

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
CERTAIN CIRCULAR WELDED CARBON) Investigation Nos.:
QUALITY STEEL LINE PIPE FROM) 701-TA-455 and
CHINA AND KOREA) 731-TA-1149-1150
) (Preliminary)

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Main Hearing Room 101
 U.S. International Trade
 Commission
 500 E Street, S.W.
 Washington, D.C.

Thursday,
 April 24, 2008

The preliminary conference commenced, pursuant to notice, at 9:30 a.m., before the Commission Staff of the United States International Trade Commission, Robert Carpenter, Director of Investigations, presiding.

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P R O C E E D I N G S

(9:30 a.m.)

1
2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 countervailing duty investigation Number 701-TA-455
7 and antidumping investigation Numbers 731-TA-1149 to
8 1150 concerning imports of certain circular welded
9 carbon quality steel line pipe from China and Korea.
10 My name is Robert Carpenter; I am the Commission's
11 Director of Investigations and I will preside at this
12 conference. Among those present from the Commission
13 staff are from my far right: Douglas Corkran, the
14 supervisory investigator; Betsy Haines, the
15 investigator; on my left Michael Haldenstein, the
16 attorney/advisor; Clark Workman, the economist; Mary
17 Klir, the auditor; and we'll soon be joined by Norman
18 Van Toai, the industry analyst.

19 I understand that parties are aware of the
20 time allocations. I would remind speakers not to
21 refer in your remarks to business propriety
22 information and to speak directly into the
23 microphones. We also ask that you state your name and
24 affiliation for the record before beginning your
25 presentation.

1 Are there any questions?

2 (No response.)

3 MR. CARPENTER: If not, welcome Mr. Price,
4 please proceed with your opening statement.

5 MR. PRICE: Good morning and thank you, Mr.
6 Carpenter, members of the Commission staff. I am Alan
7 Price, counsel for Petitioner Maverick Tube
8 Corporation. We are here today because the domestic
9 carbon quality welded line pipe industry is suffering
10 from material injury at the hands of subject imports
11 from China and Korea and is threatened with material
12 injury by an unabated surge in these imports.

13 My client, Maverick Tube Corporation, has
14 suffered enormously. The testimony you will hear
15 today will illustrate to the Commission the
16 debilitating effect that the subject imports have had
17 on the domestic industry. Let's begin with the basic
18 facts.

19 Carbon quality welded line pipe, both import
20 and domestic, are produced and sold to API standards.
21 The API specifications eliminate any meaningful
22 quality distinction. Once pipe is API certified,
23 price becomes the primary driver in distributor
24 purchasing decisions. API certified line pipe of the
25 same size and grade is fungible regardless of whether

1 or not it is produced in China, Korea or here in the
2 United States. As a result, line pipe imports from
3 China and Korea should be cumulated when assessing
4 their effects on the domestic industry.

5 The subject imports are simultaneously
6 present in the same markets, they sell to the same
7 customers, and they are often sold by the same
8 importers. Over the period of investigation demand
9 for line pipe nearly doubled. One would rationally
10 anticipate that the domestic industry would be the
11 primary beneficiary of this growth. Unfortunately,
12 the subject imports surged into the market depriving
13 the U.S. industry of the full benefits of booming
14 demand. Indeed, between 2005 and 2007 subject imports
15 increased by almost 345,000 tons, an increase of
16 nearly 300 percent. This volume is significant.

17 As you will hear today, the subject imports
18 captured market share by significantly underselling
19 the domestic industry. In fact, we believe that both
20 China and Korea undersold the domestic industry in
21 every single quarterly pricing comparison and by
22 substantial margins. This suppressed and depressed
23 prices.

24 When the import surge began in 2006 the
25 domestic industry was also able to increase shipments

1 and prices. However, the domestic industry's share of
2 sales declined as a result of the surge in imports.
3 This deprived the domestic industry of the ability to
4 maximize its profits during a time of increased
5 demand. " The surge in subject imports also resulted
6 in an inventory build in 2006, resulting in a slight
7 decline in apparent domestic consumption in 2007.
8 Subject imports, however, continued to flood the
9 market in 2007 and eventually overwhelmed the domestic
10 industry. The domestic producers were forced to stand
11 and fight; profits plunged.

12 By 2007, the domestic industry was caught in
13 a classic cost/price squeeze. While material costs
14 began to increase rapidly, subject imports remained
15 well below the market prices and continued to hold
16 down overall market prices, preventing the domestic
17 industry from recovering its increasing costs and
18 contributing to a steep decline in profitability.
19 This decline in operating profits is harm which is not
20 inconsequential, immaterial or unimportant.

21 Not only is the domestic industry currently
22 suffering from material injury, but the domestic
23 industry is also threatened with material injury. The
24 subject imports have significant excess and divertible
25 capacity. If unfairly priced subject imports are

1 allowed to continue to enter the United States
2 unchecked, the condition of the domestic industry will
3 continue to deteriorate. Further, since the beginning
4 of the year raw materials costs have skyrocketed
5 thereby increasing the price gap between domestic and
6 subject imports. In fact, despite the explosion in
7 raw material costs, the average import prices in
8 January and February of 2008 are still well below 2005
9 average import prices, and subject imports are even
10 below current pricing for hot rolled steel.

11 Clearly, the Chinese government's continued
12 subsidization of the steel industry is distorting
13 Chinese producer import costs and artificially
14 depressing their pipe high prices. Likewise, the
15 Korean producers have also increased their shipments
16 since the beginning of the year and appear determined
17 to maintain their volumes at any price. The combined
18 effect of continued increases in subject import
19 volumes and the growing disparity in pricing between
20 domestic and subject products threatens the domestic
21 industry with further material injury.

22 In summary, the facts in this record will
23 show that there is a reasonable indication of material
24 injury or threat thereof to the domestic industry.

25 Thank you.

1 MR. CARPENTER: Thank you, Mr. Price.

2 Mr. Cameron?

3 MR. CAMERON: Thank you. Good morning.

4 For the record, my name is Don Cameron of
5 the law firm of Troutman Sanders. I am appearing with
6 my partner Julie Mendoza on behalf of SeAH Steel,
7 HYSCO and Husteel, Korean producers of the line pipe
8 at issue today. I would like to make a few brief
9 observations at the outset.

10 First, this industry doesn't even come close
11 to meeting the threshold of material injury. This
12 industry is healthy and it's getting stronger by the
13 week. It is not injured by imports from any source.
14 Let's try and put this case into some perspective. As
15 you all know, the industry filed an antidumping case
16 against line pipe from Korea, China and Mexico in
17 2004. This Commission made an affirmative preliminary
18 determination but somehow there was no final injury
19 determination because this industry withdrew its
20 petition before the final determination could be
21 reached. They withdrew the petition for a simple
22 reason: they weren't injured by imports then and
23 they're not injured by imports now.

24 Put another way, does anybody in this room
25 seriously believe the Petitioners would have pulled

1 that case if they thought they could win? I don't
2 think so.

3 But consider this: between 2001 and 2003,
4 U.S. industry profits ranged from a profit of 0.3
5 percent in 2001 to a loss of 4 percent in 2002 and
6 2003. Interesting. This, of course, occurred during
7 a time when imports had been severely restricted by
8 the line pipe safeguards. So when imports of line
9 pipe were restricted this industry lost money.

10 Fast forward to 2005 - 2007. Suffice to say
11 that industry profitability has been dramatically
12 different from what we saw in 2001 and 2003. Indeed,
13 this industry has been quite profitable throughout the
14 POI.

15 Second, add to this fact that the U.S. line
16 pipe industry was part of the 7 billion -- that's with
17 a B -- billion dollar major restructuring
18 consolidation that occurred with respect to line pipe
19 and OCTG in 2006 and 2007. U.S. Steel acquired Lone
20 Star, Tenaris acquired Maverick, IPSCO's acquisitions
21 and then subsequent sale. We invite the Commission to
22 pay particular attention to companies such as U.S.
23 Steel; they encountered significant restructuring
24 costs.

25 For instance, we understand from news

1 reports and industry sources that U.S. Steel literally
2 scrapped much if not all of the imported line pipe --
3 imported pipe that Lone Star had purchased. WE know
4 that a lot of that was OCTG. We don't know what else
5 it was. How much was it? We don't know that either
6 but the Commission ought to ask.

7 Question: how much did all of this cost and
8 exactly how was that allocated? Certainly it wasn't a
9 cost associated in any way with producing line pipe.
10 We assume that there are other additional
11 restructuring costs as well. But again, these costs
12 have nothing to do with imports of line pipe and
13 everything to do with making U.S. Steel more
14 profitable over the long haul. Are costs of
15 restructuring being attributed to imports? I don't
16 know. But the fact is that these three petitioners
17 are not representative of this industry, and the
18 condition of this industry is strong.

19 Third, the real question before this
20 Commission is not whether the industry has been
21 injured. It hasn't been. And I think the data is
22 pretty solid on that. The real question is threat of
23 injury. And again, the answer to that question is
24 that this industry isn't threatened by injury of
25 imports from -- this Commission examined that same

1 question in the OCTG sunset case, and you revoked the
2 orders.

3 Ask these producers what prices have done.
4 We heard about costs, ask them what prices have done
5 between January and April of this year. Ask them
6 about price increases. Every distributor that we have
7 contacted has confirmed that price increases are
8 almost weekly and there is absolutely no question that
9 U.S. producers are covering their costs and making
10 additional profit from these price increases. And
11 when they tell you that the price increases don't
12 cover the increased raw material costs, please ask
13 them to prove that. Both domestic and import prices
14 in fact are skyrocketing. And these producers are all
15 benefiting from current market conditions. There is
16 no threat of injury to this industry.

17 Finally, one word about imports from Korea.
18 As you will hear, there are significant differences
19 between the line pipe industry in Korea and that of
20 China. Korean producers have participated responsibly
21 in this market for well over 20 years. Korean line
22 pipe is imported through established channels. We
23 heard just now about fungibility, indeed the fact is
24 that there are significant quality differences between
25 Korean and Chinese line pipe that is recognized in the

1 market. The fact is, imports from Korea are not
2 threatening this industry.

3 Thank you for your time. And we look
4 forward to the rest of the hearing. Thanks.

5 MR. CARPENTER: Thank you, Mr. Cameron.

6 Would the petitioning panel please come
7 forward at this time.

8 Please begin when you're ready.

9 MR. HECHT: Good morning, I'm Jim Hecht,
10 representing United States Steel Corporation. We
11 would like to begin our presentation this morning by
12 discussing a few slides that address some of the more
13 important points in this investigation. And I
14 believe, hopefully, that you have the slides in front
15 of you that we've handed out.

16 Slide one provides an overview. Demand for
17 welded line pipe almost doubled from 2005 to 2007 but
18 domestic producers could not take advantage of this
19 demand because of a surge in subject imports. The
20 enormous volume of such imports sold at rock bottom
21 prices made it impossible for domestic producers to
22 pass along rising costs. As a result, despite strong
23 demand, domestic producers actually experienced a
24 dramatic decline in operating income during 2007.
25 Furthermore, domestic producers are threatened with

1 additional material injury if relief is not granted.

2 In slide two you see apparent domestic
3 consumption of the subject product which we have
4 estimated using import data along with domestic
5 shipment data from industry publications. According
6 to those data, demand soared by 84 percent from 2005
7 to 2006 and remained at extremely high levels during
8 2007. In a properly functioning market such strong
9 demand should have resulted in much improved
10 performance for the domestic industry but this did not
11 happen.

12 Instead, as shown in slide three, subject
13 imports almost tripled during the period of
14 investigation. In 2006 alone, subject imports went
15 from 116,000 tons to almost 412,000 tons, an increase
16 of 255 percent in one year. And the import surge
17 continued in 2007.

18 As shown in slide four, we estimate that as
19 a result the market share held by Chinese and Korean
20 producers rose from 15 percent in 2005 to 33 percent
21 in 2007. It is clear that Chinese and Korean imports
22 took the lion's share of the new demand in the market.

23 Now let's look at how these imports affected
24 prices. As shown in slide five, the pricing product
25 data collected by the Commission confirmed that there

1 has been significant underselling by subject imports.
2 This underselling is very significant because, as the
3 Commission has previously found, there is a high
4 degree of substitutability between subject imports
5 from the domestic like product.

6 Furthermore, as this Commission has also
7 found, price is a significant factor in purchasing
8 decisions. Thus, underselling by subject producers
9 would be expected to have a significant effect on U.S.
10 pricing.

11 On slide six you can see that effect. This
12 chart shows a blend of domestic and import prices for
13 the subject product. Those prices remained flat
14 throughout the period of investigation. From looking
15 at this chart you would never know that customers in
16 2006 and 2007 were buying almost twice as much of the
17 subject product as they did during 2005.

18 Unable to raise prices, domestic producers
19 were hurt by rising costs. As you can see on slide
20 seven, using index numbers, domestic producers'
21 operating income fell dramatically in 2007. Domestic
22 producers actually made less money in 2007 than in
23 2005, a year with much weaker demand.

24 And here on slide eight you see the
25 industry's operating income also plummeted when

1 measured as a percentage of net sales.

2 Slide nine shows the dramatic increase in
3 the costs of hot rolled steel, the major input to
4 welded line pipe that has occurred in recent months.
5 In only five months, from November to April, the U.S.
6 price of hot rolled steel rose by 58 percent. In
7 fact, costs faced by the domestic industry have risen
8 sharply across the board and have necessitated the
9 recent attempts by such producers to raise prices.

10 Indeed, as you can see here in conclusion on
11 slide ten, those higher costs are also one of the main
12 reasons domestic producers are threatened with further
13 material injury if they cannot obtain relief from this
14 Commission. While we believe that the Commission does
15 not need to reach the issue of threat, we have
16 addressed it in detail in our petition and I will only
17 highlight a few critical points here.

18 First, Chinese producers are adding an
19 enormous volume of new capacity. The new mills that
20 we have identified in the petition will have a
21 capacity greater than total U.S. demand in 2006 or
22 2007.

23 Second, the ITC's ongoing investigation of
24 welded standard pipe as well as Chinese tax policies
25 will encourage Chinese mills to shift production from

1 welded standard pipe to welded line pipe, a move that
2 could lead to hundreds of thousands of tons of
3 additional imports of subject product.

4 And, third, Korean producers are rapidly
5 increasing their production of welded line pipe, a
6 move that will likely lead to further shipments to the
7 U.S. given the Koreans' focus on this market and its
8 historically limited home market.

9 In short, domestic producers have suffered
10 material injury by reason of dumped and subsidized
11 imports and they are threatened with additional injury
12 going forward. Accordingly, the Commission should
13 reach affirmative determinations in these
14 investigations.

15 MR. BALKENENDE: Good morning. My name is
16 Roland Balkenende. I am the president of Tenaris
17 Global Services USA, which has been the sales arm for
18 Maverick Tube Corporation since October 2006. In my
19 capacity as president I manage all of Maverick's
20 commercial operations in the United States. I have
21 over 25 years of experience in the industry, and in
22 that time I have not see a line pipe market like this
23 one.

24 While overall demand in the market has been
25 up, imports from China and Korea prevented Maverick

1 from taking advantage of the increase. Given the
2 nature of the line pipe industry, this is particularly
3 devastating. I will briefly discuss the overall
4 effects that these imports have had on our company and
5 then yield later to my colleague Robert Avera to
6 discuss his observations of the day-to-day
7 consequences.

8 Welded line pipe is basically a conversion
9 business. For the most part it is flat rolled steel
10 with a seam. Therefore, we are always very conscious
11 of our costs and profits when evaluating whether we
12 accept new business. While it is difficult to predict
13 the short term trend in the market, the long term
14 trends in the market make a forecast of a return to a
15 reasonable level of profitability without any import
16 relief unlikely.

17 Let me be clear, imports surged into the
18 United States because of the attractive market prices
19 here. Initially Maverick chose to ignore the imports
20 as much as possible. By 2007, however, that strategy
21 no longer worked. Imports continued to surge into an
22 already saturated market, forcing down everyone's
23 prices. As a result, we lost volume and we could not
24 raise prices to cover increasing costs due to an
25 unrelenting volume of subject imports. We were caught

1 in a classic cost/price squeeze, all because of low
2 price subject imports.

3 Because of the surge in subject imports in
4 2007, Maverick was forced to reduce production at a
5 time that that should have been a golden age for
6 domestic producers of welded line pipe. It is no
7 secret that the oil and gas industry is experiencing a
8 significant amount of growth due in large part to
9 higher oil and gas prices. Under normal circumstances
10 we would expect growth like the last two years to lead
11 to a simultaneous increase in line pipe sales and
12 increasing prices and profits. But the circumstances
13 in the last three years are far from normal. Low
14 price subject imports have captured a
15 disproportionately large share of the growth in the
16 market since 2005 leaving us struggling to maintain
17 just minimal production at our facilities at a time
18 when we should be thriving.

19 Imports from China and Korea are primarily
20 commodity products which are focused in 8-inch and
21 under size ranges. Imports from these two countries
22 have displaced a large portion of our sales in these
23 size ranges. From 2007 Maverick's overall shipments
24 in these ranges declined significantly. This has been
25 particularly devastating to our Counce, Tennessee

1 facility which only produces line pipe in the 4- to 8-
2 inch half size range. This facility is running at a
3 minimum. We have been forced to cut back from two
4 shifts in 2006 to just one in 2007 and suspend all
5 capital investment. And it has been a constant
6 struggle to keep even one shift running. Sadly, we've
7 had to reduce the number of employees at this facility
8 which has harmed the community in which this facility
9 is located.

10 Chinese and Korean producers were able to
11 capture and ever-increasing share of the market
12 through unfairly priced sales. Our own experience and
13 the public import statistics show that before the
14 China and Korea surge the average price of these
15 imports in 2007 were lower than in 2005. Line pipe
16 from these two countries are produced well below ours
17 and held market prices down at a time when prices
18 should have been increasing consistent with strong
19 demand.

20 The effects of large and continually
21 increasing volume of subject imports have been
22 devastating. From 2006 to 2007 Maverick has cut
23 production, reduced our work force and trimmed the
24 average number of hours worked. All of this comes at
25 a time, again, when we should have been increasing our

1 sales and profits. The massive increase in line pipe
2 imports from China and Korea were directly responsible
3 for our deteriorating performance in 2007.

4 In 2008, subject imports continued to enter
5 in large quantities and their pricing is well below
6 domestic levels. We are even worse off now because
7 the unrelenting import surge is compounded by the
8 massive increase in raw materials cost. As subject
9 imports have taken a larger and larger share of our
10 market, our raw material costs have skyrocketed.
11 Since December 2007, hot rolled coil prices are up
12 close to 100 percent. Today scrap prices are about
13 \$600, which is what hot rolled sold for in November
14 2007.

15 The price of hot rolled is now over \$1,000
16 per ton, which was the market price for line pipe last
17 year. Meanwhile, subject import prices have hardly
18 increased and are even well below hot rolled prices.
19 As we pass along price increases we continue to lose
20 volume to subject imports.

21 Looking to the rest of 2008 I fear that
22 unless low price imports from China and Korea are
23 stopped our financial performance in 2008 will be
24 worse than our performance in 2007. As the
25 discrepancy between our prices and their prices grows

1 the U.S. will become an even more effective market for
2 subject producers. It is my belief that Chinese and
3 Korean producers possess a massive amount of capacity
4 and that is currently used to produce other products
5 such as standard pipe.

6 As the Commission is already aware, standard
7 and line pipe are often produced by the same
8 equipment, making it relatively easy to shift
9 production between the two products. Consequently, if
10 there is an order in the standard pipe case there is
11 an imminent threat that Chinese producers will shift
12 their production from standard pipe to line pipe. The
13 Canadian government has also just imposed preliminary
14 margins of 100 percent against standard pipe from
15 China. The combination of increased market prices and
16 the threat of a massive shift from standard pipe to
17 line pipe, coupled with the unrelenting cost
18 increases, threaten us with material injury. Under
19 this frightening scenario we would be hard pressed to
20 maintain product and might have to close down
21 additional U.S. capacity.

22 In summary, we have not received the
23 benefits of increased demand. We cannot completely
24 recover rising costs with higher prices. We are
25 unable to keep our mills running at full capacity and

1 our operating margins are awful. But the worst part
2 is that this is all taking place at a time that should
3 be golden age for American welded line pipe producers.
4 Because of a flood of unfairly priced subject imports
5 we have instead struggled to maintain levels of
6 production. Given these facts I believe that the
7 Commission must find that imports from China and Korea
8 have injured our industry and also threatened us with
9 material injury if left unchecked.

10 Thank you for your time. I will be happy to
11 answer any questions that the staff may have.

12 MR. THOMPSON: Good morning. I'm George H.
13 Thompson, General Manager of Commercial for United
14 States Steel Tubular Products. I appreciate the
15 opportunity to be here today and would like to explain
16 why we believe that relief from dumped and subsidized
17 imports from China and Korea is so important.

18 The product before you today, welded line
19 pipe up to and including 16 inches in outside diameter
20 is very important to U.S. Steel. Our company made a
21 large investment in the industry last year through its
22 \$2.1 billion acquisition of Lone Star Steel. Those
23 East Texas facilities rely heavily upon the products
24 and size range at issue here. We also make welded
25 line pipe in McKeesport, Pennsylvania, where we have a

1 tolling agreement with Camp-Hill Corporation. Because
2 we do not make OCTG product there, welded line pipe is
3 the highest value added product made at the facility.

4 In short, we care deeply about the market
5 for welded line pipe and have made very substantial
6 investments, investments that are going to be around
7 for a very long time in the future of that product.
8 To obtain a true market return and to justify our
9 investment we need the chance to compete in a fair
10 market, not one that has been distorted by unfair
11 trade. Unfortunately, the effects of dumped and
12 subsidized imports have been all too apparent in this
13 part of the pipe business.

14 Consider the events of the last two years.
15 From 2005 to 2006 demand for this product rose by an
16 astonishing amount, 84 percent, and remained at very
17 high levels during 2007. This represented a huge
18 opportunity for domestic producers, exactly the kind
19 of market where we hope and expect to see the kind of
20 upside payoff that offsets the many down periods in a
21 cyclical industry. This kind of market should have
22 resulted in higher prices and profits for us. It
23 should have allowed us to expand into new areas that
24 were developing and growing such as the Rocky Mountain
25 region where much of the new demand has been located.

1 Unfortunately, none of this happened.
2 Instead, most of the new demand was taken by unfairly
3 traded imports from China and Korea which rose by
4 almost 300 percent from 2005 to 2007, an incredible
5 figure that would not have been possible if producers
6 in those countries were playing by the same rules as
7 we are. As a result, the market share held by Chinese
8 and Korean producers soared from an estimated 15
9 percent in 2005 to 33 percent in 2007. Thus, it is
10 clear that most of the new demand in this market was
11 taken by subject imports.

12 Because of this import surge, prices for the
13 products at issue here generally remained flat during
14 2006 and 2007 despite rising costs and strong demand.
15 The result has been all too predictable, our operating
16 income for this product plunged from 2005 to 2007.
17 That's not supposed to happen when demand is strong.
18 It only happened here because of dumped and subsidized
19 imports.

20 In addition, the import surge has in large
21 part deprived us of the opportunity to expand our
22 sales and customers. Our efforts to gain a
23 significant part of the new business in the Rocky
24 Mountain region were largely ineffective. And despite
25 excellent underlying demand, we have continued to run

1 only one shift at McKeesport. We have been hesitant
2 to add another shift in light of the import situation
3 and our concern that there will not be enough business
4 to justify such a commitment. Indeed, I can tell you
5 that we are still thinking about this issue and that
6 your determinations here will play a major roll in our
7 decision.

8 I understand that the other side may argue
9 that relief is inappropriate because demand is strong.
10 To my mind this case is an excellent illustration of
11 something that should be very important to this
12 Commission, namely, that unfair trade can cause
13 enormous damage even in the best of times. There is
14 no doubt that demand is strong right now but that was
15 also true in 2006 and 2007.

16 Take a look at what happened to our
17 operating results during that period in the wake of
18 the flood of imports we've seen. Indeed, by the end
19 of 2007 our prices were often well below 2005 levels
20 even though demand is almost 80 percent higher. That
21 is why it is so important to strongly enforce our
22 trade laws no matter where we are in the business
23 cycle. Lost opportunities are just as harmful at the
24 top of the cycle as at the bottom.

25 The profits and sales that we lose are gone

1 forever along with the investments they could have
2 generated and the new jobs they might have supported.
3 Looking at where we are now, costs across the range of
4 inputs used by the industry continue to rise
5 dramatically, due in large part to the same market
6 distorting practices that have led to the import
7 surge. Years of subsidies have left China with a
8 steel industry far larger than market forces justify.
9 Ironically, we see the effects of this artificial
10 buildup in China's industry through the enormous spike
11 in global raw materials costs and then see it a second
12 time when we are flooded with low priced and unfair
13 imports.

14 China has also interfered with key raw
15 materials markets through various quota and licensing
16 schemes that limit trading critical imports such as
17 coke and ferro alloys. Coke prices have gone from
18 \$260 a ton in late August to \$500 a ton by March, an
19 increase of 92 percent. Steel scrap that cost \$250 a
20 ton last fall has hit prices as high as \$550 a ton, an
21 increase of almost, of 120 percent. The price of hot
22 rolled steel has risen from \$510 last August to \$830 a
23 ton this month and, as Roland stated, higher than
24 \$1,000 a ton in the June time period is expected.

25 Whether you look at coal, ferro alloys, iron

1 ore, natural gas, electricity, even the cost of
2 transporting our inputs by rail, all of these costs
3 have surged in recent months. These rising costs,
4 combined with falling margins we experienced during
5 2007 have necessitated significant price increases and
6 we hope they will succeed. The presence or absence of
7 unfair trade in this market will certainly be a
8 central factor determining whether we can achieve
9 needed pricing levels over the longer term.

10 Meanwhile, the threat from China continues
11 to grow. Our petition identifies new projects that
12 will increase China's annual capacity to produce
13 welded line pipe by almost two million tons. I am
14 sure this story is very familiar to the Commission
15 because the fact is that China has provided massive
16 subsidies and support to its steel sector to promote
17 exports in key product areas such as welded line pipe.
18 For all the talk we hear about China reining in excess
19 and uneconomic capacity, for all the promises that
20 they will scale back unfair and injurious exports, the
21 facts tell a consistent story: China continues to
22 promote exports everywhere it is able to do so. They
23 only respond when we make it clear that we will
24 enforce our rights and demand compliance with
25 international trading rules.

1 We are particularly concerned about
2 potential diversion from standard pipe products which
3 are already under investigation by this Commission
4 into line pipe. After the standard case was filed
5 last summer China canceled a 13 percent rebate on VAT
6 taxes for exports of welded standard pipe, but
7 significantly, it retained a 13 percent VAT rebate for
8 exports of welded line pipe.

9 In January, China increased export taxes to
10 15 percent on certain pipe and tube product but
11 specifically excluded welded line pipe from this tax.
12 Given that China shipped over 700,000 tons of welded
13 standard pipe to this market in 2006, the potential
14 for diversion is obviously enormous. I would also
15 point out that with China under orders for hot rolled
16 steel it has a very strong incentive to convert that
17 hot rolled and send it to this market as welded line
18 pipe.

19 Imports from Korea are also a major concern
20 and have been a disruptive force in this market even
21 longer than Chinese imports. From 2005 to 2007,
22 subject imports from Korea have more than doubled.
23 But this trend appears to just be getting started.
24 Line pipe production by Korean producers jumped by 31
25 percent from 2005 to 2006 and surged by an additional

1 37 percent on a year to year basis during the first
2 half of 2007. Increased line pipe production in Korea
3 will almost certainly lead to more shipments to this
4 market, given estimates that more than 60 percent of
5 Korea's welded line pipe exports are shipped to the
6 United States.

7 In light of these facts, we have been forced
8 to ask for trade relief. We did not take this
9 decision lightly. And, indeed, we have seen the
10 current import surge persist for two years with no end
11 in sight. We have no problem competing with fairly
12 traded product, but no company can compete with
13 foreign treasuries or with foreign producers propped
14 up by government largesse, closed home markets and
15 other market distortions. Our industry has made great
16 strides in recent years and we are convinced the
17 future is bright. But we can only realize the
18 potential we see if our government ensures that we
19 have a fair market to compete in. In the long run,
20 fair trade and market forces are the key to a
21 successful global industry. They are certainly
22 critical to us right now. And we respectfully ask
23 that you stop dumped and subsidized imports from
24 undermining our markets.

25 Thank you very much.

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1 MR. DAVILA: Good morning, Mr. Carpenter,
2 and members of the Commission staff. For the record,
3 my name is Raymond Davila and I am Vice President of
4 Sales and Marketing for Tex-Tube. I have been in the
5 pipe and tube industry for 12 years and I have been
6 with Tex-Tube since 2002.

7 Tex-Tube started business in 1945 and has
8 been in the same location in Houston since that time.
9 We have had several ownership changes in our 50-year
10 history, the most recent being when the Villacero
11 family purchased the company from Armco Steel in 1994.
12 Welded line pipe has always been our principal product
13 since the inception of the company. We also produce
14 standard pipe and OCTG. However, our finishing
15 facilities limits participation in the OCTG market.

16 Obviously, our location in Houston gives us
17 the advantage of wonderful access to the large line
18 pipe market in the Gulf Coast and Southwest where
19 there is a lot of drilling for oil and natural gas.
20 Unfortunately, Houston is also the largest port for
21 imports of line pipe into the United States. While we
22 have been in business for 50 years, Tex-Tube has not
23 stood still in terms of investing in equipment. In
24 late 2006 and early 2007 we embarked on one of the
25 larger equipment upgrades in our history, spending

1 over 6 million to install new cutoff equipment as well
2 as new hydrostatic testing and ultrasonic testing for
3 our products. In part, this was a response to our
4 perception the demand was going to improve and we
5 could increase total mill production by expanding our
6 finishing capabilities. It was also a response to
7 tighter API specifications which require better
8 testing equipment on our part.

9 As part of this equipment installation our
10 mill was shut down from late December 2006 to the end
11 of April 2007. Because most of our product is shipped
12 out of inventory we tried to build our inventories as
13 well as inventories held by our customers in advance
14 of this shutdown. Of course, our owners want us to
15 obtain a significant return on this new investment.
16 In 2007 we fell far short of these projections.

17 Unfortunately, after a successful restart of
18 the mill in early May 2007, we found that the demand
19 for our line pipe products were not strong. In fact,
20 while overall demand for line pipe in our size range
21 was strong, the distributors had just been filling up
22 their yards with massive amounts of imports from China
23 and Korea. This forced us to struggle through 2007 to
24 build back production to our normal 20-hour per day,
25 5-day per week schedule.

1 For several months in 2007, we had to cut
2 back production again after finishing our ramp-up.
3 This was not a desirable situation. In my
4 conversations with Rusty Fisher, who represents our
5 sales to these distributors, I was constantly told
6 that we must lower prices or there would be no sales.

7 One thing that is clear to me in my position
8 is that we cannot just assess how Tex-Tube will
9 perform in the U.S. market by forecasting demand
10 trends. The clearest example of this is that while
11 line pipe demand in the United States market is
12 certainly much stronger than standard pipe demand, we
13 are experiencing a strong demand for standard pipe
14 from our customers other than line pipe. This is a
15 direct result of the imposition of preliminary dumping
16 and countervailing duties on imports from China on
17 standard pipe. We are seeing a very significant
18 benefit from the reduction of standard pipe imports
19 from China.

20 On the other hand, we are seeing significant
21 pressure on our line pipe business because of the
22 continual high import levels from China and Korea and
23 very high distributor stock of imports.

24 Thank you for the opportunity to testify
25 this morning.

1 MR. AVERA: Good morning. I am Robert
2 Avera. I am the Sales Director for Line Pipe
3 Distribution for Tenaris Global Services USA. TGS is
4 a sales arm for Maverick Tube Corporation, a domestic
5 manufacturer of carbon quality welded line pipe. I
6 have over 34 years of experience in both the steel and
7 tubular product industries.

8 As you've already heard today, Maverick and
9 the rest of the domestic industry are not benefiting
10 from the overall increase in demand for line pipe.
11 Instead, a flood of unfairly traded Chinese and Korean
12 imports are capturing an unusually large portion of
13 the market. You just heard about the effects that
14 these imports are having on Maverick. I am here to
15 discuss how the import surge is affecting Maverick's
16 ability to continue to sell line pipe under the
17 current market conditions.

18 Most line pipe is primarily sold through
19 distributors. The distributors compete with each
20 other for supplying users with the pipe required.
21 Therefore, we lack the degree of visibility with
22 respect to individual sales. Having said that, our
23 sales patterns clearly indicate that as low priced
24 imports from subject producers surged we lost sales.
25 Quite simply, subject imports have taken a significant

1 volume of orders that we would have traditionally
2 received.

3 Line pipe is also sold on a project basis
4 directly to end users. Project sales usually involve
5 highly specialized materials, they tend to focus on
6 line pipe in the 10- to 16-inch size range. These
7 requirements typically involve lengths beyond the 40-
8 foot standard. Domestic producers like American, STUP
9 and CSI focus their sales in this market.

10 The Chinese and Koreans on the other hand
11 primarily import commodity line pipe using a less
12 demanding application. Their volume tends to be
13 concentrated in standard lengths of 8-inch diameters
14 and below. Unfortunately, our facility at Counce,
15 Tennessee produces line pipe exclusively in the 4- to
16 8-inch range, which is the heart of the import
17 competition. As you've heard, subject imports caused
18 us to cut the Counce facility to one shift.

19 By the end of 2007 we were facing an
20 unrelenting volume of imports from China and Korea
21 that depressed market prices as our raw material costs
22 began to escalate sharply. This convergence of events
23 is devastating our profitability and, ultimately, the
24 viability of our domestic line pipe production. The
25 fact is, historically end users have relied on

1 distributors to provide low cost solutions.
2 Typically, subject imports are the vehicle to achieve
3 this objective. As a result, the unrelenting increase
4 in subject imports at price levels well below market
5 puts pressure on our prices and makes it difficult for
6 us to recover the sharp increases in costs.

7 As costs continue to increase the
8 underselling between domestic line pipe prices and
9 Chinese and Korean prices is getting lighter. The
10 average import prices of Chinese and Korean line pipe
11 for January and February of 2008 continue to track
12 well below the average market price and are even lower
13 than the average market price for hot rolled coil.
14 Given these market dynamics, the current explosion in
15 raw material costs have made our pipe prices even less
16 competitive.

17 Distributors have access to large
18 inventories of low priced imports from China and Korea
19 that entered when raw material costs were low.
20 Therefore, distributors are selling imports from China
21 and Korea at prices that do not reflect the
22 unprecedented increase in raw materials. Chinese hot
23 rolled prices are much lower due to government support
24 and intervention in the steel industries. Unlike
25 imported line pipe, many distributors do not carry

1 large inventories of domestically produced pipe,
2 therefore, raw material cost increases have a more
3 immediate effect on our ability to sell product. Left
4 unchecked, this underselling will only continue to
5 grow, forcing even more loyal customers to move to
6 Chinese and Korean products altogether, further
7 threatening our viability.

8 It is true that the Koreans have been in the
9 market for some time and many end users are
10 comfortable with their product, while the Chinese
11 producers are new entrants in the market. The Chinese
12 captured a disproportionately large portion of sales
13 as demand increased. This shows that their product is
14 suitable for American line pipe purchasers, therefore,
15 the quality of Chinese and Korean line pipe is not a
16 distinguishing factor in the pricing and sale of the
17 product. Furthermore, quality concerns are satisfied
18 once a product is certified by the American Petroleum
19 Institute. Pipe can be sold as line pipe if it is API
20 certified as line pipe. Most end users will accept
21 pipe provided that meets the API specs.

22 Going forward not only have raw material
23 cost increases placed pressure on our pricing, but the
24 subject imports are also limiting our ability to
25 compete for new orders altogether. While current

1 imports are priced marginally higher than before,
2 these marginal increases do not even come close to the
3 increased raw material costs that we are facing.
4 Subject imports continue to enter unabated. Without
5 relief from unfairly traded imports it will be
6 difficult for us to maintain even our current levels
7 of pipe production.

8 Thank you for your time.

9 MR. TINNE: Good morning. I am Mark Tinne,
10 Regional Sales Manager, Gulf Coast, for United States
11 Steel Corporation. Before the merger between U.S.
12 Steel and Lone Star I sold line pipe for Lone Star and
13 I have been involved in this market since 1994. I
14 would like to make four key points about these
15 investigations.

16 First, low priced imports from China and
17 Korea affect all prices in this market. Most of our
18 sales are made on a spot market to distributors who
19 are, of course, very concerned about the prices they
20 can obtain from end users. I can assure you from
21 years of hard-fought negotiations with the
22 distributors that the end users care deeply about
23 price. All of the subject pipe, both domestic and
24 imported, is made to API specs. And many end users
25 will take any pipe that meets those specs. They

1 simply want the lowest possible price. This is
2 particularly true of customers using the most common
3 grades like grade B, X-42 and X-52, grades that are
4 very important to us because we make so much of that
5 product. These are also the grades most likely to be
6 imported.

7 Many distributors feel that they must have
8 Chinese and Korean pipe to serve their customers.
9 Even where certain end users may be a bit more
10 cautious about lesser-known foreign mills, they are
11 often willing to allow Chinese or Korean pipe simply
12 because it is priced so low. You have to remember
13 that for several years now subject imports have often
14 been priced at least 200 to 300 a ton below domestic
15 prices. That is an enormous difference and one that
16 many customers simply cannot resist.

17 And even for those end users who at the end
18 of the day still prefer to use domestic pipe, there is
19 no questions that their expectations about pricing are
20 profoundly impacted by import prices. These are well-
21 informed companies who use low priced import levels to
22 negotiate better prices for any domestic pipe that
23 they purchase. If the gap between U.S. and import
24 prices is too large they will also consider or turn to
25 imports. In short, the effects of low priced imports

1 pervade the entire U.S. market and no domestic
2 producer can hope to avoid their impact.

3 Second, subject imports suppressed U.S.
4 prices during 2006 and 2007. In 2006, demand for this
5 product started to take off. At the same time we are
6 seeing an increase in our costs. Under these
7 circumstances we naturally tried to raise prices. At
8 first we were successful. In April 2006 we persuaded
9 our customers to accept a \$50 a ton price increase and
10 we obtained a similar increase in May. Then we
11 started to feel the effects of imports.

12 An attempted price increase in August 2006
13 met strong resistance. And when we tried to raise
14 prices in December 2006 the distributors would not pay
15 these price levels. As a result, we simply could not
16 raise prices at all for over a year despite strong
17 demand and rising costs. To avoid losing market share
18 we were forced to compete against these suppressed
19 pricing levels and the results were clear in our
20 financial performance.

21 Third, while we have been forced to announce
22 price increases in recent months, we still don't know
23 whether those increases will be successful. Trying to
24 maintain market share in the face of unfairly priced
25 competition is a strategy that can only go so far when

1 our prices simply do not reflect increasing costs,
2 costs which are driven in large part by the same
3 market distorting practices that have contributed to
4 the import surge.

5 From 2005 to 2007 Chinese crude steel
6 production increased by 133 million metric tons, a
7 figure larger than the production of the entire United
8 States steel industry. Not surprisingly, this
9 government-subsidized production is causing prices of
10 all steel imports to soar. While we feel we have no
11 choice to make another run at trying to obtain more
12 realistic pricing, our efforts have met with stiff
13 opposition in the marketplace and we are losing sales
14 as a result. In fact, we are seeing more resistance
15 to price increases on this product than any other
16 tubular product as well.

17 As a result, it is too early to say what
18 will ultimately happen. I believe that your
19 determination here will play a critical role in
20 deciding whether our efforts will succeed.

21 Fourth, whatever happens in the future, we
22 have already been hurt by subject imports. The last
23 few years should have been a very rewarding period for
24 this industry. In all my 15 years of selling line
25 pipe I have never seen more favorable market

1 conditions. From my perspective this was a remarkable
2 opportunity. And yet we did much worse last year than
3 in 2005 or 2006 and are concerned about what will
4 happen this year. You spend years and years waiting
5 for this type of demand and then when it's there you
6 literally cannot take advantage of it. Indeed, it is
7 now obvious that if we want true marketplace prices in
8 the United States we must obtain trade relief. I urge
9 you to grant such relief.

10 Thank you.

11 MR. FISHER: Good morning, Mr. Carpenter and
12 members of the Commission staff. For the record, my
13 name is Rusty Fisher and I am the Vice President of
14 Line Pipe Sales for the Tubular Synergy Group in
15 Addison, Texas. I have been in the pipe industry for
16 26 years. I worked for Tex-Tube from 1982 to 1995
17 where I wound up as the general manager of sales.
18 1995 I left Tex-Tube to go to work for Lone Star
19 Steel. As Lone Star and Tex-Tube executed an
20 exclusive marketing agreement in which Lone Star was
21 in charge of all line pipe sales for the two companies
22 and Tex-Tube was in charge for all standard pipe sales
23 for the two companies, I was thus in charge of sales
24 for line pipe for both Lone Star and Tex-Tube for a
25 number of years.

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1 Shortly after U.S. Steel acquired Lone Star
2 in 2007, I left to join a number of former Lone Star
3 executives in the formation of Tubular Synergy Group.
4 Tubular Synergy we have entered into marketing
5 agreements to be exclusive representatives for Tex-
6 Tube's line pipe sales. I have worked with Ray Davila
7 of Tex-Tube for almost a decade and have a close
8 relationship in planning sales and marketing
9 strategies for Tex-Tube's line pipe sales.

10 Tubular Synergy Group also has an exclusive
11 marketing agreement with Northwest Pipe to market line
12 pipe produced in their Atchison, Kansas facility.

13 First I would like to make a few general
14 remarks about the line pipe market in 16-inch and
15 under. For 8-inch and under, which is Tex-Tube's size
16 range, almost all of the welded line pipe is primarily
17 used for gathering lines to connect the oil and gas
18 brought up from the well head to a gathering system
19 that will then enable the oil and gas to be
20 transported to either a processing plant or a larger
21 transportation hub to feed into a larger pipeline
22 system. Virtually all of this business is distributor
23 oriented business and these distributors will supply
24 independent or major oil and gas exploration companies
25 with products that they need at the time when they

1 need them. The majority of these products are sold in
2 common ODS, wall thicknesses and specifications.

3 The distributors are looking for the best
4 price. These distributors will also compare import
5 prices to domestic prices and if the import price is
6 lower they will buy the imported product as long as it
7 meets specifications. Most of the 8 5/8 and under
8 market is just plain X-42 grade product or X-42/X-52
9 dual stencilled product.

10 For some of the larger sizes in this size
11 range, particularly the 10- through 16-inch product
12 range, there's sometimes contract bid requests for
13 line pipe projects or pipeline projects. Examples of
14 uses for 10- through 16-inch line pipe include a
15 connector pipeline so that a 16-inch pipeline may be
16 built from a 36-inch larger diameter interstate
17 natural gas pipeline to go to a gas fired electricity
18 plant or a natural gas distribution hub for a natural
19 gas distribution company. The gas distribution
20 companies then use smaller pipes to distribute the gas
21 to businesses and neighborhoods and the final pipe
22 going to the residential areas usually becomes
23 plastic.

24 However, in my experience most of the
25 volumes even in the largest sizes are going through

1 distribution. Because the gas is being used at higher
2 pressure, when gas travels longer distances to reduce
3 the wall thicknesses and the quantity of steel
4 required some of these requests in the larger sizes
5 are now for X-60, X-65 and X-70 grade products.

6 Second, I would say that for the latter half
7 of 2006 through the present time we have seen an
8 explosion in the growth of line pipe imports from
9 China and Korea. Thus, even though demand has been
10 growing, the imports from China and Korea have been
11 growing much faster than the market demand and the
12 U.S. industry has been losing significant market
13 share. The companies I represent have been forced to
14 respond with lower prices and the result being lower
15 profitability.

16 As an example, in the summer of 2007, right
17 after U.S. Steel acquired Lone Star, we were forced to
18 severely curtail production in line pipe at Tex-Tube,
19 and totally suspend line pipe production at two Lone
20 Star mills for several months. This was a result of
21 rampant imports dominated by China and Korea.

22 Thank you for the opportunity to speak
23 today.

24 MS. ANDROS: Good morning. My name is Linda
25 Andros and I am the legislative representative as a

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1 trade representative for the United Steel Paper,
2 Forestry, Rubber, Manufacturing, Energy, Allied
3 Industrial and Service Workers International Union of
4 the AFL-CIO, commonly known as the United Steelworkers
5 of the USW. As you can see from that name, USW is the
6 largest industrial union in North America with 850,000
7 active members.

8 For many, many years my union has been
9 fighting on the frontlines against foreign governments
10 and companies that seek to gain an unfair competitive
11 advantage by violating the rules of trade. We are
12 very familiar with this. The USW represents workers
13 who make line pipe, the product that's under
14 investigation. Today we represent workers at the
15 United States Steel Corporation, Maverick Tube
16 Corporation, Wheatland Tube Corporation, Tex-Tube
17 Company, IPSCO Tubular, Inc., STUP Corporation and
18 Wheatland Tube.

19 I am here to really give voice to these
20 workers. I know you have heard a good deal today
21 about whether U.S. companies making this product have
22 been harmed. And you have heard some discussion about
23 income levels and capital expenditures. But the
24 companies aren't the only ones that get hurt when
25 unfair trade is involved, as you know.

1 When dumped and subsidized imports come here
2 into this market USW workers are on the frontline. We
3 are on the frontline. We are the first to be hit.
4 And as you've heard, there were shutdowns, there were
5 reductions in line work. So we'd like you to take
6 that, obviously, very much into account.

7 From the last two years, from 2005 to 2007,
8 the volume of subject imports has increased by almost
9 345,000 tons. If not for unfair trade, much of that
10 volume could have been supplied by these American
11 companies and my union members at the USW. The
12 potential jobs and benefits that have been lost as a
13 result is enormous, the impact on the workers. In
14 2007 this 345,000 tons really would have been equal to
15 45 percent of all domestic shipments of line pipe in
16 the United States. From the union's perspective
17 losing that business is like seeing plants go under,
18 and thinking about workers that have really never had
19 the opportunity to be hired, so wages that were never
20 paid, benefits that were never provided. And
21 obviously that's why it matters tremendously to the
22 union.

23 In addition, we would ask you to consider
24 how real people across the country are affected by the
25 lost jobs and the benefits that are diminished when we

1 have to face unfair imports here. Somewhere in
2 Pennsylvania there are children whose parents can't
3 afford to send them to college; it's that basic.
4 Somewhere in Tennessee a grandmother can't get
5 healthcare that she needs; it's that basic. Somewhere
6 in Texas a father is going to be worried about being
7 able to pay the mortgage on his house; it's that
8 basic. All of these people, all of these union
9 workers and many more could use the good jobs that we
10 basically are throwing away by tolerating unfair
11 trade.

12 And I just would ask you, why should we be
13 hurting our own workers here in our own industry
14 unnecessarily? Why should we tolerate this?

15 What I think has been so frustrating for the
16 union members here is that the countries at issue,
17 China and Korea, are really notorious repeat offenders
18 when it comes to unfair trade. Your own website at
19 the ITC lists 22 antidumping and CVD preliminary
20 investigations that have been launched since February
21 2007. Twenty of those cases involve imports from
22 China. This is in addition to the numerous other
23 products areas where orders are already in place in
24 dumping and countervailing duties. In one product
25 after another our union members see the same

1 depressing pattern. Chinese producers are benefiting
2 from government support, they build up an enormous
3 over-capacity and they dump their goods here. It's as
4 old as can be. I mean this is not an unusual pattern
5 of trade.

6 If U.S. workers, and particularly my
7 members, are to have any chance to succeed today we
8 need a marketplace that's fair and we need to change
9 that pattern of unfair trade. Korea is also a major
10 problem for American workers and union members for the
11 USW. The United States is already maintaining
12 antidumping orders on Korean imports of welded
13 standard pipe, corrosion resistant steel, and cut-to-
14 length plate. Now they are dumping line pipe as well.
15 As with China, these repeated investigations are
16 representative of a much larger problem in trade.
17 While Korea might claim they want a free trade
18 agreement with the United States right now, it
19 continues to use high tariffs in numerous other trade
20 barriers to limit imports into their market across the
21 range of products from automobiles to agriculture, and
22 we manufacture a lot of those products. Then they
23 turn around and want to dump their products in our
24 market, literally trying to do that with impunity. We
25 don't think that's fair. It's certainly not

1 equitable. And it's not something the American people
2 will tolerate, and certainly not my members.

3 So we're asking here on behalf of the USW,
4 the domestic producers appearing today all we want is
5 the opportunity to compete in a fair market. We all
6 want the same thing. And we really ask you to
7 carefully consider the workers that have been harmed
8 here and to grant the requested relief to give us all
9 a fair chance.

10 Thank you very much.

11 MR. THOMPSON: That concludes our
12 affirmative presentation.

13 MR. CARPENTER: Thank you very much, panel,
14 for your presentation. It's already been very helpful
15 to us and I am sure we will have a number of questions
16 to ask you to elaborate on a few points.

17 First let me just mention that we will
18 accept into the record the slides that you have
19 provided to us and we will have those attached to the
20 transcript.

21 To start with I have a few questions based
22 on your presentation so far this morning. First, on
23 slide two, and there has been considerable discussion
24 about the very strong demand in the last two years,
25 there is a very dramatic increase in demand or

1 apparent domestic consumption. I believe the figure
2 of 84 percent was mentioned from 2005 to 2006. I was
3 wondering if someone can elaborate on some of the
4 reasons or what's driving that increase in demand? I
5 realize this is a cyclical industry but is there
6 anything that you can elaborate on there that might
7 help us better understand demand in this industry and
8 particularly what caused the surge in demand in 2006?

9 And I open it up; any of these questions can
10 be responded to by anyone on the panel.

11 MR. TINNE: Mark Tinne, U.S. Steel. I think
12 probably one reason is the price of natural gas went
13 up which caused more drilling. And when you require
14 more drilling and do more drilling it requires more
15 line pipe to take the natural gas to the process
16 plant. And that is probably in mainly 4-, 6- and 8-
17 inch pipe. It goes from a process plant to the bigger
18 pipeline in the 10- to 16-inch size range.

19 That's certainly one of the reasons why the
20 demand went up.

21 MR. FISHER: Another big driver has been
22 that in the current market there is still a good
23 demand for natural gas, there is a big decline in the
24 wells. They fall off really fast these days. So they
25 have to keep drilling to stay up with the demand,

1 therefore you need more line pipe to gather the gas.

2 MR. BALKENENDE: If I may add to that, the
3 rig count in the United States is one of the key
4 indicators for activity. And we have seen a strong
5 increase in the 2006 period. And it is now let's say
6 tapering off, it is more stable demand really for the
7 problems as we foresee them. The rig count is the
8 starting point of activity.

9 MR. CARPENTER: Is there a lag between the
10 number of rig counts and production of line pipe?

11 MR. THOMPSON: I would say yes. You know,
12 the first is exploration, then it's actual production,
13 and then they've got to bring it to market. It's a
14 very straightforward approach. And in fact in a lot
15 of cases, the Rockies is a perfect example, they
16 struggled to bring it to market for a long time and
17 just recently they finished a pipeline. While they
18 build the big pipeline they need feeder stock. Rusty
19 did a good job of explaining exactly how it goes up to
20 the big lines and then goes back into production. But
21 there is definitely a lag.

22 MR. CARPENTER: Okay, thank you.

23 Do you expect this -- well, demand stayed
24 strong in 2007, are there any signs that it's starting
25 to decline in 2008 or would anyone feel comfortable in

1 speculating as to what might happen to demand in 2008
2 compared to 2007?

3 MR. BALKENENDE: Well, we foresee that the
4 rig count will go up marginally. We will be in a
5 stabilized market. And of course from our perspective
6 if that continues and importing keeps increasing then
7 we have a bit more trouble.

8 MR. CARPENTER: Okay.

9 MR. FISHER: We would agree with that.
10 Demand will remain strong, not at a marked increase,
11 we're not projecting a marked increase level, but
12 stable where it's at to slight increase. We don't see
13 a drop at this time.

14 MR. TINNE: As long as they continue to lay
15 the large gas transmission lines, the 30-, 36-inch and
16 42-inch which we're not talking about here, there will
17 continue to be demand certainly for the size range
18 we're talking about here, 16-inch and below.

19 MR. CARPENTER: Thank you, that's very
20 helpful.

21 There was some discussion about how hot
22 rolled costs have also increased dramatically. I
23 believe the figures I heard were from something like
24 \$500 a ton last year to possibly increasing to as much
25 as \$1,000 a ton by the middle of this year. Could you

1 help me understand again what's caused that rapid
2 increase in price?

3 MR. THOMPSON: It's kind of unique to our
4 industry; it's cost driven. I mean particularly here
5 in the United States those numbers, as high as they
6 sound, we have some of the -- with the exception of
7 China which, as Roland said, is controlled hot rolled
8 pricing -- we have some of the cheapest prices in the
9 world right now. And the reason is is because of the
10 inputs that go into steel there have been very real
11 increases, as we reviewed the various things, and so
12 it affects everybody from the low end producer to the
13 high end producer. And consequently it's a matter of
14 survival in order to cover these costs.

15 I think what you will see is despite that
16 huge increase the margins will not have grown as
17 significantly. And it's unique in that sense versus
18 what we've seen over the past two or three years
19 coming into this.

20 MR. CARPENTER: And would you expect the
21 prices for hot rolled steel to remain high through the
22 remainder of this year?

23 MR. THOMPSON: Yes. There's nothing that
24 says they're going to come down at this point in time.

25 MR. PRICE: Let me add one thing. I happen

1 to have a copy of the latest steel benchmark that was
2 published by World Steel Dynamics, which I'm sure the
3 Commission is familiar with. And putting the last hot
4 band price in the United States, this is the April 16
5 distribution which I think is the most recent, had
6 \$1,000, \$1,003 a ton, putting the Chinese domestic
7 price at \$657 a ton. That is an enormous gap. And
8 the relative gap has grown.

9 One of the other factors out here is that
10 there is a linkage here, while we have Chinese hot
11 band under order in the United States and effectively
12 it's not participating in the United States, Chinese
13 hot band is in fact, and Chinese steel in general is
14 in fact a major participant in the Korean market. So
15 those markets are linked.

16 MR. CARPENTER: Yes.

17 Yes, Mr. Kaplan?

18 MR. KAPLAN: I would just like to point out
19 some of the implications of this to the Commission.
20 The Commission often looks at price increases when
21 they are doing their analysis. And usually, or
22 oftentimes in many cases, costs are moving around a
23 bit but not much. When the 201 was around I think hot
24 rolled prices were \$200 a ton. So you're talking
25 about extraordinary increases on price and increases

1 in cost that aren't typically seen in these types of
2 cases.

3 And the Respondents, I don't blame them,
4 walk in and say, Look, prices have gone up. Well, if
5 input costs quintuple, that's no surprise.

6 So I think it's important for the Commission
7 to look at margins and what's going on with margins.
8 Prices are important but the cost increase really --
9 the price increase really reflects the large increase
10 in costs.

11 And I think the other point to be aware of
12 is that with respect to hot rolled costs in different
13 parts of the world those are reflected in the dumping
14 and subsidy margins that are alleged, which are quite
15 high. And you see that across a whole series of steel
16 cases. Iron ore is expensive. Coking coal is
17 expensive. No one has in any part of the world a
18 magic way to make that cheaper than in any other part
19 of the world. So what you're seeing are subsidization
20 and dumping driving the price of the final product
21 when these costs aren't passed through. And you see
22 that the costs are not reflected in the pricing of the
23 Chinese and the Korean products and that shows up in
24 the margins ultimately as these products compete head
25 to head.

1 Thank you.

2 MR. CARPENTER: Thank you for that
3 information.

4 I appreciate the information you gave
5 earlier in your testimony about the incentive for
6 Chinese producers to shift production from standard
7 pipe to line pipe because, as you noted, on line pipe
8 unlike standard pipe China retained a 13 percent value
9 added tax rebate and also did not impose the 15
10 percent export tax on line pipe as they did on
11 standard pipe. I'd prefer to address this question to
12 Chinese respondents but I don't believe we have any
13 here today.

14 Are any of you aware of any information that
15 was put out by the Chinese government as to why the
16 difference in policy for line pipe versus standard
17 pipe?

18 MR. SCHAGRIN: I obviously, this is Roger
19 Schagrin representing Tex-Tube, I can't speak for the
20 Chinese quite obviously, however, in terms of someone
21 who tracks these changes made by the Chinese
22 government quite closely the pattern for about the
23 past 18 months seems to be that the Chinese export tax
24 or rebate adjustments seem pretty closely tied to
25 trade litigation going on around the world, not only

1 U.S. cases against China but your E.U. cases against
2 China, Canadian cases against China. And so it seems
3 that for products covered by cases they tend to make
4 reductions in the rebate or impose taxes so that then
5 their lawyers, either here in Washington or in
6 Brussels or other places, can say, gee, why should you
7 make any findings, final injury findings against us,
8 we, the government, have already solved this problem?

9 So that's the closest relationship we can
10 observe.

11 The other comment is that, you know, it's
12 even tough for Chinese government to completely
13 manipulate the market, as much as they try, because
14 they don't seem to understand some of the basic laws
15 of economics. If you impose 15 percent export taxes
16 on flat rolled and 15 percent export taxes on pipe
17 then if you limit the exports of the feed stock and
18 have more oversupply in your own market you're going
19 to push down the price in your own market because it's
20 oversupplied, creating a larger gap between your home
21 market price for that product and the international
22 price. And that just offsets the export tax you've
23 imposed on the downstream product because you've
24 increased for those purchasers, the downstream
25 exporters who are purchasing the upstream product, you

1 increase the differential.

2 And that's exactly what has happened over
3 the last six months to a year. As the Chinese claim
4 in lots of forums around the world that they are
5 trying to manipulate their way into fewer exports, the
6 fact is that this manipulation has just led to further
7 market distortions. And that's why compared to \$100
8 or \$150 a ton differential between Chinese hot rolled
9 prices and world prices we're now up to a \$350 a ton
10 differential.

11 So I would just, you know, argue on the
12 record that no matter what the Chinese do with their
13 tax or rebate policies, it's the fundamental
14 subsidization of oversupply that creates these
15 distortions, and they're not going to be solved by any
16 changes in tax or rebate policies.

17 MR. HECHT: If I could just follow up on
18 that too, I agree with what Roger said. I think there
19 has been some evidence that they are manipulating the
20 VAT to sort of move into higher value-added type
21 products. I think there may be a little undercurrent
22 of that, but I think the larger fact when you observe
23 what they've done is it's been very opportunistic to
24 try to promote exports where they can and where they
25 see potential action from the U.S. to try to take

1 temporary measures to strengthen their argument, and I
2 think it would be extremely bad policy for the U.S.
3 government or the ITC to somehow try to take into
4 account the action that the Chinese government can put
5 on or off as they see fit to try to discourage exports
6 as somehow relevant to these proceedings.

7 The fact is, they are going to adopt
8 policies where they can to promote exports where they
9 can, and that's exactly what we're concerned about
10 here.

11 MR. PRICE: Let me continue. Obviously, the
12 manipulation in this case helps to encourage exports
13 of this product, the exact pattern that the Chinese
14 have adopted, but I also think you point out another
15 issue here, which is the complete absence of Chinese
16 participation in this staff conference, and that is
17 obviously important, because how is it possible to
18 determine both fully the Chinese activities in the
19 U.S. and their future activities given the complete
20 absence of participation?

21 MR. CARPENTER: Thank you for those
22 observations. Just a couple more questions. In his
23 opening statement, Mr. Cameron, I believe, indicated
24 that the industries in Korea and China are very
25 different and observed that there are significant

1 quality differences between the Chinese and the Korean
2 products. Would you like to comment on that
3 statement?

4 MR. FISHER: It's API. It's API 5L, so it
5 meets the standard. There's a pretty rigorous process
6 to go through to get an API 5L license, and if you
7 certify that the material makes that grade, it goes
8 into the market as that grade.

9 MR. HECHT: And I should also point out too
10 that the Commission found a substantial overlap and
11 substantial fungibility when it looked at this product
12 in 2004, you know, at a time when China was maybe
13 shipping 25,000 tons to this market, they now are
14 shipping around 285,000 tons to this market. It's
15 pretty hard to think that somehow their products have
16 become less fungible, that there is somehow less of an
17 overlap, given the enormous portion of the market that
18 they are now serving.

19 MR. SCHAGRIN: And finally, and I think
20 you'll see this as your record gets developed over the
21 course of a full investigation as we go toward the
22 final investigation, we believe there's a number of
23 distributors in the United States who carry both
24 Chinese and Korean products, as well as domestic
25 products, and so since this is a product that

1 primarily moves through distribution, the overlap of
2 the same products made to the same API grades by U.S.
3 producers, Chinese producers and Korean producers, I
4 think really answers any questions about quality
5 differentials.

6 These are all the same products made to the
7 same API grades, and having the same performance in
8 the field when they meet those API specifications.

9 MR. CARPENTER: Okay, thank you. Just one
10 more question. Mr. Thompson, I'll address this to
11 you. Mr. Cameron in his opening statement talked
12 about U.S. Steel experiencing restructuring costs, and
13 I was wondering if you could comment. You may want to
14 do this in your brief, but whether those restructuring
15 costs would fall below the operating income line as
16 other expenses or whether they would be allocated
17 among cost of goods sold.

18 MR. THOMPSON: Well, we can provide that
19 information to you. It's not a problem, but I would
20 only tell you that the marketplace, and the pricing
21 that we put into the marketplace, is not reflective of
22 those costs at all. It's a true cost of material,
23 cost of production cost versus cost in the
24 marketplace, as far as the issues we're confronting
25 today.

1 MR. CARPENTER: Okay.

2 MR. THOMPSON: But we'll be happy to provide
3 you details that we can on the issues that he brought
4 up.

5 MR. CARPENTER: Okay, thank you.

6 I apologize. One more question for Ms.
7 Andros. You had indicated in your testimony that
8 steelworkers have been hurt by shutdowns, which I
9 assume translated into layoffs, and as you said,
10 foregone wages and benefits. I was wondering if
11 during the three-year period that we are looking at,
12 if any of the worker groups or the unions representing
13 them have had to restructure any contracts in terms of
14 any -- that have resulted in a reduction in wages or
15 benefits to the workers during that period?

16 MS. ANDROS: I'll be glad to find out that
17 answer. I don't know that answer myself.

18 MR. CARPENTER: Okay. Thank you very much.

19 Again, thank you so much for your responses
20 to these questions. I'll turn now to Betsy Haines,
21 investigator.

22 MS. HAINES: Betsy Haines, Office of
23 Investigations. Thank you for your very thorough
24 presentation. Actually, all the questions I have have
25 already been answered. Thank you.

1 MR. CARPENTER: Mr. Haldenstein?

2 MR. HALDENSTEIN: Thank you to the panel.
3 Just a few questions. I heard the discussion about
4 growth in demand due to growth in the gas market and
5 exploration and the need for distribution, but how
6 about the high price of oil now? How do you project
7 that that's going to impact the demand for your
8 product?

9 MR. THOMPSON: The product we're talking
10 about, while going into oil is primarily driven by
11 natural gas and while natural gas prices are high,
12 they're nowhere near as high as the oil prices, and
13 natural gas tends to rise and fall based upon supply
14 issues and seasonal issues, and we will -- I think our
15 anticipation is that it will continue to be tight, and
16 consequently, there is not going to be a collapse of
17 the natural gas prices, however, we do not expect to
18 see the rise that we've seen in oil in natural gas.

19 In fact, there are some forecasts out there
20 that say there is a bubble out there right now on
21 natural gas, and actually the natural gas prices could
22 fall 30 to 40 percent by the second half of this year.
23 That's just the forecast.

24 MR. BALKENENDE: If I might add to that, the
25 U.S. market and the products we are talking about here

1 are serving the gas market, and unlike oil that
2 basically goes all over the world, gas is, basically
3 what's produced in the U.S. is for the U.S., and when
4 we look historically, the total consumption in the
5 U.S. is also essentially flat. Go back five years and
6 you see a very stable total consumption in the United
7 States of natural gas.

8 So the fluctuations, even if the gas price
9 is now higher than it used to be, relative to oil it's
10 still low. But the total demand in the United States
11 has not increased by 20 percent because the demand is
12 just not there. It's a steady, stable demand for the
13 United States.

14 MR. HALDENSTEIN: How about worldwide demand
15 for this product? Has it surged as well, or is it
16 just a domestic phenomenon?

17 MR. FISHER: For natural gas or for pipe?

18 MR. HALDENSTEIN: For pipe.

19 MR. FISHER: In the world markets, line pipe
20 has, and Tenaris could speak to it better than I, but
21 it has grown considerably, I think.

22 MR. BALKENENDE: For this particular
23 product, I'd like to put it just in perspective, that
24 I believe 60 percent of the routes in the world for
25 natural gas are in the United States, and the

1 environments outside are different, and I would dare
2 to say that the environment outside the United States
3 is entirely different and not necessarily so large as
4 particularly it is here.

5 MR. SCHAGRIN: I'd just add, when you think
6 of natural gas production, whereas we need to import
7 vast amounts of oil, we import very small amounts of
8 gas, mostly from Canada, which is a major market for
9 this product. They have a lot of gas drilling there.
10 It's a major export market for U.S. producers. The
11 other huge gas-producing market that you think of is
12 Russia, with Gazprom probably the world's largest
13 natural gas producer and a major exporter, but that
14 product, given where they are producing it, my
15 understanding is, that it's mostly a demand for
16 seamless product, because it's produced in very cold
17 environments like the Arctic, Siberia, and so while
18 there's a lot of demand in Russia for line pipe
19 because there are a lot of gas wells, most of that
20 demand is for seamless line pipe rather than welded
21 line pipe.

22 MR. VAUGHN: I just have some data that I
23 think can support some of these points. For example,
24 we took a look at World Trade Atlas data regarding
25 South Korea's exports of welded line pipe, and when we

1 take that, you know, in each of the last three years,
2 most of the welded line pipe they've exported to the
3 whole world have come to the United States. And in
4 fact, in the data that we're looking at, it's roughly
5 60 percent in 2007.

6 So, as these guys were pointing out, this
7 really is a critical market, with regard to this
8 particular product.

9 MR. HALDENSTEIN: I have a question about
10 the raw material price increases. On slide 9, it
11 looks as if it's occurring in 2008. Is that when most
12 of the increases have occurred, because I'm wondering
13 if that's going to show up in the financials that we
14 are collecting. Does anybody want to address that?

15 MR. THOMPSON: You want to know about the
16 inputs or their hot-rolled coil prices?

17 MR. HALDENSTEIN: Well, both.

18 MR. THOMPSON: Okay. Well, the inputs from
19 2003/2004 inputs have risen. They rose to what I
20 would, I guess, call plateaued level probably in '06,
21 '07. They kind of stayed within a manageable range.
22 What's happened in the past, really since about
23 December of this year, as we've seen, the inputs rise
24 dramatically, whether it be scrap, coke, iron, for
25 various different reasons, most of which are just

1 shortages of material and consequently, leverage on
2 the sell side.

3 With regard to hot-rolled coil, it's almost
4 directly related to that. If you look at the major
5 consumers of hot-rolled and flat-rolled product in the
6 United States right now, automotive, appliance,
7 construction industry, which those three industries
8 alone probably account for 40 percent of the
9 consumption, they're all down, based upon the economic
10 conditions out there right now.

11 So it is strictly the inputs in a cost-
12 driven marketplace at this point in time, as far as
13 steel is concerned.

14 MR. HALDENSTEIN: Thank you, and also, with
15 respect to the non-subject imports, I'd like you to
16 address in the post-conference brief the applicability
17 of the Bratsk factors and the extent to which the non-
18 subject sources can replace the subject imports,
19 because I think I have heard that this is essentially
20 a commodity product, once it's made to the API
21 specifications, and you can either address this now or
22 take it up in your post-conference brief.

23 MR. SCHAGRIN: I would just say, I think
24 we'd all agree that prong one of the test is met
25 because it's a commodity product, but as to the second

1 prong, because the subject imports are the
2 overwhelming majority of the imports, we don't think,
3 and we'll put it collectively into our post-hearings,
4 that the second prong is met, because non-subject
5 imports are a diminishing portion of the market by
6 share and they are not selling at similar prices to
7 the subject imports, so we don't think the second
8 prong would be met.

9 MR. HALDENSTEIN: And if you could also just
10 address the capacity for production in non-subject
11 countries as well.

12 MR. PRICE: We will fully address these
13 issues in our brief.

14 MR. HALDENSTEIN: Thank you. That's all I
15 had.

16 MR. CARPENTER: Mr. Workman?

17 MR. WORKMAN: I had a question for, I guess
18 it would be either Mr. Price or Mr. Schagrin. Now,
19 this is with respect to the lost sales. I read in
20 your original petition that, if I understand rightly,
21 I wanted to be clear that you can't actually provide
22 detailed lost sales allegations in this case because
23 domestic companies sell to the distributors and the
24 distributors compete directly for sale to end users,
25 and as a result, you don't really have the information

1 to do that, you know, detail the allegations by blow
2 by blow, anything of that kind.

3 I have no opinion about it. I just wanted
4 to be sure that was the situation.

5 MR. SCHAGRIN: I think, Mr. Workman, that
6 that does summarize the situation. It's the way --
7 even though there's competition at the distributor
8 level, where most of these sales are made,
9 distributors, particularly in the time period when the
10 pricing differential between the Korean and Chinese
11 and domestic prices are so significant, they wouldn't
12 go to a domestic producer and say, gee, I have a
13 Korean or a Chinese price that's \$200 a ton below
14 yours. Do you want to cut your price by \$200 a ton?

15 It's just not realistic, and so what is
16 happening is, pricing information is transmitted
17 through the marketplace as to these imports are priced
18 much less than domestic, and then domestic producers
19 see their volumes decline, they get hungrier, they
20 decide to lower their prices, but it's not the type of
21 information that fits into a lost sales or lost
22 revenue grid of distributor X said, I bought 500 tons
23 of Korean product instead of buying product from you,
24 because they are just not going to tell the domestic
25 producer that's what they did.

1 MR. WORKMAN: Okay, that's fine, and I take
2 it that it's not an easily observable thing.

3 MR. SCHAGRIN: Correct, it is not. Very
4 difficult in this kind of distributor market for the
5 commodity products that Mr. Haldenstein is referring
6 to.

7 MR. WORKMAN: Okay, I had one other
8 question. This is just kind of a general thing for
9 anyone. Are there any real substitutes for line pipe?
10 Are there other kinds of pipe that are a significant
11 competitor with line pipe, or is it something that
12 just kind of stands alone?

13 MR. TINNE: Mr. Workman, there are certain
14 applications where, when it comes to lower pressure
15 for gas, that there are substitutes in the form of
16 plastic pipe, but I would say that they are the
17 exception rather than the rule.

18 MR. WORKMAN: Okay.

19 MR. FISHER: And in certain applications,
20 you'll see fiberglass come in, because it's very
21 corrosive. It's generally a higher priced product
22 than steel, but for very corrosive environments,
23 they'll go to things like that, but in general, for
24 sweet, high pressure natural gas, steel line pipe is
25 the method of which they move it.

1 MR. WORKMAN: Okay, thank you. I have no
2 other questions.

3 MR. CARPENTER: Ms. Klir?

4 MS. KLIR: I'd like to thank this panel
5 also. I just have one request for post-conference for
6 counsel. In your post-conference brief, please
7 analyze the reported financial data of Petitioners in
8 comparison to the reported financial data of non-
9 petitioners. Please include in this comparative
10 analysis a discussion of the trends in reported net
11 sales, quantities and values, and also, please compare
12 other factory costs on a per-short ton basis and as a
13 ratio to sales, and the operating income margins
14 reported by Petitioners versus non-petitioners. Thank
15 you.

16 MR. CARPENTER: Mr. Van Toai?

17 MR. VAN TOAI: How's it going, my name is
18 Norman Van Toai, representative of the Office of
19 Industries. My first question is -- first, I'd like
20 to thank you very much for coming here, and I know how
21 valuable your time is. I really appreciate that. My
22 first question is, on the delivery side of natural
23 gas, do you divide the transmission lines of the
24 transmission system into, say, transmission and
25 distribution, like in the electric utility system?

1 And if it be so, what are the differences between
2 transmission and distribution systems?

3 MR. FISHER: Transmission, typically, is, it
4 goes over very large, long distances. It typically is
5 larger diameter pipe. The distribution is going into
6 the actual consumer, either industrial consumer or
7 residential consumer. It's like the utility, the gas
8 utility here in Washington, D.C. The other segment
9 would be gathering. A lot of this pipe that we are
10 talking about today is gathering, and after getting it
11 from the wellhead, through the processing plant,
12 and/or to the transmission line.

13 So it goes gathering, transmission,
14 distribution, like that.

15 MR. VAN TOAI: Do you distinguish them by
16 pressures or by size, anything?

17 MR. FISHER: Gathering pipe goes from the
18 wellhead to the transmission line, let's say, through
19 the processing plant. They tend to be the smaller
20 diameter, say, most of it is 16-inch and under. You
21 see some 20 and 24 in gathering from time to time,
22 because the volumes are small. Transmission tends to
23 be big volumes moving long distances, where you move,
24 say, a 42-inch pipeline that George spoke of earlier
25 going roughly from Wyoming to Pennsylvania.

1 You are moving gas long distances at very
2 high pressures to get it from the producing area to
3 the consuming area. Distribution is where you are
4 delivering it directly to the consumers.

5 MR. VAN TOAI: You talk about 1,000 PSI,
6 something like that?

7 MR. FISHER: You're going to be above 1,000
8 PSI a lot of times in the wellhead; in the gathering
9 section, you're going to be well above 1,000. Most
10 transmission lines are operating 1,400, wouldn't you
11 say, Mark? Something like that. Distribution is very
12 low-pressure typically.

13 MR. VAN TOAI: All right. Regarding the
14 interstate pipeline, what is the percentage of the
15 subject product being used in pipeline system, like an
16 interstate system and things like that?

17 MR. BALKENENDE: I think my percent is very
18 small. But as you just mentioned, the interstate
19 pipelines are large, long distances, and those are
20 typically large diameter, definitely over 16 inch.

21 MR. FISHER: It would overall be small in
22 transmission. Occasionally you hit a big job that is
23 considered a transmission line at 16 inch and under,
24 but overall I'd agree with Roland, it's small.

25 MR. TINNE: The majority of material we're

1 talking about here, the 16 inch and below, is not
2 really used for long distance transmission lines.

3 MR. VAN TOAI: I see, because section left
4 because of the smaller size this is not efficient for
5 long distance?

6 MR. TINNE: It's more to do with the very
7 large volumes of gas which are taken from a production
8 area to a consumption area. These lines tend to be 30
9 inch, 36 inch or 42 inch. These are high pressure gas
10 lines.

11 As Mr. Fisher and Mr. Balkenende have said,
12 there is a tendency for the pressure rating in the
13 pipeline to increase as the pipe gets bigger, so to
14 all intents and purposes, what we're talking about
15 here is more the flow line, the gathering and the
16 lateral pipes.

17 MR. VAN TOAI: I see. For gathering, and
18 for transfer up and natural gas is short distance.
19 Now, so therefore, when we would like to analyze the
20 demand for the subject product we should not look too
21 much at the large line pipe projects, is that right?

22 MR. TINNE: The bulk of the material we're
23 talking about here, the 16 inch and below, is the
24 subject of this discussion.

25 MR. VAN TOAI: You think about maybe less

1 than one percent or something?

2 MR. FISHER: You know, transmission might be
3 10 percent. Maybe it's 10, but the vast majority of
4 this pipe is in gathering. If we're talking the
5 subject pipe, it's gathering.

6 MR. SCHAGRIN: Norman -- this is Roger
7 Schagrin -- I would point out that as to the
8 transmission side, then it does share something in
9 common with the large diameter line pipe in that one
10 or two big projects -- for example, in 2007 there was
11 an unusually long 16 inch project that was 700 miles.

12 Could be one of the longest ever 16 inch
13 pipelines built in the United States. So while
14 product for interstate gas pipelines in 16 inch and
15 under might normally be five to 10 percent of the
16 market, it can come in these fits and starts where if
17 you have one unusually big project, then in a given
18 year it might be, you know, 15 or 20 percent, and it's
19 all going to be centered in one or two projects that
20 might come up just every few years or so.

21 We'll give you more about that in our
22 postconference brief.

23 MR. VAN TOAI: Thank you. Do you get that
24 information from the estimation of the Department of
25 Energy because they have matrix of those projects?

1 MR. SCHAGRIN: I got this from market
2 knowledge. Maybe it was because I represented the
3 industry in the large diameter large pipe and I was so
4 used to at the outset of a case asking people tell me
5 about all the major projects and doing the same thing
6 in this case. As 16 inch and under, there weren't a
7 lot of projects to talk about, but this one, you know,
8 project was very large and stuck out.

9 It's really based upon market knowledge
10 because these gentlemen here or I think there was
11 testimony maybe by Mr. Avera, some of the non-
12 Petitioners who happen to also be in the large
13 diameter line pipe business tend to focus more on
14 those projects than maybe the Petitioners do who I
15 think are more focused on sales to distributors.

16 MR. VAN TOAI: Now, the subject product is
17 normally used for the conduit of natural gas and ice.
18 That is very well understood. I also understand that
19 there are line pipe that used to transfer carbon
20 dioxide. Is that normally used, subject product?

21 MR. FISHER: Yes, it could be used to move
22 CO2. It can be used to move CO2 into an oil field in
23 the United States to do what they call tertiary
24 recovery. There's line pipe used to move oxygen and
25 hydrogen to serve the refining and chemical

1 industries, but it's not the big usage of it. The big
2 usage is natural gas.

3 MR. VAN TOAI: Right. You got an LNG
4 system, liquid nitro gas system? Do you use that
5 subject product?

6 MR. FISHER: Typically when an LNG plant is
7 built they remove the gas from the tanker at a port,
8 and then there's one big pipeline coming out of that
9 LNG to hook it into the system and that's it. That's
10 been my experience.

11 MR. VAN TOAI: I see.

12 MR. BALKENENDE: Yes. These are
13 regasification plants, and after that is normal gas
14 because the gas is then, it will be transported as a
15 normal pipeline.

16 MR. VAN TOAI: I guess that the subject
17 product is never been used for slurry, right, because
18 of the solid form of the products together with the --

19 MR. FISHER: There is some slurry pipe sold
20 out there. It's been my experience it tends to be an
21 industrial application, it tends to be abrasive
22 resistant product, not so much an API line pipe type
23 product.

24 MR. VAN TOAI: I see. Recently, there have
25 been quite a few, as you well know, MNA activities

1 between USS and Lone Star, Tenaris and Maverick, Evraz
2 and TMK, IPSCO, and some Indian company also invest in
3 United States for line pipe. These MNA activities are
4 mainly concentrated in the large diameter sector or
5 you have any other opinions about that?

6 MR. THOMPSON: You mean larger than we're
7 talking about today?

8 MR. VAN TOAI: Yes, that's right, larger
9 than 16 inches.

10 MR. THOMPSON: I mean, there are plants
11 being built now in the United States to meet the
12 demand for the large transmission pipe, but as far as
13 MNA, I can't really speak to much MNA. Most of it are
14 green field sites by various different producers from
15 throughout the world. Does that answer your question?

16 MR. VAN TOAI: Yes. Could you please
17 comment on the competition between the Korean and the
18 Chinese in the subject products market, because I know
19 that the Koreans used to produce a lot of the subject
20 products, but they have not been successful as a
21 competitor against the Chinese price-wise. So would
22 you give some idea about the competition between these
23 two countries?

24 MR. BALKENENDE: I don't mind making a
25 comment on that. I think as it was explained before,

1 these products are distributed in the United States
2 with distributors, and they procure materials, they
3 import materials, from countries. I presume that that
4 is price-driven. And I think the record will show at
5 what prices these companies sell. I have no knowledge
6 of that, but the records will show that.

7 But the typical environment is that
8 distribution companies acquire from the U.S. mills,
9 import mills, and I think that is why the level of
10 competition takes place. It is an API product. How
11 they put it in their warehouses and yards is up to
12 them, but that's why the competition takes place.

13 MR. TINNE: I call on distributors on a
14 regular basis. U.S. Steel supplies our pipe to our
15 distributors. They also buy foreign pipe, whether it
16 comes from Korea or China, and other countries as
17 well. When we lose or when a distributor loses an
18 order it is very, very difficult to find out to which
19 mill we've lost it if it's foreign pipe.

20 Foreign pipe is almost lumped into one, and
21 some end users do not really mind what foreign
22 material they buy if they're going to buy foreign
23 because there is this price differential. As I said
24 in my testimony, low priced imports from China and
25 Korea affect all prices in this market.

1 My experience since I've been doing line
2 pipe that this differential between foreign and
3 domestic product has increased dramatically over the
4 years. Now, it's got to a \$200 to \$300 differential
5 in price.

6 It's got to a stage where it's very
7 difficult for us to compete against those numbers,
8 whereas at one time it was a lesser number than that
9 and the domestic mills could counter the foreign
10 pricing by offering a better and a quicker delivery.

11 MR. FISHER: I would just like to say my
12 experience is that Korea and China compete very
13 vigorously between the two. I think that's reflected
14 in number of tons coming and the price of those tons
15 coming in.

16 It's my understanding, and, again, I don't
17 have firsthand knowledge of this, but it's my
18 understanding that a lot of those cheap hot bands in
19 China wind up in those mills in Korea just like they
20 wind up in those mills in China. That's what I
21 understand. That's why the competition is pretty
22 intense.

23 MR. VAN TOAI: Well, thank you very much for
24 all your responses. Again, I appreciate your time.

25 MR. CARPENTER: Mr. Corkran.

1 MR. CORKRAN: Thank you all very much for
2 your testimony. It's been extremely helpful, and we
3 very much appreciate any time we get representation
4 here to address the issues here. I do have a number
5 of questions. To the extent that some of them may
6 seem to be a bit direct, please forgive that, but I do
7 want to address a few things.

8 First off, with respect to U.S. Steel and
9 its acquisition of Lone Star Steel, how did that
10 change the operations at the former Lone Star
11 facility? I mean, in terms of sourcing input, for
12 example, how is that valued? Is it still basically a
13 market-based transaction or is it an internal transfer
14 price?

15 I mean, as generally as you can say in this
16 forum.

17 MR. THOMPSON: Well, it's a market-based
18 transaction, and the assumptions we've made throughout
19 our process is that Lone Star, we've internalized a
20 lot of the steel production consumption at Lone Star,
21 as one would expect, but the transaction is a market-
22 based transaction in an effort to make sure that
23 former Lone Star stands on its own versus the
24 marketplace.

25 MR. CORKRAN: But does Lone Star essentially

1 acquire its hot bands exclusively from U.S. Steel now
2 or is it actually --

3 MR. THOMPSON: With very few exceptions,
4 yes.

5 MR. CORKRAN: Another question that I have
6 is that it's been widely reported, and I think much
7 alluded to today by all sides, that U.S. Steel, among
8 others, has announced a substantial price increase in
9 April, but some of the publications indicate that's a
10 broad-based price increase for all welded product, for
11 oil country tubular goods, for standard pipe, for line
12 pipe.

13 Can you give me a sense of, in general terms
14 at least, what U.S. Steel's product mix is for those
15 products to try to get a sense for what's actually
16 driving that price increase?

17 MR. THOMPSON: The increases have been
18 announced, and, you know, with relative version of
19 actually getting those increases. Rest assured, we
20 are not collecting all of the announced price
21 increases. If you put the price increases up against
22 the price of the inputs they're still not as much as
23 the inputs have gone up over the past six months.

24 With regard to percentage of business, even
25 with the acquisition of Lone Star our ratios have

1 stayed basically the same between oil country,
2 standard line and all other out call, which is only
3 about four to five percent of our business. We'd be
4 happy to provide you with those numbers.

5 MR. CORKRAN: I appreciate that, and,
6 actually, through the questionnaire process I believe
7 we have those details. Looking for what more could be
8 said on that. Another question I had was in looking
9 at the data, I guess I'd refer to Slide No. 2, for
10 example, one question I had was that there was
11 testimony today about reducing shifts, about trouble
12 in being able to maintain operation levels.

13 My question is I'm not sure from the data
14 that's presented here whether there's been any decline
15 whatsoever in United States production of line pipe.
16 I'm not sure where any declines would be coming from.
17 Can anybody comment on that?

18 MR. BALKENENDE: Let me make a comment about
19 our situation because I cannot comment about the
20 others, but we did cut production in early 2007 as a
21 result of the inability to post price increases in the
22 market that we needed to sustain at least an
23 operation. That has happened to us.

24 By the end of 2006, we analyzed the need for
25 an increase, didn't stick, and then after the first

1 quarter 2007 we cut a shift in production.

2 MR. VAUGHN: Steven Vaughn for U.S. Steel.
3 If I could just clarify a couple of things. With
4 regard to the testimony of the U.S. Steel witnesses, I
5 think the testimony was about the possibility of
6 adding shifts and how opportunities to increase
7 production, not so much that production had fallen but
8 at least from our perspective that opportunities to
9 increase production were being lost.

10 So that was kind of the focus of what we
11 were talking about. Then just to follow-up on another
12 question that you asked about, I think in Mr. Tinne's
13 testimony he indicated that while the price increases
14 have been announced with respect to various tubular
15 products they are getting more resistance on this
16 particular product than they are on some of the other
17 products.

18 So, you know, I think that's important to
19 understand in terms of, you know, looking at -- and if
20 anybody wants to make any more on that point, they
21 can. I just wanted to clarify that because you had
22 specifically asked about the different products.

23 MR. THOMPSON: As I stated in my testimony,
24 we have looked over the past year at increasing
25 production at our Camp Hill facility in McKeesport,

1 Pennsylvania, and been unable to come to a conclusion
2 that there was a market there for us to economically
3 participate in. Even to this day we're looking for
4 that opportunity, and we don't see it right now.

5 With regard to Steven's comment, you know,
6 you mentioned oil country, line pipe, standard pipe,
7 and also I would mention seamless, also, in addition
8 to ERW. The strength we do see out of the other
9 markets is far more receptive to these increases than
10 we are seeing in the line pipe side.

11 The issue no doubt is affected by the
12 material on the ground in Houston at prices far below
13 what we can make the product for.

14 MR. DAVILA: In respect to Tex-Tube, the
15 reason we did our mill upgrade in 2006 and 2007 was
16 because of our anticipation of increase in production.
17 Unfortunately, when we revved up again we realized
18 that we were losing our share of the market to Korea
19 and China because of the imports, but our intent was
20 to increase our production.

21 MR. PRICE: You've heard a variety of
22 testimonies here today about the concentration of the
23 imports in the smaller sizes and in this distribution
24 market, and that's what the Counts, Tennessee,
25 facility is focused. I think one of the issues here

1 is that some of aggregate numbers are masked by this
2 one project that Mr. Schagrin identified that may have
3 some unique factors, and we can brief that more
4 completely in the postconference brief.

5 MR. CORKRAN: That's very helpful, and I'm
6 glad you brought up the issue of pipe size.

7 One of the things I was wondering a little
8 bit about is can you give me a little bit better sense
9 of, and I know it's hard to say what a typical line
10 pipe is, but can you tell me the areas in which
11 they're concentrated in terms of size range, diameter
12 range in terms of U.S. production, and also, maybe any
13 other characteristics you might be able to add, like
14 are they typically sold double random lengths, triple,
15 single random lengths, how are they typically sold in
16 terms of lengths as well?

17 MR. FISHER: Certainly most of the eight and
18 five-eighths and under pipe is sold in double random
19 lengths. You see occasionally some six and eight in
20 triple random lengths. You see the triple random
21 lengths more on 10, 12 and 16 within the size range of
22 the scope here.

23 As far as the biggest size that's produced
24 in the United States and in the world it's going to
25 be, you know, four and a half through 16 are going to

1 be where the concentration in tons are. Really, six
2 through 16 I guess would be the biggest tons.

3 MR. THOMPSON: And I think the design is a
4 factor of how much volume they want to move through
5 the pipe, and it varies from location to location and
6 the amount of gas that they're gathering at these
7 locations.

8 One of the things that's happened with these
9 new gas plates, the gas is not concentrated in the
10 same area as it's always been, and so it's provided
11 opportunity for line pipe, which is part of that
12 market.

13 I mean, you've got gas in north Arkansas,
14 you've got gas in the Rockies, you've got gas in
15 Wyoming, you've got gas in the Dallas-Ft. Worth area,
16 and it looks like you might have gas in Pennsylvania,
17 and Ohio and New York, and so consequently they've
18 created different demand signals and different sizes
19 than we're used to seeing.

20 As Rusty correctly alluded to earlier, the
21 gathering pipe traditionally is less than 16 inch, it
22 goes to transmission lines that are significantly
23 larger than 16 inch, and then in distribution it's a
24 lot smaller because it tends to be in much smaller
25 quantities.

1 MR. CORKRAN: And could you remind me, in
2 terms of line pipe, how is that typically joined? Is
3 that typically joined in the same way that some other
4 tubulars are in terms of like standard pipe or oil
5 country tubular goods where you maybe use a
6 combination of threading and coupling?

7 MR. FISHER: No. The vast majority of line
8 pipe is welded. You do see some put together with,
9 it's a mechanical process they call zaplocking, which I
10 won't go into, but it's a nonwelding process. It's
11 not threaded. You see very little threaded and
12 collared line pipe.

13 Well, maybe the very small diameters, what
14 they call A-25 grade, threaded and collared 25 foot,
15 and it's mostly for low pressure gravity fed crude oil
16 lines, that type of thing. The vast majority of the
17 tons we're talking about here are welded, whereas oil
18 country tubular goods are screwed together. A lot of
19 standard pipe is screwed together as well.

20 MR. CORKRAN: Is it fair to say that it's
21 generally sold black or how is the outside finish
22 generally treated?

23 MR. TINNE: The outside of the line pipe
24 goes to a coating plant where they put on what they
25 call a fusion bond epoxy coating. There is another

1 type of coating, which is turning to be phased out,
2 called a coal tar enamel coating, but fusion bond
3 epoxy is more user friendly and more environmentally
4 friendly.

5 MR. CORKRAN: Okay, thank you. That's very
6 helpful. We certainly have looked at this product in
7 the past, but it helps to kind of go over a lot of the
8 physical characteristics that most generally describe
9 the U.S. product. I think between my colleagues and
10 your very complete presentation that exhausts my
11 question.

12 I thank you all very much for your
13 presentation today.

14 MR. CARPENTER: I just had one quick follow-
15 up for the producers represented here. Could you tell
16 me what the lower end of the diameter range is that
17 you produce? Do you produce anything below four and a
18 half inches OD?

19 MR. THOMPSON: We go to two inch.

20 MR. CARPENTER: Two inches. Okay. But
21 nothing below two?

22 MR. THOMPSON: No, nothing off the mill.

23 MR. CARPENTER: Okay. Any of the others, if
24 you're aware off the top of your head. I'm sorry?

25 MR. PRICE: The smallest would be two

1 inches.

2 MR. CARPENTER: Two inches. Okay.

3 MR. FISHER: Tex-Tube is two and a half.

4 MR. CARPENTER: Two and a half. Okay.

5 Thank you very much. Any other questions?

6 (No response.)

7 MR. CARPENTER: Okay. Again, thank you very
8 much, panel, for your presentation and your responses
9 to our questions. We really appreciate it. At this
10 point, we'll take about a 10 to 15 minute break, and
11 then we'll resume the conference with the Respondents.

12 (Whereupon, a short recess was taken.)

13 MR. CARPENTER: Could we resume the
14 conference now, please? Mr. Cameron, please proceed
15 whenever you're ready.

16 Ms. Mendoza?

17 MS. MENDOZA: Yes. I'm happy to report it's
18 still good morning, so good morning, Mr. Carpenter,
19 and members of the Commission staff. My name for the
20 record is Julie Mendoza, I'm with the law firm of
21 Troutman Sanders, accompanied by Don Cameron, and
22 we're appearing on behalf of the Korean Respondents.

23 I'd also like to introduce Mr. Sung Byun,
24 who is the General Manager of Hyundai Corporation USA.
25 Let me just start by saying that the audacity of this

1 case is pretty amazing. Here is an industry that's
2 been on a steady upward trend since 2004. We're all
3 well aware of the fact that the oil and gas sector has
4 been booming.

5 As Mr. Carpenter explored this morning, the
6 rig count has increased consistently between 2003 and
7 2007. In fact, this is an interesting observation,
8 the number of rigs actually doubled over that period,
9 so it's very significant. These were, and are, a
10 record number.

11 There are currently, and were last year, a
12 record number of pipeline projects which require both
13 large diameter line pipe as well as the small diameter
14 line pipe that's subject to this investigation. I
15 would say that the only new development in the line
16 pipe market in 2008 is that 2008 looks like it's going
17 to be even better than 2007.

18 So, wait a minute. What's going on here,
19 and why did these three producers decide that this
20 would be a good point to bring a trade case
21 complaining about material injury? Let me be clear.
22 We don't believe that one single producer's status
23 shows material injury from imports.

24 But if we take a careful look at the
25 Petitioners' data separately, and I believe you must

1 clear that, but Petitioners' counsel do that, I think
2 what we're going to see is that these Petitioners
3 manage to capture with this case some very particular
4 affects of their own major acquisitions and
5 restructurings during the 2007 period.

6 In each case, those disruptions reflected
7 specific business strategies by those producers.
8 That's not a line pipe issue, it's a particular
9 producer issue. Frankly, it's not even a line pipe
10 issue, and it's certainly not an import issue. What
11 was happening in 2007 apart from a boom market was
12 that U.S. Steel and Maverick were trying to absorb a
13 major acquisition in their tubular operations.

14 U.S. Steel was restructuring the welded pipe
15 operations to absorb Lone Star. In terms of the
16 public data that we can observe today or discuss
17 today, U.S. Steel's financial data for the overall
18 tubular operations clearly showed the affects of their
19 acquisition of Lone Star.

20 As Mr. Byun will explain, U.S. Steel
21 redesigned Lone Star's entire sourcing and sales
22 structure in 2007. This had substantial financial,
23 but also many operational affects and burdens on those
24 major producers. It's not surprising that those
25 affects were wide ranging, both in terms of sales and

1 in terms of profits for the three petitioning
2 producers.

3 After the third quarter of 2007, U.S. Steel
4 had said the following about its acquisition of Lone
5 Star. "Third quarter tubular results may be
6 negatively impacted as we address inventory issues in
7 conjunction with the integration."

8 In November of 2007, U.S.S. CEO states that,
9 "we made good progress in implementing a unified
10 business model for our tubular segment, but tubular
11 operation results declined due to prices and the
12 affects of integrating Lone Star into the U.S. supply
13 chain and establishing a unified business model."

14 One of those decisions was to dramatically
15 reduce the Lone Star distribution network which
16 definitely or likely did have an impact on U.S.
17 Steel's sales in 2007. Maverick was undergoing a
18 similar process after the takeover by Tenaris in
19 October of 2006 with similar attendant financial and
20 operational burdens.

21 In November of 2007, Tenaris was reporting
22 that despite, "higher sales, operating profits fell in
23 the third quarter due to higher production costs and
24 amortization expenses resulting from the acquisitions
25 of Maverick and Hydro." The company's net profit

1 reportedly fell 14 percent.

2 One additional point on this topic, and we
3 note Ms. Klir's request for information and Mr.
4 Corkran's discussion with the Petitioners about
5 exactly what was going on in terms of the changes that
6 accompanied the acquisition, but just to elaborate for
7 one moment, keep in mind that producers, such as U.S.
8 Steel, are reporting data for Lone Star before and
9 after it was required by U.S. Steel.

10 Just from an accounting and reporting point
11 of view a comparison of the two periods has to keep
12 that in mind. It must also be viewed in light of the
13 changes in sourcing of raw materials that have
14 occurred before and after the merger of the two
15 entities.

16 I understand that U.S. Steel's comment was
17 that they are currently used market-based prices, but
18 that doesn't answer the question of the comparability
19 of one period to another.

20 If the data is analyzed by comparing one
21 period to another a very careful consideration must be
22 taken of any changes or increases in raw material
23 costs in 2007 after the acquisition, and make sure
24 that those changes are due to market conditions and
25 not due to the simple change in their internal supply

1 arrangements, which would not be reflective of any
2 market conditions.

3 Those acquisitions were very important for
4 another reason. The Commission has recognized in many
5 cases, including the recent OCTG sunset case, that
6 these acquisitions say a lot about the overall health
7 of the industry. They certainly are much more
8 indicative of the health of the industry than certain
9 short-term, company specific adjustment costs that
10 occurred at a very particular point in time, 2007.

11 If we look at the U.S. industry data
12 overall, and isolate those restructuring affects by
13 particular producers and don't allow Petitioners to
14 attribute those to imports it's clear that unit sales
15 values were increasing and the price hikes exceeded
16 raw material prices and translated into strong profits
17 based on public data throughout the entire period.

18 The ITC has done a number of line pipe
19 cases, and it is obvious that the industry during the
20 period of 2005 to 2007 experienced unprecedented
21 profits and sales. Don talked about that in his
22 opening statement comparing previous cases. In terms
23 of volume, Petitioners claim that imports deprived
24 them of sales.

25 Once again, we talked about those

1 transitional issues, we heard Tex-Tube's testimony
2 this morning that they shut down operations until May
3 of 2007. Moreover, the Commission knows that capacity
4 utilization rates in pipe cases are notoriously
5 difficult to evaluate.

6 Capacity utilization is allocated to each
7 product based on production, so comparison of
8 utilization numbers over time are not very indicative
9 of actual available capacity on a product basis. Did
10 the industry even have the capacity to devote to
11 greater sales of line pipe?

12 We're going to explore this in our
13 confidential posthearing brief, but OCTG was even
14 outpacing the performance of line pipe in this period,
15 and the U.S. industry was undoubtedly allocating
16 capacity to fill that demand. The timing of this case
17 is also remarkable for what has been happening in
18 2008.

19 In 2008, the entire market just went crazy.
20 Demand is way up, raw material is scarce and line pipe
21 price hikes have been announced by U.S. producers
22 every week since January. In other words, the line
23 pipe market is absolutely booming, and it was booming
24 before the petition was filed and after the petition
25 was filed.

1 This is just a remarkable time for
2 Petitioners to time the petition to request import
3 relief, and it should be rejected. One last word
4 about Korean imports before we ask Mr. Byun to give
5 his testimony. Korea has been a traditional supplier
6 to the U.S. market. There's nothing remarkable about
7 their imports which simply followed demand trends.

8 We'd ask you to look at the market share of
9 Korean imports compared to the market share of imports
10 overall. The Korean market share of imports has
11 remained stable over the entire period.

12 There simply has not been any material
13 change in the role of Korean imports into the U.S.
14 market over this period, and there's simply no
15 evidence that Korean volumes or prices had any
16 materially injurious affect on the U.S. industry or
17 threat. Thank you.

18 MR. BYUN: Hello, my name is Sung Byun, and
19 I'm the General Manager of Hyundai Corporation USA in
20 Englewood Cliffs, New Jersey. Hyundai Corporation USA
21 also has a branch office in Los Angeles, California.
22 Hyundai Corporation USA and Hyundai HYSCO USA are the
23 exclusive USA importers of line pipe from the Korean
24 producer Hyundai HYSCO.

25 I joined the Hyundai Corporation USA in 1997

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1 and have held a number of different positions during
2 my tenure. I have been involved in the sales and
3 marketing of line pipe and other pipe products in the
4 United States since 1997. I am here today to provide
5 testimony based on my 11 years of experience in the
6 U.S. line pipe market.

7 I fully support a negative injury
8 determination in the antidumping duty investigation on
9 imports of line pipe from Korea. Hyundai HYSCO, as
10 well as the other Korean suppliers, SeAH and Husteel,
11 are long time participants who have been supplying
12 line pipe to the U.S. market for over 20 years.

13 The Korean suppliers have established a
14 long-term customers who rely on high quality Korean
15 line pipe as a reliable source of supply. We have an
16 established distribution network, and it is my
17 understanding that this is also true for SeAH and
18 Husteel.

19 Between 2005 and 2007 Korean line pipe
20 imports have increased to meet the booming demand in
21 the U.S. market. Korea's share of total imports has
22 remained quite stable over the period. Korea is an
23 established and mature supplier to the U.S. market.
24 Any import increases from Korea have been responsible
25 and measured and have been in line with increased

1 demand.

2 This trend will continue this year and going
3 forward into 2009. The past several years have been
4 extraordinarily good for U.S. producers that are
5 involved in the line pipe businesses. An astonishing
6 fact is that 2008 promises to be an even better year
7 as demand and pricing is even stronger than 2007.

8 Price increases, both by U.S. producers and
9 importers, seem to be announced on a weekly basis
10 since January of this year. No one in the industry
11 can understand why this case was filed when the market
12 is so favorable and the industry is so profitable.
13 During each month of 2008, the line pipe market just
14 keeps getting better.

15 Between 2005 and 2007, the level of oil and
16 gas related activity has increased rapidly, and the
17 prices for natural gas and crude oil have skyrocketed.

18 The price of crude oil is now approaching
19 \$120 per barrel and the re-count is growing rapidly.
20 As a consequence, the number of pipeline products has
21 increased exponentially in the United States.

22 While this product is used largely for
23 diameter line pipe for the main lines, small diameter
24 line pipe is used on all of the arteries of these
25 pipelines. Therefore, new pipeline products mean

1 increased demand for all line pipe sizes, including
2 small diameter line pipe.

3 Demand in pricing transfer line pipe have
4 been trending upward over the past several years. The
5 year 2006 was a very strong year in terms of line pipe
6 demand and prices; one of the best on record.

7 In 2007, there was some temporary softening
8 in demand that was largely attributable to an
9 inventory correction, as distributors worked off high
10 inventories in 2007. But even with these inventory
11 corrections, 2007 was still a very strong year
12 overall, and picked up at the tail end of 2007 and
13 going into 2008.

14 These favorable market conditions were the
15 reasons that producers of seamless line pipe invested
16 in ELW facilities during this period. Of course,
17 these producers, including Maverick and U.S. Steel,
18 according to public reports, hit some bumps in their
19 2007 earnings for all their pipe production; not just
20 line pipe.

21 This had nothing to do with the line pipe
22 market or imports. Later, transition costs and
23 difficulties with production, et cetera, are
24 unavoidable in such large acquisitions.

25 It is public knowledge that U.S. Steel

1 observed some specific costs associated with inventory
2 write-downs and layoffs in connection with its
3 acquisition of Lone Star in June of 2007. There are
4 many other costs associated with U.S. Steel's
5 integration of Lone Star into its business model.

6 U.S. Steel dramatically reduced the number
7 of Lone Star distributors and re-organized its entire
8 sales structure. This had an impact on U.S. Steel's
9 sales activities, et cetera.

10 Moreover, distributors were forced to look
11 elsewhere, and some of them looked offshore to China
12 to source line pipe. Korea was not impacted by this,
13 as it already has established distribution networks in
14 the U.S. for its line pipe product. Obviously, U.S.
15 Steel emphasizes the long-term synergies of its
16 acquisition. But the impact in 2007 was a decline in
17 U.S. Steel's profits in its entire tubular division.

18 U.S. Steel stands to benefit significantly
19 once this integration is complete, as they will be a
20 market leader in the line pipe market at a time when
21 market conditions are very strong and getting
22 stronger.

23 With the consolidations that have occurred,
24 the line pipe market is becoming a seller-controlled
25 market. The bottom line is that this temporary

1 decline in U.S. Steel's earnings in 2007 can be seen
2 for the entire tubular division. Therefore, any
3 profitability declines for U.S. Steel cannot be
4 related to subject imports of line pipe. It was,
5 instead, the inevitable result of the integration
6 process with Lone Star.

7 The positive market conditions in 2007
8 exploded in 2008. No one can believe this market.
9 There is so much demand and so little inventory that
10 prices are rising extremely rapidly. The market for
11 line pipe is tight, and lead times have increased, as
12 producers seek to meet the rising demand.

13 Lead times are up an additional 60 days on
14 imports, and even some domestic supply is short. No
15 one can even keep up with all the price increases.
16 All major producers were announcing multiple price
17 increases in early 2008. Most recently, U.S. Steel
18 Tubular announced a \$250 per short ton increase for
19 new orders of welded line pipe for delivery after
20 April 16, 2008.

21 Although these price increases partially
22 reflect rising raw material costs, they go far beyond
23 it and reflect the pricing power that the producers
24 have due to tight supply conditions combined with
25 booming demand.

1 Due to increasing demand and higher raw
2 material costs for hot coiled this year, the Korean
3 line pipe producers, including HYSCO and SeAH, have
4 put their customers on allocation starting in May
5 2008. Prices have already increased dramatically.
6 Current price quotes are up by 30 to 40 percent since
7 December last year. These are signs of a booming line
8 pipe market.

9 The U.S. industry appears to have confidence
10 in the strength of the line pipe market, and believe
11 that the demand in prices for line pipe are going to
12 be strong in the future, as their recent acquisitions
13 demonstrate. U.S. Steel's acquisition of Lone Star
14 Technologies in June 2007 for \$2.1 billion was a
15 resounding vote of confidence in the strength of the
16 line pipe market going forward.

17 In addition to U.S. Steel's acquisition of
18 Lone Star, Luxembourg-based Tenaris S.A. merged with
19 Maverick Tube in October of 2006, and IPSCO, Inc.
20 purchased NS Group in December of 2006. In addition,
21 IPSCO's parent, Sweden's SSAB, is selling the pipe-
22 making and other assets of IPSCO to Russian Evraz for
23 \$4 billion.

24 Evraz is then selling IPSCO's U.S. welded
25 pipe business to Russian Pipe maker, TMK, this year

1 for \$1.7 billion. These considerations and
2 acquisitions are indicative of a healthy line pipe
3 market, where the major players are optimistic about
4 the future.

5 Finally, I'd like to take a moment to
6 discuss the significant differences that exist between
7 Korean and Chinese line pipe. The first point I would
8 make is that the Korean producers business model is
9 different from the Chinese model. Our goal is to sell
10 high quality line pipe to meet demand through our
11 established distribution networks, which are limited
12 in number.

13 As I mentioned earlier, HYSCO sells
14 exclusively through Hyundai HYSCO USA and Hyundai
15 Corporation USA. In addition, SeAH sells exclusively
16 through SeAH Steel America, and Husteel sells
17 exclusively through Husteel USA. Korean mills control
18 Korean supply in the U.S. market.

19 In contrast, the Chinese producers sell to a
20 very large number of distributors and traders in the
21 U.S. line pipe market, and do not have established
22 distribution networks.

23 The second point is that there exist major
24 quality differences between Korean and Chinese line
25 pipe. Korean line pipe has been sold in the U.S.

1 market for over 20 years, and has an established
2 reputation for quality and reliability. Customers
3 know that if they buy Korean line pipe, it will be of
4 the highest quality and will be acceptable for use in
5 line pipe applications.

6 We sell to long-term distributors who are
7 familiar with the quality of Korean line pipe, and who
8 rely on us to meet their demands for line pipe.

9 Chinese line pipe, in contrast, is very new
10 to the U.S. market, and is sourced from a large number
11 of Chinese producers who do not have established
12 reputations.

13 The U.S. market recognizes the significant
14 differences between Korean and Chinese line pipe. Of
15 course, Korean pipe also faces a number of
16 disadvantages related to U.S. line pipe. The lead
17 times for line pipe from Korea are in the range of 120
18 to 150 days from the time of the customer's order,
19 compared to lead times in the range of a couple of
20 days from the U.S. producers.

21 So when a U.S. customer is looking to buy
22 line pipe from Korea, they price the risk of these
23 longer lead times into what they are willing to pay;
24 and when prices are very volatile as they are today,
25 their risk increases dramatically. As a consequence,

1 the prices of Korean product are always going to be
2 lower than what the U.S. mills can charge with their
3 shorter lead times.

4 In sum, the past several years have been
5 very good ones for the U.S. line pipe industry.
6 Although we thought that 2007 could not be topped as
7 it was among the best years in the last 20 years, 2008
8 looks like it will be even stronger.

9 The industry has undergone significant
10 consideration and stands poised to benefit from the
11 strong demand in prices for line pipe that currently
12 exist, and which are projected to continue in the
13 future.

14 Under these circumstances, there is no
15 reasonable basis to think that Korean importers are
16 causing or threatening to cause material injury to the
17 healthy and profitable U.S. industry. Thank you, and
18 I'll be happy to answer any questions that the
19 Commission staff may have.

20 MR. CAMERON: I have just a couple of
21 additional comments to follow-up on Mr. Byun's
22 testimony. My name is Don Cameron, for the record.

23 First, you heard discussion at the end with
24 respect to time lags. Remember what you heard this
25 morning from the domestic industry. The Korean

1 product that is out there right now is at a lower
2 price than what we are selling at today. But
3 remember, there's a three to four month time lag
4 between the product that is out there today from
5 Korea, because that was ordered three to four months
6 ago.

7 These guys don't stock inventory; none of
8 the Korean mills. You've got our questionnaires. By
9 the way, let's remember something. Another comment
10 was made about, the Chinese aren't here. The Koreans
11 are here. You've got complete questionnaire responses
12 from our industry. You have complete questionnaire
13 responses from our importers. You have a record upon
14 which to make a decision about Korea.

15 This is the point. Korean material is not
16 being inventoried. So it isn't as if these are spot
17 sales. Those prices that you are seeing are prices
18 that are three to four months old.

19 What he's saying is that yes, okay, and
20 what's happening today? What has happened today is
21 that the hot rolled coil price is so volatile that
22 they are on some degree of allocation in Korea,
23 because the mills themselves are afraid of taking an
24 order when, in fact, they may get jammed up on the
25 price because they're not going to be getting the

1 price that the hot rolled coil is going to commend two
2 weeks from now. This is a real problem that is
3 occurring in the market.

4 We understand the domestic industry; that
5 yes, hot rolled coil prices are up, and that is the
6 reason that their pipe prices are going up. That's
7 fine. But the reality is, if you go back -- and you
8 guys have studied these markets -- they talk about
9 cost price squeeze, and that's a very nice topic.

10 But the reality is, when these prices for
11 hot rolled go up, their pipe prices go up and they do
12 put on an adder. That's the reason that their profits
13 are so good in these markets. That's the reason that
14 the OCTG, when we did the OCTG sunset and we saw those
15 extraordinary profits that they had -- well, hot
16 rolled coil prices were going up back then. Well, how
17 could they be making all that money? I mean, aren't
18 they caught in a cost price squeeze? That's only if
19 the pries don't hold.

20 These prices, if they're going up weekly
21 like they are, that's because the prices are holding.
22 These guys are doing very well. I mean, this isn't a
23 criticism of the U.S. industry. God love them.

24 I mean, I think this is great. But is
25 reflective of what is happening in the market. What

1 is happening in the market today is absolutely
2 extraordinary, and this is something that you can
3 actually get some data on.

4 But it is important to be putting into
5 perspective the time lags with respect to the Korean
6 material, when you're talking about price to price
7 comparisons.

8 The second thing, it was suggested this
9 morning and there was this discussion of quality; and
10 Mr. Byun has talked about the fact that the quality of
11 the Chinese line pipe is less. Mr. Fisher said, hey,
12 look, it's all API pipe; and if it's all API pipe,
13 then obviously there is no quality difference.

14 Now Mr. Fisher has appeared before this
15 Commission for a number of years. Mr. Fisher has been
16 in this industry for a number of years, and he's
17 obviously an expert. He knows more about this
18 industry than I do. But I have to suggest that I
19 think that that bit of testimony was a bit
20 disingenuous. Because the reality is, you can talk to
21 any distributor who has distributed Chinese line pipe,
22 and everyone one of them will tell you horror stories
23 about issues of quality.

24 We're not here saying that these are
25 different like products. That's not what the issue

1 is. But we are saying, when you look at this as a
2 threat case -- and if it's anything, it's a threat
3 case -- the issues of quality become relevant to the
4 issue of cumulation. Because the Korean material is
5 competitive in the market. We're not denying that,
6 and we're not denying that we're in the market. We
7 have no apologies to make for that. We sell a quality
8 product, and everybody in the market knows that.

9 The market does discount Chinese material
10 even further; and they do sell, in part, because of
11 well known quality differences. Roger suggested,
12 wait, you know, by the final determination, you can
13 talk to all the distributors and you can gather the
14 information then.

15 We're not here to wait until the final
16 determination. We're here. We've given you the data,
17 and we're trying to get a decision now, because we
18 think we justify a decision now. We will put
19 information on the record with respect to distributors
20 concerning the quality issues that have occurred with
21 respect to Chinese pipe.

22 This isn't really a controversial question.
23 We're not disputing that it's line pipe. That's fine.
24 But to suggest that these products are absolutely the
25 same; well, come on, that's not what the market is,

1 and I think that if you really got down to cases with
2 guys off of the microphone, I think that they would
3 tell you the same thing. This is a well known market
4 phenomenon.

5 So I just wanted to make those points. With
6 that, I mean I realize that we have a whole 30 minutes
7 left on our clock. But why don't we give it over to
8 you guys; okay, thank you.

9 MR. CARPENTER: Thank you very much for your
10 testimony. We very much appreciate it; and thank you,
11 Mr. Cameron, for your offer to provide documentation
12 in your brief regarding any statements that
13 distributors may have made about the comparability of
14 the Chinese and Korean pipe. We look forward to
15 seeing those.

16 Also, I have just one additional question on
17 the issue of cumulation. If you plan to make any
18 arguments in your brief that the Korean and Chinese
19 products are not fungible to the point that you're
20 arguing that imports should not be cumulated, I don't
21 know if you're going there or not. But if you could
22 address that in your brief.

23 MR. CAMERON: We'll address it, yes, with
24 respect threat. We're not suggesting that we would be
25 eligible for de-cumulation on this basis for present

1 injury purposes. That is not our argument.

2 We fully recognize what the statute says;
3 and the statute says that if you make a present
4 material injury finding, that we are to be cumulated.
5 While I'd like to sit here and say that you shouldn't
6 do that, I don't think that that's credible.

7 But in turn, we don't believe that this is a
8 present injury case. I think that if you read the
9 petition, even the petitioners understand that this is
10 a threat case -- although I'm not sure the threat case
11 is all that strong, and they're basically basing it on
12 the fact that -- you know, this is the old inventory
13 gambit. Well, it's inventories. I don't have the
14 data on the inventories, But it's the inventories
15 that are really driving this.

16 Well, it's the same sort of thing. They
17 have first quarter data. I mean, let's get their
18 first quarter data. Because I think what the first
19 quarter data will show is that things are actually
20 quite strong in this market, and this market has taken
21 off. But they are trying to lead this at the end of
22 2007.

23 But even taking 2007, we can defend this
24 case, based upon the 2007 data. Because really, I
25 mean, this is a very strong industry. They didn't

1 invest \$7 billion and hire out of just, well, let's
2 take a flyer, you know.

3 OCTG is a big part of it. Do you know what
4 the other big part of it is? It's welded line pipe,
5 and these things go together. They were all part of
6 this investment. Are there adjustments? Certainly,
7 there are. Okay, that's fine.

8 But those adjustments to this investment,
9 which absolutely gives these guys a strangle hold on
10 the U.S. market, those aren't costs or losses due to
11 imports. I mean, this is very different. We heard
12 from Tex-Tube this morning about, well, you know, we
13 shut down the mill until May or something like this,
14 in 2006 and 2007, I believe he said.

15 Well, okay, I mean, I understand that. Let
16 me ask you a question. Does that have any impact on a
17 company's ability to make a profit when they basically
18 shut down their mill for six months? I believe it
19 does. Does that shut-down have anything whatsoever to
20 do with imports? The answer to that is no.

21 So this is really kind of what we're talking
22 about. So am I talking to you about present injury
23 and fungibility? No, I am not. We are suggesting
24 though that quality issue gets into the issue of
25 cumulation and attenuated competition when you are

1 looking at threat of injury. So that was where we
2 were going with that, and we will spell it out in the
3 brief.

4 But you know, I think Jim Hecht made a point
5 about, well, you agreed that these products are
6 fungible in the 2004 case. I mean, as far as that
7 goes, sure. But there's actually been quite a bit
8 more history with respect to China pipe now than there
9 was in 2004.

10 If you recall, one of the issues in the 2004
11 case was that there were very few imports from China,
12 and it was kind of an issue. They still withdrew the
13 case. They had Korea in the case. Why did they
14 withdraw? Hey, you could have gone after us. They
15 couldn't, because in 2004, the market took off like
16 rocket ship, and they withdrew the case before they
17 were embarrassed with a no injury finding; fair
18 enough.

19 But that market that they withdrew on, that
20 market is still here; and the fungibility issue, well,
21 there's fungible and there's fungible. There are
22 quality differences, and this Commission recognizes
23 quality differences. I mean, that's really a
24 controversial point.

25 MR. CARPENTER: Thank you for that

1 clarification. We'll turn now to Ms. Haines.

2 MS. HAINES: Betsy Haines, Office of
3 Investigations -- I would just request in your briefs
4 any more information you can give about the Korean
5 industry; how large it is; mergers; closures;
6 anything. That would be great. That's all I have;
7 thank you.

8 MR. CAMERON: No problem.

9 MR. CARPENTER: Mr. Haldenstein?

10 MR. HALDENSTEIN: I have just a few
11 questions. On this fungibility issue, the testimony
12 presented was that Chinese line pipe is not generally
13 accepted in the U.S. market for line pipe
14 applications, and that it is used in standard pipe
15 applications. I mean, that's a pretty strong
16 statement that suggests it's not fungible. It's more
17 than just a quality difference there, if it can't be
18 used.

19 MR. CAMERON: We've gone down this path
20 before. I think that we can't say that it never is.
21 So we're not going to say that. But to say that there
22 is a lot of standard pipe usage, I think, is a fair
23 statement.

24 The quality issues that have come up have
25 been distributors who have bought the material, who

1 have then re-sold the material and then gotten claims.
2 So that's what we will give you, some evidence with
3 respect to that.

4 MR. HALDENSTEIN: And if you had evidence
5 that it was being sold at far lower prices, that the
6 distributors are selling it at far lower price than
7 Korean product --

8 MR. CAMERON: We'll see what we can do about
9 that. I mean, the problem obviously with importers
10 and distributors is that importers import and, you
11 know, they sell it in the distribution chain. What it
12 ultimately gets used for, we can't document. We've
13 already gone down that road before.

14 MR. HALDENSTEIN: Fair enough, and also on
15 this issue of product shifting, if you could attempt
16 at least to address the availability of the Korean
17 producers to product shift in a brief or here.

18 MR. CAMERON: Well, we'll be glad to address
19 it in our brief. But this is an important point.
20 That issue of product shifting that they were
21 referring to was about China. Because we've had
22 standard pipe orders with respect to Korea since 1992,
23 I believe, right, as I hear from my friends and Roger.

24 Yes, this market is what it is. So, I mean,
25 that's not really an issue for Korea. This whole

1 issue is really, when they're talking about the threat
2 of product shifting, what they're talking about is
3 they're afraid of what is going to happen with the
4 standard pipe orders with respect to China.

5 I don't have any view on that. But I will
6 suggest that to the extent that that is a very real
7 issue, and we will address it in a brief, that is not
8 an issue with respect to Korea. Our market is what
9 our market is.

10 MR. HALDENSTEIN: Okay, thank you, and I
11 have one other question, and that's about the Bratsk
12 test. If you could try and quantify the non-subject
13 capacity, that would be very helpful, if you're going
14 to argue that Bratsk applies to this investigation.
15 Lastly, I believe there's an allegation that the
16 Korean producers are sourcing hot rolled from China.

17 MR. CAMERON: Is that illegal?

18 MR. HALDENSTEIN: No, but if you could
19 address the relevance.

20 MR. CAMERON: Because when I heard it, I was
21 wondering what we had done wrong.

22 MR. HALDENSTEIN: The relevance?

23 MR. CAMERON: Sure; it's not, but we'll be
24 glad to address that. I mean, we do source on a world
25 market. Korea does source on a world market. I will

1 tell you that Chinese hot rolled on the world market
2 is not cheap. You know, we'll be glad to address
3 that. But it's not really all that relevant.

4 MR. HALDENSTEIN: Thank you; that's all I
5 had.

6 MR. CARPENTER: Mr. Workman?

7 MR. WORKMAN: I don't have any questions at
8 this time.

9 MR. CARPENTER: Okay, Ms. Klir?

10 MS. KLIR: I'd just like to thank this panel
11 also for its testimony. I don't think I need to ask
12 this, based on the testimony so far, but if you'd also
13 like to address my request in your post-conference
14 brief on comparing the petitioners versus non-
15 petitioners, it would be appreciated; thank you.

16 MR. CAMERON: We'd be glad to.

17 MS. MENDOZA: We intend to do that; thank
18 you very much.

19 MR. CARPENTER: Mr. Van Toai?

20 MR. VAN TOAI: Thank you; thank you for
21 coming and thank you for your time. I'd like to ask
22 you some questions regarding Korea's investment in
23 Chinese steel tube and pipe industries. Could you
24 please provide some comments on that? Because I
25 understand that the Koreans had invested heavily into

1 China's basic industries.

2 MR. CAMERON: We'll be glad to address that
3 issue. I will tell you that I know that the Korean
4 steel industry has invested in stainless flat rolled
5 in China. They have invested in carbon flat rolled,
6 especially corrosion resistant.

7 I am not aware of any of the pipe companies
8 investing in Chinese mills. We will be glad to get
9 the information and give that to you. But I'm not
10 aware of any of the Korean carbon steel pipe producers
11 investing in line pipe facilities in China. But we'll
12 check that out and get you an answer.

13 MR. VAN TOAI: Thank you; my second question
14 is, would you please comment on the Chinese market
15 penetration into the Korean domestic line pipe
16 industry?

17 MR. CAMERON: We'll do that in the post-
18 hearing brief. We don't have the data right now, but
19 we'll be glad to do that.

20 MR. VAN TOAI: I see. Question number three
21 is regarding the quality of Chinese line pipe
22 products. I heard a lot of stories about the problem
23 with the Chinese quality product two years ago. I
24 heard about the Chinese line pipe being used as
25 standard pipe in the United States.

1 Then a year ago, I heard about the collapse
2 of certain Chinese-made welded tube. Then more
3 recently, I heard about the structural pipe problem
4 with the Chinese structural pipe, ASTM 8500, being not
5 up to standard.

6 But again, regarding the Chinese line pipe
7 being used as standard pipe, that was something I
8 heard that about two years ago. And I understand that
9 the Chinese have been able or at least tried to make
10 620 in the Baosteel Group.

11 So they are capable of making high quality
12 line pipe. Would you please elaborate on that;
13 whether it's still happening now, that line pipe from
14 China is being used as standard pipe currently?

15 MR. CAMERON: I mean, let me put it to you
16 this way. First, I don't think anybody questions that
17 some line pipe is used for standard pipe applications.
18 I mean, pipe is pipe, as far as that goes.

19 The question has always been one of
20 quantification. You're looking at this issue in the
21 Chinese standard pipe case, and properly have been
22 looking at the scope in terms of what is quantifiable;
23 i.e., physical characteristics. That was really the
24 thrust of Mr. Corkran's questions to the panel this
25 morning.

1 So is there any galvanized line pipe in the
2 market? No, there isn't, okay? So any galvanized
3 line pipe that comes in -- and there has been some
4 that allegedly has come in -- well, guess what, that's
5 not line pipe.

6 Well, how do you weld it? This was the
7 other question that you guys asked. Well, how do you
8 join the pipes together? Are you using thread in the
9 couple? Well, there's very little thread in coupled
10 line pipe in the market. Oh, well, that would suggest
11 that if thread and coupled API pipe is coming in, that
12 that is not being used for line pipe.

13 Those are the types of things that are
14 measurable, and it's a legitimate thing, to the extent
15 that physical characteristics are not of line pipe.

16 But the quality problems, I think, that
17 we're talking about really are with respect to API,
18 and whether or not there are claims with respect to,
19 the distributor sold it and then there were claims
20 that came back.

21 So we will get you as much information as we
22 can. But I will say, and I realize everybody
23 understands this, but we don't represent the Chinese
24 at this hearing, just in case anybody is under any
25 illusion.

1 (Laughter.)

2 MR. CAMERON: We represent the Korean mills,
3 and the Korean mills don't face these problems. What
4 we were discussing with respect to China was the
5 difference in the market perception between their pipe
6 and our pipe, which we believe to be correct.

7 But you know, everything that happens with
8 their pipe, you know. That's somebody else's problem,
9 in a sense. Mr. Byun, did you want to add something;
10 go ahead.

11 MR. BYUN: In terms of the difference
12 between Chinese and Korean pipes and line pipes
13 specifically, we as a trader, we import both, Korean
14 and Chinese. However, what I come across with my
15 distributors is that in a lot of cases, the engineers
16 put no Chinese on their PO. Why is that? It's
17 because of the quality issues that they have been
18 having. Especially they know, in the line pipe
19 industry, the risk is so high that that's going to
20 kill their reputation. So they don't want to deal
21 with it.

22 MR. CAMERON: This gets to one other point
23 that you made, and I think that it follows up. You
24 were saying Baosteel Steel, and Baosteel has a great
25 reputation, et cetera, et cetera. That's great. But

1 is Baosteel the only producer of line pipe in China?
2 The answer is, I don't even know of Baosteel produces
3 line pipe in China. But Baosteel is a well known and
4 good company.

5 But the problem is, there are a lot of
6 people that are producing pipe in China. The question
7 is, so where is the quality and where is the not? I
8 believe that that is what is being discussed in the
9 market. But we'll get you what information that we
10 have on that from distributors, and we'll be glad to
11 pass it along.

12 Again, the fact that there are quality
13 issues with China in that there's a different
14 perception from Korea, I don't really believe is
15 fighting grounds in this case. I don't believe it's
16 really that contested. You know, that being said,
17 we'll be glad to get you some information on it.

18 MR. VAN TOAI: Thank you; this question is
19 in reference to Mr. Cameron's talk on page number
20 three, seven lines down. You said that while these
21 products used large diameter line pipe for the main
22 lines, small diameter line pipe is used on all of the
23 arteries of these pipelines.

24 My question is so, therefore, can large
25 diameter projects for the main line serve as the group

1 indicator for small diameter line pipe demand?

2 MR. BYUN: Yes, and we are also involved in
3 large diameter business. We bring quite a bit of
4 diesel products from Korea, supplied to many
5 distributors.

6 There is a huge shortage. All the major
7 U.S. domestic mills producing diesel pipes are now
8 currently booked through the year 2009. We foresee
9 that there are plenty of projects that will require
10 about three million tons every year of diesel pipes
11 for the next five years, okay? Putting aside the
12 replacement pipe, there are another 500,000 tons.

13 Now this said, all these major pipelines
14 will require the gathering lines and connecting lines
15 that will be used in conjunction with this larger
16 pipes.

17 MR. CAMERON: We believe that testimony is
18 consistent with the testimony you heard this morning.
19 I think that that was basically what U.S. producers
20 were also telling you when they were describing the
21 gathering and the transmission.

22 MR. VAN TOAI: Can you give us a number in
23 terms of percentage; say five percent, one percent,
24 for small diameters?

25 MR. CAMERON: Well, we'll look at this in

1 our post-hearing brief. But really, I believe that
2 the panel up here this morning would be in the best
3 position to give you that information.

4 MR. VAN TOAI: Right.

5 MR. CAMERON: I mean, we'll do the best that
6 we can. I assume they'll do that, as well, if you ask
7 them.

8 MR. VAN TOAI: Yes, thank you; you mentioned
9 about the quality differences between Korean line
10 pipe, Korean products and Chinese products in line
11 pipe. What about your other next door neighbor, who
12 is also a high quality producer? How do you compare
13 Korean with Japanese competitors over there?
14 Obviously, they are also a good competitor in the U.S.
15 market in line pipe. Do you have some comments on
16 that?

17 MR. BYUN: It is well known that Japanese
18 mills are already in an advanced stage. Their forte,
19 their expertise, lies in the higher grades: X60, X70,
20 and X80. You know, people are talking about X100 by
21 Japanese mills.

22 The one thing is that the U.S. mills cannot
23 produce productively. Those are the sizes and the
24 market that Japanese mills are providing for. So we
25 are not really competing against the Japanese right

1 now.

2 MR. CAMERON: Well, we'll get some more data
3 for you. But my recollection, and I may be wrong
4 about this -- and I know it was true in the OTCG case
5 -- is that most of the Japanese production is seamless
6 and not welded.

7 For instance, in the 201 case, that was
8 actually a targeted 201 against Korea because Korea
9 was really the only major importer of line pipe at the
10 time.

11 So Korea has done quite well vis-a-vis the
12 Japanese industry. But most of the Japanese
13 production is actually seamless I believe. But we'll
14 check on that and get back to you.

15 MR. BYUN: I believe the Japanese has anti-
16 dumping case against them on line pipe.

17 MR. CAMERON: It's on large diameter.

18 MR. VAN TOAI: I see, yes. Are there any
19 Korean line pipe making companies that are integrated
20 companies making their own steel?

21 MR. CAMERON: No. HYSCO Hyundai is in the
22 process of trying to get some hot rolled coil
23 capacity, but the major supplier of hot rolled coil is
24 now POSCO. You're not related to INI, are you?

25 MR. BYUN: No, there is no relationship

1 between Hyundai Steel and Hyundai integrated mill or
2 whatever they want to call it. It's totally two
3 different business entities, and there's no
4 relationship whatever between the two.

5 MR. VAN TOAI: The reason I asked that
6 question is because the basic structure of industry in
7 Korea is made up of a lot of large companies grouped
8 together which, as you mentioned, quite a few of them
9 have been --

10 MR. CAMERON: Mr. Van Toai, that's not
11 really accurate with respect to the steel industry.

12 MR. VAN TOAI: Really?

13 MR. CAMERON: No, the Chaebols actually have
14 not been involved in the steel industry. When you
15 talk about the Chaebols, you know, historically you
16 are talking about Daewoo, Samsung, Hyundai, et cetera.

17 POSCO is not a Chaebol. SeAH Steel Company
18 is not a Chaebol. SeAH Steel Company originally was
19 Pusan Pipe, which started in 1960. In fact, it pre-
20 existed POSCO. Husteel is the former Korean Steel
21 Pipe which started, I believe, around 1963, and also
22 pre-existed POSCO.

23 In fact, the evolution of the Korean steel
24 industry is totally different. The evolution of the
25 Korean steel industry started with re-rollers, who had

1 to purchase their hot rolled coil from Japan and other
2 places. POSCO became POSCO because there was no
3 production of hot rolled coil.

4 So I understand your question with respect
5 to Chaebols. But the Chaebols have had little, if
6 nothing, to do with the development of the Korean
7 steel industry from the beginning until now.

8 The only role that the Chaebols had was that
9 back in the late 1980s/early 1990s, to the extent that
10 some Korean producers used trading companies to export
11 their steel, that was the way they did it.

12 In fact, Hyundai Corp., Mr. Byun's company,
13 is the last remnant of that. In fact, they are doing
14 the importing from Hyundai HYSCO, with whom they're
15 not affiliated anymore. But this is why he said in
16 his statement that one of the differences that you
17 have between the Korean and the Chinese mills is that
18 the Korean mills actually do control what they're
19 selling to the U.S. market.

20 They have established distribution networks.
21 SeAH Steel sells through SeAH Steel America. Husteel
22 sells through Husteel USA; and Hyundai HYSCO sells
23 through Hyundai Corp and through Hyundai HYSCO in
24 Houston. I mean, that is a very different situation
25 than you have with respect to the Chinese. So it's

1 not a Chaebol dominated issue.

2 MR. VAN TOAI: I see. Thank you very much;
3 this has been very helpful, and I thank you very much
4 for your time.

5 MR. CAMERON: Mr. Corkran?

6 MR. CORKRAN: Douglas Corkran, Office of
7 Investigations. I'd like to echo my appreciation for
8 attending this hearing. Your testimony has been
9 extremely helpful. I'd just like to say that it
10 certainly is a positive effect on our record when we
11 can get direct testimony from a wide range of
12 individuals. I have really only just a few questions.
13 But I'd like to put this to Mr. Byun.

14 This morning I was trying to get a sense for
15 some of the primary characteristics of the line pipe
16 that's produced in the United States. With respect to
17 Korean pipe or at least the pipe that you're used to
18 handling, how would you characterize that in terms of
19 the size range and whether it tends to come in single
20 random lengths or double random lengths? Any other
21 notable characteristics about the product?

22 MR. BYUN: In terms of the line pipes that
23 we bring in, we bring in 40-42 footers, which are
24 designed for the pipelines. Sometimes, in order to
25 accommodate the needs of some customers who need a

1 single item, we will provide a certain quantity, but
2 not as much as the 42 footers, or the 40 footers.

3 As far as the range is concerned, compared
4 to U.S. domestic pipes, I believe that the three
5 clearing major mills produce from 20 to 24 inches.
6 This is considered as a full-size range in ERW.

7 I believe that there are only two mills in
8 the U.S. that can produce up to 24; and I believe that
9 U.S. Steel has the ability to produce up to 20 inches.

10 MR. CORKRAN: I'm sorry. Can I ask for a
11 point of clarification. Did you say that the lower
12 bond was three inches or two?

13 MR. BYUN: Two inches.

14 MR. CARPENTER: Okay. This morning, he
15 asked about the most common outside diameter.

16 So do you want to tell him what the most
17 common, in your opinion, that we asked for, or is
18 there such a thing?

19 MR. BYUN: When I tried to make sales with
20 my distributors, they always compare our price against
21 the U.S. domestic price especially on sizes from 6
22 through 10, 12, which are considered as a sweet spot
23 for domestic mills.

24 MR. CARPENTER: Considered what?

25 MR. BYUN: A sweet spot, bread and butter.

1 MR. CARPENTER: Okay.

2 MR. BYUN: What I noticed is that the
3 distributors in the U.S. have the tendency to take the
4 lowest, maybe it's not the lowest, but the low price
5 and compare, and try to negotiate the price.

6 When we didn't know the structure in the
7 U.S., a long time ago, that might have worked, but now
8 everybody knows everybody's price.

9 It's not just that the coil price is readily
10 available on the Internet. But the pulp price, the
11 cooking coil price is readily available. Every day
12 you see on the American Metal Market or any other
13 steel-related magazines. So the price is not going to
14 work as it did a long time ago with the distributors.

15 It's not a negotiating tool any more. So we
16 just take the domestic price and try to give the best
17 price possible, accommodating the -- we explained
18 before, in the beginning, that there will be a certain
19 percentage in price difference because of the return.
20 So we just try to work along that.

21 MR. CARPENTER: Okay. We are saying that
22 you can get your steel down the street today for
23 whatever. In order for him to be able to sell with a
24 three- to four-month time lag, there is going to have
25 to be a discount because the distributors are also

1 taking risks. What is going to happen to the price in
2 that three to four months?

3 This Commission is very familiar with this
4 issue. This is exactly the same thing that happened
5 with H-beam and the volatility with respect to the raw
6 materials. What that does to the final price and in
7 turn, what does that do to the marketplace? It does
8 have an impact, but it also demands a discount.

9 MR. CORKRAN: Thank you. I appreciate that.
10 I want to tie the two elements of that
11 response together. I kind of thought where that was
12 going was that you mentioned, in particular, the
13 domestic presence and ability to compete 6 to 10
14 inches. You can address that as the sweet spot, the
15 bread and butter of the domestic industry.

16 In terms of the Korean product that you
17 handled, do I take from that you tried to sell in
18 sizes other than 6 through 10, or what would you
19 characterize your most common size range?

20 MR. BYUN: We don't have that category. We
21 don't differentiate our pricing by size. We do have
22 some extras, according to the working list on all
23 these sizes. But we don't have any sizes that are
24 favorable that we would like to produce.

25 I don't know if I answered your question.

1 MR. CORKRAN: I think that's just been very
2 helpful.

3 I have one last question just to kind of
4 round up the profile of the pipe that we're looking
5 at. We heard this morning that a very large share of
6 the domestically produced product tends to be sold
7 without threading and coupling, that that's
8 distinctive of different types of pipe, but not so
9 much for the line pipe produced in the United States.

10 How about the product that you handle?
11 Would you characterize that as being typically sold
12 threaded and coupled, or is it sold plain end, or how
13 is it sold?

14 MR. BYUN: We sold everything plain end.

15 MR. CORKRAN: Okay, thank you. That's been
16 extremely helpful. I think with that, that takes care
17 of my questions.

18 But I do want to stress again how very
19 helpful your presence here today and your testimony
20 today is, and the entire presentation has been
21 helpful. I thank you very much.

22 MR. CARPENTER: I just had one follow-up
23 question related to the quality issue that you raised
24 for the Chinese product. The statement that some
25 purchasers are telling distributors: Don't give me

1 Chinese line pipe.

2 I just wondered if you could help me
3 understand that a little bit better, as far as how
4 quality is determined in this industry?

5 first of all, are the purchasers required
6 that suppliers be certified, or do they just have to
7 meet the API specification?

8 MR. BYUN: They do have to be API certified,
9 and they do have API monograms that they have to gain
10 from the institution in order to produce API pipes.

11 However, in China what I found out is that
12 all the pipes that they produce, whether it's Grade B
13 or standard pipe, or API, regardless how good the
14 machines that they have in their factory, the
15 monitoring has to be done by people.

16 The monitoring system has always been the
17 issue because the people are not trained to thoroughly
18 -- and kick over their product controlled assurance
19 program.

20 That created a lot of product issues,
21 especially with welding problems in the U.S. You
22 know, whether the joints splits open when the pressure
23 gets past. These kind of problems have -- there are a
24 number of cases that have been reported.

25 MR. CAMERON: We'll get you what we can from

1 the people that we talk to and see whether that helps.

2 MR. CARPENTER: Okay. So, as I understand
3 it, the Chinese product is meeting the API
4 specification. But when it comes into the U.S., there
5 have been problems with failure.

6 MR. CAMERON: It's all certified. That's
7 not the question. Yes, it's certified, but the
8 question is whether there are problems with the
9 product.

10 MR. CARPENTER: Okay, and, obviously, there
11 are very significant quantities of Chinese imports
12 coming into the country.

13 Is it your assertion that most of this, or a
14 very large percentage of the API certified pipe, is
15 being used for standard pipe applications, or it's
16 mostly being used for --

17 MR. CAMERON: We have no way to know the
18 answer to that question. We can't possibly give you
19 an answer to that question.

20 What we do know is that we can document
21 issues with respect to quality. And those do
22 translate into the market, and they do translate into
23 different perceptions of our product compared to their
24 product.

25 It is something that this Commission can

1 look that and that's valid.

2 MR. CARPENTER: Okay, Thank you. We'll look
3 forward to your brief.

4 Any other questions? Mr. Van Toai?

5 MR. VAN TOAI: I have questions regarding
6 the API qualifications. They normally have a process
7 to control that. They can withdraw their permission
8 to use a stencil.

9 I wonder what happened to those. Did the
10 API have any reaction to the low quality of the
11 Chinese line pipe?

12 MR. CAMERON: I have no idea. We'll try to
13 get an answer for you.

14 MR. VAN TOAI: Okay. I have another quick
15 question, it is regarding the Korean industries.

16 How successful are you to pass over the cost
17 increase of raw materials in the last years to your
18 customers?

19 Is that very difficult, and which company is
20 a price leader over there in Korea?

21 MR. BYUN: Well, it's hard to say who is the
22 price leader in Korea. I believe even the mills in
23 the U.S. are having the same problem in building up
24 the raised costs associated with pipe making.

25 They all have to -- let's say supposed we

1 book x amount of pipes last year for the promise of
2 delivery for February this year, or March of this
3 year?

4 The price went drastically -- the relatively
5 went up drastically, so all these mills could not keep
6 up with the old price. So they had to come back to us
7 and ask for a price raise.

8 We had to go back to each customer that we
9 sold the materials to last year, and we had to explain
10 what the situation is, what is actually happening in
11 the U.S., and they were willing to pay the extra.

12 In the year 2004, it happened, and now it's
13 the same thing is happening. However, the magnitude
14 is much higher, much bigger than 2004.

15 MR. CAMERON: The Korean producers are not
16 having a problem passing on the raw material costs.

17 MR. VAN TOAI: Thank you very much for your
18 time. I really appreciate your comments.

19 MR. CARPENTER: Thank you again to the Panel
20 very much for your testimony, and your responses to
21 our questions. We appreciate your coming here today
22 to help us through this.

23 At this point, we'll take about a five- to
24 ten-minute break. Then, we'll conclude with the
25 closing statements of the parties beginning with the

1 Petitioners.

2 (Whereupon, a short recess was taken.)

3 MR. CARPENTER: Mr. Vaughn and Mr. Schagrin,
4 please proceed.

5 MR. VAUGHN: Thank you very much.

6 In this preliminary investigation, the issue
7 before the Commission is: Whether, based upon the
8 available information, there is a reasonable
9 indication that the domestic industry is materially
10 injured, or threatened with material injury?

11 Consider the following undisputed facts,
12 which show that this represents a clear case of
13 present material injury.

14 From 2005 to 2007, demand in the United
15 States almost doubled. Subject imports surged by 300
16 percent, more than doubling their market share; and
17 subject imports consistently undersold the domestic
18 line product.

19 Despite strong demand, prices remained flat
20 for two years. Despite strong demand, the industry's
21 income plummeted from 2006 to 2007. The industry made
22 less money in 2007 than in 2005, even though demand
23 was almost twice as great.

24 These facts provide much more than a
25 reasonable indication that the domestic industry has

1 suffered material injury.

2 The other side has provided no persuasive
3 response to these points. The Chinese producers have
4 not appeared at all, denying you any opportunity to
5 question them about the events of the last few years.

6 Now, while counsel for Korean producers have
7 put forth several claims this morning, none of them
8 justify a negative determination.

9 First: They have made various claims and
10 allegations regarding U.S. Steel data. These claims
11 are simply without basis. We will fully address them
12 in our post-hearing brief. But I can assure you that
13 you need not consider them further.

14 Second: Counsel for the Korean producers
15 alleges that the domestic industry was not materially
16 injured.

17 This is simply incorrect. It is hardly
18 surprising that the domestic injury made some profits
19 during two of the greatest years for demand in
20 history. Nevertheless, it is clear that subject
21 imports had a significant impact on domestic
22 producers.

23 As you saw from our slides, their operating
24 income fell by 50 percent, from 2006 to 2007. Their
25 operating margin fell by 52 percent in the same year.

1 This was not caused by any weakness in demand, which
2 remained strong.

3 Indeed, it can only be explained by the
4 presence of low-priced imports. The Commission should
5 utterly reject the notion that seeing one's income cut
6 in half is not sufficient to constitute material
7 injury.

8 Third: Counsel for the Korean producers
9 argues that the industry's problems will be solved by
10 the announced price increases.

11 But, this morning, you heard extensive
12 testimony from domestic producers that shows
13 otherwise. The announced increases were made in
14 response to a dramatic surge in costs.

15 Furthermore, it is too early to know whether
16 the industry's efforts to obtain market-based pricing
17 will succeed, or whether this will lead to a further
18 decline in the industry's market share.

19 Under these circumstances, there is no basis
20 for the Commission to conclude that the announced
21 price increases will solve the industry's problems.

22 Fourth: Counsel for the Korean producers
23 argues that Korean mills, unlike their Chinese
24 counterparts, have been responsible actors in the
25 market and that they should not be cumulated for

1 purposes of threat.

2 In the first place, we would vehemently deny
3 that it is ever responsible for foreign producers to
4 engage in unfair trade. The argument that the Korean
5 producers have a right to a permanent share of the
6 U.S. market, which they maintained through the use of
7 dumped imports, is something that is wholly
8 inconsistent with the law, and which the Commission
9 should reject.

10 In the second place, the record here shows
11 that Korean and Chinese mills have engaged in very
12 similar behavior. Both practiced unfair trade. Both
13 surged into this market in tremendous volumes during
14 2006 and 2007.

15 Both undersold the domestic-like product by
16 enormous margins. Both suppressed domestic prices.
17 Both are poised to take additional market share as
18 domestic producers attempt to raise prices in response
19 to rising costs.

20 Today, we now understand that both used the
21 same substrate. And, apparently, it is the case that
22 Chinese and Korean mills are both sourcing hot-rolled
23 from China. No other country has been so disruptive
24 in this market as China and Korea.

25 In 2007, the United States imported over

1 178,000 tons of the subject product from Korea. Other
2 than China, imports from no other country exceeded
3 70,000 tons.

4 To capture the full impact of subject
5 imports, including the full threat presented by
6 subject imports, the Commission must consider the
7 combined effect of Chinese and Korean goods.

8 MR. SCHAGRIN: For the record, I'm Roger
9 Schagrin.

10 First, in terms of a rebuttal comments,
11 let's be straight on why the previous case was
12 withdrawn. There was over a 15-point increase in
13 operating profit margins over the POI in the previous
14 case. Everybody on this Commission knows that the
15 domestic industry doesn't win cases with increased
16 margins of over 15 points.

17 Now, in this case, what you're going to see
18 is massive drops in both operating profits and
19 operating margins during a time of increase in demand.
20 That's what makes this (a) such a strong injury case;
21 and (b) absolutely and completely different from the
22 previous case.

23 Now, in terms of this issue of acquisitions,
24 I don't know for how many years, and how many cases,
25 we're going to hear about these \$7 billion of

1 acquisitions, the three major acquisitions. I don't
2 know if we're going to hear about it in the upcoming
3 China final.

4 But the fact is: Everybody knows those were
5 OCPG-oriented acquisitions. We lost the OCPG sunset
6 case primarily because of those acquisitions. So it's
7 time to stop hunting with the same dog. It's getting
8 tired and we ought to leave it in the place where it's
9 appropriate to be.

10 I think that the companies who are
11 represented here by counsel, who were involved in
12 those acquisitions, can respond in there post-
13 conference briefs to the allegations that those
14 acquisitions have had major impact on the accounting
15 of the line pipe.

16 I don't think that's the case. I think
17 they're going to address it in their post-conference
18 brief. It is important, as you and I know, that they
19 are going to address it.

20 Now, the Koreans don't dispute cumulation
21 for injury purposes. That's what we heard Mr. Cameron
22 say earlier today. That's good. I don't think they
23 could meet the criteria. It's good that he admitted
24 it.

25 Now, the fact is: This is an injury case.

1 Therefore, when you cumulate imports from Korea and
2 China, both of which increased massively over the POI,
3 you'll find that cumulatively they're the cause of the
4 injury.

5 I do want to address some threat factors.

6 Obviously, the Chinese weren't here. We're
7 all aware of that. The Chinese industry has massive
8 excess capacity. They have subsidies. Their
9 manipulation of the market is increasing that huge
10 spread between their hot-rolled pricing and world- and
11 U.S.-hot-rolled pricing.

12 As Mr. Vaughn mentioned, the Koreans are
13 beneficiaries of that because they're getting that
14 cheap subsidized Chinese hot-rolled, and we're not
15 getting it into the U.S. market because of an anti-
16 dumping order against them.

17 The fact is that for both China and Korea,
18 underselling has been increasing, and it's increasing
19 rapidly in 2008, so their imports are going to
20 increase.

21 I warned the Commission, based on the
22 previous testimony, that we're obviously going to get
23 in the Korean post-conference brief, some
24 confidential, anecdotal information about some claims
25 as to Chinese line pipe.

1 Okay, let's not lose the forest for the
2 trees. We've had several hundred thousand tons, over
3 a half-million tons, in just the last couple of years
4 of Chinese product.

5 What share of those have been rejected is
6 not meeting API?

7 I submit to you that it's been minuscule.
8 And, by the way, there was no mention by Mr. Byun of
9 any claims against Korean product. I'm sure there had
10 been claims against Korean product.

11 For that matter, I'm willing to admit up
12 here, as a representative of the domestic industry,
13 there's claims against domestic product on occasion.
14 So this is something that happens in the industry.
15 there is an overlap of product. They're fungible.
16 They're meeting API specification.

17 Now, I do know that if the Commission gets
18 to looking at threat, for cumulation purposes, which
19 is discretionary, that, besides looking at the four
20 criteria, a number of commissioners have been looking
21 at: What have been the trends in pricing and
22 underselling?

23 I think one of the things that is both
24 central to the injury case, and to any consideration
25 of cumulation and threat, is that: The record shows

1 'when you look at AUVs, the Koreans were cutting their
2 prices over the POI to compete with the Chinese on
3 price. They choose the competition.

4 What we will address in our post-conference
5 brief is specific trends in pricing and underselling
6 between the Korean and Chinese product.

7 Unfortunately, for the Koreans, they had to
8 compete with the Chinese on price, or else they were
9 going to give up even more volume to the Chinese.

10 They chose to compete with the Chinese on
11 price. They did it by dumping. They helped cause the
12 injury to the domestic industry. That's why make an
13 affirmative injury determination in this case as to
14 both China and Korea.

15 Thank you.

16 MR. CARPENTER: Thank you, gentlemen.

17 Mr. Cameron, Ms. Mendoza?

18 MR. CAMERON: We're even going to meet the
19 2:00 deadline.

20 First of all, we don't have that much to
21 say. I would like to make a couple of brief points
22 and Julie may want to add something.

23 We would like to thank the Staff for all of
24 your work. We do understand that everybody here works
25 hard and we appreciate your work. You guys do a nice

1 job. I wanted to say that before the vote.

2 Look, we said that this was a threat case
3 and we meant that. Really, all these guys have, in
4 light of what is happening in the market, and Roger
5 referred to why they pulled it in 2004. And this is
6 the reason that this case is going to be weak at the
7 final is because of increasing profitability, which is
8 already being manifested.

9 Their case is basically not about imports
10 from Korea, but it's about imports from China. It's
11 about the fact that they're talking about unlimited
12 capacity, etc. It's very interesting.

13 Actually, when you look at imports from
14 Korea, imports from Korea did increase substantially
15 in 2006, which, I believe, we have heard testimony
16 today that it was a period of record profits, which,
17 of course, they're using as their base line in which
18 to compare what they're performance was in 2007.

19 But, in 2007, imports from Korea were
20 relatively flat. So I'm really not so sure that this
21 case does apply to Korea.

22 Secondly, Mr. Vaughn said: Look, for them to
23 say that the performance of this industry is not being
24 injured is ridiculous. Of course, it is being
25 injured, and it can only be explained by low-priced

1 imports.

2 Suffice to say, we will respond to this in
3 our post-hearing brief. We don't think that that's
4 the case at all. There were many other factors other
5 than imports that have been going on in this market.

6 If anybody here really believes that there
7 are no costs to restructuring, then I think that's
8 great. But we don't think that that's true. If you
9 shut down your mill for four to six months, or however
10 long Tex-Tube says that they shut down their mill, to
11 say that there won't be any cost to that, to their
12 bottom line, that's an absurd proposition.

13 This has absolutely no relationship to
14 imports from Korea or China. This is one of the
15 Petitioners.

16 Then the statement was made that: Well,
17 we've announced the price increases but we don't know
18 that they're holding.

19 Let reiterate. When you have price
20 increases that are as regular as the price increases
21 that have been announced, and we agree that they are
22 stimulated by increases in hot-rolled coil, but given
23 what's been happening in the market, they know these
24 price increases are holding. I think that's terrific.
25 Congratulations to them.

1 But that's what the reality is here.

2 It was stated that we're using the same
3 substrate as the Chinese; and, therefore, we're
4 practically Chinese. Please, come on, let's at least
5 be a little bit honest about the dialogue here. What
6 we said in our testimony, and if it wasn't crystal
7 clear then, let me make it crystal clear now: We do
8 purchase hot-rolled on the world market.

9 But what you will find is that the Korean
10 industry is overwhelmingly supplied with their hot-
11 coil by Cosco, and there is another mill in Korea that
12 produces hot-rolled as well, but most of it is
13 domestically sourced.

14 We will be glad to provide you with some
15 data with respect to that in the post-hearing brief.

16 I think that really does it for what I had
17 to say. We believe that this is a threat case because
18 we don't believe that the data will support an injury
19 case, and we don't believe that the data supports a
20 threat case either.

21 But, to the extent that they're trying to
22 spook us with respect to unlimited capacity and
23 unlimited imports from China that's nice, but that
24 doesn't apply to the Korean market.

25 The other things that were mentioned: the

1 issue of Chinese subsidies. Chinese subsidies don't
2 apply to imports from Korea. Again, another
3 distinguishing factor between imports from Korea and
4 imports from China.

5 We have this issue of product shipment. Why
6 did that issue come up? What was being stated?

7 What was being stated is that with the
8 implementation of the standard-pipe case, the Chinese
9 have been diverting shipments from Standard Pipe in
10 the dual-stencil, multiple stencil line pipe.

11 Okay, fine, that also does not apply to
12 Korea. We don't have a new phenomenon of a case. Our
13 case has been there since 1992. We ship what we ship.
14 Everybody knows what we ship. So that, also, is a
15 function of the market, and conditions of competition
16 in this marketplace that do not apply to imports from
17 Korea.

18 MS. MENDOZA: And with that, that concludes
19 our presentation. Thank you.

20 MR. CARPENTER: Thank you very much for
21 those comments.

22 On behalf of the Commission and the Staff, I
23 want to thank the witnesses who came here today, as
24 well as counsel for helping us gain a better
25 understanding of this product, and the conditions of

1 competition in this industry.

2 Before concluding, let me mention a few
3 dates to keep in mind. The deadline for the
4 submission of corrections to the transcript, and for
5 briefs in the investigation, is Tuesday, April 29th.

6 If briefs contain business proprietary
7 information, a public version is due on April 30th.

8 The Commission has tentatively scheduled its
9 vote on the investigations for May 16th, at 11 a.m.
10 It will report its determinations to the Secretary of
11 Commerce on May 19th; and the Commissioners' opinions
12 will be transmitted to Commerce on May 27th.

13 Thank you for coming. This conference is
14 adjourned.

15 (Whereupon, at 1:26 p.m., the preliminary
16 conference in the above-entitled matter was
17 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Circular Welded Carbon Quality
Steel Line Pipe

INVESTIGATION NOS.: 701-TA-455, 731-TA-1149-1150

(Preliminary)

HEARING DATE: April 24, 2008

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

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

DATE: April 24, 2008

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

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

SIGNED: Carlos E. Gamez
Signature of Proofreader

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

SIGNED: Edwin Wesley

Signature of Court Reporter