
23 to okay, maybe we increased prices but we lost volume as a
24 result, and also that price increase was not sufficient to
25 cover all of the increase in costs.

1 So even, you know, they hadn't raised prices
2 since 2011. They finally did after the first round of
3 cases, and even then they both lost volume and lost
4 profitability because they weren't able to cover rising
5 costs even with the price cost, net of the multipliers.

6 MS. COHEN: Okay. Is that typical that you've
7 seen among other of your competitors in the industry, that
8 the price sheets have not changed in that period of time?

9 MR. O'CONNELL: Ken O'Connell. Yes, I think
10 that would be true.

11 MS. COHEN: And can you discuss how the
12 discounts or I guess you could call them the multipliers
13 from the price list are negotiated with your customers? Is
14 that an annual occurrence, quarterly? How does that work?

15 MR. O'CONNELL: Ken O'Connell. Over time,
16 there are volume discounts and they are negotiated. But
17 there are no set interval or intervals of time. There's
18 nothing set. It can vary.

19 MS. COHEN: So it would be for each individual
20 purchase?

21 MR. O'CONNELL: No. It's -- I think it would
22 be considered an evergreen agreement that, you know,
23 nothing changes until one party decides to bring up the
24 subject.

25 MS. COHEN: Okay, and how are raw material

1 prices considered in those negotiations or when the -- for
2 discounts off of the price list?

3 MR. O'CONNELL: Chuck, I'm not sure.

4 MR. ALMER: Good morning, Ms. Cohen. Chuck
5 Almer. Raw material is a big factor, a cost driver in our
6 product and I'm sure we'll probably talk about it in the
7 post-conference brief, and it is a big cost driver. Like
8 the Section 232 was a big impact on our cost. Like Ken
9 mentioned, there's been a lot of cost changes since 2011,
10 and we couldn't pass them on in our marketplace.

11 MR. SCHAGRIN: This is Roger Schagrin. Just
12 to clarify, Ms. Cohen. So it's our understanding, because
13 you know the Commission's always interested in this in every
14 investigation, that none of Bonney's agreements with their
15 customers include any written or oral agreements to change
16 prices based upon changes in cost. There's no, nothing
17 saying based on any published prices of bar that you are --
18 our prices to you will change.

19 So the negotiations which are all for spot
20 sales, even though as Ken said there may be the evergreen
21 agreement. So they might not change the discount with any
22 particular customer until the two sides sit down to
23 negotiate a change, that all of the discounts to individual
24 customers are based on individual negotiations in the spot
25 market between suppliers and customers.

1 MS. COHEN: Thank you. Are we going to see
2 evidence on this record of price declines or price
3 depression during the period, or is there a price
4 suppression argument?

5 MS. DRAKE: I think because we've been
6 focusing really on the 2019 period, where we saw, you know,
7 expected relief from the first cases, saw an increase from
8 India and Korea that would be more of a period of price
9 suppression, at least looking at Bonney's data in terms of
10 trying to push their price increase and still not being able
11 to cover even more rapidly rising costs.

12 MR. SCHAGRIN: And in addition to price
13 suppression we're talking about, in general about pricing
14 issues here. It's that we'll also comment on the
15 underselling information in our post-conference brief. I
16 know the Commission is voting on Friday in that case on
17 steel-threaded rod, and we neglected and mea culpa on us to
18 put into our petition that it's probably better if the
19 Commission gather the pricing product information at two
20 levels of trade, because it's apparent that some of the
21 importers are distributors.

22 And so you would have an importer reporting
23 prices that they would be selling to an end user customer,
24 so it's got their distributor markup into the price.
25 Whereas Bonney sells only to distributors. So we would

1 suggest that in the Commission's final investigation
2 questionnaires, that similar to what you just did in the
3 threaded rod investigation, that you ask for pricing at two
4 different levels of trade.

5 You won't have any domestic sales at the level
6 of trade to end users, but we don't think that importers who
7 are distributors, that you should be comparing their prices
8 to an end user customer, an oil exploration company or an
9 energy company operating a refinery, to compare them to
10 domestic producers' prices to the same distributors.
11 They're a different level of trade and reporting a -- trying
12 to compare an importer/distributor sales to an end user to a
13 domestic producer's sales to a distributor creates
14 distortions and is basically comparing apples to oranges.

15 So we'll explain that further in our
16 post-conference brief, as well as I'm sure in our comments
17 on any final questionnaires.

18 MS. COHEN: Okay, thank you. That actually
19 leads me to the question of the different types of
20 distributors and are the imports competing with the same
21 distributors are you are selling? Are they competing in the
22 downstream markets, the downstream end users?

23 MR. O'CONNELL: This is Ken O'Connell. They
24 would compete in all of our segments, including upstream,
25 midstream and downstream.

1 MR. SCHAGRIN: Just to clear up what Ken says
2 is that he means those are the end users markets, upstream,
3 midstream, downstream, but all the sales to those three
4 market types, upstream being oil and gas wells, midstream
5 being pipelines, downstream being refineries, petrochemical
6 plants, chemical plants, all the sales go through
7 distributors and it's our belief that none of the imports go
8 directly to end users. They sell to the same distributors
9 that the domestic industry sells to.

10 So there at least it is interchangeable,
11 apples to apples competition between imports and the
12 domestic industry on sales to distributors.

13 MS. COHEN: And does Bonney Forge work with
14 certain distributors? Are there certain preferred
15 distributors and also certain distributors that Bonney Forge
16 won't sell to because they're viewed as competitors?

17 MR. O'CONNELL: This is Ken O'Connell. We
18 generally try to work with as many distributors as possible,
19 but there are some who have other motivations that we don't
20 have agreements with. So there's no discrimination other
21 than just personal preferences.

22 MS. COHEN: Turning to demand, I understand
23 2018 was kind of a peak year for demand. Were imports
24 needed to fulfill demand in 2018?

25 MS. DRAKE: This is Elizabeth Drake. We'd be

1 happy to look at the data more specifically, but when you
2 look at even with the increase in domestic production in
3 2018, there is still a lot of excess unused capacity. So I
4 believe there was no sort of shortage that, you know, forced
5 the market to draw on imports from another source. The
6 domestic industry could have increased its production even
7 more if it weren't being undercut by imports.

8 MR. SCHAGRIN: This is Roger Schagrin. This
9 is an industry, these products were actually invented in the
10 United States along with a lot of oil drilling techniques,
11 and being invented in the United States, where not only does
12 the U.S. industry have sufficient capacity to supply the
13 entire U.S. market. But up until maybe five to ten years
14 ago the U.S. industry was a really big exporter to the rest
15 of the world, and as foreign capacity has grown, U.S.
16 exports have also fell quite a bit.

17 I mean I think the U.S. industry's exports to
18 Canada, Canada has no producers of forged steel fittings.
19 So as foreign producers were forced through the imposition
20 of duties to retreat from the U.S. market, they have focused
21 on every other market but the U.S., and that has affected
22 the ability of the U.S. industry to export because in some
23 cases there's just no ability to get relief from unfairly
24 traded imports in export markets.

25 MS. COHEN: Okay, thank you for that answer.

1 In looking through the previous investigation report, there
2 were several purchasers that said U.S. producers were not
3 accepting new customers. Was that the experience for Bonney
4 Forge, that there -- were there any times where you were
5 unable to accept or unwilling to accept new customers or
6 unable to supply any existing customers?

7 MR. O'CONNELL: Ken O'Connell, no. There was
8 no point in time where we would reject any new opportunities
9 for new customers.

10 MS. COHEN: My next question is about the role
11 of approved manufacturer lists. As I understand, there's
12 some end users have approved manufacturer lists. Is that
13 also the case with distributors?

14 MR. O'CONNELL: Ken O'Connell. In terms of
15 approved manufacturer's list, that's generally considered at
16 origins in the end users. But distributors also have
17 approved manufacturer's list.

18 MS. COHEN: And can you describe what that
19 process is to get on those lists? Like how long does it
20 take? How involved of a process is it?

21 MR. O'CONNELL: I'll answer that first, and
22 I'll ask Chuck maybe to elaborate on audits that we allow
23 end users to come visit our facility. So there is a
24 technical process and maybe Chuck you could elaborate on
25 that.

1 MR. ALMER: Good morning, Chuck Almer. Yes,
2 there's usually an audit in the process, and they're usually
3 good for anywhere between one to three years, depending on
4 who the end user is. We've successfully completed 18 audits
5 this year, and we've been on every approval since I've been
6 there in this role.

7 MR. SCHAGRIN: This is Roger Schagrin. Just
8 you made the point that because end users have AMLs, so
9 distributors who sell to those end users have to have the
10 same AMLs. They know what their customer will accept or
11 won't accept. But increasingly throughout the energy
12 complex, as more demand has shifted away from drilling by
13 just the major oil companies like Shell or Chevron and
14 ExxonMobil, all of whom would have AMLs towards what we call
15 independent shale producers or the frackers the share, and
16 this is throughout the energy complex, of sales that go to
17 customers with AMLs is constantly decreasing, and
18 particularly in the fracking sector where returns have been
19 under a lot of pressure over the last several years, those
20 independent exploration companies are constantly looking to
21 reduce costs.

22 And so they want to buy the lowest-priced
23 products they can from distributors for their drilling
24 programs. Obviously if AMLs were any barrier to entry, then
25 new suppliers such as the Koreans and Indians, who just meet

1 the specifications for these products, wouldn't be able to
2 quickly invade the marketplace because they wouldn't be on
3 these AMLs yet.

4 But obviously they can make very, very
5 significant quantities of sales to distributors who are
6 selling to a tremendous segment of the demand market that
7 doesn't require AMLs, but just requires that the products
8 that they use meet industry specifications.

9 MS. COHEN: And that was actually my next
10 question, is to your knowledge, are the Indian and Korean
11 producers on any AMLs?

12 MR. O'CONNELL: Ken O'Connell, not that I'm
13 aware of.

14 MS. COHEN: And like just very roughly, what
15 share of the market would be end users that have AMLs versus
16 other types of purchasers? Half the market.

17 MR. SCHAGRIN: I don't think they know. We
18 discussed this issue yesterday because we knew the
19 Commission would be interested in it. But the fact is that
20 all of their sales go to distributors. They don't sell
21 directly to end users. So it's the distributors who would
22 know how much of their sales are going to companies with
23 AMLs, the end users with AMLs.

24 We can generalize because we as a law firm do
25 a lot of work in the energy sector, whether it's OCDG or

1 line pipe or a whole variety of products that AMLs have
2 become less and a less significant part of overall demand in
3 the energy sector over the last couple of decades.

4 But I think the Commission would have to find
5 that from distributors, maybe in purchaser questionnaires,
6 what share of their sales go to companies with AMLs because
7 Bonney only sells to distributors.

8 MS. COHEN: Okay, thank you. To your
9 knowledge, are the Indian and Korean imports competing
10 across the full range of these products?

11 MR. O'CONNELL: Ken O'Connell. I would answer
12 that as yes.

13 MS. COHEN: My last question, and I guess it's
14 more of a request for the post-conference brief, there were
15 no lost sales, lost revenues submitted in the petition. To
16 the extent that you have any evidence, emails, documentation
17 that you can provide for the post-conference brief, we would
18 appreciate it.

19 MS. DRAKE: This is Elizabeth Drake. We will
20 do so.

21 MS. COHEN: Thank you.

22 MS. CHRIST: Thank you. We'll now turn to
23 Emily Kim, the Accountant/Auditor.

24 MS. KIM: Good morning everyone. Thank you
25 for being here this morning, and my name is Emily Kim,

1 accountant/auditor for this case. Actually, I have two
2 questions. So I believe Bonney is, you know, Bonney is an
3 integrated producer, which means Bonney forges and finishes,
4 right? So can you provide approximate percentage of direct
5 labor and other factory costs represented by forging versus
6 finishing? If it's proprietary data, you can provide
7 post-conference.

8 MR. SCHAGRIN: We'll do that in the
9 post-conference for you Ms. Kim. We can break that out and
10 we'll put it in the post-conference brief.

11 MS. KIM: Okay. So since I think one of you
12 guys mentioned that you have like high fixed cost, so I have
13 a question related to other factory cost. So usually like
14 there are variable other factory costs and fixed other
15 factory costs. So can you provide a list of cost items
16 included in variable other factory costs and fixed other
17 factory costs?

18 (Pause.)

19 MC We'll include that in the post-brief.

20 MS. KIM: Okay. I have no further question.
21 Thank you.

22 MS. CHRIST: Thank you. We'll now turn to
23 first Industry Analyst Mark Brininstool.

24 MR. BRININSTOOL: Thank you very much for
25 coming today. My name is Mark Brininstool, I'm the Industry

1 Analyst and Alex Melton is also an Industry Analyst, so
2 we'll share our questions. Anyone's free to answer, but our
3 questions will mainly be about the products and production
4 processes. So first I'd just kind of like return to this
5 issue of the reinforced branch outlet fittings and the butt
6 weld fittings.

7 So I think this was partly answered a bit
8 earlier, but could you give a little bit more detail on some
9 of the most significant differences between these butt weld
10 fittings and the forged steel fittings that are subject to
11 this investigation?

12 MS. DRAKE: This is Elizabeth Drake. I'll
13 invite others to add. One of the main differences is the
14 input material to make butt weld fittings, like the ones
15 subject to the other cases, that it's pipe and the
16 production process is totally different. They bend the pipe
17 to make the butt weld fitting. Whereas the forged steel
18 fittings, the vast majority are made from bar and are
19 forged, including the branch outlets. So that's why you see
20 no overlap in domestic producers of butt weld fittings
21 properly understood, and forged steel fittings including
22 branch outlets.

23 So it's the raw material, the production
24 process, the producers and of course since it's the
25 producers it's also the equipment, the employees. All of

1 that are different between the butt weld fittings properly
2 understood and the forged steel fittings, including branch
3 outlets.

4 MR. BRININSTOOL: Okay, thank you very much.
5 Again, this is Mark Brininstool. So to follow up on that it
6 -- so again it seems like the confusion was always with the
7 butt weld fittings versus the branch outlet fittings. But
8 it seems that are there other types of products that are in
9 this scope that could also have, you know, butt welded
10 connections?

11 MS. DRAKE: So, and this is Elizabeth Drake
12 again. Part of the confusion, I think, was that the scope
13 of the existing butt weld case is really defined just by how
14 it's connected, whereas our scope is not defined by
15 connection. So when they defined it by connection, they
16 were actually talking about those bent pipe butt weld
17 fittings that I described.

18 Whereas forged steel fittings can be
19 socket-welded, they can be threaded, they can be butt
20 welded. They could be butt welded on one end and threaded
21 or socket welded on another end. So they're not really
22 defined by the end connection. So the fact that that first
23 case was defined by end connection in our case wasn't,
24 created the confusion about whether there was an overlap
25 with this particular outlet product, which is the only

1 forged steel fitting that is butt-welded on both ends.

2 MR. BRININSTOOL: Okay, thank you very much.
3 That's very helpful. Now one question about these, you
4 know, you mention in your petition the integrally reinforced
5 branch outlet fittings. I was just curious how these differ
6 from other types of fittings that might be contained with
7 any, other types of outlet fittings that would be within the
8 scope of this investigation? If these fittings, if these,
9 you know, integrally reinforced branch outlet fittings are
10 very significantly different than the other outlets.

11 MR. ALMER: Good morning, Chuck Almer. The
12 integral reinforced branch outlets are -- there's a
13 specification for them, MSSP-97, and how they differ. I
14 guess it's more how they're used, but I can't really answer
15 that. I'm not sure how to answer that.

16 MR. BRININSTOOL: Okay, no problem. So but
17 mostly -- so in that case, that kind of tells me that this
18 specific product versus other outlets, it's not -- they're
19 not wildly different. They're just like most fittings,
20 they're just a little bit different uses. You'd have a
21 certain type you can use. They're not --

22 MR. O'CONNELL: Right. There's different
23 sizes for different-sized pipes, and there's requirement
24 wall requirements. How a fitting is specified is like 2,000
25 pound pressure, 3,000 pound, 6,000 pound pressure. Where an

1 outlet has, goes by a strong, extra strong, double extra
2 strong, which converts to 2,000 pound, 3,000 pound, 6,000
3 pound. I think it's just a terminology difference. But the
4 application in the piping system is still the same.

5 MR. BRININSTOOL: Okay, great. Thank you very
6 much. That was very helpful. And so I think for me that's
7 all the questions I have for right now, so I'll turn it over
8 to Alex Melton.

9 MS. CHRIST: Thank you. We'll now hear from
10 Alex Melton.

11 MR. MELTON: Hello, this is Alex Melton.
12 Thank you all for coming today. In most of these questions
13 are technical about product details, so if you'd like to
14 please, just offer to answer in the post-conference brief.
15 The first question is pretty general. Among the forged
16 steel fittings that you produce, what are the most common
17 fitting types and shapes?

18 MR. ALMER: Chuck Almer. Really varies on
19 customer demand, but the half, the three quarter, the one
20 inch or the three and two inch would happen, would be the
21 largest volume-wise. Could be a half inch 90, could be a
22 half inch outlet, half inch T.

23 MR. MELTON: Thank you, and for your
24 post-conference brief, could you please provide the
25 following product descriptions, just to make sure that our

1 understanding of the products is consistent with what's in
2 the petition. So please describe the difference between an
3 equal T and a reducing T, and between an elbow and a street
4 elbow? And also please provide a brief product
5 descriptions for outlets, flush and hexagonal pushings, half
6 and full couplings, reducers and reducer inserts, unions and
7 welding processes.

8 Now I have some questions about normalized
9 fittings. This came up in the 2018 investigations. We'd
10 like to get it down. Could you please describe the
11 normalization process and why producers would use
12 normalization instead of in the production of some fittings?

13 MR. ALMER: Chuck Almer. The normalized
14 processing is an additional process after the parts are
15 machined. It goes into a furnace. The parts are, depending
16 on the wall thickness how long it stays in the furnace. But
17 it heated, the materials heated up for carbon steel to 1,675
18 and as depending on the wall thickness is how long it stays
19 in there to refine the grain structure and give it a little
20 toughness. Mainly used a lot in the colder application, the
21 upstream and downstream facilities, Canada mainly.

22 MR. MELTON: Are there any markets in which
23 normalized fittings are required?

24 MR. ALMER: Yes. Canada offshore seems to be
25 requiring normalized fittings. Shell has a mask requirement

1 which is very stringent, and they require all their fittings
2 to be normalized.

3 MR. MELTON: Okay, and then are normalized
4 fittings produced domestically?

5 MR. ALMER: Yes, they are.

6 MR. MELTON: And by Bonney Forge or no?

7 MR. ALMER: Yes.

8 MR. MELTON: Okay, and do you know if
9 normalized fittings are produced in India or Korea?

10 MR. SCHAGRIN: We'll further answer in the
11 post-conference brief, but we believe that they are.

12 MR. MELTON: Okay, thank you. Moving onto the
13 production process, I'd like to understand what the main raw
14 material used to produce forged shale fittings? Obviously
15 we understand it's a steel product, but we've been using
16 carbon and alloy, special bar quality hot-rolled steel bar,
17 and we just wanted to confirm that that would be the
18 appropriate raw material or if you have a more specific
19 specification?

20 MR. ALMER: Chuck Almer. We have a -- we
21 actually have our own material spec, which meets customers'
22 requirements and normally it's SBQ round bar and, like I
23 said, we do have our own specification which we could
24 provide you in our post-conference brief.

25 MR. MELTON: So thank you. Then I have a

1 question about in your petition you described in the
2 manufacturing process open die forging being the common
3 process. Are there any FSF produced using the closed die
4 forging process, or can open die forging also be used?

5 MR. ALMER: We're a closed -- Bonney Forge in
6 Mount Union is a closed die manufacturing process. WFI in
7 Houston is an open die. But most of our branched outlets
8 and forged steel fittings are all produced in a closed die,
9 of the parts that require forgings.

10 MR. MELTON: And are fittings produced using
11 closed die forging limited in size that they can be?

12 MR. ALMER: Yes and no. Closed die -- we have
13 the capability and invested in our facilities to handle all
14 our forged steel fittings that the industry requires on a
15 closed die, and we have the equipment. You need
16 different-sized equipment to do bigger items, but we could
17 produce all the forged steel requirements our customers ask
18 for in a closed die process.

19 MR. MELTON: So in the petition, you state
20 that socket weld fittings and threaded fittings are
21 available in sizes up to four inches. We understand that
22 all forged steel fittings regardless of size are included in
23 the scope of the investigation. But in practice, are
24 fittings larger than four inches generally fittings outside
25 of the scope of this investigation?

1 MS. DRAKE: This is Elizabeth Drake, makes the
2 branch outlet connections over six inches, correct? And
3 those are included. There's no size limitation.

4 MR. MELTON: And the scope of this
5 investigation states that the term "forged" is an industry
6 term and does not necessarily relate to an exclusive
7 manufacturing process. Can you provide an example of an FSF
8 in the scope that is not produced using the process of
9 forging as it is generally understood?

10 MR. ALMER: Yes, we have a couple of samples
11 here too, that it's made from just forged bar, where if we
12 machine it. There's one. Here are a couple. This is made
13 from a solid rod bar. This could also be made from OCTG
14 like Roger mentioned. But it's a solid bar, drilled out,
15 threaded, shaped and then washed and packed. So consider
16 bar stock items, one of our product lines within our forged
17 steel fittings, are usually made from bar.

18 MR. MELTON: Okay, and I suppose for the
19 post-conference brief, could you please describe the
20 production process for FSF that are not forged? And then my
21 final question, are you aware of any anti-dumping or
22 countervailing duty orders or safeguard measures on FSF from
23 India or Korea in any other countries?

24 MS. DRAKE: This is Elizabeth Drake. We are
25 not, but we will look at for our post-conference brief.

1 MR. MELTON: Yeah. I'll note one example
2 where I'm actually having trouble determining if there is
3 overlap with the scope, but the European Union has duties,
4 anti-dumping duties on certain tube and pipe fittings from
5 South Korea. There some ambiguity about whether they fall
6 within the scope, but that would be great to address in the
7 post-conference brief. Those are all my questions.

8 MS. CHRIST: Thank you. We'll now turn to
9 Doug Corkran, the Supervisory Investigator.

10 MR. CORKRAN: Thank you very much and good
11 morning to the panel, and thank you all for coming here.
12 This has been very helpful testimony. My questions will
13 bounce around a little bit, because many of the topics have
14 already been covered. But just sort of looking here and
15 there, one -- one clarification. The request for evidence
16 of lost sales and lost revenues, could you please confine
17 that to any allegations of lost sales or lost revenues on or
18 after October 23rd, 2019 (sic), basically the date of the
19 filing of the petition, or after.

20 Second question is I wanted to follow up. Mr.
21 Almer, you had indicated that -- you estimated that branch
22 outlets account for about 20 percent of Bonney Forge's sales
23 roughly. Can you tell me does that -- I want to make sure
24 you're using the terminology correctly. Is that limited to
25 the connections with the outlets with butt weld connections,

1 or is that a broader term that we're talking about here?

2 MR. ALMER: Chuck Almer. Yeah, that's -- it's
3 for our threaded and socket and butt weld outlets. Probably
4 make up 20 to 25 percent of our volume.

5 MR. CORKRAN: Thank you, that's what I
6 thought, and remembering of course that in the last
7 investigation, that did include outlets that were threaded
8 or had sockets or certain other end connections. Can you
9 narrow your focus a little bit? If you were looking at
10 those products that just had the butt welded connections,
11 what would you roughly estimate your sales are?

12 MS. DRAKE: This is Elizabeth Drake. I think
13 that we can answer that post-hearing by comparing the data
14 that Bonney reported for periods in the first case and for
15 overlapping periods in this case, and with the difference.
16 That would give you a good estimate of what's the butt weld
17 outlets. We could do that post-hearing, post-conference.

18 MR. CORKRAN: Thank you. That would be very
19 helpful. When we talk about the butt welded connectors, can
20 you tell me what ASME specification are they produced to?

21 MR. ALMER: Chuck Almer, MSSP-97.

22 MR. CORKRAN: Okay. So is that -- is that a
23 different ASME specification than forged steel fittings are
24 generally produced to?

25 MR. ALMER: Chuck Almer. Yeah, they're --

1 these fittings are made to ASME B-1611. AAR unions, which
2 is the middle item there, that's made to MSSP-83, and the
3 outlets are made to MSSP-97.

4 MR. CORKRAN: Thank you very much. I
5 appreciate that. Earlier in the testimony, there was a
6 discussion of price increases that occurred, that is an
7 increase in the list prices. To your knowledge, was that
8 matched by your domestic competition?

9 MR. O'CONNELL: This is Ken O'Connell. Yes.
10 Our domestic competitor manufacturers also had price
11 increases.

12 MR. CORKRAN: Thank you. Okay. This is a
13 question that I've been sort of wrestling around with a
14 little bit. One of the focuses of this case is the role of
15 imports from India and Korea in the U.S. market. However,
16 how did you come to focus on those two sources of imports?
17 I'll walk you through why I'm trying to wrestle with that
18 particular issue. So in determining the volume of imports,
19 the approach that you took in the petition was to take
20 imports entering under the broad HTS numbers that include
21 forged steel fittings, and apply a set percentage against
22 them.

23 I do understand the approach because it's hard
24 to get more granular than that. But that does leave a bit
25 of ambiguity. Likewise, when it came to lost sales and lost

1 revenues, you allege none in the petition. Let me put it a
2 different way. You at least were unable to identify any
3 that you put in the petition.

4 Okay. So looking at it from that framework,
5 why is it that I would be thinking that imports from India
6 and Korea specifically are leading to the results that we
7 see for domestic producers, particularly in light of the
8 decline in demand that I think everybody has testified to?

9 MS. DRAKE: This is Ms. Drake. I might just
10 mention a little bit about the process, and maybe Ms.
11 McClure or others would like to talk about other things.
12 But Bonney had a process for monitoring automated ship
13 manifest data to understand imports coming in, precisely
14 because the forge steel fittings are in such large basket
15 categories. It was when the company saw these sharp
16 increases from India and Korea that it became quite
17 concerned that, you know, the reduction they were seeing
18 from the prior subject countries was being wiped out by an
19 increase from India and Korea.

20 Because all their sales are through
21 distributors, it is difficult at times to identify lost
22 sales and lost revenue because it's once removed from the
23 end user that may be choosing imports instead of domestic.
24 But I think one thing we talked about that maybe we'll do
25 post-conference is if we can identify some of those

1 importers that show up in the ship manifest data importing
2 from India and Korea, compare it to Bonney's own sales to
3 those customers, and see okay here's some overlap.

4 It's not a traditional lost sale/lost revenue
5 allegation, but a way to maybe give a little bit more
6 clarity about the extent of the competition that was being
7 felt.

8 MR. SCHAGRIN: And Mr. Corkran, this is Roger
9 Schagrin. So two different approaches to this. Because
10 we're dealing with basket categories and sales to
11 distributors, it's tough to come up with exact information
12 on the imports. As Ms. Drake said, Bonney also subscribes
13 to information sources to track imports by shipping
14 manifests. But I think what's very clear in this case, and
15 the Bonney witnesses today testified to it, is that there
16 were both major national master distributors as well as
17 other, you know, regional distributor customers they had,
18 where they knew that these distributors had several years
19 ago began purchasing imports from China, Taiwan and Italy
20 instead of from Bonney.

21 When the duties were imposed against those
22 countries, Bonney saw that those distributors who had been
23 buying from those import sources, started shifting more
24 purchases to Bonney. They then saw six, nine, twelve months
25 later those same distributors reducing their purchases from

1 Bonney and buying product from Korea and India.

2 They can't match it up. They have, I forget
3 the exact number. What do you have, like 1,500 SKUs for all
4 the different fittings? So to try to, how many, 4,800 SKUs.
5 So in terms of the way the Commission normally gathers data
6 and saying well how many half inch T sales did you lose, you
7 know, reports of loss. It's impossible. They literally
8 will get an order and I hope you have a chance to visit
9 their factory, because it's amazing the way they pick things
10 out of boxes and put them into shipments, all these
11 different products to go to their customers.

12 So they can't really nail it down. It's just
13 more the fact that they have relationships with
14 distributors, and they know whether or not those
15 distributors are buying more from them or less from them
16 because of alternatives. If they're buying less from Bonney
17 because they're buying more from the other two U.S.
18 producers, great. That's competition.

19 But if they're buying less from Bonney because
20 they switched from buying unfairly-traded products subject
21 to duties from China, Italy and Taiwan to unfairly-traded
22 imports from Korea and India, then we would posit the fact
23 that Bonney and the U.S. industry and the USW workers
24 deserve relief from those other unfairly-traded imports
25 because they are having an effect on the U.S. industry.

1 And we're lucky. I mean can almost delineate
2 to a very exact amount the difference between the impact of
3 the declining demand on Bonney and the imports because of
4 the difference between their two product lines. I mean all
5 the same distributors buy forged steel valves as buy forged
6 steel fittings, and yet their sales to these same
7 distributors of forged steel valves because of the decline
8 in demand was X, and their decline in sales of forged steel
9 fittings to the same distribution network, going to the same
10 end uses was let's say X times 3.

11 So I mean we're lucky that we have that
12 ability to do -- economists should love it, to do that kind
13 of analysis in this case.

14 MR. MEISNER: This is Luke Meisner real quick.
15 I have something to add on that. While Bonney Forge was not
16 able to, you know, this came up in our conversations with
17 them, not able necessarily to identify specific lost sales
18 to producers in India and Korea, through conversations with
19 distributors the names of specific foreign producers would
20 come up, and the names of those producers were producers
21 that were located in India and Spain, or excuse me, India
22 and Korea.

23 And sorry, I'm getting confused with another
24 case, but India and Korea. The names of those producers in
25 India and Korea also track with what they were able to

1 identify in the manifest data, and that's also part of the
2 analysis that went into zeroing in on India and Korea as the
3 target countries.

4 MR. CORKRAN: Thank you all very much. I
5 appreciate that. What is your sense for the level of
6 competition that you face from butt-welded connectors from
7 China, Taiwan and Italy, because they would be non-subject
8 -- they would not be subject to the prior order. What is
9 your extent for their presence in the U.S. market?

10 MR. O'CONNELL: This is Ken O'Connell. My
11 opinion would be that it has been reduced because of the
12 fact that they're no longer shipping forged steel fittings;
13 they also have reduced the volume of welded outlets because
14 they are complementary products.

15 MR. CORKRAN: Thank you. That's helpful. So
16 those are -- I'm not sure if bundled is actually the
17 appropriate term to use here, but they are sold together so
18 that the volume in one declines, the volume in the other is
19 likely to follow?

20 MR. O'CONNELL: Yes.

21 MR. CORKRAN: Okay, thank you. That's
22 helpful. I do have a related question too. Looking back at
23 the -- just a year or two ago with the last case, what is --
24 to what extent do you continue to bump up against Bothwell
25 in the U.S. market? Their overall margins in general were

1 not especially high. One might still expect to sell them in
2 the U.S. market. What is your experience with them?

3 MR. O'CONNELL: Ken O'Connell. I think we've
4 seen almost a complete eradication of Bothwell domestically.

5 MR. SCHAGRIN: And Mr. Corkran, this is Roger
6 Schagrin. I'd point out that on the Taiwan side, Bothwell
7 has extremely high margins, they did not participate. On
8 the China side, all the margins I think in total between AD
9 and CVD were in the high 20's to low 30's. So it's still
10 pretty significant. Serendipitously, these products have
11 also been covered by 301 tariffs as well by the White House
12 and USTR.

13 So there's another layer of tariffs on top of
14 the AD/CVD duties as to Bothwell. So I think the perception
15 is the combination of all the tariffs have largely
16 eliminated Bothwell from the U.S. market, from both China
17 and Taiwan.

18 MR. CORKRAN: Thank you. Thank you for all of
19 that and for pointing out the 301 coverage as well. I
20 wonder if I could get, because I felt like I was hearing
21 somewhat different things. I wonder if we could go over
22 just one more time the extent to which branch outlets are
23 either -- that is those with butt weld connections are
24 marketed differently or not, and manufactured differently or
25 not.

1 I seem to be hearing a range of explanations
2 from the witnesses, and I just wanted to see if I could put
3 it all together in one vision of these products.

4 MR. SCHAGRIN: This is Roger Schagrin. Maybe
5 I'll kind of give a collective, because I heard some of the
6 different things that point out Mr. Corkran. So trying to
7 summarize, so the products are made on similar machines in
8 the same factories with the same employees. The equipment,
9 much like the finishing equipment, much like the finishing
10 equipment for different forged steel fittings, is different
11 because of the different finishes on the product and the
12 different sizes that are produced.

13 And then to summarize it, the products are
14 sold and marketed together to the same distributors, but
15 Bonney and I believe the other U.S. producers have separate
16 price lists for the outlets and the forged steel fittings.
17 But the same can and the marketing team would sell all the
18 products together to all the same distributors at the same
19 time. They would be shipped together by Bonney or WFI in
20 the same shipments to the same customers. I hope that helps
21 clarify things.

22 MR. CORKRAN: Thank you. That was -- that
23 took all of the individual testimony and put it very
24 succinctly and very understandably. I do have one last
25 question and then I will yield, and that is there was an

1 earlier question and answer combination where Bonney Forge
2 stated we do not sell forgings. It was pretty emphatic, it
3 was pretty direct, which was appreciated.

4 But my question is isn't -- when we're also
5 hearing about factory down time, when we're hearing about
6 unutilized capacity, wouldn't one look at this and say
7 that's a potential market, that's a potential opportunity?
8 Is there a reason why you do not sell forgings?

9 MR. O'CONNELL: This is Ken O'Connell. Two
10 parts of this answer will be our domestic competitors have
11 their own forging capacity, so there's not a demand among
12 our competitors. Now the second part of that is yes, we're
13 always looking for other opportunities that may not be
14 identical to these products. We do manufacture products
15 that we categorize as commercial forge or commercial screw.

16 They're just a different category. Same type
17 products, but we may be manufacturing to an end user's
18 particular design or drawing or specification. So we're not
19 100 percent forged steel fittings and branch connections.
20 We also have other subcategories of forged products, and
21 we're always looking for new opportunities as well.

22 MR. SCHAGRIN: And Mr. Corkran, maybe just to
23 cut to the chase. I don't think it's that Bonney in any way
24 refuses to sell what you might call either unfinished or
25 rough forgings, but the fact is and it's -- I mean it's

1 public information, it's right in your final report from the
2 previous investigation.

3 There's only really one potential U.S.
4 customer. There's not like a whole large number of
5 companies in the U.S. that have finishing equipment but not
6 forging equipment, and maybe we can elucidate it, you know,
7 further in our post-hearing why that, and I believe that
8 Bonney sells finished product to that company. But we'll
9 just maybe put more in the post-conference why they don't
10 sell rough forgings to that company to finish.

11 MR. CORKRAN: Thank you. That's exactly --
12 that was the issue I was looking to get out. I appreciate
13 that. That ends my questions. Thank you very much, and
14 thank you to the panel.

15 MS. CHRIST: Thank you. I will just do a
16 quick scan and see if there's any follow-up questions?
17 Thank you. I have just a few follow-up questions. Most of
18 the ones that I had staff managed to get to it before I did.
19 That's a consequence of being at the end of the line
20 unfortunately. But again, you know, I think this -- I
21 appreciate everybody showing up and it does show that
22 despite the fact that there was a prior case, it's a
23 different environment, and there always seems to be more
24 avenues and more questions.

25 Every time one gets answered, two or three

1 kind of get opened up. So I appreciate you coming down and
2 helping us get those answered. I did want to follow up. I
3 believe Ms. Leone you mentioned that there was different,
4 there was a similar methodology in the pricing between the
5 branch fittings and forged steel fittings, that resulted in
6 the certainly different price lists.

7 If you're able to elaborate, if not in
8 post-conference, what's driving that? Is it the amount of
9 raw materials? Is it the different kinds of variable versus
10 fixed costs going into it that makes those different?

11 MS. LEONE: (off mic) We'll get into that in
12 the post-brief.

13 MS. CHRIST: Okay, yeah. I just wanted a
14 little bit more elaboration in terms of that methodology.
15 So we discussed a bit that the forged steel fittings and the
16 branch outlets were either complementary. Sometimes I heard
17 the word "bundled," and that they had similar customers in
18 the demand market. Would the say the same is true for
19 valves?

20 MR. O'CONNELL: This is Ken O'Connell. Yes,
21 that would be true.

22 MS. CHRIST: So I'm just curious for my
23 knowledge, why would valves not be coming in as a set with
24 forged steel fittings and branch outlets?

25 MR. O'CONNELL: I'll try to answer that

1 question, but I'm going to ask you to repeat that please.

2 MS. CHRIST: Okay. So we aren't seeing the
3 influx, if I understood from an answer to a prior question,
4 of valves from foreign suppliers, and I'm wondering why it
5 is that we are seeing the influx and complementary bundling
6 of demand for forged steel fittings and branch outlets, but
7 not valves.

8 MR. O'CONNELL: Ken O'Connell. There's no
9 shortage of imported valves.

10 MS. CHRIST: Oh okay. It's just not coming
11 from the --

12 MR. O'CONNELL: From those suppliers.

13 MS. CHRIST: With the subject countries, okay.
14 I think on one last point, Mr. Corkran mentioned about the
15 selling of unfinished forgings. I was wondering slightly
16 differently what, why does -- why do you not sell directly
17 to end users and only to distributors?

18 MR. O'CONNELL: This is Ken O'Connell. It is
19 part of a supply chain mechanism. It's just not -- it just
20 wouldn't be practical to sell to, and I'll use an end user
21 such as Shell that everyone would be familiar with. The
22 practicality of doing business with a company that size is
23 just not practical.

24 So the method is Bonney Forge as a
25 manufacturer will sell to a distributor that has hopefully

1 an abundance of inventory, and then the end user contacts
2 the distributor. So as a single manufacturer, it's just not
3 practical to deal with the thousands of end users.

4 MS. CHRIST: Okay. But some of the imports
5 go, are sold directly to end users?

6 MR. SCHAGRIN: No, we don't think so Ms.
7 Christ. This is Roger Schagrin.

8 MS. CHRIST: Oh okay.

9 MR. SCHAGRIN: We think that like the domestic
10 industry and I think like in the previous case, that the
11 foreign producers sell to distributors. Where it gets a
12 little bit confusing is that some distributors may also act
13 as importers.

14 So and that's where things, you know, it's not
15 the typical layers of distribution when a big distributor
16 would buy from a domestic producer, would buy directly from
17 a foreign producer, whereas for both domestic and import,
18 many smaller distributors buy from master distributors
19 rather than buying directly from a producer or either
20 foreign or domestic.

21 I just also want to clarify on the valve side.
22 It's a little bit unusual. To the best of my knowledge,
23 Bonney is the only U.S. producer of both forged steel
24 fittings and valves. The other U.S. producers of forged
25 steel fittings do not produce valves, and the other American

1 producers of valves besides Bonney do not produce fittings.
2 So Bonney's unusual in that they're the only U.S. producer
3 of both of those products that go into the energy industry.

4 CC Thank you very much for the clarification.
5 I don't have any other questions, and I again want to thank
6 everybody and reiterate our gratitude that you've come in to
7 answer the questions and to brave the cold. I certainly
8 woke up this morning thinking twice about whether or not I
9 could call in and have somebody else take over. So thank
10 you very much. I guess we will now turn to closing remarks.

11 MR. BURCH: Closing remarks on behalf of those
12 in support of imposition will be given by Elizabeth Drake of
13 Schagrin Associates. Ms. Drake, you have ten minutes.

14 PETITIONER'S CLOSING REMARKS

15 MS. DRAKE: Thank you. Since we don't have
16 anyone in opposition here today, I will make this short.
17 First, I want to thank the Commission and the Commission
18 staff for all of their work on these investigations.
19 Petitioners Bonney Forge and the United Steel Workers
20 greatly appreciate it.

21 As we heard in our witnesses' testimony today,
22 Bonney Forge was pleased to see that its first round of
23 cases had a strong impact on the market and saw unfairly
24 traded imports from China, Italy and Taiwan retreat from the
25 market and the domestic industry as a whole strongly

1 benefitted from that retreat in terms of increased
2 shipments, production, employment and profitability.

3 Unfortunately, that was -- those increases,
4 those benefits were very short-lived, as in 2019 a rapid
5 increase in imports from India and Korea took market share
6 from the domestic producers, forcing them to lose shipments,
7 drop production, cut work weeks and lay off workers. At the
8 same time the low prices of the imports coming in undercut
9 domestic prices and led to an inability for our producers
10 like Bonney Forge to fully pass on their increasing costs,
11 leading to price suppression, and we believe that the record
12 will also show significant underselling by subject imports.

13 So yet again, the domestic industry is thrown
14 into a situation of serious material injury by reason of
15 unfairly traded imports, which is what inspired them to come
16 together and file these new round of petitions. We believe
17 the domestic industry is threatened with additional injury
18 if remedies are not provided. Foreign producers in India
19 and Korea are large. We believe they're very
20 export-oriented.

21 Particularly as their raw materials are
22 subject to 232 duties rather than export those, they have an
23 incentive to process them into for their processed forged
24 steel fittings that are not subject to those duties, and the
25 opportunity that Bonney Forge has created in this market by

1 filing this first set of petitions is now being exploited by
2 a second round of unfairly traded imports, and this threat
3 is particularly serious as demand is slowing in major end
4 use markets for Bonney Forge, making it even less able to
5 withstand a second surge of dumped and subsidized imports.

6 For all these reasons, we respectfully request
7 that the Commission make an affirmative determination.

8 Thank you.

9 MS. CHRIST: Thank you. On behalf of the
10 Commission and the staff, I would like to thank the
11 witnesses who came here today, as well as counsel, for
12 helping us to gain a better understanding of the product and
13 conditions of competition in the forged steel fittings
14 industry.

15 Before concluding, please let me mention a few
16 dates to keep in mind. The deadline for submission of
17 corrections to the transcript and for submission of
18 post-conference briefs is Monday, November 18th. If briefs
19 contain business proprietary information, a public version
20 is due on Tuesday, November 19th.

21 The Commission has tentatively scheduled its
22 vote on these investigations for Friday, December 6th, and
23 it will report its determinations to the Secretary of the
24 Department of Commerce on Monday, December 9th.
25 Commissioners' opinions will be issued on Monday, December

1 16th. Thank you for coming. This conference is adjourned.

2 (Whereupon at 11:31 a.m., the hearing was

3 concluded.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Forged Steel Fittings from India and Korea

INVESTIGATION NOS.: 701-TA-631 and 731-TA-1463-1464

HEARING DATE: 11-13-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 11-13-19

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Christopher Weiskircher
Proofreader

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

SIGNED: Larry Flowers
Court Reporter