

**UNITED STATES  
INTERNATIONAL TRADE COMMISSION**

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In the Matter of:	)	
	)	Investigation No.:
FERROVANADIUM AND NITRIDED	)	731-TA-702 (Third Review)
VANADIUM FROM RUSSIA	)	

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 FERROVANADIUM AND NITRIDED ) 731-TA-702 (Third Review)  
 VANADIUM FROM RUSSIA )

Thursday,  
 June 21, 2012

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

The hearing commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable SHARA L. ARANOFF, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

SHARA L. ARANOFF, CHAIRMAN  
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 DEAN A. PINKERT, COMMISSIONER  
 DAVID S. JOHANSON, COMMISSIONER

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APPEARANCES: (Cont'd.)

In Support of Continuation of Antidumping Order:

On behalf of AMG Vanadium, Inc.:

JANE NEAL, Senior Vice President and General  
Manager, AMG Vanadium, Inc.

R. JAMES CARTER, Vice President, International  
Sales, AMG Vanadium, Inc.

KENNETH R. BUTTON, PH.D., Senior Vice President,  
Economic Consulting Services, LLC

JENNIFER LUTZ, Senior Economist, Economic  
Consulting Services, LLC

WILLIAM D. KRAMER, Esquire  
MARTIN SCHAEFERMEIER, Esquire  
DLA Piper LLP (US)  
Washington, D.C.

On behalf of Bear Metallurgical Company; and Gulf  
Chemical and Metallurgical Corporation (Bear/Gulf):

DAVID F. CAREY, Plant Manager, Bear Metallurgical  
Company

GREGORY D. TIMMONS, General Counsel, Americas  
Eramet North America, Inc.

IAIN R. MCPHIE, Esquire  
Squire Sanders (US) LLP  
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to Continuation of Antidumping Duty Order:

On behalf of Evraz Group, S.A. and its subsidiaries; OAO Vanady-Tula; East Metals AG; East Metals (North America), LLC; and Stratcor, Inc.

RICHARD P. WIESLER, Director, Sales and Marketing,  
Evraz Stratcor Inc.

BRAD EWERS, Director, Sales, Evraz East Metals  
North America

JOHN JOSEPH SCHOLTZ, Head of Vanadium Sales, Evraz  
East Metals AG

ROBERT BUNTING, Consultant, Evraz Stratcor, Inc.

DANIEL KLETT, Economist, Capital Trade  
Incorporated

J. KEVIN HORGAN, Esquire

MARC M. MONTALBINE, Esquire

JUDITH HOLDSWORTH, Esquire

DeKieffer & Horgan, PLLC

Washington, D.C.

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1                         P R O C E E D I N G S

2   (9:30 a.m.)

3                         CHAIRMAN ARANOFF:   Good morning.   On behalf  
4 of the U.S. International Trade Commission I welcome  
5 you to this hearing on Investigation No. 731-TA-702  
6 (Third Review) involving Ferrovandium and Nitrided  
7 Vanadium From Russia.

8                         The purpose of this five-year review  
9 investigation is to determine whether an industry in  
10 the United States is materially injured or threatened  
11 with material injury -- Mr. Secretary, that's not the  
12 right language.   Excuse us a moment.

13                         (Pause.)

14                         CHAIRMAN ARANOFF:   Excuse the interruption.  
15   The purpose of this five-year review investigation is  
16 to determine whether revocation of the antidumping  
17 duty order on ferrovanadium and nitrided vanadium from  
18 Russia would be likely to lead to continuation or  
19 recurrence of material injury within a reasonably  
20 foreseeable time.

21                         Schedules setting forth the presentation of  
22 this hearing, notices of investigation and transcript  
23 order forms are available at the public distribution  
24 table.   All prepared testimony should be given to the  
25 Secretary.   Please do not place testimony directly on

1 the public distribution table.

2 All witnesses must be sworn in by the  
3 Secretary before presenting testimony. I understand  
4 the parties are aware of the time allocations. Any  
5 questions regarding time allocations should be  
6 directed to the Secretary.

7 Speakers are reminded not to refer in their  
8 remarks or answers to questions to business  
9 proprietary information. Please speak clearly into  
10 the microphone and state your name for the record for  
11 the benefit of the court reporter. If you'll be  
12 submitting documents that contain information you wish  
13 classified as business confidential, your requests  
14 should comply with Commission Rule 201.6.

15 Mr. Secretary, are there any preliminary  
16 matters?

17 MR. BISHOP: No, Madam Chairman.

18 CHAIRMAN ARANOFF: All right. Then let's  
19 begin with opening remarks, please.

20 MR. BISHOP: Opening remarks on behalf of  
21 those in continuation of the order will be by William  
22 D. Kramer, DLA Piper, LLP.

23 MR. KRAMER: Good morning. This sunset  
24 review concerns the antidumping order covering imports  
25 from Russia of a product well known to the Commission,

1 ferrovanadium. Because of the nature of this product  
2 and the conditions of competition in the U.S.  
3 ferrovanadium market, the domestic industry is  
4 particularly susceptible to injury by a renewed influx  
5 of dumped imports from Russia.

6           As the Commission found in its previous  
7 investigations, ferrovanadium from all sources is  
8 interchangeable. As a result, price is the most  
9 important consideration in purchasing decisions.  
10 Moreover, the U.S. ferrovanadium market is highly  
11 competitive. Purchasers get bids from multiple  
12 suppliers and will change suppliers to obtain a lower  
13 price.

14           Importantly, contracts with customers  
15 contain formula pricing provisions that tie the  
16 contract price to a published reference price.  
17 Through this mechanism, sales at low prices reflected  
18 in the reference price drive down prices to customers  
19 throughout the market.

20           The facts in the record of this review show  
21 that revocation of the antidumping order would likely  
22 lead to a new surge of dumped ferrovanadium imports  
23 from Russia. Russia is among the world's largest  
24 producers of ferrovanadium. As explained in our  
25 brief, contrary to Vanady-Tula's claims the Russian



1 industry has a very large production capacity and  
2 extensive unused capacity.

3           The United States is a large, attractive  
4 ferrovanadium market with prices that are  
5 significantly higher than those in Europe and  
6 elsewhere. In recent months, the economic turmoil in  
7 Europe has increased this already substantial price  
8 incentive to focus Russian ferrovanadium exports on  
9 the United States.

10           Prior to imposition of the order, Russia  
11 exported large and rapidly increasing volumes of  
12 dumped ferrovanadium to the United States and quickly  
13 became the dominant import supplier. The antidumping  
14 order completely halted the flow of ferrovanadium  
15 imports from Russia.

16           During the current review period, Evraz  
17 sought to circumvent the order by having increasingly  
18 large volumes of the vanadium pentoxide produced by  
19 Vanady-Tula in Russia converted into ferrovanadium in  
20 the United States for sale to U.S. customers. This  
21 push to re-enter the U.S. market demonstrates Evraz's  
22 strong interest in regaining unrestricted access to  
23 the market.

24           The same is true of Evraz's quick shift back  
25 to having Vanady-Tula's vanadium pentoxide converted

1 to ferrovanadium in the Czech Republic and other  
2 countries for export to the United States as soon as  
3 the circumvention inquiry was initiated. The likely  
4 renewed flow of Russian imports that would occur if  
5 the order were revoked would be sold at aggressive,  
6 low prices.

7           Before the order was imposed, low-priced,  
8 dumped Russian imports undersold the domestic product,  
9 causing significant price suppression and depression  
10 in the U.S. market. The Commission confirmed U.S.  
11 producers' claims regarding lost sales and lost  
12 revenues. To re-enter the market, the Russian imports  
13 would again undercut the prices of domestic suppliers.  
14 Because of the nature of this product and how it is  
15 sold, the aggressive pricing of the imports would also  
16 drive down the overall market price level.

17           Prior to the order, the surge of dumped  
18 Russian imports took a growing volume of sales from  
19 the domestic industry and captured an increasing share  
20 of the U.S. market. The domestic industry suffered  
21 declines in many key performance indicators, including  
22 shipments, employment, sales revenue and market share,  
23 as well as operating losses.

24           Once the order was issued and the Russian  
25 imports left the market, prices increased

1 significantly and the domestic industry regained  
2 significant sales volume and market share. Other  
3 indicators of the condition of the industry, including  
4 its financial performance, improved. The industry  
5 invested profits in upgrading and expanding the  
6 capacity of its production facilities.

7           Without the relief provided by the order,  
8 these improvements and the condition of the industry  
9 would not have been possible. Furthermore, if the  
10 antidumping order were not continued the industry's  
11 substantial investments would be severely jeopardized.  
12 For all of these reasons, maintaining the antidumping  
13 order in place is critical for the continued viability  
14 of the U.S. ferrovanadium industry. Thank you.

15           MR. BISHOP: Opening remarks on behalf of  
16 those in opposition to continuation of the order will  
17 be by J. Kevin Horgan, DeKieffer & Horgan.

18           MR. HORGAN: Thank you. Good morning,  
19 Commissioners. I think I'm going to begin by stating  
20 the obvious. If the order is revoked, if the  
21 antidumping duty order is revoked, we're not going  
22 back to the future. We're not going back to 1993.  
23 We're not going back to 2000. We're not going back to  
24 2005.

25           Evraz entered the vanadium business in 2006,

1 and that was a major change to the Russian vanadium  
2 industry. Evraz is a big, integrated steel company.  
3 It has facilities all over the world, including  
4 substantial facilities in the United States and  
5 Canada. When Evraz entered the vanadium business, it  
6 created a new business model for vanadium on a global  
7 basis.

8           That business model calls for the local  
9 production of ferrovanadium, so they use the same  
10 system in the European Union, in Canada or, excuse me,  
11 in North America, in Russia. So we have those four  
12 examples of how Evraz likes to organize its vanadium  
13 business, and that requires the local conversion of  
14 vanadium pentoxide into ferrovanadium. It does that  
15 because it makes more money that way.

16           Evraz is not a Russian company. Evraz is a  
17 big British steel company traded on the London Stock  
18 Exchange. So this is not a Soviet era relic we're  
19 dealing with anymore. This is a big, international,  
20 global steel company who rationalizes its production  
21 so it can make the most money, and that's what it's  
22 doing in ferrovanadium.

23           Now, the Petitioners would indicate the way  
24 Evraz has organized its business is the result of this  
25 dumping order, but that's a little trade lawyer vanity

1 as not all the world reacts to antidumping duty  
2 orders. We don't drive the bus. There are much  
3 bigger forces at work here. Evraz organized its  
4 business so it could make money, not so it could avoid  
5 some antidumping duty order in the United States.

6 I have to say Mr. Kramer talks about the  
7 circumvention as if someone agrees with him. This  
8 Commission has always treated these as separate  
9 products, ferrovanadium and vanadium pentoxide. The  
10 Commerce Department has looked at their circumvention  
11 petition and preliminarily determined it's without  
12 merit, so there is no circumvention going on.

13 Even Bear Metallurgical, one of the parties  
14 on the other side, argued eloquently and correctly  
15 that importing vanadium pentoxide and converting it to  
16 ferrovanadium here in the United States is not  
17 circumvention of the antidumping duty order. So when  
18 they allege circumvention, just keep that in mind.  
19 Nobody agrees with it.

20 What's important for this case is what's  
21 happening in Russia. Russia has growing steel demand.  
22 It's projected to continue to grow as a result of big  
23 infrastructure projects related to public projects  
24 that are going to go forward without regard to what  
25 happens in the U.S., in the worldwide steel industry

1 or even the vanadium industry.

2           This is connected to the Olympics, connected  
3 to the World Cup, big rail infrastructure projects.  
4 These are all vanadium intensive uses of steel, and  
5 those are projected to grow by up to 40 percent over  
6 the next few years. So Russia has a big home market  
7 for vanadium, and the law in Russia requires Evraz as  
8 a dominant producer of vanadium to serve that market.  
9 So even if they wanted to ship more ferrovanadium out  
10 of Russia, it would be limited by Russian demand.  
11 They would have to serve Russian demand first.

12           So with a rapidly growing local market, a  
13 global business model which calls for local production  
14 of ferrovanadium, why would Evraz management start  
15 shipping ferrovanadium from Russia? It hasn't done  
16 that to Europe, or it has significantly reduced its  
17 shipments of ferrovanadium to Europe over the last few  
18 years. It doesn't ship ferrovanadium to Canada, even  
19 through there's no antidumping duty order. Even  
20 though it has its own steel customers, its own steel  
21 companies in Canada, it doesn't ship ferrovanadium to  
22 Canada.

23           So with that in mind, I think it's fair to  
24 say that Russia's vanadium industry, ferrovanadium  
25 industry, is no longer export oriented, and that's the

1 criteria the Court or this Commission has looked at  
2 over the last several sunset reviews, and I think  
3 that's what you need to keep in mind when you hear  
4 this testimony today. Thank you.

5 MR. BISHOP: Would the first panel, those in  
6 support of continuation of the antidumping duty order,  
7 please come forward and be seated?

8 Madam Chairman, all witnesses have been  
9 sworn.

10 (Witnesses sworn.)

11 CHAIRMAN ARANOFF: Good morning, Mr. Kramer.  
12 Please proceed whenever you're ready.

13 MR. KRAMER: Our first witness is Jim  
14 Carter.

15 MR. CARTER: Good morning, Chairman Aranoff  
16 and Commissioners. My name is Jim Carter. I am Vice  
17 President, International Sales, at AMG Vanadium, Inc.  
18 I have worked for AMG Vanadium for over 40 years. My  
19 responsibilities include overseeing the marketing and  
20 sale of metals and alloys, including ferrovanadium.

21 In performing these responsibilities, I have  
22 direct contact with many of our customers. I have  
23 appeared before the Commission in each of its prior  
24 investigations and sunset reviews involving  
25 ferrovanadium. Previously the name of our company was

1 Shieldalloy Metallurgical Corporation and then  
2 Metallurg Vanadium.

3           AMG Vanadium has produced ferrovanadium  
4 since 1952. Our production facility is located in  
5 Cambridge, Ohio. As our Senior Vice President, Jane  
6 Neal, will describe, AMG Vanadium has been making  
7 significant investments in improving the Cambridge  
8 facility and increasing its capacity to produce  
9 ferrovanadium.

10           The ferrovanadium we produce typically  
11 contains 55 percent vanadium by weight, although we  
12 can also produce ferrovanadium containing a  
13 significantly higher vanadium content. The percentage  
14 of contained vanadium generally is referred to as the  
15 grade of a ferrovanadium product, but the percentage  
16 is simply a physical description of the product, not  
17 an indicator of its quality.

18           As Jane will explain, AMG Vanadium does not  
19 use vanadium pentoxide as its main vanadium bearing  
20 input. Instead, we produce ferrovanadium using an  
21 environmentally friendly, state-of-the-art reduction  
22 process that is designed to use a wide range of  
23 vanadium containing materials.

24           Ferrovanadium is a commodity product that is  
25 sold primarily on the basis of price. As the



1 Commission repeatedly has found, in most applications  
2 ferrovanadium from all sources is interchangeable. In  
3 addition, because ferrovanadium is priced on a  
4 contained vanadium basis, ferrovanadium with different  
5 percentages of vanadium content is treated as  
6 equivalent in price negotiations.

7           Almost all ferrovanadium is consumed by  
8 steel producers. These companies can use  
9 ferrovanadium of different grades. For these reasons,  
10 in my experience price is the most important factor in  
11 determining who will get the sale. The U.S.  
12 ferrovanadium market is highly competitive. In most  
13 cases customers obtain bids from multiple suppliers.  
14 Purchasers will change suppliers if a competing  
15 supplier offers a lower price. Moreover, purchasers  
16 and sellers generally use the spot price published by  
17 Ryan's Notes as a benchmark in the price negotiations.

18           Most ferrovanadium is sold on a contract  
19 rather than a spot basis. However, it is important to  
20 understand the nature of these contract sales.  
21 Reflecting the interchangeability of ferrovanadium  
22 from all sources and the importance of price in  
23 purchasing decisions, contract price in most cases are  
24 based on formulas tied to the Ryan's Notes price.

25           This fact makes domestic producers highly

1 vulnerable to the effects of a declining market price  
2 level as would result from an increase in low priced  
3 imports from Russia. Even a small volume of sales at  
4 prices that undercut the existing published price  
5 level can drive down the prices of our contract sales  
6 to all of our customers.

7           I witnessed the impact of the influx of  
8 dumped imports from Russia on our company before the  
9 antidumping petition was filed. Until we took action,  
10 the volume of imports from Russia rose dramatically.  
11 The imports were sold at low and steeply declining  
12 prices, took sales from us and other competing  
13 suppliers and quickly captured a significant portion  
14 of the U.S. market. The prices of the dumped imports  
15 also undercut and depressed the overall market price  
16 level. The result was severe injury to the domestic  
17 industry.

18           Once the antidumping order covering imports  
19 from Russia was imposed the imports left the market  
20 and did not return. Prices rose. We gained  
21 significant sales volume and market share, and our  
22 financial performance improved significantly.

23           If the antidumping order were revoked I have  
24 no doubt that the Russian ferrovanadium industry and  
25 in particular Evraz would resume exporting large

1 volumes of Russian ferrovanadium to the United States,  
2 take sales from our company and other domestic  
3 suppliers, drive down prices and severely injure the  
4 U.S. industry.

5           Contrary to Evraz's claims, the Russian  
6 industry has one of the world's largest ferrovanadium  
7 production capacities, exceeded only by China and  
8 South Africa, and a very large amount of unused  
9 capacity. The United States is one of the largest  
10 ferrovanadium markets in the world. Russia's two main  
11 global competitors are subject to antidumping orders  
12 in the United States.

13           Ferrovanadium prices in the United States  
14 consistently have been higher than prices in the EU,  
15 even before the current economic turmoil in Europe.  
16 In recent months, this price gap has widened  
17 significantly. The size of the U.S. market and its  
18 higher prices explain why Evraz has devoted so much  
19 effort to regaining unrestricted access to the market.

20           Evraz is a large, aggressive, global  
21 enterprise. It has the resources and flexibility to  
22 shift almost overnight the sites where Vanady-Tula's  
23 vanadium pentoxide is converted into ferrovanadium.  
24 Moreover, Evraz's conduct with antidumping orders in  
25 place has shown beyond any doubt that it has a

1 compelling interest in making a large volume of sales  
2 in the U.S. market.

3           From 2005 until 2010, Evraz shipped  
4 increasingly high volumes of vanadium pentoxide to the  
5 United States at declining prices, had the imports  
6 converted into ferrovanadium and sold the finished  
7 product to U.S. customers. We asked the Commerce  
8 Department to conduct a circumvention inquiry and to  
9 include these vanadium pentoxide imports within the  
10 scope of the order.

11           When we did this, Evraz completely stopped  
12 shipping Russian vanadium pentoxide to the United  
13 States and quickly reverted to having its vanadium  
14 pentoxide processed in third countries, including the  
15 Czech Republic, for export to the U.S., just as  
16 Vanady-Tula was doing at the time of the first sunset  
17 review, when it explained that this practice increased  
18 its cost, depriving it of profits.

19           As Evraz shifted the conversion step to  
20 other sites, the volumes of U.S. ferrovanadium imports  
21 from the Czech Republic and other countries quickly  
22 began rising. Both the surge of vanadium pentoxide  
23 prior to the request for the circumvention inquiry and  
24 the immediate shift to converting the vanadium  
25 pentoxide in other countries after we filed the

1 request undeniably show that the Russian industry  
2 continues to have a very strong interest in supplying  
3 the U.S. market.

4           These shifts also show that Evraz can  
5 rapidly change the site at which the conversion step  
6 is performed. In the first sunset review, the  
7 Commission found that if the order were revoked  
8 Vanady-Tula would redirect significant quantities of  
9 vanadium pentoxide that was being converted into  
10 ferrovanadium in the Czech Republic and elsewhere in  
11 Europe back to Russia for conversion into  
12 ferrovanadium and export to the United States. The  
13 same is true today.

14           Moreover, this time Evraz already has in  
15 place a U.S. sales operation to market the Russian  
16 ferrovanadium. Furthermore, we know from experience  
17 that Evraz would aggressively seek to undercut and  
18 displace us as a supplier to the U.S. steel producers.  
19 During the current review period, even with the order  
20 in place, we have lost business or been forced to  
21 reduce our prices at several major customers due to  
22 aggressive price undercutting by Evraz. Furthermore,  
23 overall Evraz has succeeded in taking a large volume  
24 of U.S. sales from competing suppliers.

25           Based on my experience, I am certain that if

1 the order were revoked the aggressiveness of Evraz's  
2 conduct would increase and the resulting impact on our  
3 company would be devastating. As the Commission has  
4 found in prior sunset reviews, due to the  
5 substitutable nature of this product a renewed  
6 significant flow of low-priced Russian imports would  
7 drive down prices.

8           AMG Vanadium and other domestic suppliers  
9 would lose sales to the Russian imports, which would  
10 result in lower revenues and shipments, production  
11 cutbacks, reduced capacity utilization and job losses.  
12 The declines in the domestic industry's sales and  
13 revenues would have a direct adverse impact on its  
14 profitability, as well as its ability to raise capital  
15 and make and maintain necessary capital investments.  
16 As Jane Neal will explain, our substantial recent  
17 investments in our production facility would be  
18 jeopardized. Thank you.

19           MR. KRAMER: Jane Neal is our next witness.

20           MS. NEAL: Good morning, Chairman Aranoff  
21 and Commissioners. My name is Jane Neal, and I am  
22 Senior Vice President and General Manager of AMG  
23 Vanadium. I am responsible for all operational  
24 aspects and the financial performance of the business.  
25 I previously have held positions of Plant Manager and

1 Sales Manager within the company.

2           Before joining AMG Vanadium, I had more than  
3 20 years of experience in operations, quality control,  
4 research and development and sales in the steel and  
5 metals industries. I have a Bachelor of Science  
6 degree in Metallurgical Engineering and an MBA.

7           AMG Vanadium produces ferrovanadium using a  
8 technologically advanced pyrometallurgical process in  
9 which we recycle environmentally hazardous spent  
10 catalyst from oil refineries and residues from power  
11 plants. We are the world's largest recycler of spent  
12 refinery catalysts. Not only does our manufacturing  
13 process ensure the safe environmental treatment of  
14 hazardous waste from oil production. It also produces  
15 no liquid waste and very minimal solid waste.

16           Our production process is highly capital  
17 intensive. The major equipment in our plant includes  
18 a roaster for spent catalysts and two reduction  
19 furnaces. In addition, our production processes  
20 include high fixed cost. To be able to recover these  
21 costs, we need to be able to run the plant at as high  
22 a capacity utilization rate as possible so that we can  
23 spread these costs evenly over a sufficiently large  
24 volume of ferrovanadium sales.

25           If we are forced to compete with imported

1 ferrovanadium sold at dumped prices, we have to choose  
2 between reducing our prices to the level of the dumped  
3 imports in an effort to maintain an adequate level of  
4 production or losing the sales to the dumped imports.

5 We cannot indiscriminately reduce production without  
6 endangering our ability to recover our fixed costs.  
7 These risks would quickly become a reality if this  
8 order were revoked.

9           With the antidumping order in effect, AMG  
10 Vanadium has been able to operate profitably, and we  
11 have taken profits that we have earned and used them  
12 to make substantial investments in our production  
13 facility. We are currently engaged in a comprehensive  
14 expansion program that will significantly increase our  
15 plant's production capacity.

16           This year we are making a substantial  
17 investment in constructing a new  
18 multi-hearth roaster that will enhance our ability to  
19 process spent catalysts and significantly increase our  
20 ferrovanadium production. In November 2010, we  
21 commissioned a new \$6 million raw material storage  
22 building which has a dedicated railcar unloading  
23 system to increase operating efficiency and a unique  
24 subfloor liner system to ensure safety storage of  
25 spent refinery catalysts.



1           In addition, our company has made  
2 significant investments in other environmental  
3 upgrades. In April 2011, we installed a solar power  
4 system at our Cambridge plant that will produce  
5 230,000 kilowatt hours of electricity annually. We've  
6 also installed new emission control equipment on our  
7 existing roaster and both of our electric arc  
8 furnaces.

9           All of these investments have been made with  
10 the antidumping order on ferrovanadium from Russia in  
11 place. Our ability to sustain them depends on  
12 continuation of the improved market conditions that  
13 the order, along with the antidumping duty orders on  
14 imports from China and South Africa, have made  
15 possible.

16           All of the work that AMG Vanadium has done  
17 to improve its operations and to become the company  
18 that it is today would be severely at risk if the  
19 order were revoked. Our plant is an important  
20 employer in Guernsey County in southeastern Ohio,  
21 which is part of the Appalachian region.

22           According to the most recent data compiled  
23 by the federal government's Appalachian Regional  
24 Commission, during the period from 2008 to 2010 our  
25 county had an unemployment rate of 10.8 rate and a

1 poverty rate at 17.3 percent, both well above the  
2 national averages. Thus, the continued viability of  
3 our operations is important not only to AMG Vanadium,  
4 but also to our employees and the surrounding area.

5 Over the period of the sunset review with  
6 the antidumping order in place we have been able to  
7 maintain and slightly increase employment at our  
8 plant, despite the severe economic downturn in 2009.  
9 Our ability to continue to do so would be seriously  
10 threatened if the order were revoked.

11 We welcome fairly traded import competition.  
12 However, as Jim Carter has explained, the injury that  
13 we and others in the domestic industry suffered before  
14 the antidumping order was issued demonstrates the  
15 devastating effects that revocation of the order would  
16 have on the U.S. ferrovanadium industry. Thank you.

17 MR. BUTTON: Good morning. I'm Kenneth R.  
18 Button of Economic Consulting Services. I am joined  
19 by Jennifer Lutz, also of ECS.

20 There are a number of conditions of  
21 competition that are distinctive to the U.S.  
22 ferrovanadium industry. These conditions of  
23 competition were cited by the Commission in the  
24 original investigation and continue to be relevant  
25 today as indicated in Slide 1.

1           Ferrovanadium is used almost exclusively in  
2 the steel industry to make certain types of steel.  
3 Thus, demand for ferrovanadium is determined by the  
4 volume of production of these types of steel. Because  
5 demand of ferrovanadium is a derived demand,  
6 consumption is cyclical and follows trends in the  
7 steel industry. This cyclicity was clearly  
8 demonstrated during the POR.

9           U.S. production of steel fell sharply in  
10 2009 and so did consumption of ferrovanadium and the  
11 performance of the domestic ferrovanadium industry.  
12 Since 2009, as the steel industry has recovered, so  
13 too has the condition of the ferrovanadium industry  
14 improved.

15           Because ferrovanadium is added to steel in  
16 only extremely small amounts, the demand for  
17 ferrovanadium is price inelastic. That is, a decline  
18 in the price of ferrovanadium generally does not cause  
19 the volume of ferrovanadium consumption to increase.  
20 There are few substitutes for ferrovanadium, with only  
21 ferroniobium being identified by certain producers,  
22 importers and purchasers in the questionnaires. One  
23 purchaser estimated that such substitution was limited  
24 to only 10 to 15 percent of ferrovanadium  
25 applications.

1           Ferrovanadium from all sources is highly  
2 interchangeable. Although there are different grades  
3 of ferrovanadium, the Commission has repeatedly found  
4 that ferrovanadium from all sources as interchangeable  
5 and that steel producers can generally use  
6 ferrovanadium of different grades. Data collected by  
7 the Commission in this review demonstrate that  
8 ferrovanadium from all sources remains  
9 interchangeable.

10           Given the high degree of interchangeability  
11 among sources, ferrovanadium is sold primarily on the  
12 basis of price. In the original investigation, the  
13 Commission found that price was an important factor in  
14 purchasing decisions, noting that all responding  
15 purchasers cited price as a major factor in choosing a  
16 supplier. In this review, purchasers continue to  
17 identify price as an important factor in making  
18 purchasing decisions.

19           There is widespread knowledge of prevailing  
20 ferrovanadium prices in the market. Ferrovanadium  
21 prices are published in a number of sources with a  
22 publication titled Ryan's Notes being the most widely  
23 used in the United States. Furthermore, contracts  
24 normally contain pricing formulas that use such  
25 published prices as benchmarks, causing changes in

1 prevailing market prices to affect contracts quickly.

2 Many domestic and import suppliers compete  
3 in the U.S. for the ferrovanadium market. These  
4 include two U.S. producers, one of which toll converts  
5 vanadium pentoxide into ferrovanadium for other  
6 parties. Suppliers also include multiple import  
7 sources.

8 Due to the three existing antidumping duty  
9 orders on imports of ferrovanadium from Russia, China  
10 and South Africa and due to the somewhat stronger pace  
11 of U.S. economic recovery, prices in the U.S. market  
12 are higher than prices in other markets. The  
13 prehearing report provides prices for the U.S. market  
14 and European markets during the POR showing that with  
15 a few short-lived exceptions U.S. prices have been  
16 higher than European prices.

17 Slide 2 shows U.S. and European prices for  
18 ferrovanadium since 2010 as published by Ryan's Notes.  
19 Not only are U.S. prices generally higher than those  
20 in Europe, but also since 2011 the U.S. price premium  
21 has been increasing. In May 2012, U.S. prices were  
22 over 40 percent higher than European prices.

23 Russia is the third largest producer of  
24 ferrovanadium in the world after China and South  
25 Africa. Importantly, the Russian industry has a large

1 production capacity and extensive unused capacity that  
2 would likely be directed to the U.S. market in the  
3 absence of the current antidumping order.

4           Although the details regarding the Russian  
5 industry are confidential, I urge the Commission to  
6 review the discussion of the capacity data in AMG  
7 Vanadium's prehearing brief at page 14 through 19.  
8 The prehearing report acknowledges one of the issues  
9 regarding Russia's reported capacity data at page  
10 II-8, but unfortunately this issue is not identified  
11 nor addressed more fully in the report's discussion of  
12 the Russian industry's capacity on page IV-6.

13           After U.S. imports of ferrovanadium from  
14 Russia sharply increased during the three year  
15 original period of investigation from 23,000 pounds in  
16 1992 to over 2.5 million pounds in 1994, imports from  
17 Russia declined following the imposition of the order,  
18 and there have been no reported U.S. imports of  
19 ferrovanadium from Russia since 1996.

20           As indicated by the U.S. industry witnesses  
21 here today and by the data collected by the Commission  
22 in this review, the condition of the domestic industry  
23 has improved significantly with respect to virtually  
24 all of the indicia considered by the Commission. The  
25 removal from the U.S. market of the dumped imports

1 from Russia, as well as the imposition of orders on  
2 dumped imports from China and South Africa, have  
3 allowed the U.S. producers to succeed in the market.

4           While the Russian industry would like the  
5 Commission to determine that its lack of shipments  
6 reflects a lack of interest in the U.S. market, the  
7 Russian industry's behavior while subject to the order  
8 indicates otherwise. During the period of the first  
9 sunset review, the Russian producer Vanady-Tula, then  
10 Tulachermet, effectively regained access to the U.S.  
11 market not by shipping ferrovanadium to the United  
12 States and having such shipments reviewed by the  
13 Department of Commerce in administrative review  
14 processes. Rather, Vanady-Tula had Russian produced  
15 vanadium pentoxide toll converted into ferrovanadium  
16 in the Czech Republic and in Belgium with the finished  
17 ferrovanadium then shipped to U.S. purchasers.

18           At the hearing in the first sunset review in  
19 2001 a Russian industry representative testified, as  
20 shown in Slide 3, that, "We have to pay toll  
21 converters in those countries, rather than keeping  
22 that part of the profits ourselves, for the  
23 ferrovanadium that is sold in the United States. We  
24 believe that it makes much more sense and is more  
25 profitable to bring some of the ferrovanadium

1 pentoxide back to Russia and make it into  
2 ferrovanadium there rather than paying others to do  
3 so."

4           The Commission cited the company's tolling  
5 practices in its second sunset review determination to  
6 continue the order, stating as shown in Slide 4. "The  
7 record reflects that if the order were revoked Vanady-  
8 Tula has the capacity and would have the incentive to  
9 significantly increase its exports of the subject  
10 merchandise from Russia to the United States by  
11 redirecting substantial quantities of vanadium  
12 pentoxide it has toll converted in Europe, and  
13 particularly in the Czech Republic, back to Russia for  
14 production in that country and ultimately export the  
15 subject product to the United States."

16           Vanady-Tula and Evraz have continued this  
17 same practice of exporting vanadium pentoxide for  
18 conversion to ferrovanadium and shipment to the U.S.  
19 market to this day, demonstrating the continued  
20 importance of the U.S. market to their operations.  
21 During the current period of review, Vanady-Tula has  
22 also exported vanadium pentoxide to the United States  
23 where Bear toll converted the vanadium pentoxide into  
24 ferrovanadium, which Vanady-Tula's parent, Evraz, then  
25 sold into the U.S. market. This practice ceased when



1 AMG Vanadium filed its anticircumvention complaint.

2           During the POR of this review, Vanady-Tula  
3 has also shipped its Russian ferrovanadium pentoxide  
4 to the Czech Republic and elsewhere for conversion  
5 into ferrovanadium and sale into the U.S. market.  
6 This behavior demonstrates that Vanady-Tula's  
7 continued keen interest exists in the U.S. market. If  
8 the order were revoked, Russian producers would be  
9 highly likely to re-enter the U.S. market at low  
10 dumped prices.

11           As noted before, the Russian industry is  
12 large and has significant unutilized capacity to  
13 produce ferrovanadium. Vanady-Tula has strong  
14 economic incentives to resume direct shipments of  
15 finished ferrovanadium to the U.S. market. Vanady-  
16 Tula's commercial targeting of the U.S. market is  
17 economically logical both from a revenues perspective  
18 and from a production cost perspective.

19           From a revenue perspective, Vanady-Tula has  
20 an incentive to target the U.S. market because U.S.  
21 ferrovanadium prices are higher than those in Europe.  
22 As shown in Slide 2, the premium of the U.S. market  
23 price over the European market price in the most  
24 recent periods has been large and growing, reaching  
25 over 40 percent in May 2002.

1           However, in its prehearing brief Respondent  
2 Evraz attempted to downplay the U.S. price premium by  
3 citing additional costs that would be incurred if it  
4 were to ship Russian ferrovanadium to the U.S. market.  
5 Evraz cited the costs associated with shipment  
6 ferrovanadium from Europe to the United States and the  
7 cost to repackage it. With respect to the cost of  
8 shipping ferrovanadium to the United States, Evraz  
9 relied on such costs associated with shipping  
10 ferrovanadium from Austria to the United States, which  
11 totaled 6 percent of the Customs value of such imports  
12 in 2011.

13           Several points in rebuttal are especially  
14 relevant here. First, Vanady-Tula in fact incurred  
15 higher shipping costs than these, about 7 to 8 percent  
16 of Customs value, during the original investigation  
17 when it was shipping large volumes of dumped  
18 ferrovanadium to the U.S. market.

19           Second, today Evraz already incurs roughly  
20 the same costs with its current exporting of vanadium  
21 pentoxide to foreign converters and the subsequent  
22 cost of final delivery to customers in the United  
23 States. Indeed, Vanady-Tula appears to be incurring  
24 higher effective shipping costs on a contained  
25 vanadium weight base because it exports Russian

1 vanadium pentoxide, which contains only 52 percent  
2 vanadium, as compared to ferrovanadium, which has  
3 about 80 percent vanadium content.

4 Third, Evraz also cited 3 to 8 percent costs  
5 in resizing and packaging Russian ferrovanadium in  
6 order to make it substitutable for the U.S. market,  
7 yet while incurring such cost during the original POI  
8 Russian producers nonetheless sharply increased their  
9 ferrovanadium shipments to the U.S.

10 In summary, Evraz claims that these various  
11 freight and packaging costs cause the U.S. price  
12 premium over Europe to disappear. That argument is  
13 contradicted by the fact that the May 2012 price  
14 premium of 40 percent is well above the 9 to 14  
15 percent additions to cost asserted by Evraz.  
16 Respondents' arguments are simply not credible.

17 Now, if Respondents' assertions about  
18 shipping costs and the above facts that contradict  
19 these assertions all sound familiar to the Commission  
20 there is good reason. In the first sunset review  
21 determination in 2001, the Commission stated, as shown  
22 in Slide 5:

23 "The Russian producers argue that once  
24 differences in freight and packaging are taken into  
25 account there is little or no sustained price

1 differential between the United States market and  
2 Europe. We do not find this argument persuasive  
3 because the differential between the U.S. and European  
4 price is significantly in excess of these  
5 transportation costs."

6           Turning to the production cost perspective,  
7 Vanady-Tula also has an incentive to convert its  
8 vanadium pentoxide into ferrovanadium in Russia for  
9 direct export to the United States because doing so  
10 would reduce Vanady-Tula's overall ferrovanadium per  
11 unit production cost. As noted, the Russian industry  
12 has significant unused capacity to convert vanadium  
13 pentoxide to ferrovanadium.

14           Indeed, given the fixed cost in this  
15 industry, producers have an economic incentive to  
16 operate at a high utilization level. Vanady-Tula  
17 could anticipate a reduction in its total per unit  
18 cost of production for all of its Russian domestic and  
19 export sales of ferrovanadium by keeping the currently  
20 exported vanadium pentoxide in Russia and converting  
21 it into ferrovanadium in Russia.

22           Thus, increasing its capacity utilization  
23 Vanady-Tula could spread its fixed costs over a  
24 significantly larger volume of ferrovanadium  
25 production and thereby reduce its per unit production

1 cost for all sales. Moreover, in doing so Vanady-Tula  
2 could also save for itself the profit portion of the  
3 conversion fees that it currently pays to foreign  
4 processors.

5           An additional assertion by the Respondents  
6 is that the decline in Vanady-Tula's exports of  
7 ferrovanadium has been solely due to the alleged  
8 increase in Russian demand. In its prehearing brief,  
9 Evraz cites as support for this assertion the increase  
10 in Russian steel consumption from 2009 to 2011. Steel  
11 consumption, however, is not a meaningful indicator of  
12 Russian ferrovanadium consumption, whereas steel  
13 production can be.

14           As shown in Slide 6, steel production in  
15 Russia did increase from a low world recession level  
16 in 2009 to a 15 percent higher level in 2011, yet that  
17 2011 level remains below the 2006 and 2007 production  
18 levels. Significantly, as shown in Slide 6, these  
19 2006-2007 peak years of Russian steel production are  
20 also the peak years of Russian ferrovanadium exports.

21           Moreover, the export data in Slide 6 also  
22 showed that the sharp decline in ferrovanadium exports  
23 in 2010 and 2011 is most closely associated with the  
24 increase in vanadium pentoxide exports, which reached  
25 their highest levels in the POR in 2010 and 2011 and

1 much of which in fact ended up, after conversion  
2 outside of Russia, as finished ferrovanadium in the  
3 U.S. market.

4           Furthermore, an additional attraction of the  
5 U.S. market is the fact that the North American steel  
6 industry uses much more vanadium per ton of steel  
7 produced than does the Russian industry. According to  
8 an Evraz public presentation in 2010, the North  
9 American steel industry used two and a half times as  
10 much vanadium per ton of steel as did the steel  
11 industry in the CIS former Soviet Union.

12           An additional assertion by Evraz is that its  
13 expanding Russian exports of ferrovanadium could  
14 result in a violation of Russian antitrust regulations  
15 as it allegedly would reduce the ferrovanadium supply  
16 available in the Russian domestic market and result in  
17 higher domestic Russian prices.

18           In fact, however, the most realistic  
19 expectation following revocation of a U.S. antidumping  
20 order is that most of the expansion of Russian  
21 ferrovanadium exports would come from new or  
22 incremental volumes of ferrovanadium production from  
23 vanadium pentoxide that was previously exported and  
24 now would be kept in Russia for conversion and export  
25 as ferrovanadium. Thus, the amount of Russian

1 domestic supply of ferrovanadium need not be reduced,  
2 and there would be no potential violation of Russian  
3 antitrust regulations.

4           Finally, the Commerce Department has  
5 determined that revocation of the order would lead to  
6 continuation of recurrence of dumping at a high rate,  
7 108 percent. In the first sunset review of this  
8 order, the Commission found that, "If the order were  
9 revoked, the subject imports would be priced  
10 aggressively in the U.S. market in order to gain  
11 market share," and that, "Due to the substitutability  
12 of subject imports with the domestic product, as well  
13 as the importance of price, such aggressive pricing  
14 would likely have a significant depressing and  
15 suppressing effect on the already low prices of the  
16 domestic like product."

17           Evraz claims that its current pricing  
18 behavior in the U.S. market demonstrates that any  
19 potential imports of subject merchandise would have no  
20 suppressive or depressing effect on the price of the  
21 domestic like product. Evraz is incorrect. The  
22 pricing data with respect to ferrovanadium provided in  
23 Exhibit 13 of the Evraz prehearing brief show a mixed  
24 record of underselling and overselling, which is  
25 consistent with the record in the original

1 investigation when the Commission found five instances  
2 of underselling and nine instances of overselling.

3           Notwithstanding this mixed record, the  
4 Commission found that the dumped imports from Russia  
5 took sales from the domestic industry and caused  
6 domestic suppliers to lower their sales prices in  
7 response to the competing quotes from the Russian  
8 suppliers, which suppressed and depressed prices in  
9 the U.S. market. The mixed underselling record is  
10 particularly unsurprising in a market such as this  
11 where prices quickly adapt in response to published  
12 prices.

13           If the order were revoked, the domestic  
14 industry would likely suffer the same suppressed and  
15 depressed prices due to the subject imports. The  
16 Commission should make an affirmative determination in  
17 this review. Thank you.

18           MR. McPHIE: Good morning. I am next. I am  
19 Iain McPhie. I'm an attorney with Squire Sanders, and  
20 now I wish I had a great deck of slides to follow up  
21 that presentation. Fortunately, Dr. Button's slides  
22 did a great job of telling the story here.

23           I am counsel for domestic producer Bear  
24 Metallurgical Company and its parent, Gulf Chemical  
25 and Metallurgical Corporation. I'd like to thank you



1 for the chance to appear here today. Appearing along  
2 with me is David Carey. He's the Plant Manager at  
3 Bear's ferrovanadium facility in Butler, Pennsylvania.  
4 He's testifying today on behalf of both Bear and  
5 Gulf. Also Greg Timmons, the company's general  
6 counsel, is here.

7           Before handing it over to Dave, I'd like to  
8 note that Commissioners Pinkert and Pearson and others  
9 from the Commission visited Bear's facility in Butler  
10 during the last review on the order covering  
11 ferrovanadium from China and South Africa.

12           As I understand, just like me, many of you  
13 seem to be impressed by the environmental aspects of  
14 Bear's business, in particular that the reaction that  
15 creates the ferrovanadium fuels itself in Bear's  
16 operation, so the furnaces don't use large amounts of  
17 electricity or gas or other external energy sources  
18 like you find in many other industrial operations.

19           Also the fact that Bear and Gulf very much  
20 are recycling operations in essence, and Bear reuses  
21 or recycles nearly all of its materials with very  
22 little waste product to dispose of. This part of the  
23 business is very important to Bear. It's something  
24 they view as a way they give back to their community,  
25 and it's something they take great pride in. Of

1 course, you're all welcome to visit Bear again any  
2 time to see all of this in action.

3 Now Dave Carey will present his testimony.

4 MR. CAREY: Good morning. My name is David  
5 Carey. I'm the Plant Manager at Bear Metallurgical, a  
6 toll processor of ferrovanadium and ferromolybdenum  
7 located in Butler, Pennsylvania. I have been with  
8 Bear for six years, and I report directly to Bear's  
9 CEO, Allan Orr, who is also the Executive Vice  
10 President for Sales and Marketing at our parent  
11 company, Gulf Chemical and Metallurgical Corporation.

12 Bear has been producing ferrovanadium in  
13 Butler since 1991, and Gulf has been located in  
14 Freeport, Texas, since 1973. Bear toll processes  
15 vanadium pentoxide or V2O5 into ferrovanadium on  
16 behalf of a number of different tollees, including  
17 Gulf Chemical. Gulf produces V2O5 by processing  
18 hazardous spent catalysts acquired from oil refineries  
19 around the world.

20 Gulf's process recovers several different  
21 valuable metals from these catalysts, including  
22 vanadium and molybdenum. The vanadium is converted by  
23 Bear into ferrovanadium, and the molybdenum is sold to  
24 the fresh catalyst producers. Gulf is responsible for  
25 the sales of the finished products, including the

1 ferrovanadium, to the steel producers that use it as  
2 an alloying agent to strengthen and improve wear  
3 resistance in certain types of steel.

4           As Iain mentioned, Bear's process for  
5 producing ferrovanadium is different from AMG's, which  
6 does not use V205 as an intermediate product. Bear  
7 uses an aluminothermic process to convert V205 into  
8 ferrovanadium. In this process, a precisely  
9 calibrated mixture of V205, aluminum, iron scrap and  
10 other materials is blended and charged into a furnace,  
11 which is ignited. This provides its own energy and  
12 requires no gas, electricity or other energy to burn.

13           This reaction causes the vanadium pentoxide  
14 and iron to be reduced into ferrovanadium. The  
15 resulting material is then crushed, analyzed, sized  
16 and packaged for delivery. All of the material used  
17 in Bear's ferrovanadium production process are either  
18 recycled, reused or sold as co-products. No material  
19 is landfilled or otherwise disposed of as waste. Bear  
20 has made significant investments in recent years to  
21 increase capacity and add improved technology to  
22 upgrade and expand its ferrovanadium production  
23 capabilities.

24           Russian producers source their vanadium  
25 feedstock differently than Gulf. The Russian

1 producers use vanadium bearing iron slag that is a  
2 byproduct of their own steel producing affiliates.  
3 This iron slag provides the Russian producers with a  
4 distinct cost advantage over the U.S. industry. The  
5 high vanadium content of the iron ore used in Russia  
6 is unique to Russia and a few other regions around the  
7 world.

8           Vanadium bearing iron slag is not available  
9 from U.S. steel producers because the iron ore used in  
10 the United States does not contain significant  
11 vanadium levels. Gulf obtains its vanadium feedstock  
12 by recycling hazardous spent refinery catalysts.  
13 Several years ago, Gulf was able to obtain these  
14 catalysts from oil refineries at little or no cost.  
15 These refiners chose to receive a certificate of  
16 consumption from Gulf and terminate their hazardous  
17 waste liability rather than dispose of the material in  
18 a landfill and continue to be liable.

19           As vanadium prices increased of the past  
20 decade, however, the oil refiners began to demand  
21 compensation for the metal content of their catalysts  
22 in the form of metal credits to offset the recycling  
23 services provided by Gulf. This has significantly  
24 driven up the cost of raw materials to Gulf.

25           In our prehearing brief, we discussed

1 several reasons we are confident that significant  
2 volumes of low-priced Russian ferrovanadium would  
3 immediately begin flooding the U.S. market if the  
4 antidumping duty order is revoked. AMG's  
5 representatives on this panel with me already have  
6 discussed this as well.

7 I would like to highlight just one of those  
8 reasons today, and that relates to the significant  
9 volumes of V205 from Russia that Bear has converted on  
10 behalf of Evraz East Metals, an affiliate of the  
11 largest Russian producer. It is our view that Evraz  
12 East Metals converts this V205 at Bear because the  
13 antidumping duty order effectively prohibits them from  
14 doing so in Russia where the V205 is produced.

15 We are aware that a Vanady-Tula  
16 representative testified to the Commission in a  
17 previous five-year review that the company could  
18 achieve significant cost savings by converting V205 in  
19 Russia rather than paying tolling fees to others. We  
20 also know from Evraz's annual reports and other  
21 sources that Vanady-Tula has more than enough  
22 ferrovanadium conversion capacity available to do so.

23 As a result, our expectation is this V205  
24 would be converted in Russia into ferrovanadium  
25 shipped to U.S. customers. The renewed Russian

1 ferrovanadium imports would impact a domestic  
2 ferrovanadium industry, and Bear and Gulf in  
3 particular, that several market factors have combined  
4 to make more vulnerable to harm from Russian imports  
5 than at any time since the antidumping duty order was  
6 issued.

7           Gulf's costs have increased substantially  
8 during the past several years. This is due in part to  
9 the significantly higher values in the form of metal  
10 credits that Gulf now must pay to the oil refiners to  
11 obtain the vanadium bearing spent catalyst for  
12 recycling. Another cause is the approximately \$50  
13 million in environmental improvements to Gulf's  
14 recycling facility in Freeport, Texas, currently being  
15 made to improve air pollution control equipment,  
16 wastewater treatment, stormwater retention and  
17 environmental monitoring systems. This very large  
18 investment is absolutely necessary to maintain  
19 compliance with strict EPA and TCEQ environmental  
20 regulations of the type we believe are not imposed on  
21 Russian producers.

22           Although prices in the U.S. market are  
23 higher than other markets, ferrovanadium pricing in  
24 the United States has declined sharply since 2008.  
25 While price levels have recovered somewhat since the

1 low price of the steel industry recession in 2009,  
2 they have yet to regain the levels consistently  
3 reached in 2006 and 2007. This declining pricing, in  
4 combination with Gulf's substantially increased  
5 production cost, obviously has had a severely negative  
6 impact on the company's profitability.

7           Demand in the United States for the types of  
8 steel that require ferrovanadium has grown  
9 substantially since the 2009 recession, but it is not  
10 expected to grow much in the future. I am not aware  
11 of any new applications for this type of steel in the  
12 United States, and demand for existing applications  
13 are expected to remain steady, but not increase  
14 significantly.

15           As a result of these factors, the domestic  
16 ferrovanadium industry is particularly vulnerable to  
17 injury by renewed imports of dumped ferrovanadium from  
18 Russia. Due to our unique positions in the U.S.  
19 industry, Bear and Gulf would experience significant  
20 injury in several distinct ways.

21           First, the low-priced Russian ferrovanadium  
22 would be sold in direct competition with Gulf's  
23 ferrovanadium and Gulf, as a result, would be forced  
24 to lower its prices to compete or would lose  
25 significant sales volumes to the imports. This would

1 only exacerbate Gulf's difficulties in managing  
2 increased production costs in the face of declined  
3 prices.

4           Second, as low-priced Russian ferrovanadium  
5 wins sales and gains market share, Bear would lose  
6 toll conversion volumes from all its tollees, and Bear  
7 additionally would come under the increasing pressure  
8 to reduce its tolling fees to these tollees so that  
9 they could better compete against the imports.

10           Third, as I mentioned before, Evraz East  
11 Metals would begin converting Russian V205 in Russia  
12 rather than toll converting it at Bear. This would  
13 represent yet another significant loss of conversion  
14 volumes for Bear. Bear rehired workers who lost their  
15 jobs during the recession. These and other workers'  
16 jobs would be placed at risk if significant volumes  
17 are lost to Russian imports.

18           Finally, Gulf's ability to process vanadium  
19 bearing catalyst from oil refineries would be placed  
20 in jeopardy as Russian ferrovanadium drives down the  
21 vanadium value. Gulf already faces competition from  
22 foreign-based producers of vanadium products in  
23 acquiring catalysts, and Gulf would not be able to  
24 give as much metal credit for the catalysts in the  
25 face of reduced vanadium prices.



1           Further, if vanadium prices were to decline  
2 by enough the amount of metals credit Gulf would be  
3 able to pay for the catalyst would decrease to a point  
4 that there would not be a sufficient incentive for the  
5 oil refiners to recycle the catalyst through  
6 ferrovanadium. Instead, it would be cheaper for  
7 refiners to dispose of the catalyst in landfills.

8           If that were to occur, tens of thousands of  
9 tons of hazardous waste each year that contain million  
10 of pounds of critical alloying elements like  
11 molybdenum, vanadium, nickel and cobalt will be lost  
12 from the existing recycle loop. As a result, Gulf's  
13 entire recycling operations in Freeport would be  
14 placed in jeopardy, and Gulf's \$50 million investment  
15 in environmental improvements would be lost, as would  
16 Bear's recent investments in its ferrovanadium  
17 conversion facilities.

18           For these reasons, Gulf and Bear strongly  
19 urge the Commission to continue the antidumping duty  
20 order on ferrovanadium and nitrided vanadium from  
21 Russia to avoid the certain significant injury to the  
22 domestic industry that would occur if it were revoked.  
23 Thank you for this opportunity to appear before you  
24 today.

25           MR. KRAMER: That concludes our

1 presentation.

2           CHAIRMAN ARANOFF: Thank you very much. I  
3 want to take this opportunity to welcome all the  
4 witnesses on this morning's panel. We appreciate your  
5 taking the time away from your business to answer our  
6 questions and help us in this review.

7           We're going to begin the questioning this  
8 morning with Commissioner Johanson.

9           COMMISSIONER JOHANSON: Thank you, Madam  
10 Chairman. I'd also like to thank you all for  
11 appearing here today.

12           Mr. Kramer, you started off by stating that  
13 the Commission is familiar with ferrovanadium since it  
14 has appeared before the Commission several times. I  
15 became a Commissioner just a few months ago and so  
16 this is my first introduction to this product.

17           I have to say it's a rather complicated  
18 industry I've discovered, but by reading the briefs  
19 and the staff report and by listening to your  
20 testimony this morning and by listening to the  
21 testimony this afternoon from the Respondents I know I  
22 will be much better educated. So this has been  
23 interesting for me.

24           I'd like to begin by discussing imports of  
25 ferrovanadium from nonsubject countries. Right now

1 there are no imports of ferrovanadium from Russia.  
2 There are, however, imports from a number of other  
3 countries. If the order is lifted on imports from  
4 Russia would you foresee that nonsubject countries  
5 would make up for most of that difference? Thank you.

6 MR. KRAMER: You know, as we can explain in  
7 more detail in our posthearing submission, Evraz, the  
8 same enterprise, accounts for a large portion of the  
9 third country import volume. And so for the reasons  
10 we've explained we think that if the order were  
11 revoked they'd have strong incentives to increase the  
12 volume exported directly from Russia rather than  
13 indirectly supplying the United States through third  
14 countries.

15 COMMISSIONER JOHANSON: All right. Thank  
16 you. The Respondents have submitted documentation  
17 indicating that some U.S. producers of ferrovanadium  
18 cannot currently meet the needs of their customers.  
19 Has Bear, Gulf or AMG been unable to supply any of its  
20 customers?

21 MR. CARTER: Thank you, Commissioner, for  
22 asking that. We have been completely capable to meet  
23 the requirements of our customers. Completely.

24 MR. CAREY: This is David Carey from Bear  
25 Metallurgical. Also in addition we have also been

1 capable of providing for our customers.

2 COMMISSIONER JOHANSON: All right. Thank  
3 you. As a followup to that question, and this is  
4 maybe a bit repetitive, but I'm going to go ahead and  
5 continue along this line.

6 The Petitioners contend that the market is  
7 tight. Would you all describe that the market is  
8 tight at this time or over the past several years?

9 MR. CARTER: I think the market is somewhat  
10 closer to tightness than to oversupply, but certainly  
11 I know of no steel making facilities that have  
12 difficulty getting their material. I don't think  
13 there's any sort of a problem as far as supply is  
14 involved, no shortage of supply.

15 COMMISSIONER JOHANSON: All right. Thank  
16 you. In preparing for today's hearing, one of the  
17 more complicating issues that I kind of had to get my  
18 arms around were the relationships between the  
19 different companies. Could you all describe the  
20 decision making responsibilities between Bear and  
21 Gulf? Thank you.

22 MR. CAREY: I'm sorry. Could you repeat the  
23 last part of the question that related to the decision  
24 making?

25 COMMISSIONER JOHANSON: Yes. Could one of

1 you please describe the decision making  
2 responsibilities between Bear and Gulf?

3 MR. CAREY: Bear is a wholly owned  
4 subsidiary of Gulf, so Gulf has 100 percent ownership  
5 of Bear. The decision making ultimately would fall to  
6 our CEO, Allan Orr, who as I stated is the Executive  
7 VP of Sales and Marketing for Gulf as well.

8 COMMISSIONER JOHANSON: All right. And what  
9 goes into Bear's decision making when it comes to  
10 deciding whether to toll for nonrelated firms versus  
11 producing more ferrovanadium for Gulf? Could you  
12 perhaps discuss that?

13 MR. CAREY: In regards to Bear's toll  
14 converting for other parties in respect to converting  
15 for Gulf, as a consolidated enterprise the operation  
16 has to look at the business profitability as a whole,  
17 and it makes sense in some cases to convert for other  
18 parties rather than Gulf based on profitability for  
19 the entire enterprise.

20 COMMISSIONER JOHANSON: All right. Thank  
21 you. I'm going to get back to the whole issue that I  
22 discussed briefly before on the market being somewhat  
23 tight. Have you U.S. producers had any difficulty  
24 securing raw materials for producing ferrovanadium in  
25 recent years?

1 MR. CARTER: Speaking for AMG Vanadium, we  
2 have not had problems securing raw materials. From  
3 the media, I think the one U.S. facility that I might  
4 think has had some difficulty securing raw material  
5 has been Evraz's facility in Arkansas.

6 COMMISSIONER JOHANSON: Do you know why that  
7 might have been the point?

8 MR. CARTER: I'm afraid I can only speculate  
9 and probably ask you to ask them. I should probably  
10 leave it there.

11 COMMISSIONER JOHANSON: That's a pretty safe  
12 answer.

13 MR. CARTER: Thank you.

14 COMMISSIONER JOHANSON: I'd probably say the  
15 same thing, now that I think about. I'll save that  
16 for this afternoon.

17 If either of your companies produced  
18 multiple products on shared equipment, how quickly can  
19 you shift production from ferrovanadium to other  
20 products? It's my understanding from the staff report  
21 you can produce different products on the same  
22 equipment. Is that correct?

23 MR. CARTER: AMG Vanadium cannot shift like  
24 that. We are a producer of ferrovanadium. We do,  
25 however, make two co-products, but without the

1 production of ferrovanadium the existence of those  
2 would disappear as well. So we cannot move to other  
3 products.

4 COMMISSIONER JOHANSON: How about Bear or  
5 Gulf?

6 MR. CAREY: Bear Metallurgical produces  
7 ferromolybdenum in addition to ferrovanadium, and  
8 while it is possible to shift over to ferromolybdenum  
9 production in a relatively short order it is much less  
10 profitable to produce the ferromolybdenum. The  
11 ferrovanadium is a much more favorable product for us  
12 to produce.

13 COMMISSIONER JOHANSON: All right. Thank  
14 you for your response. Data in the staff report  
15 showed that U.S. steel production was lower in 2011  
16 than in 2006. On the other hand, U.S. ferrovanadium  
17 consumption was higher in 2011 than in 2006. Could  
18 you all explain why this was the case?

19 MR. CARTER: May I take a shot?

20 COMMISSIONER JOHANSON: Yes.

21 MR. CARTER: Thank you. Something that's  
22 significant was demonstrated by Mr. Button, and that  
23 is the intensity. A trend in not only the United  
24 States, but globally, is that the intensity of the  
25 usage in vanadium is increasing. This means the

1 amount of vanadium added per ton of steel is  
2 increasing over time.

3           It would probably be difficult to measure  
4 that increase year-by-year, but, as you noted, I think  
5 a five-year period. That would be picked up.

6           COMMISSIONER JOHANSON: Yes, Mr. Kramer?

7           MR. KRAMER: I'd simply like to add a point  
8 that Dr. Button did state, which is that while on a  
9 global basis there has been increasing intensity of  
10 vanadium use that that has not occurred in Russia over  
11 the period from 2008 to 2010.

12           COMMISSIONER JOHANSON: Mr. Carter, you  
13 stated that there is now more use of ferrovanadium in  
14 the production of steel products. Why is that the  
15 case? Is this to improve products? Are they new  
16 products?

17           MR. CARTER: Yes, it is. It's more to  
18 improve products. I think simply as I could  
19 understand, the strength of steel is improved, is  
20 increased with more addition of microalloys such as  
21 ferrovanadium.

22           I think a good example of this mechanism is  
23 usage of vanadium in what is called concrete  
24 reinforcing bar steel. The world has seen the effects  
25 in recent time of some earthquakes in the United



1 States, in Chile, in Cuba, in China, and where I would  
2 say nonstrengthened steel or mildly strengthened steel  
3 has been used earthquakes can reach maximum  
4 devastation.

5           You'll recall in China that was the case, in  
6 Chile that was the case, in Cuba. You also recall  
7 that there was a severe earthquake in the Oakland/San  
8 Francisco area some years ago and damage wasn't as  
9 extreme. The loss of life was far less. And that is  
10 because the buildings are made with stronger steel.

11           COMMISSIONER JOHANSON: Yes, Mr. Button? If  
12 you can just speak briefly as my time has expired?  
13 Thank you.

14           MR. BUTTON: Thank you, Commissioner. The  
15 information to which I referred during my testimony  
16 that I'm sourcing from, Evraz's public statement  
17 there, is that in 2008 they say the North American  
18 steel industry's average uses of vanadium per ton was  
19 .089 percent, okay? The comparable usage in the  
20 former Soviet Union CIS was .038, okay?

21           In 2010, U.S. intensity, U.S. consumption,  
22 increased by about 8 percent to .096 percent. The  
23 volume in Russia CIS did not change. In 2010, these  
24 data indicate that on the average the consumption rate  
25 in the North American market is about two and a half

1 times -- the use is about two and a half times as much  
2 vanadium per ton of steel that they make than they do  
3 in Russia. Those are the data to which I was  
4 referring.

5 COMMISSIONER JOHANSON: All right. Thank  
6 you. I found that very informative. My time has  
7 expired. Thank you.

8 CHAIRMAN ARANOFF: Commissioner Williamson?

9 COMMISSIONER WILLIAMSON: Okay. Thank you,  
10 Madam Chairman. Continuing on that line of  
11 questioning, Mr. Horgan said that they expected the  
12 use of vanadium to go up in Russia with I guess  
13 projects for the Olympics, the World Cup and things  
14 like that.

15 I was wondering if you wanted to comment on  
16 that, and also what about the use of vanadium in the  
17 United States if we're not seeming to be doing that  
18 many infrastructure projects since we can't get them  
19 funded?

20 MR. CARTER: I believe that in the most  
21 developed nations or regions such as the United States  
22 and Japan and Western Europe the levels of vanadium  
23 used per ton of steel in density is at a high level,  
24 whereas in other areas where there is not quite so  
25 much, there hasn't been as rapid a development, levels

1 of usage are not as high.

2 COMMISSIONER WILLIAMSON: Well, I guess my  
3 question is is the rate of development becoming faster  
4 in some other areas than in the U.S. going forward?

5 MR. CARTER: The rate of development, for  
6 instance, in China is very, very fast. To develop  
7 further on what I said before, in fact the Chinese  
8 Government, which steers specifications, has required  
9 that more ferrovanadium be used in construction  
10 steels, including rebar.

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. CARTER: So these things are at work  
13 against.

14 COMMISSIONER WILLIAMSON: Can you address  
15 the question in regards to Russia?

16 MR. CARTER: I don't think I can say  
17 anything specific about Russia. Sorry.

18 COMMISSIONER WILLIAMSON: Okay. Mr. Button,  
19 do you have anything?

20 MR. BUTTON: Yes, sir, Commissioner. In the  
21 Evraz prehearing brief they're focused on the  
22 expanding steel production in Russia, and they noted  
23 specifically from 2009 to 2011 it expanded by 15  
24 percent in volume.

25 COMMISSIONER WILLIAMSON: Okay.

1           MR. BUTTON: In the United States, during  
2 that same period of time U.S. steel production  
3 expanded by 45 percent or more.

4           The points that they made with respect to  
5 the Olympics and the future or other athletic events  
6 in the far distant future, I think that you would find  
7 the expectation in the United States is that, as you  
8 mentioned, infrastructure. We have a tremendous  
9 infrastructure deficit, and everyone is united in  
10 seeking to expand U.S. capital investment in its  
11 infrastructure -- highways, bridges and so forth.  
12 We're just currently trying to figure out a way to pay  
13 for it.

14           COMMISSIONER WILLIAMSON: Okay. Thank you.  
15 Ms. Lutz?

16           MS. LUTZ: I'd just like to add that the  
17 World Cup and the Olympics are one-time events that  
18 may affect demand, but it certainly doesn't represent  
19 sustained increased demand in other markets.

20           COMMISSIONER WILLIAMSON: Okay. Thank you.

21           MR. BUTTON: If I could just add?

22           COMMISSIONER WILLIAMSON: Sure.

23           MR. BUTTON: There are other sectors that  
24 are large consumers of vanadium, steel containing  
25 vanadium -- aerospace, automotive and oil tubular

1 goods in particular -- and that's one reason that the  
2 U.S. is such a premium market because there's a lot of  
3 consumption in those sectors and such a developed  
4 market.

5           But there's just not going to be expected  
6 growth in those sectors. It's pretty well saturated.  
7 So while it's a very strong and premium market, not a  
8 lot of growth projected in the near future.

9           COMMISSIONER WILLIAMSON: Thank you for that  
10 clarification. In 2008 and 2009, there were large  
11 changes in the average unit value of the industry  
12 shipments. Can you please discuss what was going on  
13 in the market in those years? I don't know if you  
14 want to do that now or posthearing.

15           MR. CARTER: I think the most direct impact  
16 is that in 2008 things went along quite nicely with  
17 the economy for a large part of the year, including  
18 steel production, which was at a very high rate, and  
19 then it literally collapsed in the final part of the  
20 year, in September or October at the end of the year,  
21 and 2009 was a devastating year for the steel  
22 industry.

23           It offered certainly not only in the United  
24 States, but globally, very low levels with the  
25 worldwide economic problems. Did I answer your

1 question?

2                   COMMISSIONER WILLIAMSON: Yes. Okay. Thank  
3 you. Why are spent catalyst used as raw materials for  
4 ferrovanadium production in the U.S., and is there any  
5 reason that slag from steel making is not used? You  
6 may have already kind of addressed this in your  
7 testimony with the environment, but maybe just --

8                   MR. CAREY: Yes. This is Dave Carey from  
9 Bear Metallurgical. The slags from steel making in  
10 the U.S. just do not contain a high enough vanadium  
11 content to be useful, whereas the steel slags in  
12 Russia in particular do contain high levels of  
13 vanadium and are prime for this type of conversion or  
14 reclamation of the vanadium

15                   COMMISSIONER WILLIAMSON: And that's true  
16 even though we seem to use more vanadium in our steel  
17 than they do?

18                   MR. CAREY: It's a function of the ore  
19 that's mined --

20                   COMMISSIONER WILLIAMSON: Okay.

21                   MR. CAREY: -- from the earth. The ore in  
22 that particular region of the world is more vanadium  
23 bearing than the ore that we're using in our steel  
24 making.

25                   COMMISSIONER WILLIAMSON: Okay. Thank you.

1 Mr. Button?

2 MR. BUTTON: Yes, Commissioner. One of the  
3 basics of the economics of the vanadium industry in  
4 Russia, as noted by Mr. Carey, is that the ore  
5 contains more vanadium. Therefore, as they produce  
6 more steel they produce more slag and that slag  
7 contains vanadium.

8 So as steel production comes up, so too does  
9 the availability of vanadium for them to use in  
10 producing vanadium pentoxide and ferrovanadium so that  
11 the supply of this material in Russia will expand with  
12 their own steel production.

13 COMMISSIONER WILLIAMSON: Okay. Thank you.  
14 Mr. Carter?

15 MR. CARTER: If I may just to develop that a  
16 bit more? Not only is it produced, but then the  
17 availability of it is there and the need to convert  
18 that downstream and actually to dispose of it rather  
19 than just sit on the money. In my view, that would  
20 motivate these folks to move it quickly via price.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.  
22 What can you tell me about American Vanadium, Inc.,  
23 which I understand is entering the vanadium market as  
24 a producer of vanadium pentoxide? What effect do you  
25 think it will have on the U.S. market and on the

1 domestic industry?

2 MR. CARTER: I could tell you I don't know a  
3 great deal beyond what is available in its published  
4 statements and on its website, although I did have a  
5 meeting a few years ago with some of its people.

6 They are convinced they have a very good  
7 production unit in Nevada. They believe it's very  
8 economical because they expect to win the vanadium  
9 units through a very cheap process which is called  
10 heap leach. They put sulfuric acid onto the pile of  
11 ore and they're going to end up in not too bad a time  
12 with vanadium pentoxide.

13 I can't evaluate the project, but they  
14 expect to have a production of 11.4 million pounds of  
15 vanadium pentoxide annually and beginning production  
16 in 2013. So if you change that number to vanadium  
17 units that's about five million pounds of vanadium.  
18 It's a lot of domestic production if things happen the  
19 way they want them to. Does that help?

20 COMMISSIONER WILLIAMSON: Yes, that is  
21 helpful. It's also helpful, the timeframe. Okay.  
22 You also mentioned what level they expect in 2013.  
23 That was helpful. Thank you.

24 Do purchasers tend to obtain ferrovanadium  
25 from more than one source at a time, and can they use



1 ferrovanadium from different source in the same steel  
2 making processes?

3 MR. CARTER: Yes, sir, they can.

4 COMMISSIONER WILLIAMSON: Okay. And do they  
5 tend to sort of say be sourcing from multiple sources  
6 at the same time?

7 MR. CARTER: Yes, sir, they do.

8 COMMISSIONER WILLIAMSON: Thank you. Okay.  
9 My time is about to expire, so thank you.

10 CHAIRMAN ARANOFF: I want to follow up on  
11 spot prices, but I wanted to ask you to go into a  
12 little bit more detail about how that works. Does  
13 that mean that contract prices adjust? How often do  
14 they adjust? What happens for an adjustment to take  
15 place? Can you explain that in a little bit more  
16 detail?

17 MR. CARTER: I'll take a stab at that if I  
18 may, Madam Chairman.

19 A contract might be established, for  
20 instance, in the current month of June. A steel  
21 company would find its price for ferrovanadium based  
22 on the average of the prior month's Ryan's notes in  
23 our case, average price, that month, so it's a monthly  
24 price. There is usually a discount applicable to that  
25 average price just as a result of competition.

1           Now, these prices are assessed twice weekly  
2 by the Ryan's Notes publication by person or people  
3 from that publication canvassing steel companies, the  
4 consumer, canvassing ferrovanadium producers and  
5 canvassing another group of folks that I might refer  
6 to as traders, those who buy ferrovanadium from one  
7 place or another and resell it. The data they gather  
8 is spot pricing. Perhaps I sold a truckload of  
9 ferrovanadium to a steel consumer at \$10 per pound  
10 ferrovanadium. I would say that I had sold that.  
11 That is a spot price reported to the publication, and  
12 it would also receive similar reports from the other  
13 people that I try to describe.

14           Then the Ryan's Notes folks assess that what  
15 they have just learned is higher or lower as compared  
16 to the last price, and then they will either leave  
17 their price for the current date unchanged or move it  
18 up or down based on the information that they  
19 received.

20           If those prices by the end of the month,  
21 there are from all of these twice weekly price a new  
22 average calculated, so, for instance, if lower prices  
23 are reported during the month of June the price value  
24 then for that month will go down, and the value for  
25 sales in July will be lower, and this would clearly be

1 impacted downward to our detriment if a lot of new  
2 imported material came in that were sold at lower  
3 prices. That's all we would -- so.

4           CHAIRMAN ARANOFF: Okay, that's really  
5 helpful. So, the way that your company uses the  
6 formula for contract prices adjustments are made on a  
7 monthly basis based on the prior month's average.

8           MR. CARTER: That's correct.

9           CHAIRMAN ARANOFF: Okay. Do you know, is  
10 that the way that other companies selling  
11 ferrovanadium in the U.S. market do it the same way,  
12 monthly adjustment?

13           MR. CARTER: I believe it is. Perhaps we  
14 could --

15           MR. CAREY: If I could add. This id Dave  
16 Carey from Bear and Gulf.

17           In the case of Gulf selling ferrovanadium to  
18 a particular customer it is based on they Ryan's Notes  
19 monthly price and a discount is applied, and that is  
20 how Gulf remains competitive in the market for the  
21 ferrovanadium sales, and it's also an example of where  
22 Evraz has been aggressive in the market, having forced  
23 Gulf to apply a more severe discount in this  
24 particular case.

25           CHAIRMAN ARANOFF: Okay. So that sounds

1 like it's about exactly the same thing that Mr. Carter  
2 was testifying to. Okay.

3           Let me switch to a different issue and go  
4 back to the incentives of the Russian industry to  
5 export ferrovanadium versus ferrovanadium pentoxide to  
6 the U.S. market. The Respondents have argued that  
7 Russian ferrovanadium pentoxide can enter the U.S.  
8 duty free under GSP whereas even if the order were  
9 revoked there are regular customs duties in  
10 ferrovanadium, and that therefore there wouldn't be  
11 incentive to export to the U.S. is different, there is  
12 a greater incentive to export the ferrovanadium  
13 pentoxide.

14           Do you have a response to that? How do you  
15 think that would affect the market in the event of  
16 revocation? Dr. Button?

17           MR. BUTTON: Yes, we have a response and we  
18 believe, as I outlined in my testimony, that there are  
19 multiple economic factors creating a revenue incentive  
20 for the ferrovanadium to come directly from Russia to  
21 the United States. First of all, the price being high  
22 and that the gap that we have seen recently expanding  
23 between the European and the U.S. price, the price  
24 premium there, that the 4 percent duty that they've  
25 described, I believe, is small with respect to the

1 size of that gap, and it would be more than made up by  
2 the price differential.

3 I've also discussed in my testimony the fact  
4 that the freight costs, things like that, frankly,  
5 they are already dealing with when they send the  
6 pentoxide over here or they ship from other sources.

7 Then balancing it would be the effect on  
8 their costs. I talked about the cost perspective  
9 because the volumes of pentoxide that are exported  
10 from Russia are very large, and they are very  
11 significant in respect to production of ferrovanadium  
12 in Russia, and so it can be anticipated that the  
13 impact of expanding the conversion of ferrovanadium  
14 pentoxide into ferrovanadium in Russia would have a  
15 meaningful effect on the spreading of the fixed costs,  
16 and that would benefit the Russian producers not only  
17 in their export sales, but on their sales in the  
18 Russian domestic market as well.

19 CHAIRMAN ARANOFF: Okay. I hesitate to get  
20 into my next question when I've got about two minutes  
21 left so I'll start it and I may have to come back to  
22 it on my next round.

23 Evraz has argued in their opening remarks  
24 and to some extent in their brief that they have  
25 adopted a regional production model and they've argued

1 that as a global company it makes sense for them to  
2 convert Petitioner pentoxide close to the final market  
3 and they give examples of how they do that in Russia,  
4 in the EU, U.S. and Canada.

5           That's a very different corporate structure,  
6 obviously, than it did at the time of the Commission's  
7 prior reviews and at the time of the 2001 quote that  
8 was in your slide talking about that they would save  
9 conversion costs by doing the conversion in Russia. I  
10 think that was before they were related to the Czech  
11 converter and certainly before they were related to  
12 other global companies in the business.

13           Can you comment on how those changes might  
14 affect the way the Commission looks at that  
15 information? Go ahead, Dr. Button.

16           MR. BUTTON: Perhaps I will begin and others  
17 can deal with that.

18           As you say Evraz's argument is basically  
19 things are different now. We will behave differently.  
20 You know, the economics are different. The economics  
21 are not different. The economics in terms of the cost  
22 of production, in terms of the pricing structure are  
23 the same. The fundamentals of why would they -- they  
24 claim, well, they even say that the Russian home  
25 market prices are high, they are higher than, you

1 know, the European prices and so forth, why would we  
2 want to expand exports.

3           We kind of pause. Well, why do they export  
4 to Europe if the home market prices are higher? I  
5 kind of doubt some of the statistics that we've been  
6 provided. You know, the fundamentals of large volume  
7 of pentoxide in Russia that they then have to ship it  
8 to multiple locations for conversion before going to  
9 the United States, that doesn't seem very economic.  
10 The revenue on the cost side points that I've made, I  
11 think, are very important.

12           This would not be the first situation when  
13 the Commission has in fact found that dumping orders  
14 have had major impacts on international trade. I  
15 believe there are more similarities with that kind of  
16 circumstances you've seen, a dumping order can be a  
17 game changer just as a revocation of this order would  
18 be a game changer.

19           CHAIRMAN ARANOFF: My time is up. I'm going  
20 to come back to this in my next round, but right now  
21 I'll turn to Commissioner Pinkert.

22           COMMISSIONER PINKERT: Thank you, Madam  
23 Chairman, and I thank all of you for being here today  
24 and helping us to understand this industry.

25           I want to begin with a question that arises

1 from some of Dr. Button's testimony concerning the  
2 access that Vanady Tula has to non-Russian supplies of  
3 vanadium pentoxide.

4 I understand your argument but why would it  
5 make sense given the structure of Evraz as has been  
6 testified to today for them to get those non-Russian  
7 supplies of vanadium pentoxide and then increase their  
8 production in the capacity to produce ferrovanadium in  
9 Russia?

10 MR. BUTTON: First of all, I don't think  
11 it's a matter of increasing their capacity. I have  
12 heard skepticism about the capacity figures that they  
13 provided. I believe they have substantial unutilized  
14 capacity, and they've got the vanadium pentoxide  
15 volumes already in Russia, okay, and that's where they  
16 are, and then they are exporting them to other markets  
17 for conversion into ferrovanadium. So, the economics  
18 say we've got the vanadium pentoxide in Russia. Why  
19 don't we convert it here and export it to the United  
20 States? And that's kind of the issue, I think.

21 COMMISSIONER PINKERT: So that vanadium  
22 pentoxide is Russian vanadium pentoxide or is it non-  
23 Russian?

24 MR. BUTTON: It is Russian. It is Russian,  
25 as noted a couple of points. One is, the Russian



1 steel industry produces with an iron ore that has a  
2 relatively high vanadium content, thus the slag has  
3 relatively high vanadium content, and that slag then  
4 becomes the raw material from which they then produce  
5 the vanadium pentoxide. There are metal values in  
6 that slag. So for every additional ton of Russian  
7 steel produced they are making more slag that contains  
8 the vanadium values, unit value. So, it is there.

9           Currently they are exporting that vanadium  
10 pentoxide out of Russia, and as shown in the slide,  
11 the last of our slides, slide number six, you know,  
12 that volume has gone up. Would you please put up six?  
13 And that in the 2010-2011 period their exports from  
14 Russia of Russian vanadium pentoxide are at their  
15 highest levels. I think the economics suggest that  
16 those will be in the absence of an order converted  
17 into finished ferrovanadium and exported to the United  
18 States.

19           COMMISSIONER PINKERT: Mr. Kramer.

20           MR. KRAMER: Vanady Tula has facilities that  
21 are designed to produce vanadium pentoxide from their  
22 raw material and then convert the pentoxide to the  
23 final product, ferrovanadium. And they have simply  
24 made a business decision to effectively idle a large  
25 portion of their conversion capacity, instead export

1 the vanadium pentoxide to the United States or to  
2 third countries, and much of that total volume then  
3 gets converted into the finished product either in the  
4 United States or third countries. So, they have  
5 simply, you know, demonstrating this flexibility that  
6 counsel for Evraz cited. They have simply  
7 reconfigured in the face of the order a way to get the  
8 final product into the U.S. market which for the  
9 reasons Dr. Button has explained, you know, without  
10 incurring additional costs that could be avoided by  
11 doing the finished -- producing the finished product  
12 in Russia and exporting it to the United States  
13 directly.

14 COMMISSIONER PINKERT: So then we're not  
15 talking about non-Russian origin vanadium pentoxide,  
16 just to be clear about that?

17 MR. KRAMER: That is correct.

18 COMMISSIONER PINKERT: Okay. Now my next  
19 question has to do with unit costs for the domestic  
20 industry, and without getting into any business  
21 proprietary information I just want you to comment on  
22 the trend from 2010 to 2011. What drove the unit  
23 costs from 2010 to 2011?

24 MR. KRAMER: We'd like to address that in  
25 the post-hearing submission.

1           COMMISSIONER PINKERT: Certainly. Thank  
2 you.

3           The next couple of questions may also  
4 require a comment in the post-hearing. Looking at the  
5 price graph in Figure V-1 of the staff report it looks  
6 like ferrovanadium pricing may track energy pricing  
7 over that period. Is this true? And if it's true,  
8 what does it tell us more generally about the market?

9           MR. BUTTON: Commissioner, if I can respond.  
10 That exhibit is proprietary so the companies  
11 themselves can't see it. What I can say looking at it  
12 is that I believe what you will see is the -- it is  
13 more a reflection of what happened, the macro economy  
14 and demand broadly than it is steel.

15           I think what you have is co-correlation  
16 here. You've got both energy prices as well as the  
17 prices for some of these products being associated  
18 with overall demand and steel production. Although I  
19 think that respect to Bear, you know, they have their  
20 own comments about the impact of energy prices on  
21 their production given that it's, I believe,  
22 endothermic itself and doesn't require a lot of energy  
23 to make. I think here what we're looking at is  
24 something more related to overall demand, but let me  
25 ask Dave Carey to do that.

1 MR. CAREY: That's correct. Our process  
2 would be independent of the energy. I pushed it back,  
3 I'm sorry.

4 Yes, our process would be independent of the  
5 energy prices as Ken suggested being exothermic  
6 reaction, developing its own energy would not factor  
7 in.

8 COMMISSIONER PINKERT: Thank you. How do  
9 you respond to the argument that the trend in sales  
10 from Russia to the European Union is a kind of natural  
11 experiment that helps us to understand what is likely  
12 to happen in the United States in the event of  
13 revocation because there are no antidumping duties  
14 applied by the EU to the Russian product?

15 MR. BUTTON: Commissioner, could you explain  
16 a little bit what you're referring to in terms of the  
17 natural experiment aspect of the question?

18 COMMISSIONER PINKERT: Well, in other words,  
19 the argument is that with the exports from Russia to  
20 the EU tailing off over the past several years that's  
21 not the result of barriers to entry, that's a result  
22 of increased focus by the Russian producers on the  
23 internal market and the closer markets than the EU.

24 So, if that's true, then why wouldn't that  
25 also apply to exports to the United States?

1 MR. BUTTON: I understand now. Thank you.

2 I would refer, at least in the first  
3 instance, to Exhibit 6 here. If you look at 2010 and  
4 2011, you see the decline in Russian ferrovanadium  
5 exports. In 2009, there was -- we are already seeing  
6 a recession related decline from 2008 to 2009, but the  
7 big drop in 2010 and 2011.

8 What in fact seems to be more associated is  
9 the next line below it, is what happened to those  
10 vanadium values. Those vanadium values seem to be  
11 more focused on exports in pentoxide form rather than  
12 ferrovanadium, so it was -- so they were exporting it.  
13 It went out of Russia to perhaps the Czech Republic  
14 where it was then converted.

15 So, our view is that what we see from the  
16 European experience is two elements of it. One is the  
17 decline in the attractiveness of the European market  
18 which suggests there is an increased attractiveness in  
19 the U.S. market. Then secondly, that part of the  
20 decline on the European market in terms of exports of  
21 finished ferrovanadium is that, in vanadium 2 that  
22 chose instead to expand its exports of pentoxide.

23 MR. MCPHIE: Just to expand on that a bit,  
24 emphasize the fact that the converter in the Czech  
25 Republic is an affiliate, it's a part of the Evraz

1 group, so they are not paying a tolling fee to an  
2 unrelated entity. They are not losing all of those  
3 profits. That's a big difference between the European  
4 market for them and the United States market.

5 COMMISSIONER PINKERT: Thank you. For the  
6 post-hearing I would like for you to comment on the  
7 netback calculations in Exhibit 8 to Evraz's brief.

8 MR. KRAMER: We will do so, Commissioner.

9 COMMISSIONER PINKERT: Thank you. Thank you  
10 very much.

11 CHAIRMAN ARANOFF: Commissioner Johanson.

12 COMMISSIONER JOHANSON: Thank you, Madam  
13 Chairman.

14 At page 14 of the Bear/Gulf brief,  
15 prehearing brief, it states that although A&G and Bear  
16 produce ferrovanadium in different grades there is no  
17 price premium for a higher grade. I'm wondering why  
18 that is the case. Yes, Mr. Carey.

19 MR. CAREY: This is Dave Carey from Bear.

20 Essentially the pricing of ferrovanadium is  
21 based on the content of the vanadium in the  
22 ferrovanadium. So it's really not relevant if it's a  
23 40 percent grade, then the price is based on that 40  
24 percent of vanadium content. If it's the 80 grade  
25 material, it's based upon the 80 percent content. The

1 grade is really a naming misnomer. It's not really a  
2 better or lesser quality product. It's merely stating  
3 the content of the vanadium.

4 COMMISSIONER JOHANSON: Yes, Mr. Button or  
5 Mr. Carter?

6 MR. CARTER: I would simply second that.  
7 Pricing is based on the amount of vanadium contained  
8 in the respective alloys. Per unit vanadium  
9 contained, so it doesn't matter what the content is to  
10 change the price.

11 COMMISSIONER JOHANSON: Okay.

12 MR. CARTER: May I just say this?

13 COMMISSIONER JOHANSON: Yes.

14 MR. CARTER: In general terms, the two  
15 products are acceptable in the steel industry, so it's  
16 a matter of which is the lower price is going to make  
17 the purchasing, be the purchasing determinant.

18 COMMISSIONER JOHANSON: All right. Yes, Mr.  
19 Button.

20 MR. BUTTON: Commissioner, perhaps it would  
21 be useful to note that the 40 percent product is 40  
22 percent vanadium and then 60 percent iron. Eighty  
23 percent produce is 80 percent vanadium and 20 percent  
24 iron. So, they are paying for -- I mean, they are  
25 putting it in an iron bath, so what they're getting

1 basically is -- they are getting, in essence, free  
2 iron. What really counts to them though is the  
3 vanadium molecules. That's why you pay for the  
4 vanadium content and you don't pay a lot of attention  
5 to the amount of additional iron that is there since  
6 you're adding it to a product -- to a vat that's --  
7 excuse me, a melt which is iron.

8           MR. CARTER: Just as a point of  
9 clarification, let us say that the product of AMG  
10 vanadium contains 55 percent V. We're burdened with  
11 this 40 percent label from our ancient history. The  
12 product is 55 percent contained vanadium.

13           And it also should be borne in mind that  
14 ferrovanadium and ferroniobium and ferromolybdenum and  
15 the like belong to a category of ferro alloys called  
16 micro alloys. They are added to steel in very small  
17 quantities. So, the amount of vanadium in the varying  
18 grades of ferrovanadium isn't consequential.

19           MR. KRAMER: To further clarify what Jim  
20 said, because these are minuscule percentages that are  
21 added to steel you're adding a minuscule percentage of  
22 additional iron if you use the 55 percent material.

23           COMMISSIONER JOHANSON: All right, and just  
24 to nail this down for me. So there is no advantage or  
25 disadvantage to using higher grade or lower grade



1 ferrovanadium?

2 MR. CARTER: In a general sense, no. Always  
3 focus or the purchaser has his -- what is it we say?  
4 He pays his money so he takes his choice. If he  
5 perceive other reasons it could in fact change his  
6 mind, but generally we should think that price is the  
7 determinant in the selection of the product and  
8 certainly the supplier.

9 COMMISSIONER JOHANSON: All right. Thank  
10 you for your responses.

11 How do you all expect the opening of the  
12 Windimurra facility in Australia to affect the market  
13 and how about the American vanadium facility in  
14 Nevada?

15 MR. CARTER: To take a stab, generally we  
16 believe that the global market is about balanced as we  
17 go. For the future the Windimurra facility represents  
18 substantial new production that may come on-stream as  
19 does the American vanadium. In addition, there are  
20 other projects being explored and likely -- may or may  
21 not be developed throughout the world.

22 In addition, there are new applications and  
23 applications that are developing. You will have read  
24 frequently about vanadiums potential in energy storing  
25 batteries and other types of projects for that. The

1 projections for vanadium consumption by non-steel  
2 applications are almost staggering, depending on what  
3 you want to believe. So, there would be growth of  
4 vanadium production. I think there will be, and there  
5 will likely be considerable growth of consumption as  
6 well to say nothing about the increasing steel --  
7 vanadium intensity in steel globally.

8 COMMISSIONER JOHANSON: All right. I thank  
9 you for your answer.

10 My next question concerns -- the staff  
11 report cites in April 2012 American Metal Market  
12 Report that states that the U.S. vanadium market may  
13 be developing in a two-tiered pricing structure in  
14 which South Korean products sell at approximately \$14  
15 a pound while product from other sources sells at  
16 higher prices.

17 Are you all familiar with this article and  
18 can you perhaps comment on it? Yes, Mr. Carter.

19 MR. CARTER: I have read that article. I'm  
20 not the source of the information to the American  
21 Metal article. Somehow they have concluded that low  
22 priced sales of ferrovanadium made in the United  
23 States were of Korean origin, and that may be true. I  
24 can't prove that. I can tell you those are not our  
25 sales at all. We know that clearly Korean-produced

1 ferrovanadium is in the market. It's sold by traders  
2 who feel they have less of a stake in the business.

3 Sometimes these folks sell in different  
4 markets so they look at the United States and see they  
5 can sell at \$14 and compare that to what they might be  
6 able to do elsewhere at a lower price.

7 So, I'm not sure what the impact of this  
8 word "Korean" has on it, but there are lower price  
9 sales and we know there are higher price sales.

10 COMMISSIONER JOHANSON: All right, thank  
11 you.

12 MR. CARTER: I addressed your question?

13 COMMISSIONER JOHANSON: Yes, you did. Thank  
14 you, Mr. Carter.

15 And I think this is probably my last  
16 question just due to the lack of time, but this is a  
17 question for, I assume, Mr. Carey is probably the best  
18 person to answer this. Could you please describe the  
19 total relationship between Stratcor and Bear, and in  
20 doing so could you discuss whether or not anything has  
21 changed since Evraz acquired Stratcor?

22 MR. CAREY: Bear Metallurgical has had a  
23 tolling relationship with Stratcor in the past for  
24 conversions of a product called V203, which is a  
25 similar to V205, and they have ceased producing the

1 V203 so our relationship has somewhat declined a  
2 little bit, but not as a result of their affiliation  
3 with Evraz.

4 COMMISSIONER JOHANSON: All right. Well,  
5 thank you for your responses. I only have about 25  
6 seconds left so I assume I shouldn't ask one more  
7 question, but I do appreciate you all appearing here  
8 today. Thank you.

9 CHAIRMAN ARANOFF: Commissioner Williamson.

10 COMMISSIONER WILLIAMSON: Okay. Mr. Carey,  
11 following up on Commissioner Johanson's last question,  
12 is the Stratcor/Bear relationship based on contractual  
13 obligations of a year or more or can they be modified  
14 or terminated by either party in less than a year?  
15 And if you want to answer post-hearing, you can.

16 MR. CAREY: The contracts that Bear has with  
17 most of its tollees are one year in length, and are  
18 renewed on an annual basis.

19 COMMISSIONER WILLIAMSON: Okay, thank you.

20 Commissioner Johanson had asked earlier  
21 about multiple product on shared equipment, and I  
22 think, particularly Bear indicated they can shift  
23 fairly quickly, and I was just wondering how do you  
24 allocate available capacity among different products?  
25 You sort of implied that the ferrovanadium is more

1 profitable.

2           MR. CAREY: Yes. It's based on contractual  
3 requirements established at the beginning of the year  
4 for market projections, so it's purely market driven.  
5 If the availability of tollees that want to do  
6 vanadium exceeds molybdenum, then obviously our  
7 mixture would be higher in vanadium than molybdenum  
8 but it's driven by the tolee's desire to do the  
9 conversions with us.

10           COMMISSIONER WILLIAMSON: Okay. And I guess  
11 because if you do say yearly contracts you have to  
12 make some kind of prediction at the beginning of the  
13 period.

14           MR. CAREY: Absolutely, and that's through  
15 discussions and taking a look at the market and  
16 discussions with the tollees, what their intentions  
17 would be and then we would set up our plant production  
18 schedule for the year.

19           COMMISSIONER WILLIAMSON: Thank you. Mr.  
20 McPhie, I think you mentioned something about you  
21 thought that the mayor for OCTG or maybe some of the  
22 other non-construction uses for ferrovanadium would --  
23 you didn't see it as quite bright, or not being very  
24 good, and I was wondering what you're basing that on,  
25 if you have anything you want to give us at the

1 hearing on these bases for these forecasts.

2 MR. MCPHIE: Sure. Those are views of the  
3 marketing people at Gulf. I can see if we have  
4 anything more specific to add to our post-hearing  
5 brief on that point.

6 COMMISSIONER WILLIAMSON: Yes, particularly  
7 in regards to energy demand.

8 MR. MCPHIE: Absolutely.

9 COMMISSIONER WILLIAMSON: Okay, thank you.

10 I'm not sure if this has been asked yet.  
11 Non-subject imports have been substantial over the  
12 period of review. If the order were revoked would any  
13 imports from Russia be likely to be mostly displaced  
14 by these non-subject imports?

15 MR. KRAMER: Commissioner, Russia through  
16 its exportation of the semi-finished product of  
17 vanadium pentoxide to third countries, and then  
18 conversion of that material into ferrovandium and  
19 shipping to the United States accounts for a large  
20 percentage of the non-subject imports. So, for the  
21 reasons we have explained we think that if the order  
22 were revoked, they would revert to shipping directly  
23 from Russia and non-subject imports would decline.

24 COMMISSIONER WILLIAMSON: Okay. I know this  
25 gets to Chairman Aranoff's question about this

1 corporate strategy of the local production and you  
2 seem to indicate that the economics of the  
3 ferrovanadium sales would override that, so you might  
4 have the multi-national corporate strategy and want to  
5 do things locally, you're saying the economics of this  
6 situation overrides that. Is that the point we're  
7 making here?

8 MR. BUTTON: That is certainly an element of  
9 it. The U.S. market was very important in the  
10 nineties to the production coming out of that plant.  
11 They're prevented from shipping to the U.S. market.  
12 The U.S. market is among the most attractive in the  
13 world.

14 Now, we're being told that, well, there is a  
15 corporate strategy where we don't need to address --  
16 supply that most important highest price market in the  
17 world from Russia. We can do it from other locations,  
18 and it's not because of the order.

19 Now, we believe it is probably because of  
20 the order, and that the various incentives, be they on  
21 the production cost side or on the revenue side, would  
22 drive them to shall we say address the new reality if  
23 this order were revoked.

24 COMMISSIONER WILLIAMSON: Okay.

25 MR. BUTTON: Suddenly the economics, the

1 relative economics among the various elements of the  
2 Evraz global set of entities would change, so we think  
3 things would change.

4           COMMISSIONER WILLIAMSON: Okay. So how do  
5 you respond to their argument that if you take a look  
6 at their -- I guess they're not shipping to Canada or  
7 anyplace else in North America, and there are no  
8 restriction, there are no orders on their exports to  
9 Canada or I guess anywhere else in North America.  
10 They are not shipping anything north since 2007, so  
11 doesn't that support their contention that they are  
12 doing this local strategy?

13           MR. BUTTON: Well, we can respond more in  
14 the brief based on the confidential data, but I do  
15 think that the U.S. market is where the big action is,  
16 and this is where the growth has been, the growth is  
17 going to be, and what we -- we think that the -- you  
18 know, there has been a change in the names, the  
19 underlying economics haven't changed other than the  
20 fact of the order, whether you're talking about new  
21 shipments, you know, through Czechoslovakia or  
22 shipments to Canada, the fundamentals are that they  
23 have chosen to export pentoxide when they could have  
24 kept it in Russia and exported ferrovanadium, but why  
25 wouldn't they do that? And we think it's primarily



1 because they can't send it to the U.S. directly.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. BUTTON: Then with that inhibitor  
4 removed if the order were revoked, then suddenly the  
5 patterns that we see in this table would change, that  
6 they would in fact find it economically very  
7 advantageous to reduce their exports of pentoxide and  
8 to expand their direct exports of ferrovanadium.

9 COMMISSIONER WILLIAMSON: I'm not sure about  
10 the relative demand in Mexico or Canada for the  
11 product. I mean, it may be that those markets are so  
12 small relative to the U.S. market that the orders in  
13 the U.S. drive demand, but if it's not the case, how  
14 would you address that?

15 MR. CARTER: The American market, the United  
16 States market is much larger than that of Canada or  
17 Mexico.

18 COMMISSIONER WILLIAMSON: Yes. We often  
19 talk about it as an end grade of market, but Canadians  
20 always think so. Is this situation -- you're saying  
21 that the market is so integrated that what you do to  
22 the U.S. -- what your strategy is for the U.S. market  
23 is going to drive your strategy for the North American  
24 market?

25 MR. CARTER: I'm not sure what their

1 strategy would be, to be honest.

2 COMMISSIONER WILLIAMSON: Okay. They've  
3 announced on. You told us. I'm trying to figure out  
4 the credibility of the statement.

5 MS. LUTZ: I'm sorry. One factor is that  
6 the U.S. has orders against Russia, China and South  
7 Africa, which is what contributes to prices being much  
8 higher here than in other markets. Canada and Mexico  
9 are not protected and do not have such high prices, so  
10 there would be less incentive to ship to those  
11 markets.

12 COMMISSIONER WILLIAMSON: Okay.

13 MS. LUTZ: And by toll converting in other  
14 places Evraz has the flexibility to ship whatever they  
15 produce there to the U.S. They may end up shipping  
16 some of it elsewhere but they maintain that  
17 flexibility to ship it to the highest price market in  
18 the world.

19 COMMISSIONER WILLIAMSON: Okay, thank you.

20 Mr. Kramer?

21 MR. KRAMER: If you look at their actual  
22 conduct during the period of review, the market in  
23 which they're focused in the United States market, a  
24 very large portion of, you know, their output, it  
25 happens right now, their pentoxide ends up in the

1 United States market. That's the focus. That's a  
2 part of the reason why you don't see it in these other  
3 markets.

4 The only other point I'd like to make is  
5 that counsel for Evraz said in his opening statement  
6 that the current arrangement is how Evraz likes to  
7 organize, you know, it's sales, and that it  
8 rationalizes production so that it can make the most  
9 money.

10 Well, that's exactly what we're concerned  
11 about; that if the order is revoked that they will  
12 rationalize it in a way that we think the evidence  
13 shows would lead them to export directly from Russia.

14 COMMISSIONER WILLIAMSON: Okay. Well, thank  
15 you for those comments. I was looking at Mr. Horgan's  
16 face back there and I wanted to give you a chance to  
17 make your arguments now, and thank you. If there is  
18 anything post-hearing you want to address on this, we  
19 would appreciate it. Thank you. And my time is  
20 expiring.

21 CHAIRMAN ARANOFF: A number of people have  
22 talked about the U.S. being the highest priced market  
23 in the world or at least a high priced market relative  
24 to other markets. Why is that? Is that because of  
25 the antidumping duty order or are there other reasons?

1           MR. BUTTON: Well, I'll begin and let the  
2 company representatives go on. One is you have three  
3 antidumping orders protecting this market from other  
4 sources. Two, you have a large steel market. We've  
5 had more robust recovery so far than a number of the  
6 others, certainly compared to Europe, and the  
7 expectations there is not going to be great. That's  
8 one of the reasons that the gap is expanding.  
9 Additionally is that the intensity of use in the U.S.  
10 market makes sales to particular customers, you know,  
11 they will buy more from you per ton of steel than if  
12 you're selling it somewhere else. All these add to  
13 the U.S. market's attractiveness. Let me turn to  
14 others.

15           MR. CARTER: I think Dr. Button covered it.

16           CHAIRMAN ARANOFF: Okay, because it seems  
17 like the U.S. market as many sellers. There are a  
18 number  
19 of -- all of Bear's customers who are taking the  
20 converted product and selling it, plus what AMG is  
21 making, plus you've indicted they are traders in the  
22 active market. Those would all tend to be forces that  
23 would bring prices down and make the market more  
24 competitive.

25           So, if I heard you correctly, it's the

1 orders and then the intensity of the use of  
2 ferrovanadium. Was there another reason that I  
3 missed?

4 MR. BUTTON: What you're asking is we're  
5 differentiating the U.S. market from other markets.

6 CHAIRMAN ARANOFF: Right.

7 MR. BUTTON: Okay. And the things that are  
8 different. I mean, sellers can sell just about  
9 anywhere, except Russia, China and South Africa can't  
10 easily sell into the United States. So what  
11 differentiates the U.S. market and their pricing  
12 environment is the things I mentioned. You know, the  
13 protection.

14 In other words, the number of sellers in the  
15 U.S. market is lower than it is elsewhere such as in  
16 Europe. You know, the intensity of use is higher and  
17 the expansion in demand and actual consumption in  
18 recent years has been higher, so those things I do  
19 think differentiate the U.S. market from others.

20 CHAIRMAN ARANOFF: Okay.

21 MS. LUTZ: And just to add, Russia, China  
22 and South Africa are the three largest producers of  
23 vanadium in the world, and I think they account for  
24 more than 60 percent of world production, so that's a  
25 pretty significant portion that you're cutting out of

1 the U.S. market.

2           CHAIRMAN ARANOFF: Okay. I'm going back to  
3 the theme that I was touching on at the end of my  
4 first round of questions, and essentially as at least  
5 counsel are aware the Commission has had some sunset  
6 reviews where we've looked at the issue of respondents  
7 that have become part of the global companies with  
8 regional production strategies, and in some cases we  
9 found that to be a basis for revocation because we've  
10 said they didn't have the incentive to ship volumes of  
11 product into the U.S. market at prices that would harm  
12 investments that they made in the U.S. market  
13 directly.

14           So, Evraz does have an affiliate in the U.S.  
15 market and I wanted to ask for your views on whether  
16 that relationship, the relationship with Stratcor, in  
17 particular, how that would affect the incentive of  
18 Evraz to send product into the U.S. either in large  
19 quantities or at low prices?

20           MR. KRAMER: I'd like to speak to two points  
21 and let Dr. Button further elaborate.

22           One difference is that in this case they  
23 have not established production facilities from raw  
24 material through final product in these other markets.  
25 They are having -- they are only having the final

1 conversion step performed in many instances by a toll  
2 converter so this is not an investment in a large  
3 permanent facility. It's either paying somebody by  
4 contract to do the final conversion step.

5           The second point is that in doing that they  
6 have taken their own integrated production operation  
7 in Russia and idled, you know, their ability to  
8 process -- do much of the processing into the finished  
9 product, so that by shifting back to the way in which  
10 they originally did it they would achieve the cost  
11 savings and greater profitability that we've  
12 described, so it's not similar to these other  
13 situations.

14           CHAIRMAN ARANOFF: But wouldn't you agree  
15 that if substantial quantities of Russian product at  
16 low prices came into the U.S. market and drove down  
17 U.S. prices, that would be to the detriment of  
18 Stratcor?

19           MR. CARTER: You know, I don't believe  
20 Stratcor makes much vanadium in the United States.  
21 For quite some long time they have made it clear to  
22 the markets that the production of their Arkansas  
23 facility is dedicated, if not completely, to its  
24 majority amount to the higher value-added products.  
25 These include vanadium aluminum for the titanium

1 industry, and vanadium chemicals for another industry.  
2 They have said that that will be their focus as  
3 Stratcor, and I believe that is the case until this  
4 time.

5 MR. MCPHIE: And that's consistent with Bear  
6 and Gulf's views as well. In fact, that's why Evraz  
7 currently converts its V2O5 into ferrovanadium at Bear  
8 and pays a tolling fee to do so rather than doing it  
9 at Stratcor, because Stratcor just simply is not in  
10 that business.

11 CHAIRMAN ARANOFF: Dr. Button? Put your  
12 microphone on.

13 MR. BUTTON: I apologize.

14 I believe you alluded to other sunset review  
15 proceedings in which there have been changes in the  
16 perspective or the strategy that was perceived with  
17 them. In particular, I think perhaps Russian  
18 magnesium might be one which I understand has been  
19 cited by Evraz in its brief.

20 One of the things I would like to point out  
21 that clearly differentiates this circumstance from  
22 that in the Russian magnesium case is apparently  
23 prominent in the Russian magnesium case was the  
24 reduction in the availability -- the Commission's  
25 perception of an reduction in the availability of the



1 raw material, input materials for the Russian industry  
2 to make magnesium. In fact, the Commission in its  
3 determination said moreover one of the Russian  
4 producers is AVISMA has been hampered by a shortage of  
5 connolite, the raw material that is used in magnesium  
6 production, and then it went on to note that as  
7 support of this AVISMA's connolite supplier suffered a  
8 massive mine collapse for which it has not recovered,  
9 and that one of its other suppliers shut down it's  
10 connolite raw material production facilities and was  
11 no longer able to supply the raw material.

12           So, in that case you had the Russian  
13 magnesium industry deprived from your point of view of  
14 the raw materials to make the product, they couldn't  
15 do it.

16           This situation in terms of ferrovandium  
17 you've got Vanady Tula, the Russian industry flush  
18 with pentoxide, so much so that they are exporting it.  
19 Now, they have plenty of it available and they have  
20 elected to not use currently available production  
21 capacity to convert that pentoxide into ferrovandium  
22 and instead have chosen to export it. I believe you  
23 would find these two cases different.

24           MS. LUTZ: I would also like to add that the  
25 choice to ship this vanadium pentoxide to other

1 countries didn't start when Evraz acquired Vanady  
2 Tula. They were doing that at the time of the first  
3 sunset review.

4           CHAIRMAN ARANOFF: Okay. I appreciate those  
5 answers. I have two further questions that I think  
6 would be for post-hearing briefing.

7           The first is I know we have had some  
8 discussion today about the argument by the Russian  
9 producer that they can earn a better total netback by  
10 selling in the Russian market, and so I wanted to ask  
11 you to comment specifically on the netback analysis  
12 that they have at page 25 of their prehearing brief  
13 which purports to show that it's more profitable to  
14 sell in the home market. So if there are any  
15 particular aspects of that analysis that you would  
16 like to respond to, that will be helpful post-hearing.

17           And my second question for post-hearing,  
18 several of my colleagues have asked questions about  
19 this new American vanadium facility that is coming  
20 online. If there is anything that any of the parties  
21 can add about whether any decisions have been made  
22 about who is going to be converting that -- American  
23 vanadium pentoxide into final product and where that  
24 conversion is going to take place that would be  
25 helpful if you could put that information on the

1 record.

2           With that I don't have any further  
3 questions. I do want to thank everyone on this panel  
4 and I will turn to Commissioner Pinkert.

5           COMMISSIONER PINKERT: Thank you. I just  
6 have a couple of follow-up questions.

7           Concerning the vulnerability of the domestic  
8 industry, should we be looking at the entire period --  
9 profitability, return on investment and so forth -- in  
10 order to evaluate whether or not the domestic industry  
11 is vulnerable?

12           MR. BUTTON: Well, the perspective -- there  
13 are some legal aspects to it, but as an economist the  
14 perspective that the Commission I think could best  
15 take would be the timeframe that gives you the best  
16 indicator is what would happen to the domestic  
17 industry if the order were revoked, and you can look  
18 at the history from two points of view. One is what  
19 things were like, you know, soon after -- approximate  
20 to the time the dumping was taking place, and you can  
21 see the injury that occurred. More currently what  
22 you're seeing is the industry where it is benefitting  
23 from the presence of the orders but is currently  
24 recovering from a massive recession.

25           So, if you look at the indicators I believe

1 what you will find is the current, such as steel  
2 production or other indicators, you will find that the  
3 U.S. industry is not doing as well as it used to, and  
4 therefore it could be doing better, and in that  
5 respect it would be viewed as vulnerable.

6           And then we take what happened during the  
7 initial periods of investigation, the original period.  
8 You know, there you would find instruction from  
9 history as to what the impact of the dumped imports,  
10 you know, could do to these companies.

11           Counsel suggests I also note that the  
12 conditions of competition have not fundamentally  
13 changed since the original investigation, so those as  
14 they operated in the original investigation reflecting  
15 how the dumped imports had their negative effects,  
16 those conditions of competition would continue to be  
17 relevant today.

18           COMMISSIONER PINKERT: Thank you. And  
19 finally, how important is it in making a determination  
20 about continuation or recurrence of material injury in  
21 this case for us to evaluate the substitutability of  
22 ferrovanadium and nitrided vanadium?

23           The reason I ask the question is because I  
24 think if you look at the staff report it's not  
25 entirely clear what the answer to this question is, so

1 do we need to resolve that issue?

2 MR. CARTER: Commissioner, I must confess I  
3 don't know how absolutely to direct that response. I  
4 don't know what to say.

5 MR. BUTTON: Could you restate the question?

6 COMMISSIONER PINKERT: The two products that  
7 I'm talking about are ferrovanadium and nitrided  
8 vanadium, and there is some question about whether the  
9 products are perfectly substitutable. So, perhaps you  
10 can comment on that or tell me whether we even need to  
11 resolve that question.

12 MR. CARTER: I must confess I don't recall  
13 the nature of the Russian nitrided vanadium. We  
14 haven't seen it for a long time. I don't think -- I  
15 don't know that they would be completely  
16 substitutable. What's more this becomes a matter of  
17 what the consumer perceives as well.

18 If I were the consumer, I don't think I  
19 would want to have that extra nitrogen in the steel  
20 unless I were producing a product in which I wanted  
21 nitrogen and I had confidence that that particular  
22 material would deliver the right nitrogen vanadium --  
23 shall I say in the right form to me, and I don't know  
24 if that was ever established before. I just don't  
25 have the -- some people might find it really is not

1 effective as a nitrided vanadium alloy. That's a big  
2 thing there, is it as effective as that or do we just  
3 buy it and use it anyway and the nitrogen will blow  
4 away, not conduct. Sorry.

5 MR. KRAMER: May we supplement our answer on  
6 that in the post-hearing submission?

7 COMMISSIONER PINKERT: Absolutely. Thank  
8 you very much. I have no further questions for the  
9 panel.

10 CHAIRMAN ARANOFF: Are there any further  
11 questions for this panel? Do the staff have any  
12 questions for this panel?

13 MR. CORKRAN: Douglas Corkran, Office of  
14 Investigations. Thank you, Madam Chairman. The staff  
15 have no additional questions.

16 CHAIRMAN ARANOFF: Those in opposition to  
17 the continuation of the orders have any questions for  
18 this panel?

19 MR. HORGAN: No, Commissioner.

20 CHAIRMAN ARANOFF: Thank you.

21 All right, it was a close call because we're  
22 finishing up before noon, but close enough so we're  
23 going to take a lunch break and return at 1:00. I  
24 need to remind everyone that this room is not secure.  
25 Please take any confidential information with you as

1 well as anything yo consider valuable and we will  
2 stand in recess until 1:00.

3           (Whereupon, at 11:55 a.m., the hearing in  
4 the above-entitled matter was recessed, to reconvene  
5 at 1:00 p.m. this same day, Thursday, June 21, 2012.)

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1 sales of vanadium and related alloys in the North  
2 American steel and other vanadium markets throughout  
3 my career. The 2006 acquisition of Stratcor in the  
4 United States marked the entrance of Evraz into the  
5 vanadium business. From 2007 through 2009, Evraz  
6 acquired High Valve Steel and Vanadium in South  
7 Africa, Vanady-Tula, a Russian producer of vanadium  
8 pentoxide and ferrovanadium, and Nikom, a  
9 ferrovanadium producer in the Czech Republic. I'd  
10 like to note these dates are important when you're  
11 looking at the last 15 years. We're talking just  
12 recently that Evraz has acquired these assets, and  
13 know this is important when you're looking at the  
14 control of where this material is destined.

15           After its purchase by Evraz, Stratcor  
16 continued its business in the United States with  
17 little change from past practices. Stratcor supplies  
18 U.S.-produced vanadium alloys for the titanium  
19 industry, U.S.-produced vanadium oxides and vanadium  
20 chemicals to the chemical industry, and we also  
21 converted our U.S.-produced V2O5 and V2O3 to  
22 ferrovanadium at Bear Metallurgical in Butler,  
23 Pennsylvania.

24           Stratcor has a longstanding tolling  
25 relationship with Bear Metallurgical, going back to

1 the days when Bear was first formed as a company in  
2 1990. Stratcor aligned its ferrovanadium production  
3 with Bear in 1991 when Stratcor closed its own  
4 ferrovanadium production facilities in Niagara Falls,  
5 New York in favor of a tolling conversion relationship  
6 utilizing Bear's conversion facilities in Butler.

7 I would like to note also that since its  
8 beginning, Stratcor has had ongoing contracts with  
9 Bear of five year contracts, not one year. Recently,  
10 they have been one year, but from the beginning, there  
11 were a number of five year contracts that changed only  
12 based on discussions on volumes, if you will.

13 After taking over Vanady-Tula and Nikom,  
14 Evraz sought to optimize its vanadium business,  
15 including its production and distribution chain.  
16 Evraz implemented a business model that calls for  
17 Vanady-Tula to export vanadium pentoxide to tollers  
18 located in various markets around the world, including  
19 the United States, western Europe and Canada, where  
20 the vanadium pentoxide is converted to ferrovanadium  
21 for sale to steel customers in those markets.

22 In the U.S., Evraz decided to exploit the  
23 strong relationship that Stratcor had over the years  
24 with Bear Metallurgical by importing the Tula V205  
25 into the United States to be converted to

1 ferrovanadium at Bear Metallurgical rather than having  
2 this V2O5 converted in the Czech Republic, the  
3 strategy employed by Vanady-Tula's previous owners.

4           About the same time, Stratcor significantly  
5 reduced its own shipments of V2O5 to Bear,  
6 concentrating almost exclusively on selling its  
7 products into the specialty vanadium chemical and  
8 titanium markets. In essence, we, as a group now,  
9 replace what Stratcor out of its Hot Springs  
10 production was sending to Bear with what Evraz, as a  
11 corporation, or as a group, would be able to supply.  
12 One of the reasons for that is the purity of the oxide  
13 produced in Hot Springs is the highest in the world  
14 and can be used in very specialty-type higher margin  
15 vanadium products.

16           Vanady-Tula concentrates its production and  
17 sale of ferrovanadium on the Russian market. Tula has  
18 significantly reduced its ferrovanadium exports to  
19 Europe, and the limited volume of exports that are  
20 made are to geographically proximate Ukraine. Rather,  
21 Evraz sales of ferrovanadium for the EU market are  
22 produced locally by Nikom in the Czech Republic.  
23 Evraz' other markets are similarly served, again, by  
24 the local conversion of vanadium pentoxide. This  
25 business model is not based on the presence, or

1 absence, of dumping orders.

2           EvrAZ operates the same way throughout the  
3 world. Evraz operates this way because this is how it  
4 makes the most money: its complete optimization of  
5 its resources. Evraz is not an isolated Soviet Era  
6 ferrovanadium company. Evraz is a publicly-traded  
7 company listed on the London Stock Exchange. It is a  
8 global, integrated steel producer with manufacturing  
9 facilities located all over the world, including  
10 substantial steel operations in the United States and  
11 Canada.

12           Even in Canada, which is not subject to any  
13 antidumping duty order, there has been no  
14 ferrovanadium imported from Russia for the last five  
15 years. I would also like to comment, dealing directly  
16 in the Canadian market, which is important to us,  
17 prices there are the same as they are in the United  
18 States. Many of the formulas are based also on the  
19 *Ryan's Notes* published pricing.

20           The global nature of Evraz' structure for  
21 both ferrovanadium and vanadium pentoxide means that  
22 it can rationalize this production and marketing on a  
23 regional basis to reduce transportation and packaging  
24 costs, most efficiently use its capital equipment and  
25 maximize its profits. That business model is clearly

1 on display in the EU, where Evraz has significantly  
2 reduced exports of ferrovanadium from Russia in favor  
3 of local production, even though there is no EU  
4 antidumping duty order on ferrovanadium from Russia  
5 and there's no tariff advantage to be gained by  
6 shipping vanadium pentoxide into the EU rather than  
7 ferrovanadium.

8           The pattern of trade with the EU is  
9 indicative of how Evraz is likely to conduct business  
10 in the United States in the absence of any trade  
11 restrictions. It should also be noted that there are  
12 significant logistical and cost factors that would  
13 discourage Evraz from exporting ferrovanadium from  
14 Russia to the United States, even if the antidumping  
15 duty order is revoked.

16           First, there is a 4.2 percent import duty on  
17 ferrovanadium imports from Russia, but imports of  
18 vanadium pentoxide from Russia are duty-free. Second,  
19 conversion costs in the United States compare  
20 favorably with conversion costs in Russia. Third, the  
21 steel companies in the United States require a variety  
22 of different forms of packing and just in time  
23 delivery. For this reason, any exports of  
24 ferrovanadium from Russia to the United States would  
25 require special warehousing, handling, processing,

1 storage and packaging.

2           This is being done by public warehouses who  
3 are not totally dedicated to our particular business,  
4 and hence, the increased costs there that are not  
5 involved when we do this business, when converted at  
6 Bear Metallurgical, for example. This is a large part  
7 why Evraz chose not to export ferrovanadium to the  
8 United States from its Czech Republic operations, but  
9 rather, exported vanadium pentoxide from Russia for  
10 toll production in the United States.

11           When the additional costs of duties,  
12 storing, handling and repackaging are taken into  
13 account, it is not difficult to understand why Evraz  
14 has implemented a business model that relies on  
15 regional conversion of vanadium pentoxide to  
16 ferrovanadium. Those additional costs will still be  
17 there when the antidumping duty order is revoked, so I  
18 believe that it is very unlikely that Evraz will go to  
19 some other business model after revocation of the  
20 order.

21           I hope you have found this information  
22 helpful. I, and my colleagues, will be happy to  
23 answer any questions you have to the best of our  
24 ability. Thank you very much.

25           MR. HORGAN: Dan Klett of Capital Trade will

1 now make a presentation.

2 MR. KLETT: Good afternoon, Madam Chairman,  
3 members of the Commission. My name is Daniel Klett.  
4 I'm an economist with Capital Trade. There are some  
5 slides that you should have before you that I will be  
6 referring to.

7 There are four issues I will address.  
8 First, the significant changes in the structure of the  
9 Russian ferrovanadium industry and market since the  
10 investigation period, and since the last sunset  
11 review. Second, why Russia will not switch from  
12 producing vanadium pentoxide for export to the U.S. to  
13 exporting ferrovanadium. Third, why diversion of  
14 ferrovanadium exports from non-U.S. markets to the  
15 United States is now essentially a nonissue. Fourth,  
16 likely pricing effects for any small volume of  
17 ferrovanadium that may be imported in the United  
18 States from Russia.

19 The same two Russian producers that existed  
20 in the investigation period continue to produce  
21 ferrovanadium today. However, the multinational  
22 Russian company Evraz became the owner of the Vanady-  
23 Tula production facility in 2008, owns ferrovanadium  
24 capacity in the Czech Republic, ferrovanadium and  
25 nitrited vanadium capacity in South Africa and

1 vanadium pentoxide capacity in the U.S. through its  
2 2006 acquisition of Strategic Minerals Corporation,  
3 which owns Stratcor.

4           EvrAZ participates fully in the U.S.  
5 ferrovanadium market through its subsidiary, Evraz  
6 East Metals, including sales of nonsubject imports and  
7 of ferrovanadium toll-produced for it in the United  
8 States by Bear. Bear portrays the global nature of  
9 Evraz' vanadium pentoxide and ferrovanadium operations  
10 in its current activity in the U.S. market as an  
11 indicator that Evraz will increase exports of  
12 ferrovanadium to the U.S. without the order. However,  
13 a better interpretation of Evraz' global production  
14 and distribution structure is that it allows Evraz to  
15 optimize, from a financial perspective, how it serves  
16 its individual regional markets for ferrovanadium,  
17 including the United States.

18           Look at Evraz' behavior in the European  
19 market. From 2006 to 2011, Russia's ferrovanadium  
20 exports to Europe have declined from 13.2 million  
21 pounds to 1.5 million pounds, as shown in Slide 1.  
22 Evraz serves the European market for ferrovanadium  
23 largely with shipments of vanadium pentoxide from  
24 Russia for conversion into ferrovanadium by its Czech  
25 Republic ferrovanadium producer, Nikom. Moreover,



1 this pattern is not due to higher duties into the EU  
2 on ferrovanadium.

3 Both ferrovanadium and vanadium pentoxide  
4 enter duty-free into the EU under GSP provisions.  
5 Rather, the decision to supply the European market  
6 with vanadium pentoxide exports to the Czech Republic  
7 for conversion into ferrovanadium rather than direct  
8 exports of ferrovanadium from Russia reflects  
9 production and distribution by Evraz that is optimal  
10 from a cost, and financial, perspective.

11 Bear asserts, with limited factual support,  
12 that it would be lower cost for Evraz to serve the  
13 U.S. market with ferrovanadium produced in Russia and  
14 exported to the U.S. rather than its other  
15 alternatives, including exports of vanadium pentoxide  
16 from Russia to the U.S., for U.S. toll conversion, or  
17 from nonsubject sources of supply. However, as  
18 explained in our prehearing brief, there are  
19 additional logistics, packing and inventory costs  
20 associated with serving the U.S. market directly from  
21 Russia as compared to toll production in the U.S. by  
22 Bear from vanadium pentoxide from Russia, and as  
23 testified by Mr. Wiesler just a few minutes ago.

24 Evraz also has to consider its internal  
25 costs at Tula to produce ferrovanadium as compared to

1 the tolling fee charged by Bear. In fact, when all  
2 costs are considered, it is lower cost for Evraz to  
3 supply the U.S. market with toll production at Bear  
4 than with production at Tula. In the prior sunset  
5 review, the Commission supported its affirmative  
6 determination with a finding that the Russian  
7 ferrovanadium industry was export-oriented. This is  
8 no longer the case.

9           Russia's ferrovanadium exports to non-U.S.  
10 markets have declined precipitously since 2006. As  
11 shown in Slide 2, Russia's share of world  
12 ferrovanadium exports have declined from 15 percent in  
13 2006 to two percent in 2011. Although the specific  
14 data are confidential, over the same period, Russia's  
15 home market sales of ferrovanadium have surged,  
16 increasing almost seven fold. The reason for the  
17 increase in Russia's home market consumption growth is  
18 strong steel production in Russia.

19           As shown in Slide 3, which is from an Evraz  
20 investor presentation made just a few days ago outside  
21 the course of this proceeding, steel consumption  
22 growth in CIS countries is stronger than elsewhere  
23 around the world. As shown in Slide 4, this is the  
24 result of strong construction growth in Russia. You  
25 can see on Slide 4, which is page 41 of that

1 presentation, the growth is not comprised of just one  
2 time things such as the Winter Olympics or a football  
3 World Cup. There are investments in long-term  
4 modernization of infrastructure that needs investment.

5           As shown in Slide 4, this is the result of a  
6 strong construction growth in China. In Russia,  
7 rather. As shown in Slide 5, Evraz is a major  
8 producer worldwide, and in Russia, of steel  
9 production, particularly those that tend to be more  
10 ferrovanadium-intensive, such as steel rails and the  
11 construction long products. Slide 5 shows Evraz'  
12 production of some of these steel products.

13           Regarding possible diversion of non-U.S.  
14 exports to the United States, Bear and AMG repeatedly  
15 point to higher ferrovanadium prices in Europe than in  
16 the United States to support their assertion of a  
17 likely surge in ferrovanadium exports to the U.S.  
18 However, their analysis works only if there is any  
19 meaningful export volume from Russia to Europe to  
20 divert absent the order, and there is not.

21           Moreover, any analysis of U.S. versus  
22 European prices would also have to consider the higher  
23 movement and other costs to sell ferrovanadium to the  
24 U.S. as compared to Europe. Bear and AMG assert that  
25 absent the order there will be adverse price effects,

1 citing to statements made in purchaser questionnaires  
2 and inferences from Evraz' exports of vanadium  
3 pentoxide to the U.S. Any lower prices that  
4 purchasers may expect generally are premised on  
5 additional import volumes from Russia. However, for  
6 all the reasons we have given, Russian producers are  
7 not likely to significantly increase ferrovanadium  
8 exports to the U.S. absent the order.

9           As to prices of vanadium pentoxide imports  
10 from Russia, this is a poor proxy for the likely  
11 pricing of ferrovanadium imports from Russia that may  
12 enter the U.S. market. Any vanadium pentoxide imports  
13 from Russia are toll produced by Bear into  
14 ferrovanadium for sale by Evraz East Metals. The  
15 Commission has from its questionnaire responses actual  
16 pricing by Evraz East Metals for its ferrovanadium  
17 sales toll produced by Bear and for its imports of  
18 nitrited vanadium from South Africa. This analysis is  
19 included in our prehearing brief at Exhibit 13 and  
20 shows that on a vanadium content basis, Evraz more  
21 often oversold than undersold U.S. producers.

22           Finally, I'd like to refer to Exhibit 6 of  
23 Dr. Button's testimony. If you look at the vanadium  
24 pentoxide exports, I think it was his premise that  
25 absent the order, that vanadium pentoxide would be

1 repatriated to Russia for ferrovanadium production in  
2 Russia because it was, made more sense economically to  
3 produce ferrovanadium in Russia than export vanadium  
4 pentoxide.

5           That argument only makes sense if all the  
6 vanadium pentoxide, or a large share of the vanadium  
7 pentoxide, was exported to the United States.  
8 However, in 2011, and I can do this analysis for prior  
9 years but I'll just stick to 2011, of the 7.7 thousand  
10 metric tons of vanadium pentoxide exported in 2011,  
11 only 1,280 metric tons was exported to the United  
12 States, so 85 percent of the vanadium pentoxide  
13 exports from Russia were to non-U.S. markets, which  
14 are not subject to antidumping duty orders.

15           If it made more economic sense for Russia to  
16 produce ferrovanadium in Russia rather than export  
17 vanadium pentoxide, why is it exporting vanadium  
18 pentoxide to all these other countries where there is  
19 no antidumping duty order? In fact, this slide  
20 supports the testimony of Mr. Wiesler that, as a  
21 business model, it makes more economic sense for Evraz  
22 to export vanadium pentoxide to local markets for  
23 conversion into ferrovanadium in those markets. Thank  
24 you.

25           MR. HORGAN: Thanks, Dan. That concludes

1 our affirmative presentation. We'll be happy to take  
2 questions from the Commission.

3 CHAIRMAN ARANOFF: Thank you. Welcome to  
4 this afternoon's panel. We appreciate your being here  
5 with us today. We're going to begin the questioning  
6 this afternoon with Commissioner Williamson.

7 COMMISSIONER WILLIAMSON: I want to thank  
8 the panel for the presentation, the businesspeople for  
9 coming today. Start off with following some things  
10 that I asked this morning. I raised the question  
11 about how much independence the companies in the Evraz  
12 Groups have. Can you give me some more details here  
13 or posthearing? You know, between Evraz, Stratcor,  
14 East Medal and Vanady-Tula. So how independently are  
15 they? I mean, I know they are part of the same  
16 corporation, but they are, the degree of control  
17 varies, or how much control the parent exercises over  
18 the operations can vary by company.

19 MR. WIESLER: I think it's important to note  
20 here that when Evraz purchased Stratcor, they did so  
21 for two particular key reasons. One is they had  
22 vanadium there, but they never sold vanadium, they  
23 never marketed vanadium. It wasn't part of their  
24 whole background, other than just as some raw  
25 material. So they purchased Stratcor because our

1 whole history for decades has been in the vanadium  
2 business. We have a technology department, so they  
3 wanted to incorporate our technology department to  
4 help them upgrade the vanadium slags that they had  
5 been generating.

6           Secondly, it was to better market the  
7 vanadium units. We're talking vanadium units  
8 globally. Stratcor, again, has a presence globally,  
9 and they have for years and decades, and so we were  
10 able to facilitate that portion of the overall  
11 strategy. We do have regular meetings with Evraz, the  
12 parent company in Moscow, and we have strategic  
13 decisions that are made based on, you know, production  
14 in the market, et cetera.

15           So, to be specific, there is a lot of  
16 coordination of efforts, and we do work very closely  
17 with them. The independence amount is pretty limited,  
18 but we're all in sync as to where the products are  
19 going and how they should be distributed, and sold and  
20 marketed.

21           COMMISSIONER WILLIAMSON: Okay. Thank you.  
22 Posthearing, Commissioner Okun is not here today, but  
23 I'm sure she would want to ask you if there are any  
24 business plans that you can make available to us to  
25 substantiate, you know, this strategy of local control

1 or anything that was sort of maybe put down at the  
2 time that the companies were acquired, that would just  
3 help to document that this was, you know, this was the  
4 strategy envisioned. I'm not sure if it was something  
5 worked out after the acquisitions were made or before,  
6 but anything like that would be helpful in terms of  
7 addressing this question.

8 MR. HORGAN: We'll see if we can find  
9 anything like that.

10 COMMISSIONER WILLIAMSON: Okay. Thank you.

11 MR. WIESLER: I can say that if you look at  
12 our history, which shows the movement of material,  
13 that shortly after we were acquired, we were using  
14 their oxide, bringing in, you know, the oxide from  
15 Tula in to Bear to produce there.

16 At the same time, the strategy, like I  
17 pointed out, even though our Stratcor facility in Hot  
18 Springs had produced large quantities of vanadium,  
19 some of which was going into the ferrovanadium market,  
20 we kind of wanted to strategize and say, all right,  
21 that product, which had been serving the domestic  
22 market for, again, decades as ferrovanadium, we would  
23 now utilize that more into the specialty market and  
24 use the Russian material as a group to take care of  
25 the more commodity-based products here. So that



1 period of time from 2008, 2009 was kind of a  
2 transition period when all this was going on.

3 COMMISSIONER WILLIAMSON: Okay. Thank you.  
4 You know, as I said, anything that could help to  
5 document and make it clearer would be helpful. In  
6 2008, 2009 there were large changes in the average  
7 unit values of the U.S. industry shipments of  
8 ferrovanadium. Can you please discuss what was going  
9 on in the market in those years? This could be  
10 posthearing.

11 MR. HORGAN: I'm going to have Bob Bunting  
12 answer that question. He's a consultant to Stratcor.  
13 He worked at Stratcor. In the vanadium business --  
14 he told me this morning, as of this Saturday, it will  
15 be 44 years in the vanadium business.

16 MR. BUNTING: Well, the question again,  
17 please.

18 COMMISSIONER WILLIAMSON: Okay. Well, and I  
19 say, I posed this question to the domestic industry  
20 this morning, too, about can you please discuss what  
21 was going on in the market in 2008 and 2009 when there  
22 were large changes in the average unit value of U.S.  
23 industry shipments.

24 MR. BUNTING: Yes. Well, the recession of  
25 course took hold in the fourth quarter of 2008. When

1 you're talking about a commodity like this, this sort  
2 of almost means that the amount stops, you know? It  
3 doesn't just drop in the same relationship as the  
4 overall decline in GDP, for example. Everyone's got  
5 more vanadium than they consume in the foreseeable  
6 future, so we had a situation there were for three or  
7 four months, from about October 2008 onwards, the  
8 demand for vanadium worldwide, really, just about  
9 stopped, and then it started to crawl forward again as  
10 we got further into 2009, so the impact there was  
11 quite, you know, serious on manufacturers for  
12 everyone.

13 COMMISSIONER WILLIAMSON: Okay. So it was  
14 just the recession. Okay.

15 MR. BUNTING: Yes.

16 COMMISSIONER WILLIAMSON: Thank you. This  
17 is another question I posed to Bear this morning. I'm  
18 wondering if you can confirm or add anything about the  
19 total relationship between Stratcor and Bear. You  
20 know, is it based on -- I think this morning they  
21 mentioned that it started out as five year contracts,  
22 and now, one year. I was just wondering if you want  
23 to confirm or add anything, or any different  
24 perspective on that relationship.

25 MR. WIESLER: No. As we mentioned, we

1 consider Bear a, not financial, strategic partner. In  
2 fact, we comment, we mention them on our website, that  
3 they're an important part of us as a converter, an  
4 independent converter, but one that we've had  
5 contracts in place with them almost from their  
6 beginning. These have gone on. Our relationship with  
7 Bear has been extremely strong, and that's one of the  
8 reasons, too, that Evraz saw a good opportunity to use  
9 their large quantities of vanadium pentoxide with a  
10 good, solid, local converter.

11           COMMISSIONER WILLIAMSON: Okay. Thank you.  
12 What would be event on a day Tula's capacity produced  
13 ferrovanadium and nitrited vanadium in Russia if there  
14 were no limit to availability of vanadium pentoxide,  
15 that is, for the years 2006 through 2011. What will  
16 be its theoretical capacity, assuming no raw material  
17 constraints? Again, I don't know if you can do that  
18 now or in the posthearing.

19           MR. MONTALBINE: Yes. This is Marc  
20 Montalbine. We'll address that in the posthearing,  
21 but obviously, when you read the questionnaire  
22 instructions, they're not getting a theoretical  
23 capacity, they're getting a practical capacity, to say  
24 base your capacity on normal operating conditions, the  
25 equipment that's in place and on line, the normal

1 workers in place and the normal product mix, so that's  
2 exactly what we did, but we can also talk about  
3 theoretical capacity in our posthearing brief.

4 COMMISSIONER WILLIAMSON: Okay. Thank you.  
5 Mr. Horgan?

6 MR. HORGAN: Yes. I just wanted to add, you  
7 know, this whole business of whether it's better to  
8 toll or you can make more money by doing it yourself,  
9 you have a good example here with the tolling  
10 relationship between Stratcor, which goes back 20  
11 years, and Bear. Stratcor found it cheaper to shut  
12 down their own ferrovanadium facility in Niagara Falls  
13 and use Bear's unrelated facility to toll process for  
14 20 years without any interruption.

15 The only time they only ceased that  
16 relationship, or ceased that particular tolling  
17 relationship, is because they wanted to redirect  
18 Stratcor's domestic production to a different target  
19 market and replace it with the Tula vanadium  
20 pentoxide. So the notion that it's always cheaper to  
21 do it in house is not true, and so I think Bear sells  
22 itself a little short. We heard them talk this  
23 morning about how efficient they are as a converter.  
24 There's no reason why any rational producer wouldn't  
25 want to take advantage of their efficiencies, as

1 Stratcor has done for 20 years, and as Tula would like  
2 to do if they're given the chance.

3 COMMISSIONER WILLIAMSON: Okay. Thank you.

4 MR. MONTALBINE: If I could make one more  
5 comment --

6 COMMISSIONER WILLIAMSON: Sure.

7 MR. MONTALBINE: -- on your capacity  
8 question. Your premise was assuming that there's  
9 unlimited supply of pentoxide. If you look at AMG's  
10 Exhibit 5 where they calculated capacity, they,  
11 themselves, agree that we're at full capacity on  
12 pentoxide, so there is no more pentoxide to be had.  
13 Earlier, in this morning's discussion, you heard from  
14 Commissioner Pinkert's question that we're not talking  
15 about pentoxide coming from outside of Russia into  
16 Russia, we're talking about Russian pentoxide that's  
17 being produced there, and that's at 100 percent  
18 capacity, so that also limits the practical ability to  
19 make more ferrovanadium. As I said, we'll discuss  
20 that more in our posthearing brief.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.  
22 I guess if there's growth in steel production, it's  
23 going to also affect how much pentoxide would be  
24 available.

25 MR. MONTALBINE: Actually not. With steel

1 production you get slag, so that's the raw material to  
2 make the pentoxide, but you need enough pentoxide  
3 processing capacity. Evraz is already at 100 percent  
4 pentoxide processing capacity so they can't process  
5 anymore slag. In fact, they've exported slag outside  
6 of Russia because they, themselves, can't use it.

7 COMMISSIONER WILLIAMSON: Okay. So it's the  
8 capacity to make the --

9 MR. MONTALBINE: The pentoxide. That's the  
10 bottom line.

11 COMMISSIONER WILLIAMSON: -- pentoxide from  
12 the slag. Okay.

13 MR. MONTALBINE: Exactly. That's at 100  
14 percent capacity. Even the AMG's brief admits that  
15 part.

16 COMMISSIONER WILLIAMSON: Okay. Thank you.  
17 My time has expired. Thank you for those answers.

18 CHAIRMAN ARANOFF: When Stratcor was still  
19 in the business of making vanadium pentoxide and  
20 having it converted into ferrovandium, my  
21 understanding is Stratcor was then marketing the  
22 product itself in the United States, but Stratcor is  
23 not currently marketing the product that Evraz is  
24 bringing in from third countries, right, or the  
25 product that bears converting for Evraz.

1           MR. WIESLER: We work together, we share the  
2 same office. First of all, we do make quantities of  
3 vanadium pentoxide, but yes, we've shifted our focus  
4 to where -- my colleagues here with East Metals is,  
5 again, part of the Evraz Group -- they're pretty much  
6 handling the sale and the marketing of the  
7 ferrovanadium.

8           CHAIRMAN ARANOFF: So I know that in  
9 response to Commissioner Williamson's question you  
10 were going to provide theoretical capacity information  
11 posthearing, but just as a general matter, is it  
12 correct that if Evraz made the choice not to export  
13 vanadium pentoxide that it's now exporting for  
14 conversion in other markets, that it would be able to  
15 increase its Russian production of ferrovanadium  
16 because there is capacity to do that?

17           MR. MONTALBINE: I think it's a question of  
18 putting capacity on line. I need to check with Evraz  
19 exactly what they would be able to put on line.  
20 Currently, the machinery is not on line, the workers  
21 are not there, so it would have to be a question of  
22 putting things on line to increase the ferrovanadium  
23 processing capacity. I think it's probably  
24 theoretically possible to do that, but I don't know to  
25 what extent and in what sort of timeframe.

1           CHAIRMAN ARANOFF: Okay. If there's  
2 anything that you can find out and put on the record  
3 with regard to the state of that equipment, how long  
4 it would take to get it on line, what it would cost,  
5 that would be very helpful to the Commission in this  
6 review.

7           MR. MONTALBINE: Okay. I think it's also  
8 important to note, though, that the pentoxide side of  
9 this equation is basically a closed system. Any  
10 pentoxide that you take away from the processing  
11 facility in the Czech Republic that's serving the EU,  
12 if you bring that back to Russia, you're not really  
13 increasing pentoxide capacity and you're not even  
14 increasing the production of ferrovanadium, you're  
15 just changing where the ferrovanadium is going to be  
16 processed. Evraz would still have to meet its  
17 obligations in the EU market.

18           You'll hear, probably, testimony later that  
19 most of their business is under long-term contracts,  
20 so it's not so easy to switch from one market to  
21 another. Even if you switch the production side, you  
22 still have the long-term obligations to the customer.

23           CHAIRMAN ARANOFF: Okay. I appreciate all  
24 those arguments. I think that they're important and  
25 I'm definitely hearing them, but I do still want to



1 get the capacity for them..

2 MR. MONTALBINE: Exactly. And I'm hearing  
3 that, and we will address it.

4 CHAIRMAN ARANOFF: Okay. While we're on  
5 that subject, can anyone tell us what the current  
6 status is of the other Russian producer whose name I  
7 won't pronounce right, Verkhnesaldinskoye, capacity to  
8 produce both vanadium pentoxide and ferrovanadium?

9 MR. MONTALBINE: The only information I have  
10 on them is from their questionnaire response, which is  
11 also available to the Commission. I don't want to  
12 discuss their confidential information, but I think  
13 it's fair to say publicly that they've reduced their  
14 capacity.

15 CHAIRMAN ARANOFF: Okay. I mean, but taking  
16 that point, I guess what I'm trying to understand is  
17 -- that can mean a lot of things. I'm trying to  
18 figure out whether there's capacity that might be  
19 sitting there idle, or whether it's actually been  
20 decommissioned or sold off. Any other facts that we  
21 could get on that would be helpful.

22 MR. MONTALBINE: Okay. Yes. We'll  
23 investigate that. I do believe in the questionnaire  
24 response there are some issues about things being --  
25 yes. Whatever. I don't want to talk about the

1 confidential information, but I think it is a  
2 significant reduction.

3           CHAIRMAN ARANOFF: Okay. We've heard  
4 considerable testimony, and also in your brief,  
5 considerable discussion, of the idea that it's not  
6 economical to ship ferrovanadium to the U.S. or  
7 globally, in general, compared to shipping vanadium  
8 pentoxide and doing the conversion regionally. I  
9 wanted to follow-up on that by saying you've discussed  
10 a number of costs that are associated with shipping  
11 ferrovanadium. Can you compare why those same costs  
12 don't come into play when you ship vanadium pentoxide?

13           MR. WIESLER: Yes. Definitely. What  
14 happens, the vanadium pentoxide, again, when we bring  
15 it in, would go through Bear Metallurgical. They act  
16 as the warehouse, the cook, the bottle washer,  
17 everything, and they take care of the warehousing, if  
18 you will, the holding of the inventory, and then  
19 obviously the processing.

20           When we bring in the ferrovanadium, however,  
21 that goes to a public warehouse. So they are in the  
22 business of just handling material so the costs are  
23 important to them because that's how they make their  
24 money. The costs involve bringing the material into  
25 their plant, any time you ship material out of their

1 plant throughout the month, you know, any monthly  
2 storage fees, which are significant if you're storing  
3 a lot of material there.

4           At the same time, what goes on is this idea  
5 of just in time, which is becoming more and more the  
6 norm than the exception with our customers. These  
7 warehouses are not as well-equipped as what somebody  
8 like Bear Metallurgical whose whole business is  
9 vanadium, is ferrovanadium.

10           CHAIRMAN ARANOFF: Okay. I understand that  
11 part of the argument, but taking a step back, when you  
12 ship vanadium pentoxide, it doesn't have to be bagged,  
13 or stored, or, I mean these same issues that arise in  
14 shipping the one don't arise in shipping the other?

15           MR. WIESLER: Well, you have the -- no,  
16 there's no storage cost. There's no in and out cost  
17 in there.

18           CHAIRMAN ARANOFF: It's just shipped in bulk  
19 in a big bin or something?

20           MR. WIESLER: Well, no. There will be  
21 bagging costs.

22           CHAIRMAN ARANOFF: Okay.

23           MR. WIESLER: You'll have to put it in some  
24 kind of bag.

25           CHAIRMAN ARANOFF: Okay. That's where I'm

1 trying -- I'm trying to figure out why it's more  
2 economical to ship the vanadium pentoxide not just to  
3 the U.S. where there seems to be this advantageous way  
4 of getting all the work at the back end done that's  
5 more efficient, but just globally.

6 MR. WIESLER: Well, every time, too, you  
7 bring it into a warehouse. Every time they touch that  
8 product, they're charging you, you know, labor, man  
9 hours and everything like that. That's not the case  
10 with the toll converter with Bear Metallurgical. So  
11 they're just, the overall cost structure is  
12 significantly reduced in that regard.

13 MR. HORGAN: Just wandering off the attorney  
14 reservation for just a second, my understanding is  
15 that the vanadium pentoxide, and also Russian  
16 ferrovanadium, comes in these huge sacks: 1,000  
17 kilogram sacks, or 1,000 pound sacks, or 500 pound  
18 barrels. Now I'm going to ask Brad to tell you about  
19 all the different varieties of bags.

20 MR. EWERS: On the back side, after the  
21 packaging?

22 CHAIRMAN ARANOFF: Can you just state your  
23 name for the court reporter.

24 MR. EWERS: Sorry. Brad Ewers with the  
25 Evraz East Metals side of the business. As far as the

1 packaging goes with, on the customer side of it,  
2 obviously, I think on one of the appendices you've  
3 seen the three different pages of different various  
4 requirements by the different customers, whether it's  
5 10 pound cookie cans, 12 and a half pound green cans  
6 with a stripe on them. Those are the costs associated  
7 with the repackaging side of it.

8 I think what Kevin's referring to is when  
9 the pentoxide is coming in, it's coming in in super  
10 sacks, and then stored in massive bins, and then it's  
11 processed, and then what we're talking about is the  
12 packaging on the back side when the ferrovanadium is  
13 produced.

14 CHAIRMAN ARANOFF: Okay.

15 MR. HORGAN: I would just add, it's my  
16 understanding, and you can correct me, is that this is  
17 peculiar to the U.S. market, that this doesn't happen  
18 in Russia or western Europe. They don't use these,  
19 you know, 18 different varieties of small packages,  
20 that they tend to stick to the 500 pound can, or 500  
21 pound barrels, or the super sacks.

22 CHAIRMAN ARANOFF: Okay. If there's  
23 anything that any of the parties want to add  
24 posthearing on this issue of why it's more economical  
25 to ship vanadium pentoxide all over the world and not

1 ferrovanadium, I think that would be helpful to  
2 filling out our record.

3 I have another question which you may need  
4 to answer posthearing. With respect to Vanady-Tula's  
5 ferrovanadium shipments within Russia and Ukraine, I  
6 don't know whether we have, or could get, on the  
7 record information on how, what percentage of those  
8 shipments are to Evraz affiliated steel makers.

9 MR. EWERS: We can provide that answer  
10 postbriefing.

11 CHAIRMAN ARANOFF: Okay. Thank you very  
12 much. With that, I will turn to Commissioner Pinkert.

13 COMMISSIONER PINKERT: Thank you, Madam  
14 Chairman. I thank all of you for being here and being  
15 willing to testify and help us to understand these  
16 issues. I want to begin with something that Mr. Klett  
17 said as a rebuttal point. He was talking about the  
18 amount of Russian V205 that ends up in the United  
19 States market in some form.

20 What I wanted to ask is whether you would  
21 say, in the event of revocation, that that amount,  
22 which you said was 15 percent of the entire amount  
23 that's shipped out, would that end up in the U.S.  
24 market as Russian exports of ferrovanadium, the amount  
25 that's currently coming out and going to the U.S.

1 market as V2O5?

2 MR. KLETT: No. It would continue to be  
3 vanadium pentoxide. I think that's the point, and  
4 that is that what Evraz had been shipping to the  
5 United States as vanadium pentoxide for toll  
6 conversion by Bear in the United States into  
7 ferrovanadium, that's what's optimal for it. If the  
8 order were to be reversed, or if the order were to be  
9 revoked, rather, the same financial incentives would  
10 continue, and that Russia would serve the U.S.  
11 ferrovanadium market with exports of vanadium  
12 pentoxide to the U.S. It wouldn't switch to using  
13 that vanadium pentoxide to produce ferrovanadium and  
14 export to the U.S. It would not do that.

15 COMMISSIONER PINKERT: Thank you. Now, I  
16 want to ask Mr. Horgan a hypothetical question. I  
17 know that you said that there was a preliminary  
18 determination at the Department of Commerce on  
19 anticircumvention and that there was not a finding  
20 preliminarily of circumvention. If we had right now  
21 in front of us a final determination by the Department  
22 of Commerce that there was, or that there is  
23 circumvention, how would that have a bearing on the  
24 issues in front of the Commission in terms of likely  
25 outcomes in the event of revocation?

1           MR. HORGAN: Well, I think the real answer  
2 to that is in the pricing. As Dan talked about, you  
3 do have pricing information on ferrovanadium sales by  
4 Evraz in the United States right now and they're not  
5 the price leader. I'll refer to Dan's testimony that  
6 he's looked at the prices and saw how is Evraz  
7 behaving, so you might depend more on the prices. If  
8 these were included in the scope, of course you've got  
9 an entirely different case, but that's not the case.

10           I think that's what you have to keep in mind  
11 when you're thinking about this is the Petitioners'  
12 whole argument this morning was premised on this false  
13 assumption that we are circumventing the dumping, and  
14 that's not true. You know, they're asking you to make  
15 a circumvention finding when that's the Commerce  
16 Department's job. The Commerce Department has already  
17 made that decision, as far as they could, with the  
18 preliminary determination that we're not  
19 circumventing.

20           So, but if, you know, in your hypothetical,  
21 if that's included with the scope, then you would be  
22 looking at the pricing and you'd go, well, they don't  
23 undersell anyway, so we still don't need the order  
24 because they're not underselling in the absence of an  
25 order. So if we had sold all that pentoxide or the



1 ferrovanadium produced from it, you know, even if it's  
2 included with the scope, we sold it when it was  
3 outside the scope, and we weren't dumping, we weren't  
4 underselling. So if you look at that, there's  
5 certainly no injury if we're overselling the market.

6 MR. KLETT: Commissioner Pinkert, this is  
7 Dan Klett. I mean, also, it's a little bit odd that  
8 even if Commerce were to find that the vanadium  
9 pentoxide were circumventing, keep in mind that the  
10 vanadium pentoxide imports are raw material for Bear's  
11 U.S. production.

12 It's not a -- it's a raw material for Bear's  
13 U.S. production, some of which is toll produced, some  
14 of which, I believe, is not, so that in terms of the  
15 impact on the U.S. industry, you know, the U.S.  
16 industry is actually using the circumvented vanadium  
17 pentoxide to produce ferrovanadium in the United  
18 States. So it's a little bit odd in terms of the, or  
19 not odd, but it's, in terms of the effect of  
20 circumvention, if there is found to be circumvention,  
21 I'm not sure it's necessarily at the adverse effect of  
22 the domestic industry.

23 COMMISSIONER PINKERT: Now, you said that  
24 relationship that involves shipping Russian V205 to  
25 the U.S. market for processing into ferrovanadium,

1 that the incentives that drive that process would not  
2 be altered by revocation of the order, but certainly  
3 there would be some difference in the incentives  
4 because it would be, there would be some increased  
5 incentive to ship Russian ferrovanadium into the U.S.  
6 market were there buyers for that product, right? I  
7 mean there's got to be some shift in the calculus. It  
8 might not shift the outcome.

9 MR. HORGAN: Well, I would put it this way.  
10 There would be a shift in the opportunities, but not  
11 in the incentives because, you know, Evraz has already  
12 looked at the incentives in Canada, in New York, so  
13 the incentives don't change. In fact, the incentives,  
14 there would still be disincentives in the form of  
15 these tariff on vanadium pentoxide, or, excuse me, on  
16 ferrovanadium, so the incentive would still be to  
17 shift the vanadium pentoxide rather than  
18 ferrovanadium.

19 Now, there would be an opportunity, you  
20 know, maybe, but the opportunities are greater  
21 elsewhere. They're greater in Russia. They're  
22 greater outside the United States. So our behavior in  
23 uncontrolled markets indicates what would happen in  
24 that circumstance, and we don't dump, we don't ship  
25 ferrovanadium, we ship pentoxide. There's no reason

1 to think that would change. So the incentives are  
2 there. The same incentives exist elsewhere.

3 In fact, there's less disincentive in Canada  
4 or Europe where there are no ordinary tariffs on  
5 either of these products. So there wouldn't be any  
6 additional incentive. There would be an opportunity,  
7 but I think the disincentives are still there. So  
8 we'd continue doing, the most likely thing is we'd  
9 continue doing what we've been doing.

10 COMMISSIONER PINKERT: I take your point  
11 about the other markets, like Canada and Europe, but  
12 we're talking, for purposes of this question, only  
13 about the V205 that is coming to the United States and  
14 being processed, so in the event of revocation, would  
15 the calculus shift with regard to where that material  
16 gets processed?

17 MR. HORGAN: I don't think so. Again, I  
18 think the incentives are the same. There would be an  
19 opportunity. You wouldn't have to deal with the  
20 antidumping duty order, so that's one less concern, so  
21 there's one less disincentive maybe, but the  
22 incentives are financial, they're profits, and, you  
23 know, Evraz has adopted this model that works fine for  
24 them.

25 It works fine if they continue to process

1 pentoxide at Bear, which is what they've been doing,  
2 which they would be doing right now, which they want  
3 to do. They want to be a U.S.-based supplier of  
4 ferrovanadium to this market, to the North American  
5 market. It's only this baseless circumvention case  
6 that's preventing that right now.

7           COMMISSIONER PINKERT: Thank you. Mr.  
8 Klett, do you have anything to add since it arose from  
9 your response to an earlier question?

10           MR. KLETT: No. I would just like to add, I  
11 mean Mr. Horgan referred to Canada as a test case, and  
12 there may be questions on Canada later, but I just  
13 want to say that, yes, the U.S. is a larger market  
14 than Canada, but Canada is a not insignificant steel  
15 producer, and Evraz has sold not one tone of  
16 ferrovanadium to Canada over the last five years.  
17 They serve the Canadian ferrovanadium market with toll  
18 production in Canada and with ferrovanadium imports  
19 maybe from some other countries, but I mean I think  
20 that tells you something about the incentives that are  
21 driving Evraz' behavior.

22           As Mr. Wiesler said, there's no price  
23 differential between ferrovanadium in Canada and the  
24 U.S. either that would maybe explain why there's no  
25 ferrovanadium exports to Canada.

1           COMMISSIONER PINKERT: Thank you. I've just  
2 got a little bit of time left in this round so I'll  
3 wait until the next round to ask other questions.

4           Thank you, Madam Chairman.

5           CHAIRMAN ARANOFF: Commissioner Johanson?

6           COMMISSIONER JOHANSON: Thank you, Madam  
7 Chairman. Also, I would like to thank all of you for  
8 appearing here today. I have a follow-up question to  
9 a question that I asked the panel this morning, and  
10 that is has Evraz' facility in Arkansas had any  
11 difficulty in sourcing raw materials?

12           MR. WIESLER: I guess that's a yes and no.  
13 The oxide, or the feedstocks we get are from a variety  
14 of sources. One of our sources, which was a power  
15 generation plant in Texas, was shut down so it  
16 significantly reduced our particular feedstock, if you  
17 will, at that time, not unlike AMG who sources their  
18 stuff from other locations, other than mining it, if  
19 you will, so it has curtailed things in the short-term  
20 and we're doing, taking other actions. There's other  
21 ways of getting vanadium feedstocks, which we're in  
22 the process of doing.

23           MR. HORGAN: I would suggest the one party  
24 who is having trouble getting raw material is Bear  
25 Metallurgical who can't get vanadium pentoxide to fill

1 its capacity right now, so these proceedings, the  
2 circumvention proceeding in particular, is damaging  
3 the U.S. ferrovanadium industry.

4 COMMISSIONER JOHANSON: All right. Thank  
5 you. Anyone else? Okay. Let's see. Also as a  
6 follow to information discussed this morning, we heard  
7 this morning that the North American steel industry  
8 used about 2.5 times the vanadium per ton of steel,  
9 uses about 2.5 tons the vanadium for steel than does  
10 the CIS countries. Do you all agree with that number?

11 MR. BUNTING: Pretty much. My latest  
12 calculations show that Russia in the most recent  
13 months has been consuming about .040 kilograms of V  
14 per ton of steel produced, and that the U.S. has been  
15 consuming about .107, so it's actually a little more  
16 than two and a half times, but this does vary quite a  
17 bit. I, you know, literally measure the apparent  
18 consumption in each country all the time. It's really  
19 what I do. You do find these variations.

20 The U.S. has got the highest of at least the  
21 major economies' consumption per ton of steel. That  
22 is also a little bit confused in the sense that it  
23 isn't just used in steel, it's used in titanium and in  
24 chemicals. These are all added into these numbers, so  
25 it's actually slightly less than that. Nevertheless,

1 the U.S. is still the biggest consumer. Russia is  
2 relatively low at .04. Germany, for example, is .069,  
3 .07, so they are on the developing country list,  
4 basically, and you find that the use of vanadium per  
5 ton of steel in the developing countries is relatively  
6 low, and as the countries develop, as time goes by,  
7 these figures tend to increase.

8           In fact, if you look at the use of vanadium  
9 and how it's changed over the last, since the middle  
10 of the last decade, more than 90 percent of the  
11 increased use of vanadium has been in developing  
12 countries, of which most of that has been in China, I  
13 might add. China, followed by India, and of course  
14 the CIS countries as well. These are where the growth  
15 has been coming as these economies develop.

16           MR. KLETT: Commissioner Johanson, this is  
17 Dan Klett. I mean there was an exhibit in Evraz'  
18 foreign producer questionnaire. It's an internal  
19 study by Evraz and it actually had some data on  
20 vanadium intensity in different regions. I think the  
21 important point is, especially for a sunset, where is  
22 the vanadium intensity growth, and where is the  
23 vanadium intensity growth expected to be? It's  
24 actually much higher in the developing countries and  
25 the CIS countries than in the United States.

1           So in terms of demand growth projections  
2 going forward, I think that's more relevant than kind  
3 of what the vanadium intensity is in the U.S. versus  
4 in the CIS countries.

5           COMMISSIONER JOHANSON: Would it be safe to  
6 conclude that, and I don't know as much about vanadium  
7 as you all do by any means, of course, that the U.S.,  
8 if it's using about 2.5 times as much as let's say  
9 Russia, that it can't really grow much more? Do you  
10 reach a point where you don't, that much vanadium  
11 really does not make a difference in the quality of  
12 steel?

13           MR. BUNTING: Well, I mean as economies  
14 develop further, I mean there's obviously a lot of  
15 incentive right now to reduce the weight of products  
16 that are using steel. Energy, you know, conservation  
17 and so on. If you build an ocean-going shipping  
18 container out of a stronger steel, it will be lighter.  
19 So there is still this continued move towards using  
20 more high strength steels, even in the developed  
21 countries. So would it be much slower as percentage  
22 terms than you expect it to be in the developing  
23 countries.

24           COMMISSIONER JOHANSON: So just to clarify  
25 for me, so developing countries are increasing their



1 use of ferrovanadium because they want to make higher  
2 quality steel? Is that really what it comes down to?

3 MR. BUNTING: Yes.

4 COMMISSIONER JOHANSON: And light weight  
5 steel, et cetera?

6 MR. BUNTING: Yes. I mean that is much of  
7 the answer. Yes. I mean I think, also, the variety  
8 of steels that are being produced is much greater in a  
9 more developed economy, too.

10 MR. WIESLER: I think, also, they're  
11 mimicking, in a way, a lot of the research and  
12 development that's been done here over the decades in  
13 high strength alloy steels, in particular, so in the  
14 past, a lot of these other countries have relied in  
15 their steel production on just basic steel.

16 It does take a little bit more engineering  
17 and know how to produce these higher quality steels,  
18 if you will, but as they've gained a lot more  
19 recognition -- and we've had our own technology people  
20 in China and selling vanadium into China or vanadium  
21 concepts and to how to produce these steels. They've  
22 really taken this on. The same thing is going on in  
23 Russia, India, Brazil, these places that are really  
24 expanding. You're right, though. Their potential and  
25 needs are even moreso to increase their usage, and

1 this will definitely be picking up in the years ahead.

2           COMMISSIONER JOHANSON: I apologize if this  
3 is already material in the briefs. We have quite a  
4 bit of material to read through. Do you all happen to  
5 have projections for the growth of the use of  
6 ferrovanadium in developing countries, et cetera, or  
7 do you know if that's available?

8           MR. KLETT: Commissioner Johanson, I think  
9 it may be in an attachment of an Evraz presentation,  
10 but we'll go back and look and we'll point you to  
11 where it is. If it's not in the record, we'll see  
12 what we can find.

13           COMMISSIONER JOHANSON: That will be  
14 helpful. Once again, I apologize, but the material is  
15 quite, there's quite a bit of it. If you all have  
16 already included it, I apologize. This question goes  
17 back to almost my first question, but I just want to  
18 dig a little bit deeper into this issue. So it might  
19 be a bit repetitive, but would you describe the U.S.  
20 market as tight at this time or over the past, or as  
21 being tight over the past few years?

22           MR. WIESLER: There's always this push, pull  
23 type of thing, I think, as Mr. Carter alluded to also.  
24 You have a situation where it's relatively stable.  
25 We do track imports, in fact, from other countries. I

1 could bring material in and you see bits and pieces of  
2 material coming in that would be sold. It's been  
3 tight, but now steel production is at a, not a bad  
4 position, but still can be a lot more. So it isn't  
5 overly tight, that I'd say.

6 MR. MONTALBINE: This is Marc Montalbine.  
7 If I could make one more point on that. One important  
8 thing to understand with the tightness of the market  
9 is that the U.S. producers cannot supply the demand to  
10 the whole market, they can only supply approximately  
11 50 percent. Mr. Bunting can talk about that. So  
12 there is a real need for imports to come into the U.S.  
13 market to make sure that the U.S. steel producers are  
14 supplied with the vanadium that they need, and you see  
15 it historically.

16 COMMISSIONER JOHANSON: I just have about  
17 one minute left, but to follow-up on that, do you know  
18 if the new facility in Nevada might change that  
19 situation, the American vanadium facility? Do you  
20 know if that's projected to fill a fairly large part  
21 of the U.S. market?

22 MR. BUNTING: Yes. One point I would make  
23 is that vanadium is a very abundant element. There  
24 are lots of vanadium-bearing deposits all the way  
25 around the world. The issue is how easy and how

1 economic it is to turn that particular deposit into  
2 something that could be used. That is always the  
3 biggest problem. It's not a question of finding where  
4 there is some vanadium, it's a matter of does it make  
5 economic sense. There are a lot of potential  
6 developments like this around the world.

7           Whether or not this particular one is going  
8 to be a supplier of vanadium or not will depend on its  
9 economics and its ability to get the rather  
10 considerable capital required to actually build the  
11 plant. I don't know where that stands, and I probably  
12 don't want to make comment anyway, but there are a lot  
13 of things that have still got to happen before that  
14 would be a real issue, I think.

15           MR. KLETT: Commissioner Johanson, this is  
16 Dan Klett. It's also my understanding, and maybe Mr.  
17 Bunting can confirm this, that the vanadium that is  
18 being explored to be produced by American vanadium is  
19 a high purity vanadium that would not serve  
20 ferrovanadium, but other purposes.

21           COMMISSIONER JOHANSON: All right. Thank  
22 you for your responses.

23           CHAIRMAN ARANOFF: Commissioner Williamson.

24           COMMISSIONER WILLIAMSON: Thank you, Madam  
25 Chairman. We talked briefly about Canada, and I'm

1 just wondering, I mean, I guess there is a firm there  
2 that does those, does do tolling, and the question is  
3 where do they get their pentoxide from. We don't know  
4 whether Evraz -- you know, are they supplying that  
5 pentoxide from Russia? What I'm trying to do is sort  
6 of say if this is the model that you want to point us  
7 to, I guess we really need a complete picture. And I  
8 guess we also need Petitioners to comment on the  
9 appropriateness of this model, too.

10           So to the extent there are things you can  
11 tell us now, or maybe pulling together the data  
12 posthearing, and if it's already in our staff report  
13 or we already have it available, just point to where  
14 it is.

15           MR. WIESLER: Yes. And again, we have been  
16 doing business in Canada for decades.

17           COMMISSIONER WILLIAMSON: Yes, yes.

18           MR. WIESLER: I mean, they're obviously much  
19 smaller than the U.S., but definitely an important  
20 part of our portfolio. We've used the other converter  
21 up there. I know they bring in material from China,  
22 not for us, but for other people that use them for  
23 conversion. And we have brought in some of our Tula  
24 material there as well, as much as a backup as well as  
25 to just produce the units that would be necessary in

1 Canada.

2 COMMISSIONER WILLIAMSON: Okay. Mr.  
3 Bunting?

4 MR. BUNTING: If I could just add that  
5 although Canada is much smaller, Canada does not  
6 produce any vanadium pentoxide at all. So even though  
7 its total consumption of vanadium is maybe only 20 or  
8 25 percent of that of the U.S., whereas the U.S. can  
9 make half of its needs itself, Canada has to import  
10 all of it. So in reality, it's actually much bigger  
11 in terms of a market for overseas suppliers than just  
12 being 20 percent as big as the U.S.

13 COMMISSIONER WILLIAMSON: Okay. And so I  
14 guess to what extent are they bringing -- are they  
15 importing the ferrovanadium versus the pentoxide? I  
16 don't know. This may be something that might be best  
17 for posthearing, but you see what I'm getting at.

18 MR. HORGAN: Right. Commissioner  
19 Williamson, yes. I mean --

20 COMMISSIONER WILLIAMSON: This is the test  
21 tube, and we want to -- how valid a test is it?

22 MR. HORGAN: If I can answer. Well, I was  
23 going to add, we did already have some testimony just  
24 a few minutes ago about how the price is the same in  
25 Canada and the U.S., and that's one important

1 criteria. But one thing I don't think we've  
2 highlighted yet is that Evraz itself has about -- how  
3 many, five steel plants in Canada?

4 MR. EWERS: This is Brad Ewers. Evraz  
5 operates a facility in Regina, Saskatchewan, about a  
6 million and a half tons of capacity there of  
7 steelmaking, and then they own four separate large  
8 hammer pipe mills also up in the Alberta region.

9 MR. HORGAN: And I would just add, when you  
10 see Evraz serving its own mills in Canada with  
11 pentoxide that has been converted somewhere other than  
12 Russia, that's a pretty clear indication that it's  
13 doing that because it makes economic sense. I mean,  
14 if it made complete economic sense for them to do it  
15 in Russia, they could just ship ferrovanadium to their  
16 own plants in Canada, and why wouldn't they do that?  
17 Because it doesn't make economic sense because they've  
18 decided -- they've studied it, and they make more  
19 money by using converters here in the United States.

20 And again, if not for that circumvention  
21 case, material converted at Bear in Butler, PA, would  
22 go on to Canada to serve that market.

23 COMMISSIONER WILLIAMSON: Okay, good. Well,  
24 that's the kind of information that we need. So for  
25 posthearing, just to complete the argument, and also

1 invite the Petitioners to offer their views on this.

2           Let me see. So there is evidence on the  
3 record showing that currently ferrovanadium prices are  
4 substantially higher in the U.S. than in Europe. I  
5 recognize that in your brief, you argue that there are  
6 some additional costs involving shipping to the U.S.  
7 But, however, given the price differential, it still  
8 appears that, you know, the U.S. is an attractive  
9 market. And I was wondering to the extent you haven't  
10 already done it today, providing additional discussion  
11 of this.

12           MR. KLETT: Commissioner Williamson, this is  
13 Dan Klett. I mean, I'm not even sure you need to get  
14 to an analysis of taking the ferrovanadium price in  
15 the U.S. and in Europe and then kind of netting that  
16 back to Russia for an apples-to-apples comparison to  
17 see kind of what makes most sense because to divert --  
18 I mean, there is very little exports from Russia to  
19 Europe. I mean, I think in slide one in my  
20 presentation -- so that even if prices in Europe -- or  
21 prices in the United States rather are higher than in  
22 Europe, there is virtually no exports to Europe to  
23 divert. So the diversion argument with respect to  
24 higher prices in the U.S. versus Europe only has  
25 commercial significance if there is any commercially



1 significant volume to divert in the first place, which  
2 there is not.

3           So, I mean, we can go into maybe more  
4 analysis of the relative pricing, but I'm not sure it  
5 really makes a difference.

6           COMMISSIONER WILLIAMSON: Okay.

7           MR. HORGAN: Excuse me. If I could just  
8 add, just from the testimony we've heard today, we've  
9 heard that there is a 6 percent additional in shipping  
10 just getting the pentoxide from -- or the  
11 ferrovanadium in this case from Europe to the United  
12 States, plus a 4.2 percent tariff. So we're at 10.2  
13 percent already. And then from the Commission's  
14 earlier studies, they said additional packaging and  
15 handling would add 3 to 8 percent.

16           So we're already at 13 to 18 percent just  
17 based on what we've testified today of additional cost  
18 by bringing material from Europe to the United States.  
19 So that price difference between Europe and the  
20 United States has got to be greater than that,  
21 significantly, for it to make any economic sense. And  
22 I think if you look historically, you're going to --  
23 now, maybe in the past few months, it has been higher.  
24 But if you look historically, that has never been  
25 true. You can go back three or four years, and at one

1 point the European highest price was lower.

2           So you don't have these huge differences all  
3 the time between the European and the U.S. price. And  
4 just based on the testimony we've heard today, you're  
5 looking at 13 to 18 percent additional cost added just  
6 by bringing ferrovanadium to the United States.

7 That's a pretty big number. So if you look at that  
8 chart they showed you earlier, you're going to see  
9 they don't often exceed those numbers.

10           COMMISSIONER WILLIAMSON: Okay. Thank you.  
11 Evraz has been an active participant in the U.S.  
12 vanadium market over the POR. What would you say of  
13 the argument that that fact indicates that the sales  
14 network and business relationships to increase exports  
15 of ferrovanadium from Russia to the U.S. are in place  
16 if the orders are revoked?

17           MR. HORGAN: Well, they certainly have  
18 knowledgeable sales people, you know, that have  
19 studied the issue. They have people who could sell  
20 ferrovanadium if it made sense and, you know, they  
21 could be doing that now if they bring it from other  
22 countries. But they would choose -- given the chance,  
23 they've chosen to convert vanadium pentoxide at Bear  
24 as their principal source for ferrovanadium for the  
25 United States.

1           So, sure, they have people who could sell  
2 it, you know. But those knowledgeable people who  
3 could sell it have already made the decision that  
4 they're better off importing vanadium pentoxide.

5           COMMISSIONER WILLIAMSON: Okay. Thank you.  
6 My last question -- this is for posthearing, for the  
7 lawyers. This is going to be about BPI. I would like  
8 you to respond posthearing to the argument in footnote  
9 106 on page 33 of Bear's brief.

10          MR. HORGAN: Okay.

11          COMMISSIONER WILLIAMSON: And with that, I  
12 have no further questions. Thank you for your  
13 testimony.

14          MR. HORGAN: Thank you.

15          CHAIRMAN ARANOFF: In your brief, you have  
16 considerable argument about Russia's competition law  
17 and the limits that that place on Evraz's ability to  
18 export ferrovanadium from Russia. Why under Russian  
19 competition law is Evraz able to export high amounts  
20 of vanadium pentoxide, but not ferrovanadium?

21          MR. HORGAN: Marc can add additional comment  
22 on this, but I think the way the law works is they're  
23 required to meet the needs in Russia for  
24 ferrovanadium. So as long as they're meeting those  
25 needs, I don't think they have any restriction on the

1 vanadium pentoxide. But what they do have to do is  
2 meet the demand for ferrovanadium in Russia. And, of  
3 course, they're the only ferrovanadium producer, so  
4 their demand for pentoxide -- they are the demand for  
5 pentoxide, is Evraz.

6           So as long as they're meeting the demand in  
7 Russia for ferrovanadium, then the law doesn't kick  
8 in. But as Russian steel consumption or production  
9 increases, as it is expected to do over the next  
10 several years, they're going to have to meet an  
11 increasing need. So there are restrictions on how  
12 much ferrovanadium they could ultimately export. So  
13 the law just hasn't kicked in yet, but it could in the  
14 future. So there is always going to be that overhang  
15 there, or that restriction.

16           CHAIRMAN ARANOFF: Okay.

17           MR. MONTALBINE: Yes, that's correct. And  
18 it binds the ferrovanadium to that Russian market.  
19 They have to meet the demand. But as far as the  
20 pentoxide, that's just a raw material for Evraz within  
21 Russia.

22           CHAIRMAN ARANOFF: Okay. Mr. Montalbine,  
23 you mentioned earlier, during my first round of  
24 questions, that Evraz has long-term contracts for  
25 ferrovanadium to customers in Europe that it's meeting

1 through conversion in the Czech Republic. So I wanted  
2 to follow up on that. Do we have any documentation in  
3 the record about the size or duration of Evraz's  
4 contractual commitments in Europe?

5 MR. MONTALBINE: I don't believe that's on  
6 the record yet. We can certainly do it in the  
7 posthearing brief. But also, it's just not the  
8 European Union. It's worldwide that most of their  
9 business is under long-term basis. Some of the  
10 gentlemen here can probably testify to that a little  
11 bit more, but we'll also supplement that in the post-  
12 hearing.

13 CHAIRMAN ARANOFF: Right. And I'm asking  
14 about that because it follows on from this issue of if  
15 the vanadium pentoxide were directed away from the  
16 Czech Republic and back into Russia for conversion,  
17 the comment was but Evraz would still have to meet its  
18 contractual commitments in Europe, and therefore that  
19 ferrovanadium that was now being made in Russia  
20 instead of the Czech Republic would still have to be  
21 sold in Europe, I think was the implication. And so  
22 I'm trying to get some documentation on the record to  
23 back that claim up.

24 MR. MONTALBINE: Okay. We'll submit that.  
25 And Mr. Scholtz can something about that now.

1 CHAIRMAN ARANOFF: That would be great.

2 MR. SCHOLTZ: Commissioner, I'm John Joseph  
3 Scholtz. I do the global marketing for East Metals.  
4 So our contracts -- more than 85 percent of our  
5 production is committed into long-term contracts.

6 CHAIRMAN ARANOFF: Okay. And by long-term  
7 contracts, how long?

8 MR. SCHOLTZ: It's general industry practice  
9 a year.

10 CHAIRMAN ARANOFF: A year, okay.

11 MR. MONTALBINE: And we'll also supplement  
12 that in our post-hearing.

13 CHAIRMAN ARANOFF: Okay, because we're more  
14 looking at a reasonably foreseeable time. We might be  
15 looking out further than a year. So if we're talking  
16 about customers that only have a contract for a year,  
17 then we might want to know do those same contracts  
18 have a year contract every year. You see what I'm  
19 saying?

20 MR. MONTALBINE: Okay.

21 MR. HORGAN: If I could just add something  
22 that you should, I think, keep in mind when you're  
23 thinking about this sort of sending stuff back to --  
24 back from Nikom to Russia, is Evraz owns Nikom. So  
25 they're not going to decommission Nikom, which is what

1 basically they're suggesting would happen. So --

2 CHAIRMAN ARANOFF: Well, I mean, I think  
3 it's a question, right? Because if the answer is  
4 Evraz apparently has more conversion capacity than it  
5 needs, so it's going to have some idle capacity  
6 somewhere.

7 MR. HORGAN: More conversion from --

8 CHAIRMAN ARANOFF: From vanadium pentoxide  
9 into ferrovanadium, because we just talked about the  
10 fact that the theoretical capacity in Russia exceeds  
11 what is actually produced there. So you can squeeze  
12 that toothpaste tube one way or the other. Okay. And  
13 that actually leads directly to my next question,  
14 which is -- I don't know whether we have this, but it  
15 would be helpful if we could have some information on  
16 the record about what Nikom's capacity utilization was  
17 during the period of review.

18 MR. HORGAN: We'll provide that in the post-  
19 hearing.

20 CHAIRMAN ARANOFF: Thanks. Okay. And for  
21 post-hearing, I just want to direct you to and ask you  
22 to respond specifically to Bear's argument on page 19  
23 of its brief that the Russian industry has far greater  
24 quantities of vanadium pentoxide at its disposal than  
25 reported in the questionnaire responses. And just for

1 the record -- and you can respond to this now or post-  
2 hearing if you prefer -- the domestic producers argued  
3 this morning that it was because of the anti-  
4 circumvention case that Evraz ceased sending vanadium  
5 pentoxide for conversion in the U.S. and reverted to  
6 sending product from the Czech Republic. Is that in  
7 fact the reason?

8 MR. HORGAN: Yes.

9 CHAIRMAN ARANOFF: Okay.

10 MR. HORGAN: And certainly it would be a  
11 gross injustice if they were allowed to use some  
12 baseless circumvention case and forced us to force  
13 Evraz to act rationally and limit its risk, and then  
14 used that as evidence that we are switching or that  
15 we're -- or we're switching. We have the capability to  
16 switch. We were compelled to do something we didn't  
17 want to do. We want to be a U.S. producer of  
18 ferrovanadium in Butler, PA. That's what they want to  
19 do. That's what makes the most financial sense.

20 And remember, it's the Commerce Department  
21 who has the jurisdiction to determine whether that's  
22 circumvention. They have so far determined it's not.

23 MR. KLETT: Commissioner Aranoff, I mean,  
24 maybe this is obviously, but Evraz had long had  
25 contractual commitments to customers in the United



1 States so that when it couldn't export or didn't want  
2 to take the risk of exporting vanadium pentoxide, it  
3 had to look to alternatives, one of which was  
4 importing ferrovanadium directly from the Czech  
5 Republic.

6 CHAIRMAN ARANOFF: Right. Now, Evraz's  
7 contractual commitments in the U.S., that's actually  
8 to the steel companies that purchase the product,  
9 right? That's what you're referring to?

10 MR. WIESLER: Yes. And to make the point  
11 clear, I won't say how much, but far and away the  
12 majority of our business is by contract, legal  
13 contract. So this would have a major effect if we  
14 can't supply our contractual obligations. And I think  
15 to that end, it's also important to take this a step  
16 further.

17 Since the majority of our business is by  
18 contract -- and as Mr. Carter pointed out, generally  
19 it's kind of done where you base it on the spot  
20 pricing that is generated and published by *Ryan's*  
21 *Notes*. That spot pricing will in fact then affect all  
22 of your formulas in your base contracts.

23 It would be kind of ludicrous for Evraz then  
24 if they were truly dumping material to bring  
25 ferrovanadium in here, dump it at, you know,

1 ridiculously low prices to get a very small amount of  
2 the spot market that's available and kill their own  
3 ferrovanadium contract prices. So you just would  
4 avoid that, which is what is happening.

5 MR. HORGAN: I would just -- if I could just  
6 add to that. You know, Stratcor also imports nitrovan  
7 from South Africa. So again, if they're  
8 interchangeable products, and you bring in a lot of  
9 low-priced ferrovanadium from anywhere, it's also  
10 going to displace Stratcor's nitrovan products, which  
11 are not subject to any dumping order.

12 CHAIRMAN ARANOFF: That's the nitrated  
13 vanadium product?

14 MR. HORGAN: Right.

15 CHAIRMAN ARANOFF: Okay.

16 MR. HORGAN: So again, you have -- again,  
17 there is another significant disincentive to doing any  
18 dumping in the United States. As you mentioned  
19 earlier this morning, they'd be shooting themselves in  
20 the foot both in terms of their long-term contracts  
21 and in terms of their nitrovan shipments.

22 CHAIRMAN ARANOFF: Okay, okay. This is an  
23 unusual case because most respondents come and tell us  
24 they want an order revoked because they have a very  
25 small interest in some specialized product in the U.S.

1 market. But this is a case where we've got a company  
2 that has a very large interest in the U.S. market that  
3 they're not hiding, but the question is what product  
4 is it exactly that they're going to bring in. So that  
5 does make this different.

6 I don't think I have any further questions,  
7 but I do want to thank this panel. And let me turn  
8 now to Commissioner Pinkert.

9 COMMISSIONER PINKERT: I just have a few  
10 more questions. Regarding the Russian antitrust or  
11 competition rules, do we have any information about  
12 the practical actual implementation of those rules in  
13 Russia?

14 MR. MONTALBINE: We don't have anything on  
15 the record. I can talk to the people in Russia and  
16 see if we can get any type of statistics or anything.  
17 So far we just have a copy of the law and a  
18 discussion of the law itself.

19 COMMISSIONER PINKERT: Thank you. Mr.  
20 Klett, do you agree with the staff report's estimate  
21 of the elasticity of U.S. demand?

22 MR. KLETT: The aggregate demand elasticity?  
23 Yes. I mean, I agree with the staff report, and  
24 generally even slide one of Dr. Button's presentation  
25 that in general demand for ferrovanadium is relatively

1 price inelastic.

2           COMMISSIONER PINKERT: Thank you. If in the  
3 post-hearing you want to comment on what bearing that  
4 might have on the likelihood issue in this case, that  
5 would be helpful.

6           MR. KLETT: I will do so, Commissioner  
7 Pinkert.

8           COMMISSIONER PINKERT: Thank you. And  
9 finally, you heard with the earlier panel that I asked  
10 about how to do the vulnerability analysis. And the  
11 question I asked them was whether we should be looking  
12 at, say, the entire period of review and looking at  
13 profitability and return on investment, or whether a  
14 more truncated kind of analysis would be appropriate.  
15 And I want to give you a chance to talk about that as  
16 well.

17           MR. KLETT: Commissioner, this is Dan Klett.  
18 I think Dr. Button responded to that, and he talked  
19 about what happened in the original period of  
20 investigation, for example. But -- and also he talked  
21 about effects. But I think the way the Commission  
22 looks at vulnerability is more what is the current  
23 state of the U.S. industry because for a sunset,  
24 you're looking at prospective, so the vulnerability is  
25 really more kind of where is the industry at now or

1 over the most recent past rather than where it was at  
2 the beginning of the period of review. And definitely  
3 you don't look at where it was in the original period  
4 of investigation in the mid-1990s.

5           So we can talk a bit more on vulnerability  
6 in our post-hearing because I don't think it was  
7 addressed much in our pre-hearing. But just as a  
8 general statement, I think the most recent condition  
9 of the industry is more relevant for purposes of your  
10 vulnerability analysis.

11           COMMISSIONER PINKERT: I'd appreciate it,  
12 too, if you'd address the question of whether we  
13 should be taking into account cyclical factors in  
14 evaluating vulnerability.

15           MR. KLETT: I understand. We can do that as  
16 well.

17           COMMISSIONER PINKERT: Thank you. And with  
18 that, I thank the panel. And unless something else  
19 comes to me in the next ten minutes, I have no further  
20 questions for the panel. Thank you.

21           CHAIRMAN ARANOFF: Commissioner Johanson.

22           COMMISSIONER JOHANSON: Thank you, Madam  
23 Chairman. In the hearing for the first review, a  
24 representative of the former owners of Vanady Tula  
25 testified that it is more profitable to produce

1 ferrovanadium in Russia than to pay toll converters in  
2 other countries. What has changed that would make the  
3 costs different now?

4 MR. HORGAN: We were just confirming whether  
5 that was in fact Vanady Tula's predecessor, and it  
6 was. And maybe that's what we need to take from that,  
7 is these people are no longer in charge. Maybe this  
8 is the kind of thinking that got them -- the reason  
9 they're not here today.

10 COMMISSIONER JOHANSON: All right. Thank  
11 you. In your brief, you indicated that world demand  
12 for vanadium pentoxide is expected to grow 1.5 percent  
13 per year over 2012 to 2016, while demand for  
14 ferrovanadium was expected to grow at 8.5 percent.  
15 Why is the expected growth rate for vanadium pentoxide  
16 higher than that for ferrovanadium?

17 MR. KLETT: Commissioner Johanson, this is  
18 Dan Klett. I'll have to look in our brief at those  
19 numbers, and I don't have an answer right now in terms  
20 of why that discrepancy, or that differential in  
21 growth rates between vanadium pentoxide and  
22 ferrovanadium.

23 COMMISSIONER JOHANSON: All right. Thank  
24 you. I look forward to seeing that. Also, why have  
25 Russian exports of vanadium pentoxide to the EU market

1 increased over the period of review? Do you have a  
2 reply to that?

3 MR. MONTALBINE: I can something about it.  
4 Basically, that's evidence of the business strategy to  
5 process in the local regional market. So what they  
6 are doing is sending pentoxide to Nikom, their related  
7 plant in the Czech Republic, and processing it there  
8 locally for the EU market. So that's just another  
9 example of how this makes -- this business model makes  
10 economic sense even in a market where there is no  
11 dumping duties, where there is no duty differential on  
12 the two products.

13 COMMISSIONER JOHANSON: Yes, Mr. Bunting?

14 MR. BUNTING: I think it's fair to say that  
15 prior to Evraz's obtaining ownership of Nikom, Nikom  
16 was taking oxide from other sources, like China, for  
17 example. So now it's essentially 100 percent from  
18 Evraz.

19 COMMISSIONER JOHANSON: Yes, Mr. Horgan?

20 MR. HORGAN: I was just going to say I think  
21 it's really is just an instance of Evraz displacing  
22 its ferrovanadium or its ferrovanadium shipments to  
23 western Europe with its own shipments and then  
24 conversion of vanadium pentoxide in the Czech  
25 Republic. So I think that's why you see the flip in

1 numbers.

2           COMMISSIONER JOHANSON: All right. Thank  
3 you for your response. How much Russian ferrovanadium  
4 production is used by Evraz's own steel production in  
5 Russia? And if this is proprietary, if you could  
6 address this in the posthearing brief.

7           MR. HORGAN: Could you repeat that one more  
8 time?

9           COMMISSIONER JOHANSON: Yes. How much of  
10 Russian ferrovanadium production is used by Evraz's  
11 own steel production in Russia?

12          MR. HORGAN: Oh, okay.

13          COMMISSIONER JOHANSON: Does that make  
14 sense?

15          MR. HORGAN: Yes.

16          COMMISSIONER JOHANSON: Okay.

17          MR. MONTALBINE: I think we'll have to  
18 address that in posthearing and get the figures for  
19 you.

20          COMMISSIONER JOHANSON: Okay. I understand.  
21 Thank you. And then finally I just have one more  
22 question. This morning, the domestic industry parties  
23 expressed concerns regarding the Russian producers'  
24 allocated capacity, and they contended that perhaps  
25 that should be revisited. I was wondering if you all



1 could address that in the posthearing brief, or if you  
2 have any comments on that at this time.

3 MR. MONTALBINE: Yes. We will address that.  
4 I discussed that a little bit with Madam Chairman  
5 Aranoff. But we'll address that more fully in the  
6 posthearing brief.

7 COMMISSIONER JOHANSON: All right. I'd  
8 appreciate it. And that concludes my questions.  
9 Thank you all for appearing here today.

10 CHAIRMAN ARANOFF: Are there any further  
11 questions for this panel from commissioners?

12 (No response.)

13 CHAIRMAN ARANOFF: No. Do the staff have  
14 any questions for this panel?

15 MR. CORKRAN: Douglas Corkran, Office of  
16 Investigations. Thank you, Madam Chairman. Staff  
17 have no additional questions.

18 CHAIRMAN ARANOFF: Do those in support of  
19 continuation have any questions for this panel?

20 MR. KRAMER: No, we do not.

21 CHAIRMAN ARANOFF: Okay. The time remaining  
22 includes -- let's see, for those in support of  
23 continuation, 11 minutes remaining from direct  
24 testimony and 5 minutes for closing, for a total of 16  
25 minutes. And for those in opposition to continuation,

1 40 minutes remaining from direct, plus 5 minutes, for  
2 a total of 45 minutes.

3           With your permission, we will follow our  
4 usual procedure of combining those. So I would like  
5 to thank the second panel very much for your testimony  
6 this afternoon, and we'll break for a moment for you  
7 to move back to your seats and have the domestic  
8 industry's supporters come forward for their  
9 conclusion.

10           (Whereupon, a brief recess was taken.)

11           MR. KRAMER: I'm going to make a few  
12 rebuttal points, after which Dr. Button is going to  
13 make some additional points, and then I'll make my  
14 closing statement.

15           The first point I'd like to address is the  
16 statements to the effect that home market sales of  
17 ferrovanadium have surged in Russia, that there is  
18 increasing steel production, and the suggestion that  
19 somehow the reduction in export shipments is a  
20 reflection of the strengthened home market.

21           First of all, as shown by the data that  
22 we've submitted, over the period of review, there has  
23 been no increase in steel production in Russia. There  
24 is a lower level of production currently than there  
25 was in the first two years of the period.

1           Secondly, in terms of the relative  
2 attractiveness of the Russian market, as we explained  
3 in our testimony and the Evraz's witnesses confirmed,  
4 steel is significantly less -- it's more than two and  
5 a half times -- the vanadium content of steel is more  
6 than two and a half times higher in the United States  
7 than in Russia. And the testimony you just heard --  
8 first of all, the source of that data that we cited  
9 was a presentation by an Evraz official in late 2011.  
10 And then the testimony you heard today was that the  
11 differential is even higher now than it was in 2010  
12 based on that prior Evraz statement, that it's now  
13 .107 to .040.

14           So to the current period, there is only a  
15 very, very small increase in intensity in Russia,  
16 whereas there is a more significant further increase  
17 in the vanadium intensity in steel produced in the  
18 United States.

19           But I think an even more important point is  
20 the fact that Evraz already accounts for a very large  
21 portion of steel consumption in -- they supply the  
22 ferrovanadium for a very large portion of steel  
23 consumption in Russia already. And so that market is  
24 saturated. Furthermore, you know, examination of the  
25 data shows that the real explanation for the fall-off

1 in export sales is not an increase vying with sales in  
2 the domestic market. It's a shift from exporting the  
3 finished product to exporting an intermediate  
4 manufactured product that's one step short of final,  
5 the vanadium pentoxide.

6           Evrax's economist testified that the  
7 arguments that Dr. Button made regarding the  
8 incentives to shift to the United States would be  
9 valid were it not the case that 85 percent of the  
10 vanadium pentoxide exports were to non-U.S. markets  
11 where there were no antidumping orders in place. I  
12 think it's important for the Commission to recognize  
13 that that material is being sent to those countries  
14 for conversion, but that a large percentage of these  
15 V<sub>2</sub>O<sub>5</sub> exports becomes ferrovanadium that ultimately is  
16 shipped to the United States and consumed in the  
17 United States. So the arguments we're making are  
18 valid.

19           The suggestion that somehow the unused  
20 capacity to convert ferrovanadium -- pentoxide to  
21 ferrovanadium is the result of the facility's, you  
22 know, not being currently online, workers not being  
23 there, some kind of circumstance, you know, regarding  
24 those production facilities. And that's the first  
25 we've heard in this proceeding that there is somehow

1 something other than a simple business decision to  
2 export the pentoxide rather than the final product  
3 that explains that unused capacity. So it's pretty  
4 late in this process when that thought has first been  
5 presented.

6           And I think it's also important for the  
7 Commission to focus on what type of facilities we're  
8 talking about when you're talking about the conversion  
9 of the pentoxide into ferrovandium. I mean, that's a  
10 simple one-step process where a reaction is ignited,  
11 and the pentoxide is reduced into the -- it's a five-  
12 minute chemical reaction, and it does not require a  
13 substantial manufacturing facility, even if you were  
14 shut down, the process of restarting is not any kind  
15 of significant impediment.

16           The suggestions that there are long-term  
17 contracts in the European Union that somehow would  
18 preclude shipping or returning -- allowing pentoxide  
19 production to be consumed in Russia rather than  
20 shipped to the EU is belied by the fact that the  
21 significant portion of the material being converted in  
22 the EU is being exported to the United States. So it  
23 can't be long-term commitments to European customers  
24 that are determining what is being done with that  
25 product.

1           With respect to the argument based on  
2 Russian antitrust law, what they're saying is that  
3 they can't be in a position of not supplying adequate  
4 volume of the finished product to customers in Russia  
5 and thereby causing prices to increase because they've  
6 shifted some portion of their Russian production to  
7 other markets. But they're making that argument in  
8 circumstances in which they have this enormous amount  
9 of capacity to produce more ferrovanadium in Russia.  
10 So there is no need to shift ferrovanadium currently  
11 being sold to Russian customers. It's simply a matter  
12 of producing -- using a little bit more of their own  
13 pentoxide production to produce ferrovanadium supplied  
14 to Russian customers.

15           You know, regarding the comparisons of  
16 conversion costs to the United States to those in  
17 Russia, any such comparison should be based on what  
18 those costs would be in Russia if the production  
19 capacity were being used efficiently, you know, if  
20 they didn't have a large -- they hadn't idled a large  
21 portion of their conversion capacity. You know, by  
22 doing that, they increased their fixed costs that are  
23 attributed to a unit of production in Russia.

24           DR. BUTTON: Thank you. Kenneth Button from  
25 Economic Consulting Services. As indicated by Mr.

1 Kramer, this afternoon two points of particular  
2 importance were clarified in this afternoon's panel  
3 discussions with the Commission that were not  
4 necessarily fully clear in the briefs. One is that  
5 there is a large volume of vanadium pentoxide produced  
6 in Russia available in Russia and at the discretion of  
7 Evraz exported from Russia. That is material that  
8 could be used in Russia and converted there into  
9 vanadium, ferrovanadium.

10           It is not -- we learned today publicly that  
11 it would appear based on the analysis that we gave in  
12 our Exhibit 6 that approximately in the period of 2008  
13 and 2009, Vanady Tula at its discretion chose to take  
14 offline certain facilities that converts vanadium  
15 pentoxide into ferrovanadium. This is a discretionary  
16 step on their part, and they chose instead to export  
17 that product to foreign markets, where it was toll  
18 converted.

19           So the theoretical capacity -- well,  
20 actually, the actual capacity exists for them to  
21 convert far greater volumes of vanadium pentoxide. I  
22 would invite the Commission also to compare the volume  
23 of production indicated in the staff report and in  
24 Vanady Tula's foreign producer's questionnaire, the  
25 volume of production on a contained vanadium basis and

1 the volume of vanadium pentoxide that they export.  
2 And you'll see that that latter number is very large.  
3 And if that number was combined with the current --  
4 you know, the production volume shown in the  
5 questionnaire, you would then have a substantially  
6 greater throughput over which to spread your fixed  
7 costs. And as Mr. Kramer was showing then, that would  
8 be the proper basis of a comparison, the benchmark for  
9 deciding where their economic incentives would be.  
10 That's what I call the production side incentive.

11           With respect to the foreign transportation  
12 logistics, I would emphasize that currently exports of  
13 vanadium pentoxide are handled twice before it gets to  
14 the United States. You ship it from Russia to some  
15 other location, for example, the Czech Republic. You  
16 turn it into ferrovanadium. Then you handle it again  
17 and send it to the U.S. market, where maybe you're  
18 going to repackage and resize it there as well.

19           There is streamlining to be found in  
20 shipping ferrovanadium directly from Russia to the  
21 United States. That would be where the economic  
22 incentive would be. With respect to utilization  
23 rates, one of the -- I believe the Respondents have  
24 agreed that based on Evraz's own data, that the U.S.  
25 level of utilization of vanadium per ton of steel is



1 substantially higher and that the U.S. ferrovanadium  
2 usage rates are higher not only than those in Europe  
3 and in Russia, but anywhere else in the world. So  
4 even though the developing country rates may be  
5 growing, they are still substantially lower than those  
6 in the United States. This is where the greater usage  
7 is concentrated.

8 Thank you. That concludes my comments.

9 THE SECRETARY: Four minutes remaining.

10 MR. KRAMER: One last point of rebuttal,  
11 which is this is not a new business model. What Evraz  
12 is doing today is exactly what Vanady Tula was doing  
13 during the first review period, which it indicated  
14 created costs and would reduce its profits. The  
15 evidence before the Commission in this sunset review  
16 shows that if the antidumping order were revoked, the  
17 domestic ferrovanadium industry would again be  
18 severely injured by dumped imports from Russia.

19 The Russian imports would reenter the U.S.  
20 market at low prices, undercutting domestic producer  
21 prices. Given the interchangeability of ferrovanadium  
22 from all sources and the conditions of competition in  
23 the U.S. market, U.S. producers would be forced to cut  
24 their prices or to lose sales. The result would be  
25 price declines, sales losses, falling production

1 shipments and employment and financial injury to the  
2 domestic industry.

3           The experience of the domestic industry  
4 before the order clearly demonstrates the devastating  
5 impact that a renewed flow of dumped imports from  
6 Russia would have on U.S. producers. The differences  
7 between grades of ferrovanadium would not shield the  
8 U.S. industry from this injury, as Evraz suggests.  
9 Furthermore, even a very small volume of low-priced  
10 imports would have a very significant price depressing  
11 effect because of the price competitiveness of the  
12 U.S. market and the formula pricing used in contracts.

13           As explained in our brief, the truth is that  
14 the Russian industry has a very large ferrovanadium  
15 production capacity and extensive unused capacity.  
16 The United States is a large, attractive ferrovanadium  
17 market with prices that are significantly higher than  
18 those in Europe and elsewhere.

19           Prior to the order, Russia exported large  
20 and rapidly increasing volumes of dumped ferrovanadium  
21 to the United States. During the current period,  
22 Evraz aggressively sought to regain unrestricted  
23 access to the U.S. market by having its vanadium  
24 pentoxide converted into ferrovanadium in the United  
25 States and elsewhere. In doing so, it demonstrated

1 its ability to very quickly shift the sites where it  
2 has the vanadium pentoxide produced by Vanady Tula in  
3 Russia converted into ferrovanadium for sale to U.S.  
4 customers.

5           Contrary to Evraz's claims, the Russian  
6 industry has not become less export-oriented or less  
7 interested in supplying the U.S. market. At the same  
8 time Evraz reduced its exports of ferrovanadium, it  
9 increased its exports of vanadium pentoxide for  
10 conversion into ferrovanadium in other countries for  
11 sale to U.S. customers. There was no increase in  
12 steel production in Russia over the review period that  
13 compelled Evraz to focus on its domestic market.

14           In any case, even if there were an increase,  
15 Vanady Tula would still have ample excess capacity in  
16 Russia to convert vanadium pentoxide into  
17 ferrovanadium for export sale. Increasing its  
18 capacity utilization by doing so would reduce its per  
19 unit cost and increase its profitability. In  
20 addition, Evraz could stop paying foreign toll  
21 converters a fee that includes a profit on their  
22 conversion services.

23           In summary, there are no real external  
24 factors that would preclude Evraz from quickly  
25 shifting back to performing the conversion step in

1 Russia, as Vanady Tula acknowledged would be more  
2 profitable at the time of the first sunset review.  
3 The changes in the sites at which Evraz has vanadium  
4 pentoxide converted into ferrovanadium are simply the  
5 result of choices made by Evraz regarding how to  
6 maximize its sales and profits.

7           If the order were revoked, Evraz could use  
8 the same flexibility as demonstrated to revert to  
9 converting more of its vanadium pentoxide into  
10 ferrovanadium in Russia for export to the United  
11 States. For all of these reasons, continuation of the  
12 antidumping order is essential to the continued  
13 viability of the U.S. industry and is warranted by the  
14 facts in the record. Thank you.

15           CHAIRMAN ARANOFF: Thank you.

16           MR. HORGAN: Did I hear I have 45 minutes?

17           CHAIRMAN ARANOFF: Yes, you did.

18           MR. HORGAN: I may take five. I'd like to  
19 begin just with the statement cited by Commissioner  
20 Johanson and also cited by the Petitioners in their  
21 brief, or in their presentation in their slides about  
22 how in 2001 the former managers of Tula made the  
23 statement about how it would be more cost effective to  
24 convert in Russia. And the truth is, that's just not  
25 true. I mean, you have a new manager in town, a new

1 boss in town. These guys were not making money.  
2 Evraz is making money. That's what their business is.

3           It's not the same business model that Tula  
4 was using. We've heard them just say just now that  
5 Tula was doing this during the first review period.  
6 Not true. Tula was shipping vast quantities of  
7 ferrovanadium into Europe. They were converting some  
8 in Czechoslovakia using -- or the Czech Republic using  
9 then an unrelated toll converter. But that's not what  
10 the Evraz model is.

11           The Evraz business model is on display  
12 throughout the world. They use local converters to  
13 convert vanadium pentoxide into ferrovanadium to serve  
14 those local markets. Now, we just heard Petitioners  
15 say, well, if they move it back to Russia, they won't  
16 have to pay those conversion fees anymore. Well,  
17 that's true. But that doesn't mean the conversion  
18 costs disappear. It still costs something to convert.  
19 And if Bear is efficient and can do that at a  
20 reasonable price, a good price, then why not do that  
21 externally and not internally.

22           As we pointed out in our testimony, that's  
23 what Bear has been doing for 20 years as a U.S.  
24 producer. They use an unrelated toll converter. So  
25 using an unrelated toll converter makes perfectly good

1 economic sense. It has been demonstrated in the  
2 United States by Stratcor going back 20 years, and it  
3 has been demonstrated throughout the world by Evraz in  
4 the recent five years since it got involved in the  
5 vanadium business.

6           And I do have to go back to my opening  
7 statement. I expected that they would do this, and of  
8 course they did. They talked about the relative  
9 attractiveness of the Russian and U.S. markets. And  
10 they go -- and they say nothing has changed since  
11 1993. In 1993, the U.S. was a very attractive market,  
12 so they dumped a lot of product here. So nothing has  
13 changed. But I guess they slept through the collapse  
14 of the Soviet Union when they were just selling  
15 everything that wasn't tied down, when Russia had no  
16 hard currency. No one in Russia had money to buy  
17 anything in the original investigation period.

18           So the Russian market has changed 180  
19 degrees since then. Russia now has a thriving market  
20 that is an emerging economy that's using increasing  
21 amounts of steel, in particular high-strength, low-  
22 alloy steel for construction projects. So things have  
23 changed considerably in the Russian market, and that's  
24 where the Commission's focus has to be, is whether in  
25 fact as we've alleged or we've shown that Russia's

1 ferrovanadium industry is no longer export-oriented.  
2 And you don't have to speculate about that. The  
3 numbers are there. You've seen it since Evraz took  
4 over. They've pulled back all their exports of  
5 ferrovanadium and started shipping vanadium pentoxide  
6 for local conversion.

7           So you don't have to speculate about what is  
8 going to happen. You've seen it happen in Europe.  
9 You've seen it happen in Canada. That's what would be  
10 happening in the United States but for again this  
11 false anti-circumvention claim. And I think you have  
12 to be wary of that because I think the Commission has  
13 to take the scope of the order as it has been  
14 described during the original investigation in the  
15 first review and the second review, and in this  
16 review. It doesn't include vanadium pentoxide.

17           So the question is whether the ferrovanadium  
18 order makes sense anymore. And the truth is no, not  
19 given what Evraz has done with its business model, not  
20 given the change in the Russian home market, not given  
21 what is expected to continue to happen in the Russian  
22 home market. There is just no reason to do that.

23           I think finally, as Commissioner Aranoff  
24 pointed out, is there going to be any effect on  
25 Evraz's affiliates here? And this maybe really

1 accentuates why they would never start dumping here.  
2 And we talked about it. It's because their long-term  
3 contracts are tied to those prices, those published  
4 prices. So if they start dumping, those published  
5 prices go down, and their own long-term contracts go  
6 down. So dumping on a spot market, this sudden switch  
7 to ferrovanadium, is going to kill them on all their  
8 long-term contracts, which account, I believe, for 90  
9 percent or more of their business.

10           So they're not going to do it for that  
11 reason. They're also a substantial importer and  
12 seller of nitrovan, which is non-subject merchandise.  
13 And to the extent nitrovan can be replaced with  
14 ferrovanadium, again they would be displacing their  
15 own sales, their own profitable sales. So they have  
16 no reason to do that. And that's the reason that the  
17 orders shouldn't be continued, because it has changed,  
18 because the ferrovanadium order is irrelevant now  
19 because of Evraz's business model. And Evraz is the  
20 dominant producer of ferrovanadium in Russia.

21           So this other small producer in Russia is  
22 not going to influence the U.S. market in any way. In  
23 fact, I believe we've reported they actually do all  
24 their -- you know, we're using all their capacity in a  
25 tolling arrangement already.



1           So that being the case -- and I have to say,  
2 you know, you certainly wonder we would be here doing  
3 this if we really didn't care about the U.S.  
4 ferrovanadium market. And the answer is we probably  
5 wouldn't be here if we hadn't been dragged into this  
6 anti-circumvention case. But we got dragged into that  
7 anti-circumvention case, and we started looking at the  
8 facts, and we looked around and said, why is this  
9 order even here anymore, you know, when the entire --  
10 the Russian market has changed, their export pattern  
11 of trade has changed completely, and they now are  
12 vanadium -- actually a U.S. supplier.

13           I know the Commission makes a distinction  
14 between tollers and tollees in terms of who is a  
15 producer. But in fact, Evraz is in effect a producer  
16 of ferrovanadium in the United States, and it is by  
17 being a tollee. So it has no interest in upsetting  
18 the U.S. market or displacing its own current business  
19 model, which has worked quite well.

20           We appreciate all of the advice the have  
21 given us, telling us we'd make lots more money if we  
22 did this back at home, back in Russia. But the truth  
23 is we've actually looked at it, and it doesn't work  
24 that way. And we've submitted evidence of that to the  
25 Commission. And for all of those reasons, we think

1 the antidumping duty order on ferrovanadium from  
2 Russia should not be continued. Thank you.

3 CHAIRMAN ARANOFF: Thank you. I was remiss  
4 this morning in forgetting to extend to all of you  
5 Commissioner Pearson and Okun's regret that they're  
6 not here today. They are both traveling on agency  
7 business, but they are participating in this review.

8 I want to thank again everyone, all of the  
9 witnesses who participated in today's hearing. We are  
10 looking forward to your posthearing submissions. We  
11 realize we've assigned you a lot of work for the next  
12 week.

13 Posthearing briefs, statements responsive to  
14 questions, and requests of the Commission, and  
15 corrections to the transcript must be filed by June  
16 29, 2012. Closing of the record and final release of  
17 data to parties will take place on July 30, 2012, and  
18 final comments are due on August 1, 2012.

19 With no other business before the  
20 Commission, this hearing is adjourned.

21 (Whereupon, at 3:05 p.m., the hearing in the  
22 above-entitled matter was concluded.)

23 //

24 //

25 //

**CERTIFICATION OF TRANSCRIPTION****TITLE:** Ferrovandium & Nitrided Vanadium From Russia**INVESTIGATION NO.:** 731-TA-702**HEARING DATE:** June 21, 2012**LOCATION:** Washington, D.C.**NATURE OF HEARING:**Hearing

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

DATE: June 21, 2012

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

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

SIGNED: Rebecca McCrary  
Signature of Proofreader

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

SIGNED: David Jones  
Signature of Court Reporter