

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2

3 In the Matter of: ) Investigation Nos.:  
4 ) 701-TA-499-500 and  
5 ) 731-TA-1215-1223 (Final)

6 CERTAIN OIL COUNTRY TUBULAR )

7 GOODS FROM INDIA, KOREA, )

8 PHILLIPINES, SAUDI ARABIA, )

9 TAIWAN, THAILAND, TURKEY )

10 UKRAINE, AND VIETNAM )

11 Tuesday, July 15, 2014

12 Main Hearing Room (Room 101)

13 U.S. International

14 Trade Commission

15 500 E Street, S.W.

16 Washington, D.C.

17

18 The meeting commenced, pursuant to notice at 9:35

19 a.m., before the Commissioners of the United States

20 International Trade Commission, the Honorable

21 Meredith M. Broadbent, Chairman, presiding.

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12 The Honorable Sherrod Brown, United States

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14 The Honorable Amy Klobuchar, United States

15 Senator, Minnesota

16 The Honorable Pat Toomey, United States

17 Senator, Pennsylvania

18 The Honorable Peter J. Visclosky, U.S.

19 Representative, 1st District, Indiana

20 The Honorable Spencer Bachus, U.S.

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4 The Honorable Tim Murphy, U.S.  
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6 The Honorable Rick Crawford, U.S.  
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2 In Support of the Imposition of Antidumping and

3 Countervailing Duty Orders

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11 JMC Steel Group

12 Maximo Tejeda, President and Chief Executive

13 Officer, Tejas Tubular Products

14 David Mitch, President and Chief Executive

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16 Scott Barnes, Senior Vice President and

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18 Skip Herald, Managing Director-North America,

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

2 (9:35 a.m.)

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

4 CHAIRMAN BROADBENT: On behalf of the U.S.

5 International Trade Commission, I welcome you to this  
6 hearing on Investigation No. 701-TA-499 and 500 and  
7 731-TA-1215 through 1223. These cases address Certain Oil  
8 Country Tubular Goods from nine countries, India, Korea,  
9 Philippines, Saudi Arabia, Taiwan, Thailand, Turkey,  
10 Ukraine, and Vietnam.

11 The purpose of these investigations is to  
12 determine whether an industry in the United States is  
13 materially injured or threatened with material injury by  
14 reasons of imports of certain OCTG goods from India, Korea,  
15 Philippines, Saudi Arabia, Taiwan, Thailand, Turkey,  
16 Ukraine, and Vietnam that are sold in the United States at  
17 less than fair value. And by reason of imports of certain  
18 OCTG that are subsidized by the governments of India and  
19 Turkey.

20 The schedule setting forth the presentation of  
21 this hearing, notices of investigation and transcript order  
22 forms are available at the public distribution table.

23 All prepared testimony should be given to the  
24 Secretary. Please do not place testimony directly on the  
25 public distribution table. All witnesses must be sworn in

1 by the Secretary before presenting testimony.

2 I understand the parties are aware of the time  
3 allocations. Any questions regarding the time allocation  
4 should be directed to the Secretary.

5 Speakers are reminded not to refer to business  
6 proprietary information in their remarks or in any answers  
7 to questions. Please speak clearly into the microphone and  
8 state your name for the record for the benefit of the court  
9 reporter.

10 Also, if you will be submitting documents that  
11 contain information you wish classified as business  
12 confidential, your request should comply with Commission  
13 Rule 201.6.

14 Before we begin, I would like to say that this is  
15 my first hearing as chairman. Commissioner Williamson has  
16 just finished chairing 45 hearings, very quite successfully.  
17 So he's my model. I thought I'd start big today with the  
18 group that we have here.

19 (Laughter.)

20 CHAIRMAN BROADBENT: I'm eager to get started.  
21 This is a fascinating product and we had the good fortune of  
22 joining several -- several of us went out to visit OCTG  
23 manufacturing facilities in my home state of Ohio. And I'm  
24 glad to get a chance to follow up on that experience with  
25 you here today.

1                   Mr. Secretary, are there any other preliminary  
2 matters?

3                   MR. BISHOP: No, Madam Chairman.

4                   CHAIRMAN BROADBENT: Very well. Will you please  
5 announce our first Congressional witness?

6                   (Pause.)

7                   MR. BISHOP: Madam Chairman, our first  
8 Congressional witness is the Honorable Sherrod Brown, United  
9 States Senator, Ohio.

10                  CHAIRMAN BROADBENT: Welcome, Senator Brown. You  
11 may begin when you're ready.

12                  SENATOR BROWN: Madam CHAIRMAN BROADBENT, thank  
13 you, and it's good to be back in front of the International  
14 Trade Commission and thank you for the work that you've done  
15 in enforcing U.S. trade laws which I think most of the time  
16 has been the right decisions for our country. So thank you  
17 for that.

18                  Oil country tubular good producers in Ohio  
19 include U.S. Steel in Lorraine, JMC in Warren, TMK in  
20 Brookfield, Vallourec, formerly V and M Star in Youngstown,  
21 the workers of these companies make oil country tubular  
22 goods for a range of companies that drill for oil and gas.

23                  Like other industry leaders in my state, these  
24 Ohio workers and manufacturers have shown they can compete  
25 with anyone in the world, but not if our trading partners

1 employ unfair trading practices designed to capture as much  
2 of the market as they can in putting American companies out  
3 of business. This is what's happening in the case before  
4 you today.

5           Nine U.S. companies with facilities across the  
6 country filed a case against OCTG producers in nine  
7 countries who are dumping products in our market. Two  
8 Korean OCTG producers named in the case represent the  
9 biggest share of imports flooding into our market. But, as  
10 I think all of you know, they have no domestic market of  
11 their own in Korea. There's no drilling for oil and gas in  
12 the Korean market, their entire business is for export,  
13 mostly to the United States. Even though we're in the  
14 middle of a natural gas boom in this country, by some  
15 estimates as much as half of the pipe being used to drill  
16 for oil and gas is foreign produced. Not because American  
17 companies don't make the right products or are not  
18 competitive, it's because foreign companies can put them out  
19 of business by engaging in illegal price discrimination in  
20 our market. If we allow this to go unchecked, American  
21 companies may go out of business and setting a blueprint for  
22 other countries and other companies around the world to do  
23 the same.

24           Industry statistics show the demand for OCTG good  
25 grew by 43 percent between 2010 and 2012. Unfortunately,

1 domestic producers did not benefit from this increase in  
2 demand because they were shut out of the market by  
3 underpriced imports flooding the market.

4           Between 2010 and 2012, imports from Korea surged  
5 by some 500,000 metric tons to about 800,000 metric tons.  
6 And these are conservative estimates.

7           Over the same timeframe the domestic industry  
8 operating margin fell from 13.6 percent in 2010 to less than  
9 10 percent two years later. This decline in operating  
10 margin isn't attributable to old equipment or outdated  
11 technology. In fact, quite the opposite.

12           U.S. industry has invested millions and millions  
13 of dollars in these facilities to remain the most  
14 competitive in the global marketplace. U.S. Steel spent  
15 \$100 million on a heat and treat and finishing facility that  
16 created 100 new full-time jobs at their Lorraine, Ohio  
17 facility.

18           TMK is one of the largest producers of OCTG in  
19 the world with a facility in Brookfield, Ohio. Since 2008  
20 the company has invested over \$2 billion in their U.S.  
21 operations. Other companies made similar investments so  
22 that they are in fact on the cutting edge worldwide of this  
23 industry. Instead of expanding production, instead of  
24 hiring more workers as a result of these investments our  
25 companies are laying off workers as a result of the injury

1 these imports have caused throughout our county.

2 TMK announced plans a few months ago to idle one  
3 site and to reduce operating hours at three of its other  
4 facilities. In a press release announcing the bad news, the  
5 company said, "We have seen intense pressure from low-priced  
6 and unfairly traded imports for more than a year and a  
7 half."

8 Vallourec in Youngstown invested \$1 billion in  
9 their OCTG mill where they employ 350 employees. This is  
10 Youngstown, Ohio, a city that's coming back. Even with the  
11 state-of-the-art investment, the mill is struggling to  
12 compete against Korea and OCTG in our market.

13 JMC in Warren, Ohio is another leading producer  
14 of OCTG products. They have instituted layoffs of more than  
15 100 workers in these plants including the one in Ohio.  
16 These layoffs have been directly related to the surge of  
17 foreign imports.

18 I've been to each of these factories. I've seen  
19 the investments they've made. I've witnessed first-hand how  
20 competitive these facilities are. I've seen how much pride  
21 the workers have in their products. I've seen what these  
22 companies that are now growing mean to these communities  
23 that have had two or three decades of difficult times. I  
24 know what's at stake, as you do. I know what's at stake  
25 with this case. These unfairly traded imports are putting

1 Americans out of work. They're damaging our steel company  
2 and we've seen it here before.

3 In the third quarter of 2008, Chinese imports  
4 accounted for nearly 100 percent of U.S. consumption. By  
5 the time the domestic manufacturers had filed an antidumping  
6 case against Chinese producers, every major U.S. OCTG  
7 facility was either shut down or was using less than 30  
8 percent of its capacity.

9 The affirmative determination of Commerce and  
10 this Commission in that case gave companies the relief they  
11 needed, but only after the businesses -- this is so  
12 essential -- only after the businesses and workers suffered  
13 significant damages that left their communities reeling.

14 Ohio companies have told me that the Korean OCTG  
15 imports have replaced the Chinese imports to exact the same  
16 kind of damage in our steel sector and in those communities.  
17 At a time when oil and gas is booming, American steel  
18 producers should be benefitting as well. It's a matter of  
19 economic security for the steel sector and the communities  
20 where they have facilities. It's also a matter of economic  
21 stability for our country overall.

22 Declines in steel will reverberate throughout our  
23 economy. Auto, natural gas, infrastructure, all these --  
24 all these sectors, all these industries can be injured if we  
25 don't enforce trade rules.

1           Our trade remedies are supposed to defend against  
2           the type of unfair competition currently faced by the U.S.  
3           OCTG industry and its workers. Unfortunately, the remedy  
4           often comes too late.

5           The Commission, if I could implore you, must do  
6           its due diligence in this case, and it's a complicated  
7           topic, but I urge you to make a final determination.  
8           Because of the ongoing damage inflicted on these companies,  
9           on these workers, on these communities, make a final  
10          determination as quickly as you can. The producers and  
11          workers in Youngstown, and Warren, and Lorraine, and  
12          Brookfield, across this country can compete with anyone as  
13          long as it's a level playing field. Unfortunately, our  
14          foreign competitors don't play by the same rules and are  
15          jeopardizing those steel mills and their workers. I urge  
16          you to examine closely the record and the testimony given  
17          today and I ask you to make an affirmative final  
18          determination.

19                 Madam CHAIRMAN BROADBENT, thank you.

20                 CHAIRMAN BROADBENT: Thank you, Senator Brown.  
21           Are there any questions for Senator Brown?

22                 (No response.)

23                 CHAIRMAN BROADBENT: If not, we'll let you get  
24           back. Thank you very much for coming.

25                 MR. BISHOP: Our next Congressional witness is

1 the Honorable Robert P. Casey, Jr., United States Senator,  
2 Pennsylvania.

3 SENATOR CASEY: Good morning.

4 CHAIRMAN BROADBENT: Welcome Senator Casey.

5 SENATOR CASEY: Chairwoman Broadbent and members  
6 of the Commission, it's an honor to appear before you today  
7 on an issue of great importance to Pennsylvania, especially  
8 the hard-working people of Pennsylvania. We know that  
9 unfairly traded oil company tubular good imports is the  
10 problem that we're addressing today.

11 Today's proceedings are critical to the future of  
12 our domestic steel industry which is in the midst of yet  
13 another new crisis. After successfully beating back unfair  
14 foreign competition from China, our domestic producers are  
15 facing now a surge of imports from around the globe.

16 The case at hand involves, as I said, oil country  
17 tubular goods known by the acronym OCTG which are high-tech  
18 steel pipes used in the extraction of oil and natural gas.

19 In recent years the volume of these imports from  
20 the countries in question has soared, as you know from the  
21 record. The facts speak for themselves. In 2010, the  
22 United States imported over 840,000 net tons of OCTG  
23 products. Yet in 2012, just two years later, we imported  
24 over 1.77 million net tons, which is an increase of almost  
25 111 percent in two years.

1                   The surge of imports has harmed domestic  
2 producers at a time when they should have benefitted from  
3 increased demand for their products. Wide-spread natural  
4 gas drilling, including in the Marcellus Shale region in  
5 Pennsylvania, presents a huge opportunity for domestic OCTG  
6 sales. However, unfairly subsidized imports have  
7 consistently undersold our domestic market, often by  
8 hundreds of dollars per ton.

9                   Given the price differential, the market share of  
10 these imported products has increased substantially, greatly  
11 harming Pennsylvania producers like U.S. Steel, JMC, TMK,  
12 and the steelworkers they employ.

13                   We simply cannot allow our trading partners  
14 unfettered access to U.S. markets as they continue to  
15 intentionally and unfairly undercut our companies at this  
16 time or any other.

17                   It is time to level the playing field for U.S.  
18 workers, our steelworkers or steelworkers anywhere in the  
19 country can compete with and outcompete any workers in the  
20 world.

21                   Further, the actions of our trading partners  
22 appear both aggressive and intentional. We know that the  
23 foreign producers in question are heavily dependent on our  
24 markets, which is the largest market for OCTG in the world.  
25 Indeed, South Korea has no home market for OCTG and no

1 significant alternative export markets. In fact, almost  
2 every ton of OCTG made by South Korean mills comes to the  
3 United States.

4 Furthermore, without intervention, this dynamic  
5 stands to get even worse. Many foreign producers are in the  
6 process of expanding their production capacity which will  
7 give them even stronger incentives to ship to the United  
8 States. Under these circumstances we must intervene to  
9 ensure U.S. companies have the chance to compete for  
10 business on a fair and level playing field.

11 The steel industry is an integral part both of  
12 the national economy and of course Pennsylvania's economy.  
13 According to the Economic Policy Institute without action,  
14 we stand to lose a half million jobs in the country and over  
15 35,000 jobs in Pennsylvania alone. In fact, we already have  
16 seen the impact in Pennsylvania. In June of this year U.S.  
17 Steel stopped production at two facilities, one of which was  
18 in McKeesport, Pennsylvania, in southwestern Pennsylvania.  
19 In total 260 employees were impacted by this decision.

20 According to U.S. Steel the idling of these  
21 factories is directly tied to the flood of unfairly  
22 subsidized imports of OCTG. We can't afford to send these  
23 good-paying jobs overseas. We must act to level the playing  
24 field for our domestic steel industry by enforcing our law  
25 and by providing essential relief to this critical industry.

1                   In closing, I believe there is strong and  
2                   compelling evidence that OCTG imports from the countries in  
3                   question have caused and continue to cause material injury  
4                   to the domestic industry. This case presents a situation  
5                   where South Korea and others through subsidies and market  
6                   distortions have unfairly overtaken a large part of the U.S.  
7                   market for their own producers and workers to the detriment  
8                   of our domestic workers and businesses. I urge you to  
9                   render an affirmative decision and prevent further unfair  
10                  trade from harming our workers and our industry. Thank you  
11                  for your consideration of my views.

12                  CHAIRMAN BROADBENT: Thank you, Senator Casey.  
13                  Are there any question for Senator Casey?

14                  (No response.)

15                  CHAIRMAN BROADBENT: Thank you very much.

16                  SENATOR CASEY: Thank you.

17                  MR. BISHOP: Our next Congressional witness is  
18                  the Honorable Amy Klobuchar, United States Senator,  
19                  Minnesota.

20                  CHAIRMAN BROADBENT: Welcome.

21                  SENATOR KLOBUCHAR: Thank you very much. Thank  
22                  you, Chairman, and thank you, Vice Chairman and  
23                  distinguished Commissioners. I am grateful for the  
24                  opportunity to appear before you today to speak about the  
25                  economic impact of foreign dumping of oil country tubular

1 goods, also known in this room, Madam Chairman, as OCTG, on  
2 my state and the importance of supporting the Commerce  
3 Department's antidumping determination against foreign  
4 producers.

5 Dumping of steel products, as my two colleagues  
6 have pointed out, have significant economic implications.  
7 The OCTG steel produced for the U.S. energy market accounts  
8 for approximately 10 percent of domestic steel production.  
9 U.S. producers of OCTG directly employ nearly 8,000 workers  
10 across the country and every one of those jobs in turn  
11 supports another seven jobs in the supply chain, including  
12 those in my state involving the mining of iron ore.

13 Mining has always been a way of life in  
14 Minnesota. In northern Minnesota, known as our state's Iron  
15 Range. Those are my roots. Throughout our state's history  
16 mining has not only brought jobs to the region, it has also  
17 built our country, from our roads, bridges, buildings and  
18 railways to the tanks and ships critical to our nation's  
19 defense. Minnesota's Iron Range boasts the largest  
20 concentration of iron ore in the world, and supplied most of  
21 the iron used in World War II.

22 My own family is part of this tradition. My  
23 grandpa worked in the mines in Ely, Minnesota most of his  
24 life. He went to work in the mines when he was only 15  
25 years old, when his parents died and he had to raise many

1 brothers and sisters along with his brother.

2           At 15 he quit high school and went to work in the  
3 mines in Ely. He ended up being the foreman of the mine and  
4 I've met many people whose relatives worked with my grandpa  
5 and they told me stories about how my grandpa, when they had  
6 to explore a new and more dangerous part of the mines, was  
7 underground mining, he never would go stand at the top and  
8 radio it down, he would always go first and he would always  
9 go with the miners. While all that time he saved money in a  
10 coffee can in the basement while he worked 1500 feet  
11 underground so my dad would have a different life. And he  
12 saved that money in that coffee can so he could send my dad  
13 and his brother to college. My dad went to a two-year  
14 community college in Ely, he went on to the University of  
15 Minnesota, he graduated with a journalism degree and he went  
16 on to become a journalist and interview everyone from Ronald  
17 Reagan to Mike Ditka to Ginger Rogers. All starting at that  
18 hard scrabble mine on the Iron Ore region of Minnesota.

19           And I learned values of hard work from my grandpa  
20 and from my dad and I learned perseverance from them and  
21 that is why I feel so strongly about making sure that we  
22 give these workers on the Iron Range and these American  
23 companies a fair shot.

24           This region is no stranger to tough times.  
25 Throughout the history there have been booms and busts.

1 There is nothing harder on the workers when a mine closed  
2 down. That happened to my grandpa. He went on then to  
3 become a logger. It happened to so many workers on the Iron  
4 Range, but they never gave up. And the people of northern  
5 Minnesota have never given up.

6 Right now we are first in the nation in the  
7 movement of iron ore. Our state is with more than 10,000  
8 high-steel-related jobs, we boast companies like U.S. Steel  
9 and Cliffs National Resources and that is why this issue is  
10 so important in our state.

11 Throughout generations our miners have earned a  
12 reputation for possessing a very strong work ethic. They  
13 have proven that they can compete with anybody in the world  
14 when the playing field is level. Unfortunately, that  
15 fairness is being compromised by the foreign trading  
16 practices that are putting all steel-related jobs, including  
17 those in mining, in jeopardy.

18 The flood of foreign OCTG into the United States  
19 is causing our domestic steel industry to lose sales and  
20 market share to underpriced foreign competitors. That is  
21 simply what is going on. While the U.S. demand for OCTG is  
22 increasing, which is a great thing, American producers are  
23 not seeing the benefits that they should. In fact, imports  
24 of OCTG have doubled since 2008. This year alone, we have  
25 seen a 61 percent increase over last year. This is already

1       having an impact in American facilities with reduced hours  
2       and the threat of layoffs for our workers.

3                 One of the most significant examples of the  
4       growth of foreign OCTG exporters is South Korea which has a  
5       large steel industry but has virtually no domestic OCTG  
6       market. South Korean firms produce OCTG for export and  
7       their exports in the U.S. have greatly increased over the  
8       past five years.

9                 In May of 2014 alone, South Korean OCTG exports  
10       to the U.S. reached 213,000 net tons. That exceeds total  
11       South Korean OCTG exports to the U.S. in all of 2009.

12                I'm very concerned that this vast expansion of  
13       South Korean OCTG exports to the U.S. was facilitated  
14       through efforts by South Korean firms to circumvent our  
15       trade laws, including by providing misleading data to the  
16       Commerce Department investigators. Since South Korea has no  
17       domestic OCTG market, it is easier to hide whether these  
18       exported steel products are being sold below market value.

19                The Commerce Department's investigators had to  
20       make this determination based on information provided by the  
21       very same South Korean firms being investigated for  
22       undervaluing the OCTG in the first place. And some of the  
23       data received by the Commerce Department from these South  
24       Korean firms apparently pertained to steel goods that cost  
25       less than OCTG.

1                   Because of these troubling allegations, 57  
2           Senators, Democrats and Republicans sent a letter along with  
3           Senator Sherrod Brown, who led the letter, and Senator  
4           Casey, Senator Franken from my state, sent a letter to the  
5           Commerce Secretary expressing concern that the antidumping  
6           investigation may not have been receiving accurate  
7           information from Korean producers.

8                   I am glad that this letter helped encourage the  
9           investigators to more closely examine these imports for any  
10          misrepresentations in origin and categorization and how they  
11          fix the categories. The final determination by the Commerce  
12          Department found clear evidence of OCTG dumping by South  
13          Korean firms as well as eight other countries dumping these  
14          products into the U.S. market.

15                   Now that the investigation is complete, it's time  
16          to impose these duties to offset any gains of these foreign  
17          OCTG exporters that have been achieved through illegal  
18          practices. It is critical that our trade laws are  
19          adequately enforced on behalf of American companies and  
20          workers in this important area. As someone who looks at  
21          trade agreements on a case-by-case basis and has supported  
22          some and opposed others, I believe that I am in a position  
23          to say, the key here, if we're going to have good trade  
24          agreements is to enforce them. And that is why your actions  
25          are so important today. The steel industry is vital to the

1 economic prosperity of my state and the country as a whole,  
2 and it must remain competitive -- and the miners of the Iron  
3 Range are nothing if not competitive. But they also need to  
4 be allowed to compete on fair terms.

5 I don't think my grandpa when he worked those  
6 1500 feet underground ever thought of dumping practices or  
7 South Korean OCTG products coming in. He didn't think about  
8 that. He just wanted to do a fair day's work for a fair  
9 day's pay. The miners of this generation and the miners of  
10 today deserve that same treatment.

11 I strongly urge you to make an affirmative  
12 determination in this case and support the Commerce  
13 Department's final determination.

14 Thank you so much of the opportunity to testify  
15 today.

16 CHAIRMAN BROADBENT: Are there any questions for  
17 Senator Klobuchar?

18 (No response.)

19 CHAIRMAN BROADBENT: Thank you very much.  
20 Appreciate your testimony.

21 SENATOR KLOBUCHAR: Appreciate it.

22 MR. BISHOP: Our next Congressional witness is  
23 the Honorable Pat Toomey, United States Senator,  
24 Pennsylvania.

25 CHAIRMAN BROADBENT: Welcome Senator Toomey.

1                   SENATOR TOOMEY: Thank you and good morning.

2 Thank you, Chairman Broadbent, Commissioners.

3                   The oil country tubular goods industry is very  
4 important to my state of Pennsylvania, as you know. It  
5 directly employs over 1,000 Pennsylvanians concentrated in  
6 Mercer and Butler Counties, indirectly employs thousands  
7 more. As you also no doubt are aware, Pennsylvania is one  
8 of the largest markets for OCTG. We are the the second  
9 largest natural gas producer in American, on our way to  
10 being number one.

11                   This case is very important to many of my  
12 constituents. There are 2,900 OCTG employees at U.S. steel,  
13 2,600 at TMK IPSCO, 650 at JMC Steel. But I would suggest  
14 that the importance of this case goes beyond the  
15 constituents that I have that work for steel companies. One  
16 of the reasons this is important, it seems to me, is it goes  
17 to our very ability to maintain the fragile consensus we  
18 have in this country over the merits of international trade.

19                   I believe strongly, as a general matter, global  
20 trade is very, very good for the prosperity of importers and  
21 exporters, consumers, and virtually everyone. That is not a  
22 universally held view and the consensus we have for passing  
23 additional trade agreements depends on the perception of the  
24 American people that the government will acknowledge,  
25 recognize, and enforce the laws that we have in place.

1           So that brings me to the case at hand. Commerce  
2 determined, as you know, on this last Friday -- sorry,  
3 Friday, June 11th, that Korean OCTG is sold at less than  
4 what Commerce determines to be fair value and in addition to  
5 that, it appears that Korean firms have been using elaborate  
6 schemes to evade U.S. trade laws. The largest Korean OCTG  
7 exporter, Nexteel, is a prime example.

8           During preliminary investigation Commerce  
9 surveyed Nexteel and found no evidence of dumping, which, of  
10 course had it discovered, that would have been a violation  
11 of our law. But constituents approached me with evidence  
12 that Nexteel is actually a shell company for POSCO the  
13 largest South Korean steel manufacturer. POSCO used Nexteel  
14 to obscure financial information. POSCO ensured that  
15 Nexteel would only use POSCO steel to produce OCTG. POSCO  
16 oversaw Nexteel's public relations and set Nexteel's OCTG  
17 prices in the United States. So I agree that the POSCO  
18 Nexteel relationship should be closely examined. I spoke  
19 with Secretary Pritzker and urged her to investigate the  
20 relationship between POSCO and Nexteel.

21           Commerce ultimately found that POSCO and Nexteel  
22 are in fact affiliated and to quote the Commerce Department,  
23 POSCO is in a rather unique position to exercise restraint  
24 and control over Nexteel. Commerce determined that on a  
25 consolidated basis POSCO and Nexteel are in fact selling

1 OCTG goods in the U.S. at less than fair value. So that is  
2 not only a violation of our laws, but they appear to be  
3 engaged in a willful attempt to deceive our regulators in  
4 the effort to enforce those laws.

5 So I'm glad that Commerce recognized this  
6 problem. I trust that the appropriate steps will be taken.  
7 I appreciate the opportunity to testify today. I am very  
8 grateful that the Commission is considering constituent  
9 input. So thank you.

10 CHAIRMAN BROADBENT: Thank you, Senator Toomey.

11 Any questions for the Senator?

12 (No response.)

13 CHAIRMAN BROADBENT: Thank you very much.

14 SENATOR TOOMEY: Thank you.

15 MR. BISHOP: Our next Congressional witness is  
16 the Honorable Peter J. Visclosky, United States  
17 Representative, 1st District, Indiana.

18 CHAIRMAN BROADBENT: Welcome back.

19 REPRESENTATIVE VISCLOSKY: Thank you very much.  
20 I appreciate the Commission's opportunity provided to me to  
21 testify today. I'm reminded that Yogi Berra apparently once  
22 said, "it's deja vu all over again."

23 On December 1st of 2009, I and I believe other  
24 members of Congress testified before this panel on  
25 essentially the same issue relative to the country of China.

1       Ultimately our margins had already been established and  
2       injury was determined by the Commission and there was a  
3       significant decrease in Chinese exports. But our trade  
4       remedies are effective, but also now creating the possible  
5       dangerous trend that while we have protections against on  
6       country, others of our trading partners then engage in the  
7       violation of international law to fill the void.

8                 In this case, obviously, the Department of  
9       Commerce has found margins relative to antidumping anywhere  
10      from 15 percent for Korea to 118 percent for Thailand.  
11      Margins on countervailing duties from 19 percent for India  
12      to 15 percent for Turkey. But in the end the issue is one  
13      of injury. U.S. Steel Corporation, for example, has now  
14      closed a plant in the state of Pennsylvania. U.S. Steel has  
15      closed a plant in the state of Texas.

16                In my Congressional district in Lake County,  
17      Indiana since 1970, given some of the problems we have faced  
18      as far as trade and changes, we've seen a 9.6 percent  
19      decrease in the population of that county, my major county,  
20      while the country has grown by 52 percent. Median income is  
21      down 15.25 percent and a person living in Lake County,  
22      Indiana today is 43 percent older than they were in 1970.  
23      Each worker who loses their job because of violation of  
24      international trading standards is injured. That worker's  
25      family is injured. That community like Lake County,

1 Indiana, is injured and ultimately our entire country  
2 economy is in danger.

3 So this is a serious matter. We continue down  
4 this road and simply as always, I would ask for the  
5 Commission's careful consideration of the evidence brought  
6 before it today and would request that there is a clear  
7 finding of injury in these cases. And, again, I want to  
8 thank all of you for the opportunity to testify again. It's  
9 always good to be before you.

10 CHAIRMAN BROADBENT: Thank you. Are there any  
11 questions for Representative Visclosky?

12 (No response.)

13 CHAIRMAN BROADBENT: Thank you very much.

14 MR. BISHOP: Madam Chairman, that concludes our  
15 Congressional appearances at this time. We will now move on  
16 to our Embassy witnesses.

17 Our first Embassy witness is Tuba Hatipoglu,  
18 Commercial Counselor, the Embassy of Turkey.

19 CHAIRMAN BROADBENT: Welcome Ms. Hatipoglu.  
20 Appreciate you being here. Thank you.

21 MS. HATIPOGLU: Thank you very much. Regarding  
22 the final phase of this proceeding, I would like to touch  
23 upon some issues very briefly.

24 First of all, I would like to note that Turkey's  
25 share in U.S. total OCTG imports is almost negligible. The

1 imports from Turkey in year 2013 even decreased by 20  
2 percent compared with the previous year although there  
3 wasn't any antidumping or countervailing duty measure  
4 enforced during that year. I believe that Turkey's OCTG  
5 export to U.S. market is going to further diminish  
6 considering Borusan's investment in U.S.

7 As you know Borusan represents a remarkable  
8 portion of total OCTG imports from Turkey and the company  
9 has invested in a U.S. facility to produce OCTG which is  
10 going to be operational very soon. As expected, the company  
11 is going to sell related product primarily out of that  
12 facility and this will naturally cause a decrease in  
13 Turkey's OCTG export to U.S.

14 I believe Borusan representatives are able to  
15 provide detailed information on their investment in case you  
16 need further information. Therefore Turkey's OCTG export  
17 hasn't been at a level to cause any injury to U.S. domestic  
18 industry and therefore we believe that Turkey should not be  
19 subject to any potential measure.

20 Thank you very much for your attention and thank  
21 you very much for your consideration.

22 CHAIRMAN BROADBENT: Thank you for that  
23 information.

24 Any questions?

25 (No response.)

1                   MR. BISHOP: Our next Embassy witness is Ihor  
2 Baranetskyi, Head of the Economic Department, the Embassy of  
3 Ukraine.

4                   CHAIRMAN BROADBENT: Welcome Mr. Baranetskyi.  
5 You can begin when you're ready.

6                   MR. BARANETSKYI: Thank you. Chairman, Vice  
7 Chairman, Commissioners, and staff, it's an honor for me to  
8 be here today. My name is Ihor Baranetskyi and I am the  
9 head of the Economic Department of the Embassy of Ukraine.

10                   First of all, I would like to thank you for this  
11 opportunity to speak to you today regarding the situation in  
12 Ukraine and its bearing on your investigation of Oil Country  
13 Tubular Goods. Your proceeding comes at the time of great  
14 political changes and historical events in Ukraine.  
15 Democratic choice and my people's decision to share western  
16 values and to integrate into European Union has faced  
17 unprecedented aggression and pressure from the neighboring  
18 country.

19                   It's hard to believe that something like this  
20 could happen in Europe in the 21st Century, unexpected and  
21 mean military aggression together with absolutely shameless  
22 propaganda, unacceptable political and economic pressure.

23                   We greatly appreciate the support Ukraine has  
24 received from the United States in these difficult times.  
25 Today Ukraine is undergoing the complicated process of quite

1        ambitious reforms. Preserving national economy is therefore  
2        the matter of national survival for Ukraine. And we seek to  
3        stabilize our economy and engage more fully with the west,  
4        the financial support and efforts to maintain open trade  
5        that we have received from both United States and the  
6        European Union have been particularly important.

7                As you may know, the European Union has reduced  
8        tariffs on nearly all Ukrainian industrial products and has  
9        demonstrated its commitment to helping Ukraine through great  
10       integration of economics under their cessation agreement,  
11       including deep and comprehensive free trade zone that was  
12       signed just several weeks ago.

13               The International Monetary Fund has also pledged  
14       support to Ukraine through a \$17 billion standby credit  
15       agreement. These measures are greatly assisting Ukraine's  
16       new government, democracy development and economic recovery.

17               The United States as our true partner has  
18       provided critical support to our country including direct  
19       financial and technical assistance and has sought to reduce  
20       impediments and trade barriers to U.S. market access.  
21       Ukraine is particularly pleased that last Thursday the U.S.  
22       Department of Commerce entered into an agreement to suspend  
23       antidumping investigation on Ukraine and OCTG.

24               I understand that as a legal matter the  
25       International Trade Commission will proceed to a final

1 determination of possible injury in this investigation.

2 With that in mind, I would like to call to your attention  
3 some facts that may be relevant to your consideration.

4 One of the key economic and political priorities  
5 for my government is the development of Ukraine's energy  
6 resources and strengthening of our energy security. Ukraine  
7 is currently dependent on natural gas imports from Russia.  
8 These imports are expensive, based on artificially high  
9 market prices and are subject to political interference and  
10 pressure. Russia has completely shut off gas supplies to  
11 Ukraine just last month. As a result, Ukraine more than  
12 ever concentrated on energy security issues including  
13 intense development of all possible waste to boost local  
14 production of gas.

15 Oil and gas drilling activity has continued in  
16 Ukraine despite the Russian aggression. As you know the  
17 Vice President of the United States and the U.S. Secretary  
18 of Energy have pledged to help Ukraine in its efforts to  
19 efficiently develop our national energy resources. The  
20 market and private companies are pushing the same direction  
21 as the government. High prices for imported gas create a  
22 great incentive to produce more gas in Ukraine. As a result  
23 of all this, we expect significant growth in oil and gas  
24 exploration and production in Ukraine in coming months, and  
25 years.

1                   For instance, Interpipe, the Ukrainian company,  
2                   whose exports are at issue in this investigation can explain  
3                   to you in detail how this increased drilling will influence  
4                   demand and growth for their products in Ukraine.

5                   So I do hope that you will give this testimony  
6                   full consideration. Ukraine has never before been so  
7                   threatened from outside and simultaneously have such  
8                   incredible chances and prospects in the future. We are not  
9                   simply waiting for the international community to bail us  
10                  out, we are taking every possible measure to save our  
11                  economy and to looking for effective solutions. In this  
12                  regard Ukraine's strategy partnership and economic  
13                  cooperation with the United States is a significant part of  
14                  a solution to strengthen our independent and security.

15                  So let me thank you again for this opportunity to  
16                  appear before you and I thank you for your hard work in this  
17                  important matter.

18                  We look forward to continued cooperation with the  
19                  U.S. government in stabilizing the Ukrainian economy and to  
20                  effectively using our energy resources. Ukraine is ready to  
21                  continue development of mutually beneficial and transparent  
22                  trade investment relationship with the United States. Thank  
23                  you.

24                  CHAIRMAN BROADBENT: Thank you very much, Mr.  
25                  Baranetskyi.

1 Any questions from my colleagues?

2 (No response.)

3 CHAIRMAN BROADBENT: Thank you very much.

4 MR. BISHOP: Madam Chairman, Dr. Ajay Kumar,  
5 First Secretary of Commerce with the Embassy of India is in  
6 attendance today. However, he will not be providing oral  
7 remarks.

8 We do have another Congressional appearance that  
9 has arrived. The Honorable Mike Doyle, United States  
10 Representative, 14th District, Pennsylvania.

11 CHAIRMAN BROADBENT: Welcome, Congressman Doyle.

12 CONGRESSMAN DOYLE: Good morning. Good morning,  
13 Chairman Broadbent and members of the Commission. I want to  
14 thank you all for giving me the opportunity to testify  
15 before you today regarding the harm caused by unfairly  
16 traded imports of oil country tubular goods.

17 Your review is crucial to America's steel  
18 industry and it focuses on the latest example of how the  
19 industry remains under siege by foreign producers who flood  
20 the U.S. market with unfairly traded steel products. This  
21 has been a decades long problem for this vital American  
22 industry. And it is essential that this panel continue to  
23 enforce our trade laws to ensure the survival of this  
24 pivotal sector of our economy.

25 You will hear today that unfairly traded imported

1 OCTG have prevented us from realizing the promise of  
2 America's energy renaissance. Not only have we lost the  
3 opportunity to create new jobs, we have actually had layoffs  
4 at plants that produce the steel that's used in energy  
5 development. That is completely unacceptable.

6 I want to be clear about something. I'm a strong  
7 supporter of fair trade when there is a level playing field  
8 because I have every confidence that when given an equal  
9 shot American workers can and will be able to surpass their  
10 competition. American workers are some of the most  
11 hard-working and productive people in the world. And I  
12 challenge any country to supply a better, more dedicated  
13 workforce.

14 To that end, it is our responsibility to make  
15 sure that the playing field is in fact even and to stop  
16 other countries with horrendous labor practices and  
17 below-market pricing that make it impossible for us to  
18 compete. Allowing the subject countries to continue with  
19 their unfair trading practices has real life implications.

20 U.S. Steel issued a warn notice for the closures  
21 of two mills. One located in McKeesport, Pennsylvania, in  
22 the heart of my district. This means the loss of hundreds  
23 of jobs. Hundreds of jobs in my district lost because of  
24 unfair practices. It could ultimately affect more than half  
25 a million jobs nationwide if we allow the U.S. steel

1 industry to fail.

2           The demand for OCTG is skyrocketing and the  
3 United States should be reaping the same benefits as our  
4 competitors. And I've spent a lot of time over the last 20  
5 years urging our government to stand up for American  
6 manufacturing and impose internationally approved remedies  
7 like countervailing duties. Utilizing these tools is how we  
8 protect U.S. industry and thereby how we strengthen our  
9 economy. Today oil country tubular goods are just the  
10 latest class of foreign steel products that are receiving  
11 unfair subsidization and distorting markets and it must end  
12 today.

13           As you know I represent the 14th District of  
14 Pennsylvania. That includes the city of Pittsburgh, and the  
15 people in my district know steel as well as any community in  
16 America. Our city was largely built on steel. But unfairly  
17 traded imports keep threatening to tear it down.

18           The U.S. steel industry is still the best in the  
19 world and it will survive as long as others are forced to  
20 play by the rules. It cannot, however, compete effectively  
21 against foreign producers who persistently engage in unfair  
22 trade policies.

23           Therefore, I would like to urge you all to  
24 fulfill your obligation to uphold U.S. trade laws and give  
25 the American steel industry the tools it needs to succeed.

1                   I want to thank all of you today for the  
2                   opportunity to present my views. I'd be happy to respond to  
3                   any questions you may have. Thank you very much.

4                   CHAIRMAN BROADBENT: Thank you, Representative  
5                   Doyle.

6                   Any questions?

7                   (No response.)

8                   CHAIRMAN BROADBENT: No, you may go back to your  
9                   business. Thank you so much.

10                  REPRESENTATIVE DOYLE: Thank you.

11                  CHAIRMAN BROADBENT: Appreciate it.

12                  MR. BISHOP: Madam Chairman that concludes our  
13                  congressional testimony at this time.

14                  CHAIRMAN BROADBENT: Mr. Secretary let us now  
15                  proceed with opening remarks.

16                  MR. BISHOP: Opening remarks on behalf of  
17                  Petitioners will be by Roger B. Schagrin, Schagrin  
18                  Associates.

19                  CHAIRMAN BROADBENT: Welcome Mr. Schagrin.

20                  MR. SCHAGRIN: Good morning Chairman Broadbent,  
21                  members of the Commission. The Commission now has a  
22                  complete record that supports an affirmative final  
23                  determination of present material injury by reason of  
24                  unfairly trade imports of OCTG from these nine countries.

25                  I want to start by thanking your staff for

1 preparing an excellent pre-hearing staff report in this very  
2 large case. The pre-hearing report demonstrates a number  
3 of key points. First, import volumes have increased  
4 dramatically over the course of the POI. More imports from  
5 countries that received affirmative preliminary  
6 determinations from commerce dropped off after the petitions  
7 were filed.

8 Imports from countries receiving zero or de  
9 minimis preliminaries have kept increasing to new record  
10 levels.

11 Second, OCTG is a commodity product made to API  
12 specifications. Imports and domestic products meeting these  
13 specifications are sold on the basis of price. The margins  
14 of underselling documented in the staff report are  
15 significant and significantly explain the price depression  
16 experienced by the domestic industry.

17 Why else would prices fall during a POI when  
18 demand was increasing rapidly? As the staff's various  
19 analysis demonstrate, this price depression directly led to  
20 the steep declines in profit margins from 11.6% in 2011 to  
21 only 3.4 % in the first quarter of 2014. When profits  
22 decline return on assets are certain to plummet,  
23 particularly when the industry actually added assets over  
24 the POI. Return on assets fell by more than half from 9.7%  
25 in 2011 to 4.7% in 2013 and based on Q1 2014 profits it is

1 now about 2%.

2 Capital expenditures have also plummeted from  
3 nearly 725 million dollars in 2011 to an annualized rate of  
4 just 165 million in 2014. If you can't get a return on your  
5 investment then why invest?

6 You will hear today Respondents arguing that  
7 competition with domestic products is attenuated. These  
8 arguments do not hold water. For example, the vast  
9 majority of the market some 85% is for product with API or  
10 semi-premium connections. All subject imports can get these  
11 connections and some can get premium connections as well.

12 You will also hear from Respondents the most  
13 imported OCTG cannot participate in program sales. This is  
14 wrong. Program sales are dominated by agreements between  
15 distributors and end users and these distributors fill their  
16 program sales with both import and domestic product.  
17 Subject imports have certainly penetrated the distributor  
18 market for OCTG in the U.S. and whether the foreign  
19 producers know it or not, most of their imports are sold by  
20 these distributors under programs with end users.

21 It is simple the way this market works and  
22 imports and domestic producers compete for these sales with  
23 distributors.

24 Finally, if you consider threat keep in mind two  
25 words credibility and vulnerability. The Commission gets to

1       decide the credibility of the information submitted to you  
2       and the testimony before you. In the preliminary  
3       investigation in July last year the career Respondents told  
4       the Commission they expected to ship 873,000 tons to the  
5       U.S. in 2013 but in fact they shipped over a million tons.

6               In May of this year, just two months ago, the  
7       Korean Respondents told you they expected to export 884,000  
8       tons to the U.S. for all of 2014. However, as of the date  
9       of this hearing based upon actual import data and SIMA data,  
10      they have already exceeded those annual projections for full  
11      year 2014. They claim to have operated 110% capacity  
12      utilization the first quarter and they must have operated  
13      150% percent capacity utilization in the second quarter.

14             Do you find this information to be credible? On  
15      a cumulative basis there is massive capacity in these nine  
16      countries to continue increasing unfairly traded exports to  
17      the U.S.

18             How about the vulnerability of the U.S. industry?  
19      Since your POI ended U.S. Steel has indefinitely idled one  
20      OCTG plant. Northwest Pipe, an original Petitioner in  
21      these investigations sold its OCTG business because the  
22      unfairly traded imports made impossible for them to receive  
23      a return on investment. The new owner has evidently shut  
24      down the former Northwest Pipe Plant in Houston.

25             Boomerang and Energex have had significant

1 layoffs and TMK has severely cut back on its employee hours  
2 worked and has shut down one of its mills in Newport,  
3 Kentucky. If this Commission were to make a negative final  
4 determination, then numerous additional plant closures are a  
5 certainty.

6 Beneath the ground of the U.S. is a great natural  
7 resource. The exploitation of these resources by  
8 technically advanced American companies can change the  
9 American company going forward - American economy going  
10 forward and create tens of thousands of new jobs. You will  
11 get to decide whether these resources will be extracted  
12 using products made in the U.S. or using unfairly traded  
13 imports. We urge you to make an affirmative vote. Thank  
14 you.

15 CHAIRMAN BROADBENT: Thank you Mr. Schagrin.

16 MR. BISHOP: Opening remarks on behalf of  
17 Respondents will be by Donald B. Cameron, Morris, Manning  
18 and Martin.

19 CHAIRMAN BROADBENT: Welcome Mr. Cameron.

20 MR. CAMERON: Madam Chairman, members of the  
21 Commission it is a pleasure to be here, especially your  
22 first hearing.

23 After all is said and done, the domestic industry  
24 case is pretty simple. Prices are down, profits are down,  
25 subject imports are up, so they must have done it. They try

1 to argue that employment is down too but the data doesn't  
2 show that. It shows that employment is up. It's not only  
3 up, it's up significantly.

4 So let's look at some facts. The domestic  
5 industry has invested nearly two billion dollars in new OCTG  
6 capacity resulting in an increase of roughly one million  
7 tons. So did capacity utilization decline with these  
8 additions? No. It increased as domestic output and  
9 shipments outpaced these additions and that is unusual.

10 What about employment? Employment numbers have  
11 been strong and increasing. Domestic market share has  
12 increased and that does not count the imports of OCTG by  
13 Tenaris, TMK IPSCO, Vallourec and others from Canada,  
14 Mexico, Argentina, Italy, Russia, Japan, Germany and France  
15 that are OCTG imports controlled by U.S. producers.

16 Despite their statements, these producers control  
17 the market and as Tenaris and others have stated repeatedly  
18 they strive to maximize its global profits, not simply their  
19 U.S. operations. And the import data shows this is  
20 undoubtedly true.

21 And what about investments in additional new OCTG  
22 capacity, beyond what's already been installed? Oh, well  
23 that's going forward unabated. This is the strangest injury  
24 case I have ever seen. So what is the problem? Well,  
25 profitability declined in 2013 so that must be the fault of

1 subject imports, at least so we are led to believe. But  
2 while you listen to the testimony of the domestic industry  
3 today, we would like you to consider the following.  
4 Domestic purchasers prefer U.S. produced material and they  
5 are willing to pay a premium for it. This isn't speculation  
6 it's documented in the pre-hearing staff report.

7 Domestic producers have a monopoly of the most  
8 coveted segment of the market, high-end proprietary  
9 connections. Price competition among U.S. producers and  
10 their controlled imports is fierce in this market. But  
11 subject imports do not compete in this segment so why did  
12 prices go down then?

13 Price declined and profits declined during 2013  
14 because domestic producers ramped up production at the same  
15 time that raw material prices fell. OCTG prices fell as  
16 well as one would expect. Domestic producers have focused  
17 production primarily on high alloy material. Again, top of  
18 the line high priced where domestic shipments and OCTG  
19 imports controlled by Tenaris, TMK, et cetera dominate.

20 Subject imports are not concentrated in this  
21 portion of the market, but U.S. producers are engaged in  
22 strong intra-industry competition with themselves and with  
23 their controlled imports.

24 When you hear Petitioners say that OCTG is a  
25 commodity product as we just heard, or the raw material

1 prices have no effect on OCTG prices in the market, ask  
2 yourself if the record assembled by the staff actually  
3 supports those assertions. It doesn't.

4 Are there really no quality differences between  
5 suppliers? I mean really? Questionnaires don't support  
6 that. And if it's true why is there a price premium for  
7 proprietary connections which subject imports have no access  
8 to? Domestic producers dominate the program sales end of  
9 the market, but there is a trade-off and that is that it is  
10 the low price end of the market in which producers are given  
11 volume discounts to large end users. Are program sale  
12 volume discounts attributable to subject imports or are they  
13 attributable to the intra-industry competition between U.S.  
14 producers and their controlled imports?

15 Finally as part of the fill the mill policies  
16 many domestic producers provide volume rebates to the end  
17 users based on the volumes purchased. These rebates are not  
18 in response to imports, we just recently learned of these  
19 policies so we wonder whether they are actually reflected in  
20 the prices reported to the ITC.

21 Subject imports participate in the U.S. market  
22 and they always have. But between 2011 and 2012 when  
23 subject imports gained market share, U.S. producers did  
24 well. The decline in prices and profits do not correspond  
25 to increases in subject imports. They do however correspond

1 to increasing U.S. production and capacity coinciding with  
2 softening demand and a decline in raw material costs.

3 I would like to add one other comment and that is  
4 with respect to the work that has been done by the staff in  
5 this investigation. This has been an incredibly difficult  
6 investigation with an incredible amount of data and work to  
7 be done. Your staff has done an incredible job and I know  
8 that the Commission understands that but the reason I am  
9 saying it is that there is a public out here and they often  
10 don't understand the value of the people that are working  
11 for the government. You guys have done a great job, we  
12 appreciate it. Thank you.

13 CHAIRMAN BROADBENT: Thank you Mr. Cameron. Mr.  
14 Secretary.

15 MR. BISHOP: Would the remaining members of the  
16 first panel, those in support of the imposition of  
17 anti-dumping and countervailing duty orders please come  
18 forward and be seated. Madam Chairman all witnesses of  
19 this panel have been sworn in.

20 CHAIRMAN BROADBENT: I want to welcome you to the  
21 ITC. You may begin when you are ready. I just wanted to  
22 mention one thing. There is a busy day on the hill and we  
23 understand Mr. Congressman Crawford is on his way so if you  
24 don't mind we will start and then just kind of you can take  
25 a break while he testifies. I want to get him in and out

1 of here quickly. Thank you very much.

2 MR. VAUGHN: Good morning. I am Stephen Vaughn  
3 representing United States Steel. The domestic industry  
4 has been under siege from an enormous supply of OCTG from  
5 nine countries, imports that force U.S. mills to slash  
6 prices and suffer falling profits.

7 On Friday the Department of Commerce found that  
8 imports from all nine countries were unfairly traded and  
9 today we will show that those unfairly traded imports caused  
10 material injury to domestic producers and threaten further  
11 injury going forward. This is a very straight forward case.

12 Despite booming demand the last few years have been a  
13 disaster for U.S. mills. That disaster was caused by  
14 subject imports which started pouring into this market after  
15 the Commission voted to impose trade relief on OCTG from  
16 China.

17 U.S. mills had to cut prices and watch their  
18 profits plummet even as demand grew. Subject imports will  
19 cause even more harm unless we obtain trade relief. Let's  
20 start by explaining why we need relief from these particular  
21 countries.

22 In the three years before these cases were filed,  
23 eleven countries active in this market had grown their  
24 shipments by more than 45%. Imports from two of those  
25 countries Argentina and Italy were entering the market at

1 relatively high prices. So the nine subject countries were  
2 the only ones that were shipping low priced OCTG in rapidly  
3 growing volumes and as we saw on Friday imports from all of  
4 those countries are being traded unfairly.

5 From 2010 to 2012 the subject imports grew almost  
6 three times faster than demand. These nine countries were  
7 the problem and they should all be subject to relief. Now  
8 let's look more closely at the volume of subject imports.  
9 Only a few years ago this Commission voted to impose trade  
10 relief on dumped and subsidized imports from China. This  
11 relief has been extremely effective. And over two million  
12 tons of Chinese shipments have left the market but imports  
13 from the nine subject countries immediately surged, going  
14 from less than 200,000 tons to roughly 1.8 million tons in  
15 only three years.

16 The subject imports also seized a growing market  
17 share. Since 2012 subject imports have consistently held  
18 over a quarter of the U.S. market. Because of this import  
19 surge inventories were too large. Your staff asked U.S.  
20 purchasers how much OCTG do you want to keep in inventory,  
21 the average response: 3.3 months.

22 By the end of 2012, however, there were 4.8  
23 months of OCTG in inventory. And as our witnesses will  
24 explain in more detail, subject imports caused that excess  
25 inventory. Starting in early 2012 U.S. producers were

1 forced to cut their prices in hope of retaining business.  
2 Please note that prices started to fall while subject  
3 imports were still rising and before much of the new  
4 capacity - domestic capacity on the record came online.

5 But subject mills did not back down. In both  
6 2012 and 2013 they shipped around 1.8 million tons of dumped  
7 and subsidized imports to the United States and they kept  
8 roughly 26% of the market. Respondents claim that they  
9 don't take market share from U.S. mills, but at all times  
10 during the period of investigation subject imports prevented  
11 U.S. mills from returning to the market share they had just  
12 a few years ago before Chinese imports flooded the United  
13 States in 2008.

14 From 2011 to 2012 American mills lost almost 4%  
15 of the market, that's about 470 million dollars' worth of  
16 business and that market share went almost entirely to  
17 subject imports. Domestic producers regained market share  
18 in 2013 only by slashing prices and losing profits.

19 Meanwhile subject imports continue to attack.  
20 Through the first five months of this year, subject imports  
21 are running well ahead of last year's pace. In fact through  
22 May subject imports were on pace to exceed two million tons.

23 In the absence of trade relief subject mills could match or  
24 exceed the nearly 2.2 million tons of Chinese imports that  
25 nearly destroyed much of the domestic industry in '08 and

1 '09. Meanwhile inventories are still too high in large part  
2 because of an excess supply of subject imports.

3 Now let's look at price effects. As you can see  
4 here competition between subject imports and the domestic  
5 like product takes place largely on the basis of price.  
6 Contrary to the claims of Respondents many purchasers refuse  
7 to pay any price premium for domestic OCTG. If subject  
8 imports undersell the domestic like product they can get  
9 that business -- period. And that is exactly what they have  
10 been doing.

11 The staff has identified over three hundred  
12 pricing comparisons between subject imports and the domestic  
13 like product. Almost every time the subject mills engaged  
14 in underselling even though U.S. mills were cutting their  
15 own prices for most of the last two years. And domestic  
16 producers cannot avoid low prices by making higher grade  
17 products.

18 Here you see recent prices for seamless L-80  
19 tubing a higher grade product for which the staff collected  
20 data. It shows the same pattern of decline that we saw a  
21 few slides ago for welded J-55 a less expensive product.  
22 Looking at the market as a whole, domestic AUV's fell by  
23 almost 10% from 2012 to 2013, but subject imports fell by an  
24 even greater percentage. It is the same pattern we have  
25 already shown. No matter how much domestic mills lower

1 their prices, they continue to be undercut by subject  
2 imports.

3 Now let's look at impact. The period of  
4 investigation has been a time of very strong and growing  
5 demand. Over the last three years demand rose by almost  
6 1.1 million tons, but because U.S. mills have been forced to  
7 slash prices, their operating margins have collapsed. The  
8 rise in subject imports with the resulting pressure on U.S.  
9 prices is the only credible explanation for these disastrous  
10 results. Domestic capacity is not the problem. Last year  
11 U.S. consumption far exceeded domestic capacity to make  
12 OCTG.

13 Imports from non-subject countries are not the  
14 problem. They fell from 2011 to 2013. The subject imports  
15 are the only plausible reason for domestic prices and  
16 profits to plunge despite strong demand. Subject imports  
17 suppress domestic prices during every year of your period of  
18 investigation including 2011, but conditions are getting  
19 worse. Last year U.S. mills obtained a return of only 4.5%  
20 on their assets.

21 Our witnesses would tell you that this type of  
22 performance threatens the very future of the industry. Even  
23 these figures do not capture the full impact of subject  
24 imports. Last fall U.S. Steel had to take an 800 million  
25 dollar write down on its OCTG assets in Texas and later

1 idled the facility there.

2 Northwest Pipe, one of the original Petitioners  
3 in this case has left the OCTG business altogether. This is  
4 clear and compelling evidence of material injury. Now we do  
5 not regard this as a threat case, the evidence of material  
6 injury is overwhelming, but it is certain that subject  
7 imports threaten even more injury going forward.

8 To reiterate imports from all nine countries have  
9 surged and imports from all nine countries threaten U.S.  
10 mills with further harm. You should reject claims that  
11 subject imports cannot or will not ship any more OCTG to  
12 this market. In 2007 a witness on behalf of Korean Mills  
13 testified that if an order on Korean OCTG were revoked,  
14 Korean imports "would be at the same insignificant level  
15 that they were in 2006." But Koreans shipments surged  
16 almost as soon as trade relief was lifted and they have  
17 continued to grow ever since.

18 This year they have been more aggressive than  
19 ever. In May in one month they shipped as much OCTG as  
20 they did during the entire year of 2007, the same year in  
21 which they urged this Commission to lift the prior relief.  
22 Korean mills are not alone as we have shown in our brief  
23 producers in all nine countries have compelling incentives  
24 to ship more OCTG here.

25 Mills in Vietnam, the Philippines and Thailand

1 were built by Chinese producers to circumvent orders on  
2 OCTG. Other subject mills have almost no alternative  
3 markets and by coming here all of the subject mills can  
4 avoid competing with low priced Chinese imports elsewhere.

5 In 2012, the last year before these cases were  
6 filed, subject mills sent almost 75% of their shipments to  
7 the United States. Not 75% of their exports, 75% of their  
8 shipments. They are utterly dependent on this market and  
9 they will keep attacking with dumped and subsidized imports  
10 until trade relief is imposed. We urge you to restore true  
11 market competition in the United States and stop further  
12 harm from subject mills.

13 CHAIRMAN BROADBENT: Thank you Mr. Vaughn. We  
14 will just suspend the panel for a couple of minutes here for  
15 Mr. Crawford.

16 MR. BISHOP: The Honorable Rick Crawford, United  
17 States Representative, 1st District Arkansas.

18 CHAIRMAN BROADBENT: Welcome Mr. Crawford thank  
19 you very much for coming.

20 REP. CRAWFORD: Yes ma'am, thank you. Thank you  
21 Chairman Broadbent and members of the Commission for the  
22 opportunity to speak here today in support of the American  
23 steel industry and workers, companies and communities in the  
24 1st District of Arkansas. As always I appreciate the work  
25 of the Commission to insure that the U.S. trade laws are

1       being fully and fairly enforced.

2                       I am here this morning to urge that you find that  
3       oil country tubular goods from the nine countries subject to  
4       this investigation have materially injured the domestic  
5       industry through unfair trade.   Anti-dumping and  
6       countervailing duties are both appropriate and essential to  
7       remedying the injury to our U.S. steel manufacturers and  
8       pipe producers and insuring economic vitality in our nation.

9                       I am proud to represent the workers and  
10       businesses of the 1st District of Arkansas, a district that  
11       is home to several of our countries' largest OCTG producers,  
12       including Maverick Tube Corporation, Tenaris, TMK IPSCO and  
13       JMC Steel Group.   These private producers employ thousands  
14       of OCTG production workers in Hickman and Blytheville,  
15       Arkansas that make the best OCTG in the world at some of the  
16       most efficient mills anywhere.

17                      The steel consumed in their OCTG production also  
18       supports the domestic steel manufacturers producing the  
19       input such as Nucor Steel's Hickman facility, the jobs at  
20       Maverick, Tenaris, TMK IPSCO, JMC, Energex and Nucor support  
21       our - an indispensable part of the economy and deeply woven  
22       into the fabric of the community in my district.

23                      The last few years should have been golden years  
24       for the domestic OCTG industry.   In 2010 you correctly  
25       concluded that dumped and subsidized Chinese imports were

1 materially injuring the U.S. OCTG industry. And between  
2 2010 and 2012 U.S. demand for OCTG increased by 50% as high  
3 oil prices and new technology led to renewed oil and gas  
4 exploration in the United States.

5           Maverick, Tenaris, TMK IPSCO, JMC Steel Group and  
6 the rest of the domestic industry were forced to take  
7 advantage of this energy windfall and economic recovery.  
8 Unfortunately their hopes were dashed when unfairly traded  
9 imports from China were quickly replaced by massive volumes  
10 of unfairly priced OCTG from the countries subject to this  
11 investigation.

12           Indeed dumped and unfairly subsidized imports  
13 from each of the nine countries have already taken a  
14 devastating toll on domestic OCTG industry. Prices have  
15 crashed along with mill profits and employment. In fact  
16 conditions appear to have deteriorated to the point where a  
17 number of mills have been idled, plants have been shut down  
18 and workers sent home, many for good.

19           Without trade remedies in place I fear this is  
20 only the beginning. Recently the U.S. Department of  
21 Commerce issued negative preliminary determinations in the  
22 Korea, Taiwan and Turkey investigations. Shortly  
23 thereafter TMK IPSCO announced a significant reduction in  
24 production and operational hours as well as potential  
25 lay-offs.

1           At the same time collectively, OCTG imports from  
2 these three countries accelerated. The timing is no  
3 coincidence, if trade remedies are not imposed, our U.S.  
4 OCTG producers will continue to suffer losses and potential  
5 plant closures.

6           In conclusion I want to thank you again for  
7 welcoming me here today on behalf of the hardworking  
8 families in my district and across the country. I urge you  
9 to carefully consider the evidence before you and make an  
10 affirmative determination. The imports from India, Korea,  
11 the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey,  
12 Ukraine and Vietnam have materially injured the domestic  
13 industry.

14           As you did in the OCTG from the China  
15 investigation, I am confident you will make the right  
16 decision here as well. Thank you for your time and careful  
17 consideration in this case.

18           CHAIRMAN BROADBENT: Thank you very much Mr.  
19 Crawford.

20 Thank you to the panel and you may resume.

21           MR. LONGHI: Madam Chairwoman, members of the  
22 Commission good morning. I am Mario Longhi, President and  
23 Chief Executive Officer of United States Steel Corporation  
24 and since last September it's been my privilege to lead the  
25 U.S. Steel and the more than 24,000 good men and women who

1       comprise the domestic U.S. Steel family.

2               Our company remains one of our nation's legendary  
3       institutions and I am proud to represent the many  
4       generations of Americans who have worked for and with U.S.  
5       Steel.   Thank you sincerely for the opportunity to testify  
6       today on their behalf.

7               We assemble before this important deliberative  
8       body to share with you the importance of oil country tubular  
9       goods to our industry.   And the magnitude of the damage,  
10      that was inflicted by the unfair trading practices of  
11      foreign companies from nine countries, a positive  
12      determination by this Commission would I believe, restore a  
13      level playing field for the OCTG industry and indeed for the  
14      manufacturing sector of our country.

15              It is important to note that while we are here  
16      again to address this new surge of unfairly traded OCTG from  
17      these nine countries, this situation is made even more  
18      egregious and to harm more intense by the fact that it  
19      follows a similar assault created by the Chinese only a few  
20      years ago.   Fortunately in 2009 this Commission recognized  
21      and decisively remedied the devastating impact of Chinese  
22      dumped OCTG products in this market.

23              Then as today this Commission took the only  
24      reasonable action to address a disturbing and immediate  
25      impact of foreign dumped OCTG in this market.   Then as

1       today, we believe your decision will determine whether many  
2       domestic facilities in this industry will survive.

3               OCTG is a sophisticated high-end steel product  
4       that requires considerable technological skill to produce  
5       exactly the type of 21st Century products for the future of  
6       the industry. It is at the heart of this country's  
7       manufacturing renaissance and an integral part of the  
8       American push towards energy independence.

9               Because OCTG is so crucial we have made enormous  
10       investments to improve our competitiveness in this product.

11       It was a bold, correct decision to pursue this high value  
12       segment of this tier market. We spent 2.1 billion dollars  
13       to buy the Lone Star facilities because we saw a great  
14       opportunity.

15               In recent years we have spent hundreds of  
16       millions of dollars to upgrade our facilities because we had  
17       confidence that this market would grow and grown it has.  
18       From 2007 to 2013, U.S. consumption of OCTG grew by almost  
19       72%. In 2010 it appeared that the market had turned the  
20       corner when unfairly traded Chinese imports were leaving the  
21       market, demand was continuing to grow and factories that had  
22       been shuttered only months before were starting to hum once  
23       again.

24               From 2010 to 2013 U.S. demand for OCTG rose by  
25       over two million tons - one of the great boom markets we

1 have ever seen in any steel product. Producers like U.S.  
2 Steel have waited and prepared to seize this opportunity.  
3 But what should have been a golden age has turned into a  
4 nightmarish challenge. From 2011 to 2013, the operating  
5 income of U.S. mills fell by almost 50%.

6 The industry's operating margin fell by  
7 approximately 55%. And in the first quarter of this year,  
8 those operating margins fell again to only 3.4%. In the  
9 first quarter of 2014, the demand for energy related steel  
10 increased by an additional 22% yet prices continue their  
11 downward trend by another 2.4%, for that same period OCTG  
12 demand increased by almost 14% while prices continue its  
13 downward trend.

14 These figures reflect the gravity of the harm  
15 inflicted on our industry by these nine countries,  
16 especially given the strong demand conditions we are seeing.

17 At U.S. Steel we have been forced to lay off workers at  
18 Lorain and to idle our facility in Bellville, Texas.

19 Last October we took a write down of 800 million  
20 dollars when a good mill associated with our Texas  
21 operations. Of course U.S. mills have made investments to  
22 modernize, upgrade and better serve the market. These  
23 investments are the product of careful market analysis in an  
24 era of solid domestic demand made with no subsidies of any  
25 kind in a market that demands returns.

1           No serious observer doubts the dominant role that  
2 these imports played in damaging and distorting this market.

3       I hear about it every single day. It has been well  
4 described in the media and analyst's accounts and in candid  
5 conversations with our customers. It is what any unbiased  
6 purchaser would tell you and it is more than obvious from  
7 the data collected.

8           You cannot have 1.8 million tons of merchandise  
9 dramatically undercutting the market on price and not see  
10 huge negative effects.

11           And what is even more disquieting they just keep  
12 coming. The Koreans shipped over 210,000 tons in May  
13 alone, a volume more than three times greater than what they  
14 shipped in the same month last year. In May overall OCTG  
15 imports increased over 77% to year over year, totally over  
16 430,000 tons.

17           I am not one for hyperbole or dramatics, but I  
18 say to you today this is not a sustainable proposition for  
19 any company, for any industry or for our country. With all  
20 of these challenges faced by the overall steel industry,  
21 with all the sacrifices we have asked - we have had to ask  
22 our employees, their families and their communities, with  
23 all the rhetoric and concern expressed about the state of  
24 American manufacturing, a golden opportunity is being really  
25 stolen from us.

1           Speaking not only for myself, but also for every  
2 American who respects our laws and plays by the rules there  
3 is considerable consternation and even anger about the  
4 situation. The American Steel Industry has earned this  
5 opportunity to do something great and we are being denied  
6 that change by wanton rule breaking.

7           Madam Chair and honored Commissioners, we are a  
8 domestic industry that has made all the right moves. We  
9 have re-invested in our people and in new technologies we  
10 are prepared and well positioned to fairly participate in  
11 this energy revolution. The fundamental question is  
12 whether this new domestic demand for OCTG will be served by  
13 producers and workers that are playing by the rules or the  
14 ones that are not. And I would say that if we let this  
15 opportunity slip by, if we cede this market to those who  
16 trade unfairly, it would be one of the great economic and  
17 manufacturing mistakes ever made by any country.

18           I respectfully urge you to grant relief on all  
19 subject imports, thank you.

20           MR. HERALD: Good morning Chairman Broadbent and  
21 members of the Commission. My name is Skip Herald and I am  
22 the managing director of Vallourec North America business.  
23 I have 34 years of experience in the energy and tubular  
24 products industries. I am accompanied today by Ronny Clark  
25 our Executive Vice-President of Sales for OCTG who has 36

1 years of experience.

2           Due to the combination of the affirmative  
3 decision in the China OCTG case in December 2009 and our  
4 reasonable expectations for increased drilling and demand in  
5 the United States because of the increased access to shale  
6 oil and gas, Vallourec invested one billion dollars to build  
7 a state-of-the-art seamless mill producing tubing and casing  
8 from two inch to seven inch OD in Youngstown, Ohio.

9           To a significant extent, our new mill production  
10 replaces sizes we previously imported from sister companies  
11 and you can see from our questionnaire how much our imports  
12 have fallen. Our investment is referred to the largest  
13 investment in Youngstown, Ohio since the 1920's. This  
14 complements our existing mill which produces casing from  
15 five inch to two and three-quarter inch OD's.

16           Your staff has visited the mill, which we believe  
17 is the most modern efficient mill of its kind in the world.  
18 At one time over a thousand workers were involved in the  
19 construction of the new mill. We now - we have now hired  
20 approximately 350 new employees. For these 350 new jobs,  
21 we received over 16,000 applications.

22           We produce a wide range of OCTG and either  
23 produce carbon as well as alloy grades to balance our mill  
24 capacity with our finished capacity. As Ronny can  
25 elaborate pricing in the OCTG market is elastic with prices

1 of carbon and alloy, welded and seamless moving in the same  
2 direction in relation to each other, based on supply and  
3 demand levels.

4 Program prices are often benchmarked to changes  
5 in prices reported by pipe logic, OCTG's situation report  
6 and/or Preston. There is also a lag effect because pricing  
7 the distributors or end users is often based on one or two  
8 quarter commitments between the buyer and the seller. Thus  
9 the huge surge of imports from countries subject to the  
10 investigations in 2012 caused our company and the rest of  
11 the domestic industry to reduce prices for deliveries in not  
12 only the second half of 2012, but also throughout all of  
13 2013.

14 The pricing pressure from imports has continued  
15 unabated in the first half of 2014. Over your period of  
16 investigation we have seen our prices fall by as much as  
17 20%. This occurred despite improving demand and is solely  
18 related to subject imports.

19 I strongly believe that Vallourec Star was  
20 correct to be the first mill in the United States to expand  
21 seamless OCTG production given the growth in drilling we  
22 have seen since our announced investment. But having a  
23 great mill making high quality products in a cost  
24 competitive manner is not an assurance of success for  
25 obtaining an adequate return on investment as we saw during

1 our last trade case against imports from China.

2 In fact, these unfairly traded imports already  
3 are proving it difficult to get an adequate return and if  
4 continued, it would make any future investments difficult to  
5 consider. While a number of mills have expanded or are  
6 expanding in the United States, it is amazing to see how  
7 many new OCTG mills have been started in countries which  
8 have no home markets, or very small home markets, compared  
9 to their capacity.

10 These mills are clearly focused on exports and  
11 the United States remains the biggest demand market and the  
12 most targeted market for exports in the world.

13 Our company is committed to free and fair trade.

14 When imports from countries trade unfairly we believe that  
15 the appropriate off-setting duty should be put in place so  
16 we can benefit from our appropriate business decisions.

17 On behalf of our 2700 employees at our facilities  
18 in Youngstown and all across the facilities in the United  
19 States, we ask you to make an affirmative determination in  
20 this case, thank you.

21 MR. MITCH: Good morning members of the  
22 Commission. My name is Dave Mitch and I am the President  
23 and the Chief Executive Officer of TMK IPSCO. I have been  
24 in the pipe and tube industry for 22 years and in the steel  
25 industry for 39 years. I am accompanied today by Scott

1 Barnes, our Chief Commercial Officer who also has 34 years  
2 of industry experience.

3 TMK is one of the largest producers of OCTG in  
4 the world. In the United States, TMK purchased IPSCO  
5 Tubulars in 2008. TMK IPSCO has welded OCTG mills as you  
6 have heard today in Blytheville, Arkansas, Camanche, Iowa  
7 and Wilder, Kentucky. We have an electric arc furnace in  
8 Koppel, Pennsylvania and a seamless mill just a few miles  
9 away in Ambridge, Pennsylvania.

10 We also have finishing facilities in Houston, in  
11 Midland, Texas, Catoosa, Oklahoma and Brookfield, Ohio.  
12 Last year we inaugurated our new research and development  
13 center in Houston, Texas. As a company we have been very  
14 committed to investing in the United States where we employ  
15 over 2600 U.S. citizens in seven states to produce products  
16 which are consumed in the United States.

17 Since 2008 we have invested over two billion  
18 dollars to provide the processes, the products and the  
19 research and development necessary to meet the demands for  
20 the OCTG market. Our OCTG business has been hammered by the  
21 surge in imports that we have seen over the past three  
22 years. This is in spite of one of the strongest demand  
23 cycles in my entire career.

24 U.S. shale gas and oil production has increased  
25 more than 50% since 2007. Demand for OCTG continues to set

1 new records. We should be earning market returns during  
2 this upcycle but we are seeing a very different trend due to  
3 unfairly priced imports. Instead pricing and returns have  
4 been dismal. We decreased operating rates in April of  
5 2014. All three welded plants we idled and we idled one of  
6 our tube mills in Wilder, Kentucky.

7 In addition to reducing hours and take-home pay  
8 we have lost some of our very skilled work force and have  
9 not replaced them at these facilities. We are trying to  
10 avoid another 2009 where we ended up shutting down most of  
11 our facilities. It has not been easy. This is caused  
12 clearly by imports that have put downward pressure on the  
13 price of all of our welded and seamless OCTG products.

14 We manufacture and then sell both welded and  
15 seamless, carbon and alloy grades to distributors, several  
16 of whom are here today to testify. In order to sell  
17 products in the U.S. market, we must meet the low import  
18 prices to remain competitive. We are forced to reduce our  
19 prices to try and protect our market share in order to  
20 sustain our operation of our facilities and to keep our work  
21 forces employed.

22 During the last few years we have seen wave after  
23 wave of import from country after country. While Korea has  
24 currently been the leader, we have also seen increased  
25 imports from new suppliers in Vietnam and in Saudi Arabia

1 and increased supplies from countries like India and the  
2 Ukraine.

3 These imports have undercut prices in the market  
4 and we were forced to react to them. Of course imports  
5 from Korea have been insane since the Department of Commerce  
6 negative determination in February with 465,000 tons in just  
7 the second quarter, a 30% increase over the first quarter.

8 Amazingly, over 100,000 tons have arrive in just  
9 the first week in July reducing operations due to losing  
10 significant volume. And market share has consequences in  
11 terms of our overall cost structure and the ability to keep  
12 highly trained and specialized employees at our various  
13 facilities.

14 On the other hand, regaining lost market share  
15 through price cutting is very, very painful to our profits  
16 and ability to reinvest in our company and its employees.  
17 We need an affirmative decision and determination in order  
18 to continue operating all of our mills. Invest in our  
19 operations and be able to fund continued investments in the  
20 product development demanded by the market place.

21 We ask that you make affirmative determinations,  
22 thank you for your time.

23 MR. GERARD: Good morning Chairman Broadbent and  
24 members of the Commission. My name is Leo Gerard and I'm  
25 the International President of the United Steel Workers

1 Union. We represent workers in a number of U.S. producers  
2 of oil country tubular goods including U.S. Steel, TMK IPSCO  
3 and Maverick Tube Division of Tenaris, Energex Tube  
4 division, JMC Steel Group, Evraz Rocky Mountain Steel.

5 We believe U.S. Steel to be the largest producer  
6 of OCTG in the United States and this company has a long  
7 history with our union. The company has the largest USW  
8 work force than any steel company in North America. But it  
9 also has 142,000 pensioners and their families who depend on  
10 their pension and their health care and many of their sons  
11 and daughters still work in those steel mills.

12 Your period of investigation from the beginning  
13 of 2011 until the end of the first quarter of 2014 shows  
14 significant employment gains. While this could apparently  
15 believe this is good news, this increase in workers and  
16 hours worked does not correspond to the big and in fact huge  
17 increase in demand for this product during that same period.

18 Therefore our members that work in the industry  
19 they are not getting their fair share of the work that this  
20 product demands and in fact between the first quarter of  
21 2013, excuse me in fact between the first quarter of 2013  
22 and the first quarter of 2014, work increased by only, only  
23 1.4% while consumption in that same period increased by  
24 13.6%. Why is this?

25 Despite massive investments made by the industry,

1 also not only capital investments but investments in  
2 training so that the workers could run the upgraded and  
3 modernized equipment. We have lost market share to the  
4 dumped and subsidized products. This does not make sense.

5 Let me just say on behalf of our union and one country in  
6 particular, Korea. They have no coal, they have no iron  
7 ore, they have no limestone they have got to bring that from  
8 Australia and Brazil and other places. Their equipment is  
9 about the same as ours, their workers get paid pretty close  
10 to the same as ours, how can they affect come to this  
11 country after they have got to ship that there and ship it  
12 back here and still try to undersell us if they aren't  
13 cheating?

14 Some of the speakers have said that there's a lot  
15 of emotion in this. Let me just say on behalf of our  
16 members, we fear the destruction of the industry if you  
17 don't give us an affirmative response. We know by what's  
18 going on in our plants how much work we are not getting.  
19 We know that we have got workers that are laid off and on  
20 reduced hours. I don't know what that guy a while ago was  
21 smoking, but when he made his presentation, we know that we  
22 are losing jobs, we know that we are losing hours and I  
23 don't know where he is getting his facts and if I sound  
24 angry it's because I am.

25 Commissioner Williamson you know how long I have

1       been coming to these things, you know.   Deja vu all over  
2       again doesn't spell it yet, this is an ongoing process and  
3       our industry is at risk and that this is the highest value  
4       part of the industry and if we let it get robbed, if we let  
5       it get destroyed, God help us all, God help us all.

6                   And I have asked some of our members to be here  
7       today and I would like them to stand and be recognized  
8       because if we give a negative response it is their lives  
9       that are going to be affected, their families and look at  
10      some of them have got gray hair more than me, you know.  
11      They have been fighting this fight for survival for a long  
12      time so I know that that isn't all statistical, but your  
13      decisions aren't just statistical, they have a human face on  
14      them and right now we are struggling to survive even though  
15      all of our companies, every one of these companies that are  
16      here have done the right thing.

17                   They have made the investments, they have made  
18      the training, they have made the commitment, they are  
19      competing on a fair and level playing field and they are  
20      being asked to compete against people who aren't countries  
21      who aren't.   Countries who have determined that they are  
22      going to come here and take advantage of the boom in our  
23      potential market at the expense of our members and at the  
24      expense of their future.

25                   And let me just say this, those workers are at

1 risk, but what is also at risk is the 142,000 pensioners who  
2 have to get U.S. Steel and these companies to make money to  
3 put into their pension fund. We have got enough problems  
4 in this country that we shouldn't let the cheaters get away  
5 with it and I really digressed from my notes because every  
6 one of these companies that we have a relationship with, in  
7 our country's tubular goods I was offended by what I heard  
8 to be blunt.

9           Every one of these companies that we have a  
10 relationship with has either reduced hours or laid workers  
11 off and as you heard Senator Klobuchar, it isn't just them,  
12 that in the steel mills that are making the tube, it is the  
13 steel company - it's the steel industry that's making the  
14 steel that's going to make the tube, it's the workers and  
15 the iron ore miners, it's the people that are mining  
16 limestone, it's the people that are mining coal mines, it's  
17 the people that own the drug store down the street, it's the  
18 people that own the grocery store up the street, they are  
19 all effected in these circumstances.

20           And far too often when I have been here, we have  
21 been dealing with statistics and not dealing with people.  
22 The statistics will prove out that we are doing the right  
23 thing and the statistics will prove out that you have to  
24 give us an affirmative decision.

25           The reality is this and I don't have any bones

1 about it. Senator Brown said it, if some of these  
2 companies from these countries get away with what they are  
3 trying to do as a result of what's happened, we will have  
4 demonstrated to the rest of the world the blueprint for  
5 eliminating the steel industry in America. And you ought to  
6 think about that. Some of the comments that were made after  
7 the negative determination by commerce, almost every one of  
8 our employers had to have lay-offs because the market just  
9 went inside out.

10 That was a symptom and a signal of what will  
11 happen if we don't get an affirmative decision here. If  
12 the industry can't make money at the highest end of the  
13 value chain, with the most sophisticated product where you  
14 can drill down 10,000 feet, go sideways, drill down another  
15 10,000 feet, the most sophisticated steel product made on  
16 the planet in the most environmentally advanced, in the most  
17 productive steel mills on the planet. If we can't make  
18 money at that end of the business, then where do we go?

19 So am I a little upset? Probably, I think I  
20 have the right to be upset. But I am hoping that you will  
21 make the right determination and give us an affirmative  
22 decision in support of the decision that we are entitled to  
23 make the people that work in this industry feel safe when  
24 there is a boom coming they ought to be able to say that I  
25 am not going to lose my job. They were secure after the

1 decision on China.

2           Some of them bought houses some of them bought  
3 cars, now they are insecure. And I just talked to them  
4 this morning. Some of them go to work on Monday and hope  
5 that by Friday they will still have a job. We shouldn't  
6 have to live like that because we are confronting countries  
7 that cheat so thank you for giving me the opportunity to  
8 voice my opinion on behalf of the workers but I wanted to  
9 say that I support this industry, our union supports this  
10 industry. This is amongst the best industry in America,  
11 they pay good wages and benefits and we shouldn't have to  
12 take it on the chin because people are cheating, countries  
13 are cheating, thank you.

14           MR. LOWE: Good morning I am Brad Lowe, President  
15 of Tenaris Global Services USA, Inc. and the Director of  
16 Maverick Tube Corporation, one of the largest welded OCTG  
17 producers in the United States. I have over 29 years of  
18 experience in the energy tubular industry. As Commercial  
19 Director I manage Maverick's U.S. sales and commercial  
20 operations.

21           First I would like to provide some background on  
22 the OCTG market and the OCTG industry in the United States.

23           In the past, OCTG demand in the United States was largely  
24 driven by natural gas. Recently the advent of hydraulic  
25 fracturing technology significantly increased the production

1 of natural gas.

2 Natural gas supply increased driving gas prices  
3 downward. At the same time this technology unlocked new oil  
4 reserves, increasing oil drilling. Last year more than 70%  
5 of wells drilled in the United States were oil wells,  
6 accounting for the majority of OCTG demand in the United  
7 States.

8 Most of these oil wells are on-shore in  
9 non-hostile environments that do not require premium or  
10 proprietary connections. As a result, premium OCTG which  
11 is principally sold through program sales continues to make  
12 up a relatively small part of the U.S. market.

13 In the rest of the world, where off-shore  
14 drilling and hostile drilling environments are much more  
15 common, premium OCTG plays a bigger role. In the U.S. rig  
16 efficiencies have also increased significantly. Through  
17 pad drilling, operators can now drill multiple wells in  
18 close proximity. As a result, drill strings within a  
19 particular location quickly become standardized. This  
20 significantly reduces costs and inventories and further  
21 increases demand for standard API grade OCTG.

22 In fact, a substantial portion of OCTG demand is  
23 now largely concentrated in only a few API sizes and grades  
24 and a typical well can use several of these grades from  
25 several suppliers. As such, approximately 80% of the OCTG

1 consumed in the United States is produced to standard API  
2 grade specifications with API connections. These are  
3 essentially interchangeable products. The vast majority of  
4 imports from the subject countries serve as standard API  
5 grade segment of the U.S. market.

6 Make no mistake however subject imports have  
7 price and volume effects on all parts of the supply chain.  
8 The U.S. industry is positioned to service demand in the  
9 entire market. The U.S. producers sell all grades of OCTG  
10 and are harmed by imports across the entire spectrum of  
11 grades and finishes.

12 During the period the Commission is considering,  
13 Maverick's largest volume of API grade sales was in J-55  
14 followed by P-110 and L-80, all of which are sold by subject  
15 importers and compete directly with us by first attacking  
16 the J-55 grade and then moving up the value chain, subject  
17 imports destroyed our ability to properly load our plant and  
18 drove down U.S. prices and volumes in all grades throughout  
19 the market.

20 Because all of these grades and finishes are  
21 produced on the same product lines without the base load  
22 standard API production, it becomes increasingly impossible  
23 to compete for business along the entire product range. But  
24 for the surge of extremely low-priced subject imports, I can  
25 tell you that our prices and volume would have been higher,

1 especially given growing demand.

2 Any contention that the U.S. industry has  
3 conceded a portion of the market to the subject imports and  
4 that subject imports do not have adverse effects on the  
5 entire market is simply a fantasy. Similarly some OCTG  
6 sales in the United States are sold through program  
7 agreement. Maverick's participation in program sales are  
8 affected by subject imports in two major ways.

9 First we face direct competition from subject  
10 imports from program sales. While foreign producers might  
11 claim they may not participate in program sales, the fact is  
12 distributors will purchase from importers and will use  
13 subject imports to service the various program sales. Some  
14 subject producers also enter program sale agreements  
15 directly.

16 For example, at the conference last year I told  
17 the Commission staff how Maverick had recently lost an  
18 important bid to supply a three year program to the Korean  
19 producer solely based on price. Second, subject import  
20 pricing in the overall market affects pricing for the OCTG  
21 we sell through programs.

22 Pricing for program sales is affected by pricing  
23 in the market as a whole. In many cases the program prices  
24 are tied to Pipe Logix, a published price index which has  
25 been pushed down by subject import prices affecting all of

1       Maverick's sales.    As subject imports drove market prices  
2       down, these program prices were re-adjusted downward often  
3       with a lag based on the pricing mechanism and duration of  
4       the program.

5                 The fact that most imports come in as a plain end  
6       produced to an API grade in no way limits competitive harm.

7       Threading and coupling in the U.S. has always been the norm  
8       for these imports and has never limited their competitive  
9       harm.    While the last few years should have been extremely  
10       strong for Maverick as demand recovered, the subject import  
11       surge well in excess of demand at extremely low prices,  
12       crippled market pricing and depressed profits.

13                Normally, such demand growth should lead to  
14       increasing prices, decreasing metal margins and increasing  
15       profits.    In fact we invested approximately 200 million  
16       dollars in our domestic plants with the view that we would  
17       be able to recoup this investment through increased volume  
18       and sustainable market price levels.

19                However, because subject import prices declined  
20       rapidly and volume surged capturing a disproportionately  
21       large share of the market, Maverick is struggling at a time  
22       when it should be thriving.    We have been under constant  
23       pricing pressure from the subject imports throughout the  
24       period of investigation against the onslaught of subject  
25       imports we have been forced to continually cut prices.    We

1 have been unable to fully utilize our production capacity  
2 and rehire American workers.

3 In fact without relief from unfair imports  
4 Maverick will be forced to lay off more workers. This is  
5 especially likely given the producers of the subject  
6 countries continue to increase their OCTG production  
7 capacities without regard for demand levels that will  
8 moderate or even slightly decrease in coming years.

9 To see what kind of an impact a negative  
10 determination would have, the Commission need look no  
11 further than the reaction of the subject countries that  
12 escape preliminary duties at the Department of Commerce.  
13 Low price subject imports from these countries continue to  
14 surge into the U.S. market this year at rates that are  
15 simply unimaginable, despite the fact that exchange rates in  
16 many of these countries have moved against them indicating  
17 that these countries will continue to ship to this market at  
18 all costs that they have virtually unlimited capacity to do  
19 so, and that broad relief is essential. Thank you for your  
20 time.

21 MR. RINTOUL: Madam Chairwoman and Honorable  
22 Members of the Commission, good morning. I am David  
23 Rintoul, Senior Vice President, Tubular Business for the  
24 United States Steel Corporation. I have 35 years of steel  
25 industry experience, and currently have executive

1 responsibility for U.S. Steel Tubular Products, including  
2 operations, sales and business development.

3           During my time at U.S. Steel and in the  
4 industry, I have had the opportunity to work across the full  
5 range of steel-making, including both flat roll and tubular.  
6 To fully appreciate the significance of OCTG to U.S. Steel's  
7 operation, it is important to understand that in a typical  
8 year, we make hundreds of thousands of tons of hot-rolled  
9 steel and round billets that are used to make OCTG, whether  
10 by us or U.S. Steel or other domestic pipe products. This  
11 is true of some other domestic steel operations as well.

12           As a result, when tubular producers lose sales  
13 of OCTG, American workers, producers and communities are  
14 seriously harmed throughout the entire steel industry.  
15 Please also understand that in order for our tubular  
16 operations to be successful, we not only want but indeed we  
17 need to make sales across the full range of OCTG products.

18           At U.S. Steel, we consider all OCTG products  
19 to be high end. Many tubular mills cannot make OCTG at all.  
20 To operate our mills efficiently and at sustainable levels,  
21 we must be in a position to meaningfully service the entire  
22 market, tubings, casings, carbon grades and alloy grades,  
23 everything from J-55 up to premium grades.

24           We spent over \$2 billion to buy Lone Star's  
25 assets, because we wanted to sell large volumes of welded

1 OCTG of all API grades, to any and all end users. No matter  
2 what you might hear from the other side, I hope it is  
3 apparent to you with subject mills taking over one-quarter  
4 of the entire market, with unfairly traded sales in excess  
5 of \$1.7 billion, nothing about this market presence or that  
6 competition should be understood as attenuated or low end or  
7 anything but crippling to our industry.

8 To be as clear as I can, the markets being  
9 served by these imports are exactly in our wheelhouse,  
10 involving sales we desperately need and want. Our inability  
11 to achieve market returns in these areas is largely due to  
12 these unfair imports. I will also share with you on a more  
13 personal note that there are few things more difficult than  
14 decisions such as those we have made recently to idle  
15 production at Belleville.

16 It would be tough enough if these actions were  
17 compelled by poor market conditions, or the outcome of  
18 market competition. But having to give these workers and  
19 their families this kind of news when we are in strong  
20 market conditions, when we and they have done everything  
21 right to serve demand and produce the highest quality  
22 products, this is really difficult to take, and in my view  
23 incredibly unfair.

24 We have done everything in our power to save  
25 these jobs. We've had to cut prices repeatedly to stave off

1 imports and to try and retain market share. But at some  
2 point, this becomes a losing game. As imports keep going  
3 lower and lower, we simply cannot generate the type of  
4 returns required to sustain our operation.

5 That is the exact dynamic you've seen over the  
6 period of time you are examining, and if we do not get  
7 relief, I fear you will see more of the same and  
8 unfortunately a lot more. I hope you will help us avoid  
9 that result and grant relief on all countries, and  
10 facilitate truth, justice and the American way to prevail.  
11 Thank you.

12 MR. THOMPSON: Good morning. I am George  
13 Thompson, Vice President, Tubular Commercial for United  
14 States Steel. I'd just like to make two brief points about  
15 these investigations. First, the subject imports are the  
16 one and only cause for falling prices in this market.

17 In recent years, I've been in countless  
18 meetings, both with our customers and with my sales people,  
19 where we had to decide whether to hold prices at current  
20 levels or cut them in order to keep sales. Over and over  
21 and over, I heard that we were being undersold, not by other  
22 domestic mills, not by imports in general, but by the nine  
23 -- but by product from the nine countries before you today.

24 Furthermore, when we did reduce prices, and we  
25 had no choice if we didn't want to concede even more market

1 to subject mills, we soon heard that the subject imports  
2 were being offered at even lower levels. No matter how low  
3 we went, they always went lower. I've watched this pattern  
4 for a long time now, and I'm convinced that the subject  
5 importing mills have a strategy to buy market share through  
6 under-selling, regardless of how the under-selling distorts  
7 this market or hurts fair competition.

8 This type of behavior is extremely harmful, is  
9 not true market competition, and fully justifies the request  
10 for implementation of relief.

11 Second, I want to compare conditions at the  
12 beginning of your period of investigation to the conditions  
13 at the end. In this case, U.S. mills are certainly worse  
14 off now than they were a few years ago. But you should  
15 understand that subject imports were continuously hurting us  
16 in 2011 and 2012. We were trying to recover from the harm  
17 caused by Chinese imports, and the fact that most of the  
18 domestic industry was shut down during 2009.

19 We were trying to get prices back to  
20 reasonable levels, given strong and growing demand. As  
21 early as 2011, it was clear that something was badly wrong  
22 within the market. Prices and operating margins were not  
23 even close to where we thought they should be, in a country  
24 with almost six million tons of demand and growing.

25 But we not charge higher prices, because there

1 were so many low-priced imports from the subject companies  
2 available, countries available. Even then we knew that the  
3 subject producers were cheating and destroying the market,  
4 and then the situation worsened throughout 2012, with higher  
5 import volumes pouring into the market despite falling  
6 prices.

7 We have been hurting for over three years. If  
8 we do not get immediate relief, the harm we have suffered  
9 will only grow worse. I urge you to grant us the relief we  
10 need and request. Thank you.

11 CHAIRMAN BROADBENT: Thank you, Mr. Thompson.  
12 I think we'll suspend the panel just for one more  
13 interruption. Congressman Murphy is here, as I understand  
14 it.

15 MR. BISHOP: The Honorable Tim Murphy, United  
16 States Representative, 18th District, Pennsylvania.

17 CHAIRMAN BROADBENT: Welcome, Mr. Murphy.

18 CONGRESSMAN MURPHY: Good morning Madam Chair  
19 and members of the Commission. I'm here today to address an  
20 issue of importance to the working men and women of my  
21 district, unfairly traded imports from India, South Korea,  
22 the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey,  
23 Ukraine and Vietnam have dramatically changed the domestic  
24 market for OCTG steel, and pose a substantial, severe and  
25 imminent threat to the domestic industry and all domestic

1 steel producers that supply the industry.

2 I am grateful for the opportunity to be before  
3 you today on behalf of the people of Southwestern  
4 Pennsylvania, and once again to stand up for steel, fair  
5 trade and American jobs. As you've heard from other  
6 witnesses this morning, the steel industry is an integral  
7 part of the fabric of our economy, and it is an essential  
8 component of the history and future of heavy manufacturing  
9 in Southwestern Pennsylvania.

10 As chairman of the Congressional Steel Caucus,  
11 I am committed to these men and women, who over generations  
12 literally built the foundation of our nation, to grow,  
13 expand and prosper in the last 150 years. It is a  
14 commitment to them that I am honored to fulfill.

15 In my role as a legislator and Caucus  
16 chairman, I want to see that the trade laws enacted by  
17 Congress are respected and strongly enforced by this body,  
18 so our domestic steel industry is able to compete fairly in  
19 an open and transparent global market.

20 The families I represent and their employers  
21 aren't asking for special handouts or privileges. They  
22 simply want a fair shot to use their work ethic and apply  
23 their ingenuity to earn a paycheck or win business in a  
24 marketplace where the rules are clear and the laws are  
25 fairly enforced.

1                   We want open trade with many nations, but when  
2 foreign governments cheats and international and U.S. laws  
3 are broken, it is incumbent on the International Trade  
4 Commission to act. Otherwise, good-paying American jobs  
5 will be lost and our communities will suffer. It is  
6 abundantly clear that nations engaging in unfair trade will  
7 not stop on their own. Neither the Congress nor the ITC can  
8 mandate morality nor legislate compassion.

9                   Look upon Korea, for example, where the United  
10 States came to the rescue in the Korean War. Today, through  
11 illegal dumping, Korea repays us by costing American jobs.  
12 The harm inflicted on U.S. workers as a result of unfair  
13 trade from the subject countries is not limited to those  
14 employed by OCTG mills.

15                   Whether it is mining ore in Minnesota or coal  
16 in Green County, Pennsylvania, or producing hot-rolled steel  
17 in Granite City to make welded OCTG, we are a nation built  
18 on steel. Last month, I wrote a letter to the Secretary of  
19 Commerce calling for full enforcement of our trade laws in  
20 this case. My letter was signed by 155 Republican and  
21 Democratic members of the House of Representatives from all  
22 over the nation, and I'll include that letter in my  
23 statement for the record.

24                   These lawmakers have seen the pain felt by  
25 their constituents and communities when dumped and

1       subsidized OCTG hits the shelves and hits our shores. The  
2       major bright spot for domestic steelmakers, shale oil and  
3       gas producers, has once again been taken away because of a  
4       surge of illegal OCTG. Imports from Korea alone have grown  
5       1,000 percent in the last four years, stripping away all the  
6       progress that American steel made after the 2010 Chinese  
7       OCTG affirmative case.

8                       Today, mills in Kentucky are cutting back  
9       shifts and hours. Plants have begun to close, including one  
10      U.S. steel facility in McKeesport, Pennsylvania, just  
11      outside of my Congressional district. The ICTG must decide  
12      whether material injury has occurred to domestic workers and  
13      manufacturers.

14                      If these examples of curtailed domestic  
15      production for a robust customer segment is not evidence of  
16      a material injury, I ask how many more workers must lose  
17      their jobs before we turn back the tide on illegally-traded  
18      OCTG from these nine countries?

19                      The numbers you've heard today from the  
20      plaintiffs in this case represent real jobs and real  
21      families, families that have been injured by unfairly-traded  
22      steel. The towns in Southwestern Pennsylvania are indeed  
23      feeling this pain. So are the constituents of my fellow 155  
24      Steel Caucus colleagues, who see it in their districts, jobs  
25      directly or indirectly related to the loss of the steel

1 production.

2 American workers involved in all stages of the  
3 OCTG production process, from production of pellets to pipe  
4 to coal have all felt injury. Our economy cannot suffer the  
5 damage caused by unfair imports in perpetuity. At stake  
6 today is a stable manufacturing base of long-term economic  
7 growth, a healthy middle class and our military and national  
8 security. Our trade laws, that I fully support, provide the  
9 U.S. OCTG industry with a measure of hope in response to  
10 this unfair competition.

11 The domestic industry cannot wait until dumped  
12 and subsidized imports have again doubled or tripled.  
13 Workers and their families cannot wait until the domestic  
14 capacity is mothballed, or until the steel mills that  
15 supplied them are shuttered. The record before the  
16 Commission establishes that dumped and subsidized imports  
17 from the nine subject countries have caused significant harm  
18 to the domestic industry, and further threaten the industry  
19 with even more substantial damage if our laws are not  
20 enforced.

21 I urge you to act to uphold our nation's trade  
22 laws, as enacted by Congress, and confirm Commerce  
23 Department's finding in this case of illegal dumping. In  
24 doing so, you will provide the nation's steel industry with  
25 the opportunity to fairly and effectively compete in the

1 U.S. marketplace. I thank you for your time and  
2 consideration of my views. Thank you.

3 CHAIRMAN BROADBENT: Thank you very much, Mr.  
4 Murphy. Do my colleagues have any questions of the  
5 Congressman?

6 (No response.)

7 CHAIRMAN BROADBENT: Thank you very much.

8 CONGRESSMAN MURPHY: Thank you.

9 CHAIRMAN BROADBENT: I appreciate your  
10 testimony.

11 (Pause.)

12 CHAIRMAN BROADBENT: The panel can resume,  
13 thank you.

14 (Pause.)

15 CHAIRMAN BROADBENT: Mr. Schagrín, we all have  
16 our jobs.

17 (Pause.)

18 MR. EISENBERG: Good morning, Chairman  
19 Broadbent and members of the Commission. My name is Gregg  
20 Eisenberg, and I'm president of Boomerang Tube. I've been  
21 in this industry, the OCTG industry for 36 years. Boomerang  
22 was founded in 2008, and we had our initial equity funding  
23 and started our project. But we couldn't complete our  
24 financing until after the China/OCTG cases were well along  
25 in 2009.

1                    Since the end of 2009, when the financing was  
2                    completed, we've invested over 200 million in our two new  
3                    ERW mills and heat treat lines and finishing lines in  
4                    Liberty, Texas, just outside Houston. At one time recently,  
5                    we employed more than 500 people.

6                    Due to the massive surge in imports, much of  
7                    which occurred after the department's negative preliminary  
8                    determination for Korea, our cash flows plummeted, the  
9                    outlook dimmed, and we had to lay off 30 percent of our  
10                   office staff and 15 percent of our production workers in  
11                   April. These are real world experiences that businesses and  
12                   workers confront when dealing with unfairly traded imports.

13                   Boomerang entered the market during a period  
14                   of rising demand. However, despite our excellent product  
15                   and first-rate market contacts, we've seen a consistent  
16                   deterioration of market conditions as massive quantities of  
17                   unfairly-traded imports penetrated the market, with pricing  
18                   too low and too far below our prices.

19                   Our only option was to lower our prices to  
20                   fight back and continue to operate our new equipment. Our  
21                   company's primary financing vehicle was debt. We must make  
22                   the required interest payments on that debt, and these  
23                   unfairly-traded imports have caused us to severely miss our  
24                   cash flow projections and to experience net losses after  
25                   servicing the debt that we have.

1                   If these duties are imposed and pricing  
2 returns to earlier levels, Boomerang is confident that we  
3 can continue to build our company as one of the most vibrant  
4 long-term players in the U.S. OCTG market. But we need your  
5 help in doing this, with an affirmative determination.  
6 Thank you.

7                   MR. BOSWELL: Good morning Chairman Broadbent  
8 and members of the Commission. My name is Randy Boswell and  
9 I'm the president of Energex Tube, a division of JMC Steel  
10 Group. I have 25 years' experience in the pipe and tube  
11 industry, and I'm joined today by Bob Okrzesik, our VP of  
12 Sales and Marketing, who has over 30 years of experience  
13 selling OCTG. Energex was created following the acquisition  
14 of Lakeside Steel in April 2012 by JMC Steel.

15                   Energex is a combination of mills and  
16 finishing facilities for OCTG and line pipe of the former  
17 Lakeside Steel, as well as certain facilities from the  
18 Wheatland Tube and Atlas Tube divisions of JMC Steel Group.  
19 These include facilities in Thomasville, Alabama,  
20 Blytheville, Arkansas, Warren, Ohio and in Canada.

21                   Our newest mill, which was installed by  
22 Lakeside Steel in Thomasville, Alabama, was commissioned in  
23 late 2011. The mill has a size range of 4-1/2 to 9-5/8ths  
24 inches and a capacity of 200,000 tons annually.  
25 Unfortunately due to subject imports as a contributing

1 factor, we mothballed that facility in early 2013.

2 We also shut down our mill in Welland, Ontario  
3 in May of this year, and laid off over 100 workers in our  
4 three U.S. plants. These plants include production at  
5 Warren, Ohio, a plant that many of you were able to visit  
6 and our billet plant in Blytheville, Arkansas.

7 Our facility in Thomasville is now only  
8 utilized for up-setting, heat treating and threading and  
9 coupling. You can see that the flood of imports has had a  
10 direct and very significant impact on our OCTG operations.  
11 In the early part of 2014, steel coil costs increased  
12 sharply, but we were unable to pass along any of these cost  
13 increases to our OCTG customers because of import prices.

14 As the Commission is aware, nearly 465,000  
15 tons of Korean OCTG arrived in the second quarter, including  
16 a whopping 215,000 tons in just the month of May.  
17 Korean-delivered prices are less than our cost of steel and  
18 actual conversion costs before allocating a dollar of plant  
19 overhead.

20 If this is allowed to continue, all of our  
21 U.S. mills will follow our Welland mill and be permanently  
22 shut by the end of this year. 300 more workers will lose  
23 their jobs and our parent company will have lost over 150  
24 million of investment. We at Energex Tube hope that our  
25 company has a bright future tied to North American oil and

1 gas production. We ask that you make an affirmative  
2 determination so we can pursue that future. Thank you.

3 MR. TEJEDA: Good morning Chairman Broadbent  
4 and members of the Commission. My name is Maximo Tejeda and  
5 I'm the founder and president of Tejas Tubular, a  
6 family-owned company based in Houston. I have been in the  
7 OCTG and the steel industry for 44 years. Today, I'm here  
8 representing a diverse workforce of 800 plus employees and  
9 their families, whose livelihood and prosperity depend on  
10 Tejas Tubular.

11 As a first generation American, I have lived  
12 the American dream and know that when you work hard and have  
13 a passion for what you do, you create your own opportunities  
14 for yourself and those who you employ. In 1990, I started  
15 Tejas Tubular with \$68,000 in savings from my kids' college  
16 fund, and a \$125,000 loan from my aunt, which started by  
17 heat treating pipe and then added finishing capabilities for  
18 OCTG in 1998.

19 In 2010, Tejas installed a new welded OCTG  
20 mill in Stephenville, Texas, and started tubing production.  
21 Stephenville is now producing 45,000 tons per year, which is  
22 less than 50 percent of its capacity, and operates with less  
23 than two percent margins. This spring, we opened up a new  
24 casing processing facility in New Carlisle, Indiana and  
25 hired 80 new employees to serve the Marcellus and the Eureka

1 shale in Ohio, Pennsylvania and West Virginia.

2 Tejas now has long-term plans for our first  
3 seamless mill in Norfolk, Nebraska. However, unfairly  
4 traded imports from the countries subject to this  
5 investigation have flooded the OCTG market, making it  
6 difficult for Tejas to increase production. Today's market  
7 prices hinders current operations at our facilities and  
8 force us to cut prices even farther.

9 Unfairly traded imports of OCTG have  
10 devastated the market and reduced the number of jobs and  
11 people that we employ. Now for me, this is not about money.  
12 It is about increasing American manufacturing opportunities  
13 to create jobs. It is about allowing American companies a  
14 fair shot to supply the required products. I am proud to be  
15 part of an industry helping regain American energy  
16 independence from nations that pray for America's demise.

17 Every job we shift overseas makes American  
18 manufacturing less competitive, forcing taxpayers to pay for  
19 those without jobs. It is imperative we reverse that trend  
20 and put America to work, in turn making America more  
21 competitive. Tejas Tubular and all of its employees are  
22 ready to do its prospective part to improve America through  
23 increased American manufacturing.

24 For that reason, we ask you to join us in this  
25 effort, and make an affirmative determination for America.

1 Thank you.

2 MR. MANDEL: Good morning Chairman Broadbent  
3 and members of the Commission. My name is Butch Mandel, and  
4 I am president and CEO of Welded Tube USA. In late 2011, in  
5 the face of what we believed would be a very weak and long  
6 recovery in the non-residential construction market, as well  
7 as very high levels of unfairly traded imports, we closed  
8 plants in Berkeley, South Carolina and Delta, Ohio that  
9 primarily produced standard pipe and structural tubing.

10 We decided to redeploy our financial resources  
11 in a brand new mill, which we have constructed and installed  
12 in Lakawanna, New York, to produce OCTG, primarily targeting  
13 the major shale plays in the Northeastern U.S., as well as  
14 western Canada. Our total investment thus far in Lackawanna  
15 exceeds \$50 million. We expect OCTG demand will only grow  
16 in the next few years. But how much, if any benefit the  
17 U.S. industry will get from this depends almost entirely on  
18 the future level of imports subject to this investigation.

19 The same is true of the Lackawanna and Buffalo  
20 areas, which have suffered tremendous economic decline over  
21 the past several decades. Staff and local officials have  
22 provided significant financial and directional aid in  
23 support of our project. We commenced production in  
24 Lackawanna in September of 2013. We have already hired 65  
25 employees.

1                   We have two further expansions of the facility  
2                   on the drawing boards, with an additional investment of \$70  
3                   million planned, with an additional hiring of 100 employees.  
4                   We shelved those expansion plans after the February negative  
5                   preliminary determination by Commerce against Korea.

6                   We are also a major producer of OCTG in Canada  
7                   as well, and I believe that the Canadian Revenue Service  
8                   will shortly announce the initiation of cases against most  
9                   of these same countries in Canada. It is simply critical  
10                  for our new mill to succeed that the U.S. market not  
11                  continue to be swamped with massive quantities of  
12                  low-priced, unfairly traded imports. For that reason, we  
13                  ask you to make an affirmative determination in the case at  
14                  hand.

15                  MR. SHOAFF: Good morning. I'm John Shoaff,  
16                  president of Sooner Pipe, the world's largest tubular  
17                  distributor and logistics service provider to the oil and  
18                  gas industry. We serve a wide customer base, from major  
19                  international oil companies to small independents. We buy  
20                  OCTG from numerous suppliers, including imports from subject  
21                  countries, imports from non-subject countries and domestic  
22                  goods.

23                  In short, we have detailed knowledge of all  
24                  parts of this market. Based on my decades of experience in  
25                  the OCTG business, I'm absolutely certain that

1       unfairly-traded imports anywhere within the U.S. market,  
2       hurt domestic producers. In these proceedings, I understand  
3       there has been quite a bit of discussion about different  
4       types of market segments of OCTG, low end versus high end,  
5       seamless versus welded, spot sales versus program sales.

6                       It's important to understand, however, that  
7       subject imports can be found almost everywhere in the U.S.  
8       market. They compete directly for sales in all major API  
9       grades, and they can be found in both the spot and program  
10      markets. This really must be understood as a single  
11      integrated market, and U.S. mills are in no way insulated  
12      from subject imports.

13                     Furthermore, even to the extent certain  
14      sources have a relatively greater presence in certain  
15      portions of the market, different market segments are  
16      closely connected, and low prices anywhere spread quickly.  
17      For example, if huge amounts of low-priced welded J55 OCTG  
18      pour into this market and prices for that product fall as a  
19      result, you will soon see that the prices of seamless P110,  
20      a higher grade product, have fallen as well.

21                     Moreover, as I explained in my testimony last  
22      year, falling spot prices rapidly affect negotiations for  
23      program sales. Why does this happen? Because the U.S.  
24      market for OCTG is one of the most transparent and  
25      sophisticated markets you will ever see. Every month, you

1 can pick up publications like Preston Pipe or Pipe Logix and  
2 see the latest pricing data from across the country.

3 You can see how much OCTG is being consumed  
4 and how much is in inventory. You can see down to the ton  
5 how much OCTG was shipped by domestic mills last month, and  
6 how many imports came into the market. The major purchases  
7 of OCTG, both in distribution and at the major end users,  
8 are familiar with all of that information.

9 So when any prices start to fall, purchasers  
10 quickly adjust their expectations for the rest of the  
11 market. Producers have no choice but to lower their own  
12 prices or lose sales. So to recap, subject imports and  
13 domestic producers compete directly for spot sales. They  
14 compete directly for program sales.

15 Subject import prices directly affect the  
16 pricing indices that are sometimes used to determine program  
17 pricing and, on top of all that, low-priced imports in any  
18 part of the U.S. market quickly affect prices throughout the  
19 whole market, forming the background for all price  
20 negotiations and often forcing the domestic producers to cut  
21 their own prices.

22 Given these facts, it is simply not accurate  
23 to think that subject producers could ship 1.8 million tons  
24 of dumped and subsidized OCTG into this market, consistently  
25 undersell domestic OCTG for years on end, and not have a

1 significant effect on U.S. pricing. In fact, I would be  
2 surprised if anyone in our business took such an idea  
3 seriously. Thank you for the opportunity to testify.

4 MR. DUBOIS: Good morning. I'm Scott DuBois,  
5 CEO of Premier Pipe, one of the nation's largest  
6 distributors of OCTG. For decades, I have been actively  
7 involved in buying and selling the products at issue here.  
8 I'd like to make a few points about what subject imports  
9 have done to this market.

10 To begin with, I understand there's been some  
11 discussion about the nature of the competitive effects of  
12 green tube on the OCTG market. Your data show that last  
13 year, the vast majority of the subject imports in this  
14 country had already been produced to an API grade, meaning  
15 that they can be used as OCTG without any further heat  
16 treating.

17 To the extent some of the imported OCTG is  
18 upgradable, which is presumably most of what's being  
19 referred to here as green tube, such imports can be used as  
20 J55 without any further heat treating, or the purchaser can  
21 have them heat-treated by a toll processor to service a  
22 higher grade. You should understand that upgradable OCTG  
23 does not limit competition between subject imports and U.S.  
24 mills; it actually enhances such competition.

25 By shipping upgradable OCTG, the subject mills

1 allow U.S. customers to stock a single item that can be used  
2 to service multiple grades, thus making it even easier for  
3 subject mills to take sales from the domestic industry. To  
4 my mind therefore, what's being referred to here as green  
5 tubes competes head to head and directly in every way with  
6 other sales of OCTG.

7           Second, I would like to emphasize that imports  
8 from the nine countries at issue here were most responsible  
9 for the price declines you see in the record. We at Premier  
10 are extremely familiar with all of the major players in this  
11 market, and I can assure you that throughout your period of  
12 investigation, subject imports were consistently being  
13 offered at prices that were generally below domestic prices,  
14 causing a downward trend in pricing over the past two years  
15 for all manufacturers.

16           Finally, there's no question that these  
17 imports caused the oversupply of inventories that continues  
18 to weigh on the market. As I testified last year, most  
19 distributors only want to keep around three months of OCTG  
20 in inventory, and we really don't need large inventories of  
21 domestic OCTG. Since lead times are so short, we don't have  
22 to worry about getting product from the U.S. mills in a  
23 timely manner.

24           Nevertheless, inventory volumes have  
25 consistently exceeded 4-1/2 months for most of the last two

1 years. Given that subject imports rapidly increased both in  
2 absolute volumes and in market share, that they were  
3 consistently offered at lowest prices and they were often  
4 brought in by traders, who stored them while looking for  
5 potential customers, I'm certain that those imports created  
6 excessive inventories. Thank you for your time and  
7 consideration.

8 MR. TAIT: Good morning Chairman Broadbent and  
9 members of the Commission. My name is Steve Tait, and I'm  
10 the president of Pipeco Services. I've been in the OCTG  
11 industry for 22 years. We are one of the largest OCTG  
12 distributors in the United States. Pipeco has about 25  
13 stocking locations in all the major drilling areas east of  
14 the Rockies.

15 Imports from the subject countries make up  
16 only a small share of our sales. However, these low-priced  
17 imports have had a very significant impact on Pipeco's  
18 business and on our domestic suppliers. During the course  
19 of business, we receive inquiries for OCTG from exploration  
20 companies.

21 We have to be competitive with other  
22 distributors for these inquiries. We are constantly  
23 surveying conditions of OCTG from numerous sources,  
24 including domestic and foreign producers, in order to  
25 determine a fair market price that best fits our customer

1 requirements.

2                   In negotiations with our OCTG sources, we  
3 discussed an overall market condition which includes our own  
4 market analysis. What we have experienced is that the  
5 biggest impact on market prices has been the flood of  
6 imports. Whether our program sales have a price formula  
7 agreement or not, our customers will always come back to  
8 renegotiate a lower price when they see prices falling in  
9 the Pipe Logix or OCTG Situation Report data that they all  
10 receive.

11                   Due to the attractive pricing of imported OCTG  
12 from the subject countries, our existing customers have  
13 continued to request Pipeco to offer pricing from these  
14 sources. We continue to see our current customers and  
15 potentially new customers include many mills from the  
16 subject countries on the lists of companies that they want  
17 quotes from.

18                   After reviewing the pricing, often our  
19 customers are compelled to move some of our market share to  
20 imported OCTG. Additionally, the decline of OCTG pricing,  
21 driven by the significant increases of supply of imported  
22 products, reduces our inventory values. Our inventory is  
23 far and away our largest asset, and it is not unusual for  
24 our company to have somewhere between \$200 million and \$250  
25 million of OCTG inventory at any given time.

1                   There have undoubtedly been big changes in the  
2 OCTG distribution business in the past five years. Five  
3 years ago, five months of inventory was considered ideal.  
4 Today, five months of inventory is considered a serious  
5 oversupply situation. The reason for this is better supply  
6 chain management, improved drilling efficiencies of the  
7 exploration companies, and the need for a narrower product  
8 range in the shale areas.

9                   Prices for OCTG in the U.S. market fell  
10 consistently in 2012 and 2013. I am here today because the  
11 lack of profitability for the U.S. OCTG industry caused by  
12 unfairly traded imports make it impossible for the domestic  
13 industry to continue to reinvest in their facilities. In  
14 the midst of strong demand, OCTG facilities are shutting  
15 down.

16                   I worry about the future of our domestic  
17 supply base. For that reason, I join my colleagues in  
18 asking you to restore fair market conditions to the U.S.  
19 OCTG market.

20                   MR. MILLER: I'm Steve Miller, co-chief  
21 executive officer for Cinco Pipe and Supply, a major  
22 distributor of OCTG that serves customers all over the  
23 United States. I have 40 years of experience in this  
24 business, and detailed knowledge of all aspects of the OCTG  
25 market.

1                   I'd like to emphasize three points about this  
2 case. First, while you heard a great deal about subject  
3 imports and have driven down market prices, believe me  
4 that's certainly true. It's also the case that virtually  
5 all the sales that were made here over the last few years  
6 could have been made by the domestic mills.

7                   We're very familiar with U.S. producers. They  
8 make all the grades and all the products that are being  
9 shipped here from the subject countries, and they also have  
10 made major investments in facilities perfectly situated to  
11 meet all the segments of the market where subject imports  
12 are being sold.

13                   I also know that the U.S. mills consistently  
14 had a significant amount of unused capacity that they were  
15 forced to cut prices to avoid losing even more sales to  
16 unfairly traded imports. Under these circumstances, I have  
17 absolutely no doubts that subject imports took massive  
18 volumes of sales from the domestic industry in recent years.

19                   Second, I'm convinced that in the absence of  
20 trade relief, volumes of imports from the subject countries  
21 will unquestionably go higher. In May, over 214,000 tons of  
22 OCTG from Korea entered the market. So far this year, the  
23 subject mills are on pace to ship over two million tons of  
24 OCTG into the United States.

25                   In my opinion, this situation is literally not

1 sustainable. If it continues, we can be certain to see more  
2 domestic mills cut back production, furlough workers and  
3 idle mills. Finally, I want to emphasize what this  
4 litigation means to everyone in our business. As I  
5 understand it, your responsibility is to decide whether  
6 subject imports have injured the domestic industry.

7           No one in our business has any doubts about  
8 that. For years now, talk about the OCTG market in Houston  
9 has been dominated by the question of what will happen to  
10 imports from Korea and other subject countries. Will they  
11 continue to take more and more of this market, or will the  
12 domestic industry succeed in obtaining relief?

13           We've tracked import volume, studied import  
14 prices and waited to see what would happen here in  
15 Washington. Last Friday, news of Commerce's final decision  
16 rocketed through the market, because we all wanted to know  
17 what the results would be. In short, everyone in our  
18 business understands that the fate of this market, and the  
19 long-term future of the domestic industry is clearly at  
20 stake in this litigation. Thank you for the opportunity to  
21 testify.

22           DR. WHINSTON: I'm Michael Whinston, Sloane  
23 Fellows Professor in the Department of Economics and Sloane  
24 School of Management at MIT. Foreign producers that compete  
25 fairly play an important role in forming a well-functioning

1 market, conferring benefits on domestic consumers.

2                   However, unfair trading practices cause harm  
3 to U.S. producers and U.S. workers, and reduce U.S. economic  
4 activity. In the short run, unfair import pricing reduces  
5 the sales and profitability of the U.S. industry, and costs  
6 domestic workers jobs. In the long run, there's an equally  
7 pernicious effect.

8                   Unfair import pricing reduces the incentive  
9 and ability of domestic producers to make the investments in  
10 capacity, efficiency and product development that are  
11 essential for the competitiveness of the domestic industry.  
12 These effects can be very visible during downturns, but are  
13 much harder to see though no less real in periods of  
14 stronger demand.

15                   While examining industry trends and profit  
16 levels is useful, it's important to recognize that the  
17 detrimental effects of unfairly low-priced imports is an  
18 effect that is independent of other factors affecting the  
19 industry. That is, as highlighted at the top of this slide,  
20 the key question is did unfair low-priced imports cause  
21 domestic profitability and sales to be lower than they would  
22 otherwise have been.

23                   In a market such as this, where imports and  
24 domestic product compete directly for sales, that is  
25 essentially certain to be the case. Unfairly low-priced

1 imports can hurt the domestic industry during periods of  
2 higher or lower demand, higher investment or lower  
3 investment, and whether domestic market share is rising or  
4 falling.

5 In fact, the effects of unfair low-priced  
6 imports can be even larger during periods when demand is  
7 stronger, as now, than in periods when it's weaker.

8 In my previous report, I estimated the demand  
9 for domestic OCTG and uses to calculate how unfair low  
10 pricing of imports would affect domestic sales and  
11 profitability during the period of investigation. This  
12 calculation also illustrates how unfairly low-priced imports  
13 can harm the domestic industry more in periods when demand  
14 is stronger.

15 Given the time, I don't have -- I can't go  
16 into details about the figures that are about to come, which  
17 show how 15 percent increase in import prices, which might  
18 result from the elimination of unfair low pricing, would  
19 change domestic shipments in both high and low demand  
20 periods. Two things are -- and I'm happy to take questions  
21 on them later.

22 Two things are evident. First, there's a  
23 material effect on domestic shipments and second, domestic  
24 shipments actually increase more in the high demand period  
25 from the elimination of unfair low pricing. In conclusion,

1       unfairly low-priced imports harm the domestic industry in  
2       both the short run and long run, and they do so independent  
3       of other factors affecting the industry.

4                   MR. SCHAGRIN: Thank you. That concludes the  
5       presentation of the domestic industry.

6                   CHAIRMAN BROADBENT: Great. That was a very  
7       thorough presentation. I appreciate it. Mr. Gerard, I  
8       wonder if we might -- I appreciate the company's testimony  
9       and the counsel. If we could get the folks that came from  
10      USW to support the petition, if they could stand up, just so  
11      we could get a sense of who's in the audience again?

12                   MR. GERARD: Would you like to stand? The  
13      gray hairs could stand too.

14                   CHAIRMAN BROADBENT: Yeah. We really  
15      appreciate your attendance. Thank you so much for coming so  
16      far. Okay. Commissioner Williamson, you start the  
17      questioning.

18                   COMMISSIONER WILLIAMSON: Okay. I want to  
19      thank all of the witnesses for coming today and presenting  
20      their testimony. It's been very thorough and very complete,  
21      and I almost don't know where to start.

22                   Since the workers are the ones who most  
23      recently stood up, I think I'll start with Mr. Gerard, and  
24      I'm trying to just to get a better understanding of the  
25      point you made, that even though, you know, the statistics

1 kind of show that, you know, employment grew, I think wages  
2 grew, you've made the point that --

3 MR. GERARD: On the second one, not by enough.

4 COMMISSIONER WILLIAMSON: Okay, and that's my  
5 question. Is it -- should we really be looking at what  
6 should -- what would employment have been if there had been  
7 fair competition, or you didn't have the unfair imports? Is  
8 that the point you're making, is that that's the real  
9 measure?

10 MR. GERARD: It is one of the points I'm  
11 making, but we have to back up a bit to look at the  
12 industry, and in this case, I'll just deal with oil country  
13 tubular goods, because we know we've been here on behalf of  
14 the industry, on almost every sector of the industry.

15 The industry was put on its knees literally  
16 from China, and the process takes a long time. While that  
17 process was going on, workers were being brought back to  
18 work and we were in negotiations with the company, and in  
19 fact the negotiations were very difficult, because we didn't  
20 know where the industry would go.

21 Once the Chinese determination came, the  
22 industry started to invest again, and I can tell you that  
23 Granite City Steel was shut down in Granite City, Illinois,  
24 because the oil country tubular goods that it provided the  
25 steel for were all on reduced hours or shut down, or in fact

1 a couple of plants closed.

2 So there was after that Chinese decision  
3 investments being made. Granite City came back up. The  
4 company invested literally billions of dollars in its mills.  
5 In Lorain, Ohio, we hired extra people and we're getting  
6 back on our feet, and we had had discussions with the  
7 company of increasing opportunity in hiring, and then we got  
8 whacked with the case that's now before you.

9 I didn't go through every plant, because you  
10 heard from each of them. But every one of our facilities  
11 where are privileged to represent the workers are either on  
12 layoff or on reduced hours or literally shut down. But  
13 worse than that -- or I shouldn't say worse than that -- as  
14 bad as that, is the repercussion that goes downstream.

15 Granite City is not able to produce as much  
16 steel now as it had to before, which means hiring our folks,  
17 as you heard from Senator Klobuchar, is affected. So had we  
18 not had this onslaught, I would have expected, with the  
19 productivity improvements that we're making, and I use the  
20 point of market grew by 14 percent; employment only grew by  
21 1.4 percent in this booming market.

22 I would have thought that we could have  
23 probably had two or three hundred more people, but working  
24 full-time. I don't think that we would have had thousands  
25 of extra jobs, because these were all very productive mills.

1 But we'd have had hundreds of more jobs, and in some ways as  
2 important, our companies would have been able to earn the  
3 cost of capital, they would have been able to make further  
4 investments.

5 We're coming up to the next round of  
6 negotiations. We have to worry about the companies have  
7 enough money to take care of the 142,000 pensioners you've  
8 heard from almost every time I've been here. So I don't  
9 have -- I can't say with a crystal ball we'd have had X  
10 amount. But I know that we had more employment, we had  
11 longer hours, we might have had some overtime hours.

12 I've got to give U.S. Steel and the other  
13 companies credit. All of them that have invested in their  
14 mills have also invested in training, and in the training  
15 where our members are far more productive than they ever  
16 have been. I'm quite proud we can make steel in the U.S.  
17 industry, the most productive steel industry in the world.

18 U.S. Steel put a billion dollars into its coke  
19 battery in Clarendon, Pennsylvania. I mean all these things  
20 are at risk, Commissioner.

21 COMMISSIONER WILLIAMSON: Okay, thank you.

22 MR. LONGHI: Commissioner, if I may. There is  
23 a piece of data that I believe is put in front of you, that  
24 talks about capacity utilization, and you can clearly see  
25 from that data that about 30 percent of this capacity sits

1 idle today. To Leo's point, the productivity has increased,  
2 but we haven't been able to benefit from it. So there are  
3 jobs that have not been filled, and we're still running with  
4 30 percent of capacity now.

5 COMMISSIONER WILLIAMSON: Okay. Thank you for  
6 that explanation. Mister, I'm sorry. Mr. Tejeda, I believe  
7 you also talked about some places where you were going to  
8 start to open factories closer to where the demand was, but  
9 you did not because of the supply of imports. Could you  
10 elaborate on that?

11 MR. TEJEDA: Well, we did open a plant in  
12 Indiana to take care of the Marcellus, the Eureka shale, you  
13 know, for Ohio and Pennsylvania, and we have on the board  
14 right now a similar mill for Norfolk, Nebraska, and we're  
15 waiting for this case to take its course, to see if we can  
16 -- we will be able to succeed with that expansion.

17 COMMISSIONER WILLIAMSON: Okay, thank you. So  
18 it is important, then, to try to locate the facilities close  
19 to where you know there's going to be the demand?

20 MR. TEJEDA: Well, every company has different  
21 strategy. We are really a low volume player, and we cannot  
22 afford big facilities. So we try to get a small advantage  
23 by moving closer to the customer, because our facilities are  
24 smaller than usual type steel facilities.

25 COMMISSIONER WILLIAMSON: Thank you. Mr.

1 Herald.

2 MR. HERALD: I would say a big part of our  
3 investment was primarily so that we could be closer to the  
4 market, instead of shipping product across the ocean and not  
5 knowing when it was going to arrive or be delayed, and  
6 trying to meet the market demands that we had actually seen  
7 starting to take shape in 2008-2009.

8 So that was -- for our billion dollar  
9 investment, that was the primary rationale for the  
10 investment, to be closer to where the business was  
11 occurring.

12 COMMISSIONER WILLIAMSON: Good. Thank you for  
13 those clarifications. We have heard conflicting arguments  
14 about whether the market has moved towards more  
15 standardization, or towards more use of specialty grade due  
16 to the horizontal drilling or fracking. What should we make  
17 of this? How do we assess these conflicting arguments?  
18 Okay.

19 MR. THOMPSON: I think -- I think with the  
20 move --

21 COMMISSIONER WILLIAMSON: Could you identify  
22 yourself?

23 MR. THOMPSON: I'm sorry. George Thompson  
24 with U.S. Steel.

25 COMMISSIONER WILLIAMSON: Thank you.

1                   MR. THOMPSON: There's no doubt with the move  
2 to horizontal it has standardized the product available, and  
3 in a lot of ways that makes importing product a lot easier.  
4 They can make certain products in whatever country they're  
5 making it in, ship it over and know that there's a market  
6 it's going to go into. There's not unique designs on a well  
7 to well basis. The wells tend to be somewhat the same  
8 within each individual region, and so it actually helps  
9 imports.

10                   But beyond that, as far as the specialty,  
11 specializing of that product, there is nothing unique about  
12 domestic versus imports with regard to that specialization,  
13 nothing whatsoever. I can assure you we compete with the  
14 subject imports at any and all levels and really, as I  
15 stated in my testimony, what they bring is low pricing to  
16 that marketplace, in fact pricing below the levels, which I  
17 think they can make money, to tell you the truth.

18                   MR. HERALD: Skip Herald with Vallourec. Just  
19 a comment in terms of the premiumization. Actually, the  
20 market has removed -- reversed from premium product. The  
21 move from natural gas and oil has actually seen less demand  
22 for the premium product, and more demand for the API and  
23 semi-premium market. So we've seen just that reverse trend  
24 from premiumization, and more to standardization of the API  
25 and semi-premium products.

1                   COMMISSIONER WILLIAMSON: Okay, and the  
2 domestic suppliers are able to deal with both? Does it take  
3 a great deal of adjustment, as this shift is taking place?

4                   MR. LONGHI: Absolutely, Commissioner. Even  
5 though we talk about a standardization, I wouldn't minimize  
6 the level of science that is required to come up with these  
7 grades and these products. The industry continues to  
8 improve. When you talk of productivity, when you talk of  
9 different environments that they have to operate in, it does  
10 require significant effort to keep up with the demands of  
11 the market.

12                   I would offer that in this regard, the  
13 strategies that we fight from the subject importers shows a  
14 significant level of harm when it comes to our inability to  
15 continuously invest to support these trends in the  
16 marketplace. So the long-term damage that is done when you  
17 can't continuously invest in meaningful ways, it may put us  
18 at risk going into the future.

19                   COMMISSIONER WILLIAMSON: Okay, thank you.  
20 Thank you for answering those questions.

21                   MR. BISHOP: Commissioner Johanson.

22                   COMMISSIONER JOHANSON: Thank you, Chairman  
23 Broadbent, and I would like to begin by thanking all of the  
24 witnesses for appearing here today, and in particular I  
25 would like to thank the Congressional and diplomatic

1 witnesses for being here, and also of course the workers  
2 here who were introduced by Mr. Gerard.

3 I had the opportunity to visit two OCTG plants  
4 in March in Ohio. I visited the U.S. Steel plant in Lorain,  
5 where seamless steel is produced, and the JMC plant in  
6 Warren, Ohio, which produces welded pipe. So I was able to  
7 observe the production of the two dominant types of OCTG.

8 Actually I'll be -- it turns out I'll be in  
9 North Dakota next week, which I understand has become a  
10 major consumer of OCTG goods, and now that I've seen the  
11 production of the product, I hope to perhaps see the  
12 operation of this product in the field by maybe observing  
13 some oil wells, if I'm fortunate enough to be able to do  
14 that.

15 I'd like to begin with a very broad question,  
16 but this question is -- it largely goes to the heart of the  
17 Petitioners' argument, I'm sorry the Respondents' argument.  
18 The Respondents contend that any harm experienced by U.S.  
19 producers was caused, at least in part, by increased  
20 capacity brought on line by U.S. OCTG producers.

21 Could you all explain how increased domestic  
22 capacity has not depressed U.S. prices? In particular, I'd  
23 like to refer to the staff report, which reports that in  
24 2011, U.S. mills had about 1.1 million tons of unused  
25 capacity. So why did U.S. mills invest in almost one

1 million more tons of capacity if that capacity was already  
2 available?

3 MR. EISENBERG: I'd be happy to address that.  
4 Gregg Eisenberg with Boomerang. We were certainly one of  
5 the new capacity additions that occurred basically in 2011,  
6 and it was our view that there was going to be considerable  
7 increases in demand in the marketplace, and we thought a  
8 well-situated producer with brand new equipment would be  
9 able to be very successful in the market, and that the  
10 increasing market demands would allow us to enter that  
11 market without depressing some prices being offered by our  
12 other domestic competitors.

13 So as we sought to enter the market, we  
14 entered it in a manner that was respectful of the  
15 relationships that various mills had with customers, and we  
16 were looking for places where we would have some advantage,  
17 or where the customers wanted to do business with us.

18 We found ways of doing that without using  
19 price, and we were able to ramp up our facility and gain our  
20 volumes without destroying or disturbing the pricing that  
21 was out there. Now as imports came in at higher levels and  
22 pricing moved down, we held out as long as we could. But at  
23 some point you had to respond to it, and of course we had to  
24 move down with it.

25 COMMISSIONER JOHANSON: Mr. Tejeda.

1                   MR. TEJEDA: Yeah, right. You know, we've  
2                   been working on our seamless project for five years. The  
3                   first thing we did was ask Dr. Paul Vivian of the Preston  
4                   Pipe Report to project the growth for the OCTG industry.  
5                   That report came back, that we were going to go from six  
6                   million tons a year to nine million tons, and basically we  
7                   started planning to take advantage of that growth in the  
8                   industry.

9                   Basically, though, a lot of the growth in the  
10                  industry has been taken over by the foreign imports. But we  
11                  were looking at a horizon where there was going to be a  
12                  substantial increase for the demand of our products, and  
13                  that's why we still look at our project, because the  
14                  American shale has really turned things around for the  
15                  energy business, and it's increasing consumption for OCTG  
16                  dramatically.

17                 COMMISSIONER JOHANSON: Yes. Mister -- oh  
18                 yes.

19                 MR. BARNES: One of the new mills that has  
20                 come into operation is our mill in Lackawanna that has been  
21                 alluded to, and I can tell you that it's really not a  
22                 capacity addition to the industry at large, inasmuch as the  
23                 product up to now that has been produced has merely replaced  
24                 purchased green tubes. I'm sure you're familiar with the  
25                 term, from both Canadian and U.S. mills.

1                   So we really didn't add to capacity, but at  
2                   the same time, the two expansionary phases that I made  
3                   mention of in my testimony would clearly be adding to  
4                   capacity, but we haven't seen that yet.

5                   COMMISSIONER JOHANSON: All right, yes. Mr.  
6                   Kaplan?

7                   DR. KAPLAN: Yes. The Commissioner should be  
8                   aware that all these plans were made under the assumption  
9                   that the U.S. market would be fairly traded, and when China  
10                  came in with two million tons, and the Commission reached an  
11                  affirmative determination and they left, that created two  
12                  million tons of available sales to the U.S. producers, who  
13                  had made plans forecasting a fairly traded market.

14                  When 1.8 million tons of unfairly traded  
15                  imports from these nine countries entered the market, they  
16                  in essence captured, using unfair trading, the capacity  
17                  plans that were made based on a fairly-traded market.

18                  So there's a bit of irony in the suggestion  
19                  that the problem was additional U.S. capacity, when these  
20                  importers came in and replaced the unfairly traded Chinese  
21                  product with their own unfairly traded product, denying the  
22                  capacity additions that were so carefully planned for and  
23                  executed in the United States from these producers.

24                  Further, as these producers have testified,  
25                  some of that capacity expansion was to take away imports

1 from their own foreign mills. They had done what the trade  
2 laws and what the U.S. has been asking, is to replace  
3 imports of their own product with domestic capacity. It is  
4 no small irony that the dumped imports from China were  
5 replaced with the dumped imports from the nine countries,  
6 preventing the growth and the profitability of these planned  
7 investments, that the trade laws and the United States  
8 government has been encouraging with more growth in  
9 manufacturing. Thank you.

10 COMMISSIONER JOHANSON: Yes, thank you. Yes.

11 MR. RINTOUL: Dave Rintoul, U.S. Steel. I  
12 think your question is right at the heart of the matter of  
13 what this case is about, and I thank you for asking it. I  
14 think there probably isn't a business school on the globe  
15 that doesn't teach the economic model that Adam Smith  
16 proposed a couple of hundred years ago, and the concept of  
17 the invisible hand.

18 Then in a market, a free market left alone,  
19 the invisible hand works. Meant by that is supply and  
20 demand will always eventually get into balance. The folks  
21 that built domestic facilities in the last couple of years  
22 and prior to this slug of imports coming in, believed that  
23 the United States of America had a free and open market, and  
24 that the invisible hand that Adam Smith taught would in fact  
25 work.

1                   That's what happened. As demand began to  
2                   increase and projected to increase, domestic producers  
3                   started to react to what they thought was coming, an  
4                   increased demand. What they didn't count on was that Adam  
5                   Smith's model would be completely destroyed by people coming  
6                   in from outside our market and unfairly trading and dumping  
7                   materials into our backyard.

8                   If left alone and freely traded, we would have  
9                   been just fine. The domestic additional capacity that came  
10                  on board would have satisfied demand; prices would have come  
11                  back down; and we would once again be in equilibrium. If  
12                  you have an open market, the principles that Adam Smith came  
13                  about two centuries ago says that you cannot have an  
14                  increase in demand like we have had, and a decrease in price  
15                  simultaneously. It's not possible if free enterprise is  
16                  allowed to prevail.

17                  COMMISSIONER JOHANSON: Thank you for your  
18                  responses. As you all are probably aware, the Commission's  
19                  going to have to grapple with the whole issue of capacity.  
20                  That is, once again, of course a major argument of the  
21                  Respondents. I wanted to get to one more question during my  
22                  somewhat short remaining time.

23                  This is a question for U.S. Steel and perhaps  
24                  Mr. Rintoul or Mr. Longhi or any of the other witnesses from  
25                  U.S. Steel could answer this. But several of the witnesses

1 today, including I believe at least one Congressional  
2 witness, mentioned the difficulties at the U.S. Steel  
3 McKeesport plant, and for some reason I'm not seeing that  
4 facility listed in Chapter 3 of our staff report, where it  
5 would typically appear.

6                   Could some of you perhaps help me to  
7 understand what the role of that plant was in the U.S.  
8 industry?

9                   MR. LONGHI: We certainly can provide more  
10 data in the post-hearing moments, but I can assure you that  
11 imports had a very significant role in the decision to shut  
12 down that facility. Unfortunately, we don't have a current  
13 case in front of you to deal with some of the other issues  
14 that are permeating the market.

15                   Imports are a serious -- unfairly traded  
16 imports are a serious issue, and that weighted heavily in  
17 the decision.

18                   COMMISSIONER JOHANSON: All right, yes. I  
19 would appreciate anything else on the McKeesport plant, as  
20 once again, I just don't see a great deal of that mentioned  
21 in the staff report. So your further education on that  
22 would be appreciated. My time is about to expire, so I will  
23 pass it on to the next Commissioner.

24                   CHAIRMAN BROADBENT: Commissioner Schmidtlein.

25                   COMMISSIONER SCHMIDTLEIN: Thank you. First,

1 I'd also like to thank the witnesses, the companies who have  
2 appeared before us today, as well as the members of the  
3 public who have an interest in this case. I personally  
4 think it's so important for members of the public who have  
5 an interest or just members of the public in general  
6 actually to understand what we do here.

7 It's heartening to actually see people  
8 traveling and show up for these hearings. So thank you very  
9 much. Then I also wanted to thank the counsel for the  
10 Petitioners and the Respondents for acknowledging the hard  
11 work of the ITC staff. We know they do great work, but it's  
12 important that they know that the members of the bar also  
13 think that they do great work, and I'm happy that there's so  
14 many people here to also hear that. So thank you very much.

15 I want to follow up on some questions about  
16 the capacity, and in particular one of the things that's  
17 been noted today was that U.S. demand actually exceeded the  
18 capacity of the U.S. industry during that time. So one of  
19 the questions that we'll have to ask is what does that mean  
20 for imports, because if U.S. demand is more than what the  
21 U.S. industry is capable of producing, doesn't that mean  
22 that there is a role for imports? I'm not sure who wants to  
23 take that question. Mr. Schagrin, I'll let you decide.

24 MR. SCHAGRIN: Commissioner Schmidlein,  
25 there's no doubt that for at least the past 30 years when

1 this Commission has been looking at this particular product,  
2 OCTG, we have often had demand exceeding U.S. capacity. So  
3 there is room in this marketplace for fairly-traded imports,  
4 and no one on the domestic panel would object to  
5 fairly-traded imports. The imports from these nine countries  
6 were found to be unfairly traded.

7 I would also say in response to both your  
8 question on U.S. capacity and Commissioner Johanson's  
9 questions about capacity expansions by the U.S. industry,  
10 that during this period of investigation, U.S. demand  
11 between 2010 and 2013 increased by about two million tons,  
12 while increases in U.S. capacity, which as Dr. Kaplan said  
13 earlier, you know, were planned in anticipation of both  
14 increased demand and a fair trade environment, increased by  
15 only one million tons.

16 That's why we don't believe the Respondents'  
17 principle argument for an alternative cause of injury of oh,  
18 it's the U.S. industry's excess capacity that injured  
19 themselves, holds water, because in fact, the U.S. capacity  
20 expansions were much less than the increase in demand, and  
21 we should have seen, based on the growth in demand, and  
22 absent the unfairly traded imports, significant price  
23 pressures for price increases, as demand increases exceeded  
24 supply, and more profitability, not the opposite, which was  
25 caused by the unfairly traded imports.

1                   MR. VAUGHN: Commissioner Schmidtlein, this is  
2 Stephen Vaughn. Just a couple of other data points to keep  
3 in mind as we look at this. Your staff reports shows that  
4 there as relatively little increase in capacity from 2011 to  
5 2012. I think it's only around 200,000 tons was added  
6 during that period.

7                   At the same time, from 2011 to 2012, subject  
8 imports went up by around half a million tons, and it was  
9 also significant that it was during early 2012, that's when  
10 prices really start to turn down. So I think that what was  
11 going on here is is that the original -- by early 2012, it's  
12 very clear that the market is really significantly  
13 oversupplied because, as you've heard, you shouldn't really  
14 have falling prices in a time of rising demands. So  
15 something has gone wrong at that point.

16                   That takes place in early 2012, well before a  
17 lot of the new domestic capacity comes on line. As you've  
18 heard before, a lot of that capacity was planned years in  
19 advance, based on projections for demand, which turned out  
20 to be pretty accurate. Demand did turn out to be strong,  
21 but by the time you get to the beginning of 2013, you know,  
22 the industry's operating margins, operating profits have  
23 already really, really started to fall.

24                   So I think that's a very clear way, where you  
25 can distinguish between the effect of the subject imports

1 and the effect of the new domestic capacity.

2 COMMISSIONER SCHMIDTLEIN: How far in advance  
3 are these types of decisions made? I assume it varies,  
4 depending on what we mean by increasing capacity. But as a  
5 general rule.

6 MR. HERALD: So as an example for Vallourec,  
7 we actually began our study probably in 2007, and we made  
8 our decision after the China ruling in early 2010, primarily  
9 because -- and I would say I think we -- I don't think. I  
10 know we got the market assumptions correct, and if anything,  
11 the market has probably performed better than we thought it  
12 would.

13 So we got the market correct and we hired the  
14 workforce, we trained the workforce. What we hadn't planned  
15 for was a competitive field that wasn't level, and that we  
16 were facing imports that were brought in unfairly. So  
17 everything has worked perfectly for us except the price side  
18 of the equation.

19 Then also I would like to say as a domestic  
20 producer, we also import. But we import product that's  
21 complimentary to what we make, and we use a single  
22 commercial organization in the U.S., to make sure that we  
23 manage those products the same way we manage them in the  
24 U.S., through our distribution network.

25 MR. CURA: This is German Cura. For the

1 record, I'm the president and chief executive officer for  
2 Maverick Tube, and also the president for Tenaris North  
3 America, and I'd like to state that investment plans  
4 typically structure well ahead of time. Presently, we are  
5 building up a new seamless pipe facility in Bay City, Texas,  
6 a project that we announced quite some time ago.

7 We took a substantial amount of time for us to  
8 conceptualize the arguments and reasons to validate the  
9 plan. As has been said, we have seen along the way a  
10 sustainable market demand. As stated also, we saw the  
11 opportunity of occupying the space left by the unfairly  
12 traded Chinese imports at the time, and we continue on with  
13 our investment plan, working under the sole notion that we  
14 believe in the U.S., the trade laws will be enforced.

15 COMMISSIONER SCHMIDTLEIN: Thank you. Before  
16 my time is up, I wanted to also get into a question about  
17 pricing, and I think sort of two questions. One is Mr.  
18 Herald when you were testifying, you mentioned that there is  
19 a lag time, and that prices actually started to go down in  
20 the second half of 2012, because one of the arguments that  
21 the Respondent is making is well, prices really dropped in  
22 '13, and that imports weren't surging or the imports were  
23 flat, subject imports.

24 So could you tell me, can you explain that  
25 again or a little more detail what you meant by the lag

1 time? Then my follow-up question has to do with that chart  
2 that I believe this is it, which shows prices for J-55, and  
3 whether or not you've looked at the prices for the other  
4 products.

5 MR. HERALD: So just a comment, and then I  
6 think it may be good for one of our distributors to speak to  
7 this a bit. But in general, we do -- we do -- for our  
8 particular mill, we do quite a bit of program business, and  
9 in general our programs have some type of pricing mechanism  
10 that could be three to six months long.

11 Generally within that window, we don't change  
12 price. So when you start seeing the imports come to market,  
13 you start seeing the price changes in the market. I think  
14 one of the distributors talked about transparency. It's a  
15 very transparent market. Immediately when the price, lower  
16 priced product comes on the market, it goes to market and  
17 you see all the public indices start to change and drop.

18 As soon as those drop, the end users begin  
19 discussing with the distributors that the overall market's  
20 declined, so it's time to start renegotiating our terms of  
21 our programs or our business. So in general, we don't see  
22 that negotiation process happen immediately. It happens  
23 over a window of anywhere from three to six months, and then  
24 we see the actual drop in price.

25 COMMISSIONER SCHMIDTLEIN: Do those prices

1 that you've negotiated for the program sales then are  
2 renegotiated for those particular sales, or is it another  
3 volume of sales that --

4 MR. HERALD: It's generally for future not --

5 COMMISSIONER SCHMIDTLEIN: For the future, and  
6 is that because you're legally obligated for those sales  
7 or --

8 MR. HERALD: I wouldn't use the word  
9 "legally." I think at the end of the day we have no firm  
10 contracts with our distributors or end users. But it's more  
11 of this understanding between customers and distributors  
12 more than anything else.

13 COMMISSIONER SCHMIDTLEIN: Okay. Would  
14 anybody else like to comment on the program sales?

15 MR. SHOAFF: This is John Shoaff with Sooner.  
16 I would agree with Mr. Herald on what he said. Just to put  
17 a little bit more color on that, these indices are used by  
18 our customers, our end users, as a way to negotiate prices  
19 either up or down. Of course in their case, they hope it's  
20 going down. What Mr. Herald said is true, that there is a  
21 lag time there. But specifically, these indices are mostly  
22 used not so much to look at specific prices per item but as  
23 trends.

24 So as you see these subject imports coming in  
25 at these lower prices, they get pulled into these indices

1 and reported at a later date. So when it comes time for the  
2 negotiation, as Mr. Herald referred to, you see downward  
3 trends in pricing, and that gives the purchaser, you know, a  
4 lot of opportunity to negotiate prices down for that  
5 particular program.

6 CHAIRMAN BROADBENT: Thank you.

7 COMMISSIONER SCHMIDTLEIN: Thank you, my time  
8 is up.

9 CHAIRMAN BROADBENT: Thank you. Let's see. I  
10 had a couple of questions on sort of the commodity nature of  
11 this product, maybe from Mr. Schagrín and Mr. Vaughn. I  
12 think, Mr. Schagrín, that you stated during our staff  
13 conference that OCTG is a commodity product, except for the  
14 very high end, top line of the product.

15 U.S. Steel's prehearing brief mentions the  
16 prevalence of standardized, homogenous OCTG has increased,  
17 because of the drilling in shale, and that it sort of had --  
18 they have common or similar drilling characteristics. Is  
19 OCTG a commodity product, or should we break it up into  
20 segments, some of it's commodity, some of it's not?

21 MR. VAUGHN: Commissioner Broadbent, I'll  
22 start with that. I think the term "commodity product" may  
23 be a little bit loaded. What I would focus on, I think, is  
24 more the question of whether the subject imports are  
25 competing with the domestic industry on the basis of price.

1 I think that here, you have a lot of products that are made  
2 to the same API grades.

3 You have a lot of evidence from the purchasers  
4 saying that they do make choices on the basis of price. You  
5 have a lot of purchasers who said they would not be willing  
6 to pay any premium for the domestic like product. In other  
7 words, they would only look at the lowest price. Then you  
8 see the combination of under-selling by the subject imports  
9 and the plummeting prices of the domestic industry, which is  
10 exactly what you would expect to see in a situation where  
11 they're competing directly on the basis of price.

12 So I think the way to understand this is is  
13 that what the record is telling you is that this is not a  
14 case in which the domestic product is sufficiently  
15 distinguishable from the subject imports, that they can  
16 avoid injury when they're faced with underselling.

17 OCTG is obviously a very high-end product.  
18 It's a highly engineered product. It's a product that these  
19 guys, you know, want to make, and it's always been one of  
20 the -- it's always been regarded as the highest end of the  
21 tubular market.

22 But clearly the record here shows that they  
23 are able to come in and undersell the domestic industry, and  
24 then we have no choice but to either cut our own prices, or  
25 people will move elsewhere. I think, if you talk to -- I

1 think the industry participants will tell you that there are  
2 often situations in which very, very small differences in  
3 price can swing a contract one way or the other.

4 CHAIRMAN BROADBENT: Okay.

5 MR. CURA: Madam Chairman, this is German Cura  
6 again with Tenaris. I'd just like to add that about 90  
7 percent of the overall U.S. market meets the API standards.  
8 This is the absolute bulk of what the fuel formation  
9 associated requirements is about. These are standards that  
10 are met by us, domestic producers, as well as the subject  
11 imports, and this is, I think, the playing field where we  
12 compete, one against the other.

13 MR. PRICE: Alan Price, Wiley Rein, counsel  
14 for Maverick/Tenaris. Just want to add a couple of points,  
15 and I agree with Mr. Vaughn, that price is incredibly  
16 important in the sales of these products, particularly from  
17 the subject suppliers. I'm not sure I would actually call  
18 this a classic commodity like grain or something like that.  
19 I think it's a little different, because of the level of  
20 sophistication of the product.

21 But price is the key driver for why these --  
22 kind of why the subject imports are in the marketplace. The  
23 Respondents have actually tried to spend a lot of time  
24 trying to obscure the marketplace and talk about the word  
25 "attenuation." It's the only word I think they actually

1 know in many respects; they just say "attenuation" over and  
2 over again in the brief.

3 The Commission staff, at the request of the  
4 Respondents, collected pricing data for 2013 in incredible  
5 detail, and we analyzed it in Exhibit 22 of the Maverick  
6 brief. It controlled for grade, it controlled for whether  
7 or not it was threaded. It controlled for whether or not it  
8 was threaded and coupled. It controlled for whether or not  
9 it was plain. It controlled for coupling stock.

10 What it showed was that regardless of where  
11 you looked, the subject imports undersold the domestic  
12 industry in 94 percent of the analysis. The Respondents,  
13 having asked the Commission to collect this data, more  
14 detailed in any respect than the pricing series, have  
15 refused to acknowledge it.

16 That data pretty much impeaches every one of  
17 their pricing arguments that they have made. So what you  
18 have is -- and the data also shows that the non-subject  
19 imports, just like your pricing data, were very  
20 characteristically different. They were much higher-priced  
21 and actually typically oversold domestic product.

22 So what you have is a situation where the  
23 subject imports are in this market, in increased volumes and  
24 depressed prices, and all they did was through pricing, and  
25 they did it throughout the product range, whether it was

1 plain, whether or not it was coupled, whether or not it was  
2 threaded, whether or not it was proprietary threads, whether  
3 or not it was a proprietary grade, whether or not K4, K55,  
4 J55, L80, P110.

5 Up and down the line, in every single variant,  
6 just about every single import undersold and depressed and  
7 suppressed domestic prices. So it eliminates the argument  
8 that somehow or other there were differences in program  
9 sales. No, because they undersold the domestic industry.  
10 It eliminates all of their arguments that there was -- that  
11 somehow or other premium connections explains the  
12 difference, because that's controlled for in that pricing,  
13 in that data set.

14 So look at our analysis in Exhibit 22 of the  
15 brief. It confirms your pricing series and how accurate it  
16 is. It shows that the subject imports were in this market  
17 because of pricing, and that's why -- and that's why they  
18 undersold, and that's why they have the substantial -- their  
19 underselling is why they have a substantial share of the  
20 market.

21 CHAIRMAN BROADBENT: Okay. Mr. Schagrin, did  
22 you have any comment?

23 MR. SCHAGRIN: I think most of it's been said,  
24 Madam Chairman. The only thing I would add is not using the  
25 term "commodity" in terms of a Chicago Commodities Exchange,

1 but more ITC parlance. I believe that given the need for  
2 those companies that drill for oil and gas around the world,  
3 they established more than century ago the American  
4 Petroleum Institute.

5 That Institute is the governing body which  
6 issues, with a tremendous amount of input from the steel  
7 industry as well as the users, these API standards. Then  
8 the engineers, depending on the drilling conditions, can say  
9 we need API standard J-55, K-55, L-80, P-110, maybe  
10 something higher.

11 So products that meet those API standards,  
12 have the OD and wall thickness and connections that the user  
13 wants, then it becomes a commodity. The imports and the  
14 domestic products are completely interchangeable substitutes  
15 sold on the basis of price.

16 I would agree with the comment made by German  
17 Cura. The information in your staff report and the  
18 information from these very experienced members in the  
19 industry show that about 90 percent of all OCTG used in the  
20 United States are these kind of standard commodities, and  
21 mostly just for drilling in the Gulf of Mexico, given the  
22 Macondo well problem or drilling in sour service in Alaska,  
23 maybe eight to ten percent of the market are for  
24 super-specialized products. The other 90 percent, it's just  
25 a commodity sold on the basis of price.

1                   CHAIRMAN BROADBENT: Well, can you speak to  
2 how the increasing demand in the shale drilling has changed  
3 the nature of demand for OCTG? Where on the price scale is  
4 the demand growing the most?

5                   MR. SCHAGRIN: It's growing, as I understand  
6 it, in drilling for oil in the shale areas, which basically  
7 require a lot of standard commoditized products, lots of  
8 4-1/2 inch and 5-1/2 inch casing, and 2-7/8ths tubing that  
9 normally just have API standard or semi-premium connections.

10                   So I think those who are experts in the  
11 industry would say that the major increase in shale oil  
12 drilling and the shift away from shale gas drilling has led  
13 to more standardization and more commoditization of what is  
14 used, and I would invite any of the experts in the industry  
15 or the distributors if they would like to supplement that.

16                   MR. THOMPSON: Madam Chairman?

17                   CHAIRMAN BROADBENT: Please identify yourself.

18                   MR. THOMPSON: George Thompson with U.S.  
19 Steel. The shift, and I think Skip Herald said it earlier.  
20 In fact, you see an initial shift in which they look at  
21 product that is within API standards, and then they try to  
22 standardize it and get easier.

23                   As you go from gas to oil, it is easier to use  
24 more I will say simpler API-type product. If you look in  
25 the Bakken right now, which is obviously the big area of

1 activity right now, and almost all of that product is not  
2 just API grades, which are almost 100 percent of the product  
3 in the shales are API grades, with the exception of sour gas  
4 situations.

5 But it is all API threads also. So it has not  
6 really made it any more complicated than it would be in  
7 individual wells. The difference is is that the wells are  
8 the same on a well to well basis, and consequently it's a  
9 little bit easier to predict the demand cycle.

10 CHAIRMAN BROADBENT: Okay. Vice Chairman  
11 Pinkert.

12 VICE CHAIRMAN PINKERT: Thank you, Madam  
13 Chairman, and I join my colleagues in thanking all of you  
14 for being here today. I also thank the Steelworkers in the  
15 back for attending, and thank the staff for what I think is  
16 widely acknowledged to be outstanding work, as usual. But  
17 outstanding work in this case.

18 So I want to begin, Mr. Vaughn, with your  
19 Slide 13, which deals with domestic share of the U.S.  
20 market, and on that slide, you talked about the domestic  
21 share from 2005 to 2007 -- it's sort of parenthetical, but  
22 it's in there -- at 60.3 percent. I wanted to get some  
23 context for that, and you can either answer here or in the  
24 post-hearing. But what was demand like during that period,  
25 from 2005 to 2007?

1                   MR. VAUGHN: We will -- we can expand on this  
2                   in the post-hearing, Vice Chairman Pinkert. But thank you  
3                   for that question. Actually, at the time, the period from  
4                   2005 to 2007 was regarded as a period of very, very strong  
5                   demand. Consumption, I think, in all of those three years  
6                   was at or above four million tons, which at the time was the  
7                   strongest consumption features that had been seen in the  
8                   domestic industry since at least the 1980s.

9                   So that was regarded as a period of strong  
10                  demand at the time, and one of the things that is  
11                  interesting about this case is to sort of compare that  
12                  period of strong demand to the period of strong demand that  
13                  you have now. Obviously demand in the last three years has  
14                  been even stronger than demand was in the '05 to '07 period,  
15                  but by every measure market share, profits, profit margin,  
16                  the domestic industry did better in the '05 to '07 time  
17                  period than it's done in the '11 to '13 time period.

18                  So that's one of the reasons we wanted to put  
19                  this on the slide, because we think that by just looking at  
20                  them, I mean obviously as we tried to explain, even within  
21                  the period of investigation, we think, for example, it's  
22                  very clear that all the loss in market share from '11 to '12  
23                  went to the subject imports, and that they were only able to  
24                  get back market share by cutting their own prices.

25                  So we think even just looking at this

1 three-year period, you can see that they were hurt in terms  
2 of market share. But when you put it in the historical  
3 context, as you suggested, then the problem becomes even  
4 more difficult, because as you've heard this, all the  
5 witnesses I think have testified. There was a lot of  
6 anticipation that the market would sort of go more back to  
7 normal after China left the market. So but market share  
8 sort of never returned to that prior level.

9 VICE CHAIRMAN PINKERT: Thank you, and in your  
10 answer, you did compare demand in the current period with  
11 demand during that period from 2005 to 2007. Could you also  
12 talk about trends in oil and natural gas prices during that  
13 2005 to 2007 period compared with the more recent period?

14 MR. VAUGHN: We'll get into that in more  
15 detail sort of during the -- in the post-hearing brief,  
16 because I just want to go back and make sure I have the  
17 exact numbers. I do know that in general, like I said, that  
18 '05 to '07 period was regarded as a time of growing demand  
19 for oil country tubular goods. Significantly higher, for  
20 example, than you would see in the early part of the 2000's.  
21 But we'll put more information on that in the record.

22 VICE CHAIRMAN PINKERT: Thank you, and one  
23 last question related to that slide. You talked about  
24 market share from 2005 to 2007. What was the domestic  
25 industry market share in 2008?

1                   MR. VAUGHN: In 2008, the domestic market  
2 share I believe, and again I'll address this for the  
3 post-hearing, it did go -- I think it fell below 50 percent.  
4 But I believe that that was the same year in which China  
5 shipped 2.2 million tons into the U.S. market. So we did  
6 not include that, because that was not -- I don't think  
7 anybody sort of in the industry regarded that as sort of a  
8 normal kind of representative year.

9                   I mean at the same time, we're not comparing  
10 -- there's a number of reasons why you wouldn't necessarily  
11 compare market conditions here to market conditions in 2008.  
12 But we think in terms -- what we were sort of trying to show  
13 is what happened after the Chinese imports left the market?  
14 Did they sort of get more back to where they had been before  
15 that one, you know, enormous year of surge.

16                  VICE CHAIRMAN PINKERT: Thank you. Now I want  
17 to turn to industry witnesses on this panel, and get some  
18 understanding about what green tubes can be used for and  
19 considered, and in particular, can they be threaded and  
20 coupled and be considered finished for some uses, even  
21 though not heat-treated?

22                  MR. MITCH: This is Dave Mitch with TMK IPSCO.  
23 Again, thank you for the question. I think this also gets  
24 back to the discussion you were having earlier on the  
25 question of trying to segregate this OCTG product in too

1 fine a category.

2 I guess just an opening thought is that  
3 whether it's green tube, whether it's been heat-treated,  
4 whether it's been threaded and coupled, it's all OCTG  
5 products, and they go -- all go into down hole applications.  
6 So as you look at it, the green tube is just a step in the  
7 process. So as you look at producing a green tube, that  
8 could be upgradable to another API grade, whether it be an  
9 L80, a P110. That is then another process as you go  
10 through.

11 But in terms of the application or the ability  
12 for it to be heat-treated and threaded yes, the capability  
13 is there for that to happen.

14 VICE CHAIRMAN PINKERT: Please.

15 MR. CURA: Just a small clarification.  
16 Chemistries and properties over the course of the last few  
17 years have evolved in a way where today, a green pipe could  
18 be threaded and coupled and used as a J55 material directly  
19 on what we call the casing string, with no further  
20 processing, with no further heat treatment, with no further  
21 element other than just threading and coupling. This is  
22 something which we have seen happening in the U.S. market  
23 for a good number of years now.

24 MR. PRICE: Alan Price, Wiley Rein. There's a  
25 fundamental change in what was green tube in the 1995

1 period, when the Commission really analyzed this and was  
2 sort of the semi-finished pipe and heat treatment was new  
3 and exotic. Today, as we detailed it in the maverick brief,  
4 the actual heat treatment is a very low cost component.  
5 Most, a lot of what the Commission staff measured was really  
6 threading and coupling, when they even gathered the data.

7 Today, most of what can be used as a green  
8 tube, as Mr. Cura just stated is actually API material. So  
9 there isn't even attenuation. It is in essence, I can bring  
10 it in as a J55. I have inventory flexibility, just like I  
11 have inventory flexibility with threading and coupling at  
12 the end. It's just -- it is not -- it is changed  
13 characteristically, and as we explain in our brief, we think  
14 the analysis of it actually should change, but we don't  
15 think it's material to the outcome of the case.

16 VICE CHAIRMAN PINKERT: Mr. Hecht.

17 MR. HECHT: Yeah, Jim Hecht, Skadden Arps.  
18 Just to add one technical point to it. Again, the staff  
19 really did collect outstanding information on this question,  
20 and you got a lot in the record, some of which is  
21 proprietary. But the way they define "at API grade" made  
22 clear that it was capable of being used without further heat  
23 treatment.

24 You can look at what the data show and just  
25 how extensive, in terms of what the imports brought in,

1       could be used without further heat treatment, and we'll walk  
2       through that in our brief. But again, I think it's quite  
3       probative of what you're asking.

4                       VICE CHAIRMAN PINKERT: Thank you, and I think  
5       you may have anticipated my next question, but I want to go  
6       ahead and ask it so we get the answer on the record here.  
7       But do subject imports of green tubes and domestic finished  
8       OCTG compete in different markets?

9                       MR. THOMPSON: Every single ton of green tubes  
10      that the subject imports bring in compete with us, every  
11      single time.

12                      VICE CHAIRMAN PINKERT: You want to go ahead  
13      and identify yourself please.

14                      MR. THOMPSON: Oh, I'm sorry. George Thompson  
15      with U.S. Steel. But every ton they bring in has the single  
16      and sole objective of competing with our product in the OCTG  
17      market. Period, end of story.

18                      MR. SHOAFF: This is John Shoaff with Sooner  
19      Pipe. I would agree with Mr. Thompson. I mean that green  
20      tube has to come in and get finished, you know, to a  
21      finished API product with an API stenciled monogram. Once  
22      that is finished and complete, it does definitely compete in  
23      every instance with all the products that these  
24      manufacturers up here present into the marketplace.

25                      Just to make it quite simple, if that green

1 tube comes in and it does not get finished, it's worthless.  
2 I mean we were laughing yesterday. It's either a very  
3 expensive fence post or it's a cattle guard. So something  
4 has to happen to it. So once that gets finished, it is very  
5 comparable and does compete with the domestic products.

6 MR. DUBOIS: Mr. Scott DuBois with Premier  
7 Pipe, and I would agree with both of those comments. The  
8 green tubes are not brought in for a certain segment of the  
9 market. They're brought in to compete in the entire  
10 marketplace. Once they come into the U.S., they're either  
11 processed or finished. They go in and they're competing at  
12 all levels of the marketplace.

13 VICE CHAIRMAN PINKERT: Mr. Hecht.

14 MR. HECHT: Jim Hecht with Skadden. Again,  
15 just to reiterate, you can see in your record what level of  
16 these imports were brought in at API grade, which by  
17 definition do not have to be heat-treated. They can have a  
18 thread put on them and used in the market just like every  
19 other product.

20 At the option of the purchaser or the  
21 importer, if they want to upgrade it by heat treating, they  
22 can do that. But again, that would just allow them to  
23 compete even more aggressively in different grades.

24 VICE CHAIRMAN PINKERT: Just a quick follow-up  
25 for you, Mr. Hecht. Is it more profitable to import the

1 green tube and have it heat treated here? Is it more cost  
2 effective I mean, or is it kind of neutral as to where it  
3 gets heat treated?

4 MR. HECHT: Jim Hecht. I guess I would think  
5 maybe that's a question a bit better answered by the experts  
6 here. My understanding, from what's on the record here  
7 again is that in terms of an inventory management tool,  
8 again it gives the purchaser an option to either use it in  
9 the J55 grade or to have it upgraded, depending on its needs  
10 and circumstances at the time.

11 So I think it does give it an additional  
12 option. Now in terms of the relative cost effectiveness of  
13 it, I guess I would defer to those more familiar.

14 MR. VAUGHN: Yeah. Commissioner Pinkert, I  
15 know we're short on time, but I do believe some of the  
16 distributor witnesses may be able to comment on the cost  
17 effectiveness of having the heat treatment done here, as  
18 opposed to being able to do heat treatment inside your  
19 plant.

20 MR. TEJEDA: This is Max Tejeda. I'd like to  
21 answer that question.

22 VICE CHAIRMAN PINKERT: Briefly please.

23 CHAIRMAN BROADBENT: Very quickly.

24 MR. TEJEDA: Heat treat requires energy, and  
25 America has the lowest energy cost in the world. So yes, it

1 is more -- it's more effective doing it here.

2 CHAIRMAN BROADBENT: Okay.

3 VICE CHAIRMAN PINKERT: Thank you.

4 CHAIRMAN BROADBENT: Commissioner Williamson.

5 COMMISSIONER WILLIAMSON: Thank you. Since my  
6 first question is going to be along that line, does anyone  
7 else want to add something about this cost of heat treating?

8 MR. THOMPSON: I think I respect the question  
9 with regard to cost. But I think the whole premise here is  
10 nothing that these subject countries do have anything to do  
11 with their cost. They supplement.

12 Make no mistake about it. They supplement any  
13 price level, based upon the price of that tube coming from  
14 those countries, and I would agree with Max, that it's  
15 probably more affordable to heat treat here. But I think at  
16 the end of the day, it still has to do with the price that  
17 they're charging for the tube that comes in.

18 MR. VAUGHN: This is Stephen Vaughn again. I  
19 just want to clarify one point on the record. I think that  
20 in general, whether you do it here or elsewhere, I think in  
21 general it's considered more cost effective to be able to  
22 heat treat stuff at your own facilities, as opposed to using  
23 an outside contractor for heat treating.

24 That's one of the reasons that people have  
25 tended to invest in heat treating facilities. So one of the

1 things that has been very striking to members of the  
2 domestic industry is is that when they see this stuff it's  
3 coming in, and then in some cases it's heat treated by an  
4 outside processor, and yet it still undersells the domestic  
5 like product.

6 That fact is even more evidence of just how  
7 aggressive that they're being in terms of their price. I  
8 just wanted to clarify that point for the record.

9 MR. SCHAGRIN: One thing that might aid the  
10 Commission in analyzing this issue is that you do have  
11 separate information in your staff report on the volume and  
12 profitability of independent heat treat processors versus  
13 the U.S. industry, and virtually almost all the U.S.  
14 industry has their own heat treating capabilities.

15 I think you can clearly distinguish, just in  
16 terms of looking at trends, the profit trends for the  
17 independent heat-treaters versus the U.S. industry. I think  
18 it's instructive to show that, you know, these independent  
19 heat treat processors, they're charging a fee for heat  
20 treatment, whether it's for a domestic or an imported  
21 product, and they're going to get paid for that.

22 They don't have risk, because unlike the  
23 domestic industry, which is manufacturing product and has  
24 gathered raw materials in advance and has to worry about  
25 changes in the value of their finished product compared to

1 all their costs, these independent heat-treaters are being  
2 paid either by domestic producers or by foreign producers.

3                   They're not buying for inventory. They're  
4 just being paid for an independent process, and they're  
5 doing quite well and have, you know, stable levels of  
6 profitability, whereas the domestic industry was getting  
7 hammered in terms of pricing and profitability. So I think  
8 it's instructive and it does show that, in terms of the  
9 ability of foreign producers to penetrate the U.S. market,  
10 given that this is a market that consumes more than 50  
11 percent of all worldwide demand for OCTG, we clearly have  
12 the most sophisticated, the largest processing and finishing  
13 industries in the world.

14                   My understanding is you simply can't take for  
15 these nine foreign countries, many of whom have no home  
16 markets. You couldn't take green tube or upgradable product  
17 into markets in Africa, the Middle East, South America and  
18 any of those markets the same way you do the United States,  
19 because we've got this elaborate finishing processing  
20 industry here.

21                   COMMISSIONER WILLIAMSON: Good, okay. I guess  
22 this goes -- then the question I originally was going to  
23 ask, and it's in actually Maverick's brief, that they argue  
24 that processors that heat treat should not be included in  
25 the domestic industry, because such processes have become a

1 standardized low value-added operation.

2 I guess that treatment, that way we treat  
3 these processors is kind of different than what we've done  
4 in the past. So I was going to ask what additional evidence  
5 can you provide to support this argument. I think y'all  
6 have just done that, although Mr. Price, do you want to add  
7 something, since y'all were the ones who made that argument?

8 MR. PRICE: We made the argument. I would say  
9 that one of the fundamental -- one of the fundamental and  
10 key distinctions from when the ITC really looked at this is  
11 this whole evolution of J-55, and now it's a J-55 that's  
12 upgradable pipe. So not only is it standardized, not only  
13 is heat treatment paying low wages, not only is it basically  
14 a whole processing conduit for imports, at this point it's  
15 not even an unfinished pipe that's coming in.

16 It's essentially -- it essentially has just  
17 become -- it's a J-55, it's an API graded material, it just  
18 involves threading and coupling most of the time. It can go  
19 right down the hole. It's distinguishable from what it was  
20 at the time in 1995, when the Commission looked at it, and  
21 what it is today.

22 Fundamentally, this has become an inventory  
23 management tool and a conduit for importers. You heard a  
24 lot today about the iron ore mines and U.S. Steel's  
25 flat-rolled operations in Arkansas from Congressman

1 Crawford, and Nucor supplying the flat rolled. It all  
2 depends on supply chains.

3 This is about whether or not you want the  
4 domestic industry to be a bunch of processors in a supply  
5 chain for Korean imports from POSCO and China Steel in  
6 Taiwan, and Erdemir in Turkey and their supply chains, or  
7 you say domestic industries' pipe formation and focus upon  
8 the folks who form the pipe, in which case you have a  
9 healthy, thriving, whole supply chain in the United States.

10 So it's fundamental. Do you want to hollow  
11 out American manufacturing, or do you want to look at  
12 American manufacturing in a way that I think is more --  
13 comports with where the real investment is. It's in the  
14 pipe mills, and that's what this is all about, and that's  
15 the core of this argument.

16 COMMISSIONER WILLIAMSON: Okay, thank you. I  
17 think that should be the last word on that question. Let me  
18 go to another one, at least for now. Given the industry's  
19 unused capacity over the POI, why were there such  
20 substantial imports from affiliated non-subject producers?

21 MR. CURA: Well I'd like --

22 COMMISSIONER WILLIAMSON: Identify please.

23 MR. CURA: German Cura with Maverick.

24 COMMISSIONER WILLIAMSON: Sure.

25 MR. CURA: And like others, we do import some

1 pipes from overseas, other existing facilities of ours  
2 overseas. We have stated to this Commission years past that  
3 we were going to do that in a way of complementing  
4 production. This is the stuff that we don't produce  
5 domestically.

6 Now I'd like to also take the opportunity to  
7 highlight that over the course of the last 2-1/2 years, our  
8 imports have come down, to a point that we have decided to  
9 in fact embark ourselves in the construction of a new  
10 seamless facility in South Texas. We intend to substitute  
11 in a big component of our existing imports going forward.

12 COMMISSIONER WILLIAMSON: Okay, thank you. So  
13 is this a question of just the particular individual  
14 supplier and what they decide to do? Mr. Herald.

15 MR. HERALD: So you know, historically before  
16 we made our investment, there were products we couldn't  
17 produce. So we imported from our European and Brazilian  
18 mills to complement what we were doing, and in the event of  
19 the new investment, we've actually reduced our imports in  
20 those size ranges that we can make now domestically.

21 But we have seen some increase in imports from  
22 the Gulf of Mexico, the high grade, with the Macondo  
23 incident being done. But in general our overall imports are  
24 down.

25 COMMISSIONER WILLIAMSON: Okay, Mr. Price.

1                   MR. MITCH: I'd just add to that that -- Dave  
2 Mitch with TMK IPSCO. We also at TMK import product very  
3 similar to what Mr. Herald said. We supplement our current  
4 size ranges that we can do domestically, and the products  
5 that we bring in from our Russian facilities are in sizes,  
6 ODs and walls that we do not produce here.

7                   But also when we bring it in, I think the key  
8 point that's always to be made, we also take that to market  
9 as we bundle it together. So from our overall pricing  
10 strategy, it's the same.

11                   COMMISSIONER WILLIAMSON: Thank you. Mr.  
12 Price.

13                   MR. PRICE: And I'd actually like to echo that  
14 point from Mr. Mitch, which is fundamentally, when you  
15 looked at the Commission pricing series data, it showed that  
16 contrary to what the Respondents have tried to argue here,  
17 that the non-subject imports are characteristically  
18 different in price, and they tried to undermine that and say  
19 well, there must be other products out there.

20                   But go back to Exhibit 22 in the Maverick  
21 brief, where we take that very detailed data and we who  
22 across the board that fundamentally, the subject producers  
23 are dramatically under-selling the U.S. industry in dramatic  
24 fashion across the board in every single product variant,  
25 and the non-subject producers generally, on average, are

1 actually over-selling the domestic industry.

2 So it is fundamental -- there's really a  
3 fundamental difference, and the subject producers have  
4 driven down pricing, seized market share in 2012, caused  
5 dramatic price declines in 2012 and 2013, and that's what  
6 caused the injury to the U.S. industry.

7 COMMISSIONER WILLIAMSON: Okay. Thank you for  
8 those answers.

9 CHAIRMAN BROADBENT: Commissioner Johanson.

10 COMMISSIONER JOHANSON: Thank you, Chairman  
11 Broadbent. This morning, Mr. Schagrin mentioned that  
12 imported products are indeed included in program sales, and  
13 I was wondering, this is a major point made by Respondents,  
14 that imported product is perhaps not included in program  
15 sales, not included prominently in program sales.

16 This morning or earlier today I spoke about  
17 capacity, which was a major plank of Respondent's argument.  
18 Now I'd like to hear about this other one involving program  
19 sales. So if Mr. Schagrin or perhaps some suppliers who are  
20 witnesses today like Mr. Tait or Mr. DuBois could address  
21 this issue, I would appreciate it.

22 MR. MILLER: Steve Miller with Cinco Pipe and  
23 Supply. I'd like to address the Commission that program  
24 sales are nothing new. They've been around for decades, and  
25 typically a program sale is administered or managed by the

1 distribution and the distribution process. In fact that's,  
2 you know, our very definition.

3 So even any -- there are different kinds of  
4 definitions for programs themselves. However, any credible  
5 definition would say that program sales have been in  
6 existence a long time, and that there's not any product  
7 brought in by the nine subject countries that are not  
8 participating in program sales, and we can articulate that  
9 in a post-hearing brief in more detail.

10 But whether it's the Bakken or Eagle Ford or  
11 Barnett or Marcellus or any of the other major shale plays,  
12 the nine subject countries participate prolifically in those  
13 geographic regions.

14 MR. TAIT: Steve Tait with Pipeco. I think  
15 I'd echo Mr. Miller's comments, and Pipeco, the large  
16 majority of our sales are program sales, I mean upwards to  
17 85-90 percent of our sales. I don't think we're really that  
18 much different than other distributors. So I think you look  
19 at the imports from the subject countries; they're being  
20 sold through distribution.

21 So I think logically you can say -- I know we  
22 can say unequivocally that we're selling subject countries  
23 pipe into program sales. So I think considering the amount  
24 of tons that have been flooding into the market, and it's  
25 all being sold through distribution, and taking that to the

1 next step, that most of distributor sales are program sales,  
2 I think you can make a pretty good -- a rational conclusion  
3 that these products are being sold into program sales.

4 COMMISSIONER JOHANSON: Would U.S. purchasers  
5 prefer to have domestically produced pipe in program sales  
6 for some reason? Or is it easier for U.S. produced pipe to  
7 take part in program sales?

8 MR. MILLER: I don't think it's easier. I  
9 mean the imported pipe is brought over and is stocked in the  
10 U.S. So from the standpoint of access to the products or  
11 access to the products that are brought over, it's just as  
12 easy to get the imported pipe right now as it is the  
13 domestic pipe that's being produced. With regards to our  
14 end users, again as we've discussed, it kind of comes down  
15 to the price, and the imported pipe pricing has been very  
16 attractive. So our end user customers are very interested  
17 in pursuing those products in their particular programs.

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

20 MR. KAPLAN: Yes. I think there are two key  
21 points about the issue that was raised by Respondents and  
22 how the market works. The first is that the programs go  
23 through distributors, and there should be no confusion about  
24 that, and the distributors are the importers or selling  
25 imported product as well. It's not from the producer to the

1 end user; it goes through the distributor.

2 The second point is is that the distributor  
3 will be getting imported product, and the importer -- I mean  
4 sorry, the foreign producer might not know that that product  
5 is going into a program. So it might well be the case that  
6 certain Respondents don't think they're in the program  
7 market, and you could follow up with the distributors and  
8 they will tell you well, they are, because we manage the  
9 programs.

10 So I think both those pieces of information,  
11 programs through distributors, not through the U.S.  
12 producer; and second, that the imports go through the  
13 distributor, and they're running the programs with imports  
14 that the foreign producer might not even know they're  
15 participating in. Thank you.

16 MR. SCHAGRIN: Commissioner Johanson, I would  
17 just like -- because I was as interested as I think you are  
18 in this topic, as this was what the Respondents made their  
19 argument about at the preliminary conference. So I spent a  
20 lot of time over the past year saying, trying to figure out  
21 what has changed in the OCTG market over the last 20 or 30  
22 years, and is it just these big distributors?

23 You know here, I think you have four of the  
24 six largest distributors in the United States. So I asked  
25 that at some conference of the NASPD, which is made up of

1 lots of small distributors, do small distributors have  
2 program sales? Yeah. Somebody who's just got one outlet in  
3 the Permian Basin or the Eagle Ford or the Bakken, they're  
4 no different from these folks who have 25 outlets.

5 Most of their sales, most, the vast majority  
6 are programs. Oh, are the programs just with the Anadarko  
7 Petroleum, the Devon Energies, the Exxon-Mobils, the XTOs?  
8 Is it just the big folks of 30, 40, 50 rigs? No.  
9 Independent guys who are in the IPAA, the Independent  
10 Petroleum Association of America, who have one or two rigs,  
11 they do programs.

12 Everybody in this industry, because the  
13 biggest cost in drilling -- you have on the record what a  
14 small share of the cost of drilling a well is the OCTG.  
15 It's somewhere between 8 and 15 percent. The big cost is  
16 the rig rental. Everybody who's in exploration wants to  
17 make sure that when they're paying that daily rig rate,  
18 because that only comes with a drill pipe; it doesn't come  
19 with a casing and tubing, they've got to make sure that a  
20 distributor gets to that well site the casing and tubing  
21 they need on time. So they're all doing these programs.

22 So in the past, what we always focused on were  
23 the sales by the imports and the domestic industry through  
24 distributors and they're competing? Now all of a sudden  
25 these foreign producers, importers and Mr. Cameron, who's a

1 very intelligent, very creative person, said "Ah, this set  
2 of Commissioners loves attenuated competition. Let me  
3 figure something out."

4 But the fact is it's no different than it's  
5 always been. It's a good thing about sometimes things not  
6 changing when you're getting older, and it hasn't changed.  
7 So the real question for this Commission is are the imports  
8 and the domestic products still going through distributors?

9 The answer is yes, and then the fact is  
10 whether the foreign producers know it or not, almost --  
11 most, the vast majority of all the OCTG that goes through  
12 distributors, be they tiny or gigantic, is sold on programs  
13 to exploration companies. That's why there's perfect  
14 competition that's not attenuated. That's why they were  
15 able to penetrate the market with low prices. Thank you.

16 COMMISSIONER JOHANSON: Perhaps y'all could  
17 educate me a bit more on this, but from what you're stating,  
18 Mr. Schagrin, it seems like program sales are the bulk of  
19 sales in the U.S. market. Are non-program sales, are those  
20 used -- are those pipes used in instances in which perhaps  
21 there's an excess need of product, which is not available  
22 through program sales? It's like almost like an extra  
23 supply back there to use?

24 MR. SCHAGRIN: I'll let the distributors  
25 speak. But that's my understanding, Commissioner Johanson,

1 is the vast majority of sales are program, and what happens  
2 is people need to make purchases on a spot basis when all of  
3 a sudden they need more of something. Or they may even  
4 figure out they need a different size than what they lined  
5 up in their program. Would any of the distributors like to  
6 comment on Commissioner Johanson's question, on spot sales  
7 versus program?

8 MR. DUBOIS: Commissioner, this is Scott  
9 DuBois with Premier Pipe. Let me give you a little sense,  
10 if I could, why the program sales are so predominant today.  
11 As we built into really a shale-driven onshore market, you  
12 hear the term "a manufacturing system."

13 So basically it's a very repetitive process  
14 that the operators go through, and they have to have a very  
15 efficient supply chain to put the efficiencies and make  
16 these things economic. In order to do that, they have  
17 advanced planning that goes months in advance. So they have  
18 these programs or agreements. They can take many forms,  
19 from large companies that may have an actual legal contract  
20 to basically a phone call or an email saying I agree to your  
21 terms; let's move forward.

22 So these are what we call program. It's kind  
23 of a generic term that you use today, and it's done because  
24 they have to have the advanced planning in place. To Mr.  
25 Schagrin's point, they cannot afford to shut down rigs and

1 that type of thing. Basically, all of that is managed  
2 through the distributor. That's a lot of the value we bring  
3 both to the customer and to the manufacturers that we  
4 represent.

5 We have multiple products that go through  
6 those. It's not always all one manufacturer. We have  
7 domestic and subject imports and non-subject imports that go  
8 into these programs on a routine basis, depending on what  
9 the customer needs, depending on what the economic drivers  
10 are, and depending on the price of the product.

11 COMMISSIONER JOHANSON: All right. Well thank  
12 you for your responses. My time has expired.

13 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

14 COMMISSIONER SCHMIDTLEIN: Thank you. I  
15 wanted to pick up on the pricing questions that I had  
16 before, and in particular the chart that Mr. Vaughn used in  
17 his opening on page 11, I believe it was, that tracks the  
18 prices on a quarterly basis for J-55. I guess my question  
19 is have you looked at the prices for the other products, and  
20 do they similarly start to decline in the second half of  
21 2012?

22 Because of course this is one of the  
23 Respondent's arguments, that you see the price decline in  
24 2013, which was when the industry lost profitability. That  
25 doesn't correlate with, you know, an increase in imports.

1 So you know, I'm wanting to know, did you look at this?

2 Then the second half of my question would be  
3 and have you looked at what raw material prices were doing  
4 over these quarters, instead of just on an annualized basis,  
5 where I think you lose some information?

6 MR. VAUGHN: I will -- let's start with the  
7 first part of the question. Obviously, the chart here that  
8 we're looking at here on page 11, this is one of the pricing  
9 products that the staff went out and collected detailed  
10 pricing data. They got pricing products for six different  
11 -- pricing information for six different products, and we'll  
12 address all six of them in the post-hearing brief.

13 But if you look, for example, because some of  
14 the quarter by quarter information is APO. But for example,  
15 if you look at our Slide 20, that's a second product that we  
16 did. It's another one of the pricing products, and you see  
17 the same pattern. The turndown starts in the second quarter  
18 of 2012, and then it continues on down into 2013. I would  
19 also urge you to take a look at pricing product 3. We  
20 looked at that one. Again, prices peak.

21 Actually, for that product prices peaked in  
22 the third quarter of 2011, and then they started to turn  
23 down after that. So this is a pretty robust pattern. It  
24 really just keeps repeating itself in terms of, you know,  
25 what was happening from one year to the next, and I think

1       it's very consistent with the testimony that you've heard  
2       here.

3                       With respect to the raw materials, I just, you  
4       know, I think that argument is really completely misleading.  
5       But it's really misleading when it comes to this downturn in  
6       prices. The staff collected data on raw material costs, and  
7       the data show that the raw material costs actually went up  
8       from 2011 to 2012. They were \$810 a ton in 2011, \$823 a ton  
9       in 2012. So that cannot explain why prices in 2012 are  
10      going down.

11                      One more point while I'm at it. On the raw  
12      material costs, because they reference this several times,  
13      even if you look over the whole period, raw material costs  
14      were down \$22 a ton from '11 to '13, but the industry's  
15      operating income was down \$114 a ton. So again, the change  
16      in raw material costs just can't really explain what was  
17      going on here. What was happening with prices was so much  
18      more dramatic than anything that we saw with raw material  
19      cost.

20                      COMMISSIONER SCHMIDTLEIN: And does it matter  
21      whether you're looking at the material cost for hot-rolled  
22      coil versus hot-rolled sheet?

23                      MR. VAUGHN: In other words do you see a  
24      difference between like the billets versus the hot-rolled  
25      steel?

1 COMMISSIONER SCHMIDTLEIN: Yeah, yeah.

2 They're both raw material costs for this OCTG.

3 MR. VAUGHN: Yeah, and they're obviously  
4 combined in your data. We will go back and take a look at  
5 it, see what we can find in terms of breaking out. But you  
6 know, what we think here is that the data just  
7 overwhelmingly show that raw material costs were relatively  
8 stable, and prices were just plummeting, even while demand  
9 was really strong. That seems to be consistent.

10 Like the product that I have on product -- the  
11 product we have on Chart 11, that's a welded product.  
12 That's made from hot-rolled steel. The product we have on  
13 Chart 20, that's a seamless product. That's made from  
14 billets, and you see the same pattern both times. You get  
15 to the second quarter of 2012, it all starts to turn down.

16 COMMISSIONER SCHMIDTLEIN: Okay another argument  
17 that the Respondent's make has to do with intra-domestic  
18 competition and the representative from Boomarang mentioned  
19 something about increasing the capacity so that they could  
20 compete against domestic competitors and maybe I misheard  
21 that or that wasn't exactly what they said but I was  
22 wondering if you could follow up on that and then comment on  
23 this argument about - that it's not subject imports that's  
24 injuring the industry, but it is competition between the  
25 domestics. There are so many people in front of us here.

1           Is it, the representative from Boomarang who is

2           --

3           MR. DUBOIS:   Would you repeat the question  
4           please.

5           COMMISSIONER SCHMIDTLEIN:   Oh I'm sorry.   During  
6           your earlier statement you mentioned something about I  
7           believe it had to do with increased capacity being brought  
8           online so that you could compete with other domestic  
9           companies and I wondered if you - maybe I misheard you.

10          MR. DUBOIS:   Our capacity was new capacity so we  
11          weren't replacing anything we were a new company, we started  
12          up a new operation.

13          COMMISSIONER SCHMIDTLEIN:   I see, okay and I  
14          don't know Mr. Schagrín maybe you want to comment or if  
15          there is somebody else who would like to comment on this  
16          point about intra-domestic competition.

17          MR. SCHAGRIN:   Look, there is no doubt any  
18          economist would agree that more supply depending on what's  
19          happening on the demand curve is going to have an impact  
20          here as I think many would summarize from Mr. Eisenberg's  
21          answer earlier I believe, that one of the Commissioner  
22          Johanson's question is that he and the group of executives  
23          who formed their company correctly determined that demand in  
24          the United States was going to grow significantly and at the  
25          time they brought their new plant on in 2011 that it was

1 growing and because of the growth and demand, they didn't  
2 need to undercut the market in order to enter with their new  
3 production from their new mill, but given the relationships  
4 because Mr. Eisenberg may not have stated but he was the  
5 head of Maverick Tube for over 20 years and he formed a team  
6 of executives who had probably collectively over 100 years  
7 of marketing experience in OCTG.

8 But they were able to go out to the market and  
9 say we know what market conditions are, we are an  
10 alternative supplier but we can sell you high quality  
11 products from a new mill at market prices and there was  
12 demand for that product and no need, and I don't think  
13 there's anything on the record that shows that prices  
14 started plummeting in 2011 when Boomarang entered the  
15 industry so I think given the fact that over this POI, the  
16 additional domestic capacity was about a million tons.

17 The increase in demand was two million tons, the  
18 industry wasn't able to achieve higher capacity utilization  
19 rates because the imports, I just don't think it holds water  
20 that it was intra-industry competition, not the 1.8 million  
21 tons of unfairly traded products that caused the price  
22 depression.

23 I'm sure the economist could further elucidate on  
24 the economic analysis but I think that's the reality of the  
25 marketplace.

1 MR. CURA: If I may --

2 COMMISSIONER SCHMIDTLEIN: I think the  
3 representative from Maverick wanted to make a statement.

4 MR. CURA: Yeah if I may thank you. This is  
5 German Cura from Maverick. I think I would just provide the  
6 view of a domestic player capacity divisions and whatnot.  
7 Once we have established 90% of this pace, in a way coupled  
8 by the API standards, and once the domestic industry saw  
9 back in 2009 and 2010 timeframe that after the really  
10 painful process finally with domestic industry we're not  
11 going to be confronting unfairly traded Chinese imports.

12 A number of us ultimately determined that it was  
13 in fact the opportunity for us to expand, for us to grow and  
14 for us to accept the rules of competition, which are what  
15 they are in the space that was ultimately structured in a  
16 way consistent with the trade laws.

17 The fundamental argument came - now these are  
18 decisions that take a long time because of big investments  
19 that are required and tremendous amount of work prior to.  
20 Now in the meantime we were ultimately surprised by the  
21 notion that unfairly traded imports from China were by and  
22 large as we have seen almost completely replaced by unfairly  
23 traded imports from the subject countries and I think this  
24 the core of the problem.

25 MR. WHINSTON: Commissioner Schmidtlein my name

1 is Michael Whinston, MIT so I did just want to jump in and  
2 say that with regard to both of your previous last questions  
3 that you know the staff report, you know there is evidence  
4 in the staff report that is consistent with my own work that  
5 subject imports you know, reductions in subject import  
6 prices take away domestic sales. And they face domestic  
7 producers with the choice of you know either, you know,  
8 losing share in the market or reducing price to try to  
9 maintain share and you know I think an important point is  
10 whether, you know, even if raw material prices and you know  
11 costs of production is falling, and even if domestic  
12 producers are increasing capacity, you know the effect of  
13 these unfairly low priced imports is something that comes on  
14 top of it.

15 So you can't just look at that trend but it, you  
16 know the evidence is it is going to have an effect and it is  
17 something that is on top of whatever that trend is.

18 COMMISSIONER SCHMIDTLEIN: Thank you.

19 MR. VOGEL: Excuse me this is I'm Guillermo  
20 Vogel, Vice-President of the Board of Tenaris and I would  
21 like to answer your question from a conceptual basis but try  
22 to give some rationale. When you see what happened in the  
23 industry after the case was closed with China, you see that  
24 really that market share of China was taken by the subject  
25 imports. And that happened and I guess when you see that

1 the hero of the domestic industry is in an industry that is  
2 trying to maintain -- and that somebody else is unfairly  
3 coming in and eating so to speak, you know the dish that was  
4 left over by the Chinese.

5 I think that there is a moment where you start to  
6 lose market share where you start to, to feel the pain that  
7 is not only what the dish that was left over, but you are  
8 trying to eat from your own dish and then you start to react  
9 and so you have a -- the time of the behavior of the  
10 domestic industry because it is when it is starting to hurt  
11 you more.

12 So I think it's because the expectation of the  
13 industry was that the market was going to start to improve  
14 after China, after we were able to give the unfair Chinese  
15 imports - and at that time the aggressiveness was there was  
16 not such a reaction on the street but there's a point where  
17 either you react to it or you are totally eliminated from  
18 the market and there are certain things that at this time  
19 differences but you have to see within the rationale of the  
20 day to day decisions that each one of us is taking when we  
21 are looking at our own, you know.

22 CHAIRMAN BROADBENT: Mr. Gerard I wanted to talk  
23 a little bit about the processors that perform the heat  
24 treatment and the finishing and then I guess they are toll  
25 processors there too. Much of the discussion today on

1 employment and the focus on employment in the U.S. knows  
2 whether that's been increasing or not. I notice that there  
3 is considerable employment in the U.S. processors and it  
4 looks like it's grown I guess about a third, do you have a  
5 membership among the U.S. processors and do you have any  
6 advice on how we should consider these workers in that  
7 segment of the industry?

8 MR. GERARD: We do have employment and then  
9 representation in a number of processors that I couldn't  
10 give you but we could maybe get it at some future point, but  
11 I couldn't give it to you right now off the top of my head  
12 how many that is, and whether those individual plants have  
13 grown or whether additional plants have grown in that area.

14 But I can tell you this that for us this is the reason why  
15 we ask our folks if they are interested in coming to an ITC  
16 hearing is for two reasons, first of all so that they can  
17 see what goes on and secondly so you can see them.

18 And I have been enjoying listening to all of the  
19 technical discussion but I have been sitting here thinking  
20 about these are the people, that's the real issue the people  
21 who are here, whether they are from processors or they are  
22 from the steel mill or the pipe mill and the way that I have  
23 looked at it, is that when we were getting flooded by  
24 unfairly traded OCTG from China, these folks were laid off,  
25 reduced hours, companies weren't investing and the industry

1 was at risk.

2           The Commission and the Commerce Department made  
3 an important decision but on a fair level China couldn't  
4 participate in our market, they have virtually left the  
5 market they couldn't compete on a fair level. Then what we  
6 get is these people getting recalled, they get overtime,  
7 they get money put in their pension plan, the company's  
8 investing in their plants, they invest in processing  
9 themselves in some cases.

10           New processors come out on the field and those  
11 folks are working. Then  
12 We end up with the current circumstance with again the flood  
13 of unfair imports and they are taking it on the chin again.

14           So for us and the labor movement and the representation of  
15 workers, this is a fairly simple argument and we represent  
16 something almost every major tube producer.

17           We represent people upstream and downstream. The  
18 message is clear when they are cheating our folks aren't  
19 working. When they are not cheating our folks are working.

20           And all this technical stuff is really useful for you, but  
21 it doesn't do a thing for them and if you want to you know,  
22 be creating and all that jazz, the fact of the matter is  
23 across the board the message is clear when they started  
24 after China left the market, flooding our market the same  
25 way China did, our people suffered the same as they did when

1 China was doing it. They got laid off they got reduced  
2 hours so if we are talking about injury there is injury.

3 Companies aren't closing plants for the hell of  
4 it. Processing plants aren't closing for the hell of it.  
5 I mean I will be glad to get you that information and we can  
6 get it fairly quickly, but if you do it just sort of from  
7 the point of view from the people that are in the industry,  
8 we are getting injured. We are not worried about, now we  
9 are worried about if the wrong decision comes down we can  
10 lose two-thirds of the industry.

11 The API did a study of 500,000 jobs at risk so  
12 they are here to learn about what their government is doing  
13 for them but I appreciate the question and I will get you  
14 the information.

15 CHAIRMAN BROADBENT: Great, thank you. I had a  
16 couple of questions for Mr. Whinston or Mr. Kaplan on the  
17 economic side. When we have got expanding demand, would  
18 you expect imports to increase or decrease market share?

19 MR. WHINSTON: So again I would kind of come back  
20 to thinking about both factors that cause trends and unfair  
21 pricing as two distinct facts so you know, increasing demand  
22 may bring you know more imports into the market when imports  
23 are fairly traded, but you know you may see that you know  
24 that's a trend that would be there but when you have  
25 unfairly low-priced imports that you know, which are

1       subsidized or the like, you know that's an affect that is  
2       going to be on top of whatever it is that underlying market  
3       force of increase in demand will cost.

4                 So I think it's important to separate out those  
5       two affects.

6                 MR. KAPLAN: I think in most standard economic  
7       models when you would see a shift of demand you usually see  
8       a relative increase in home market shipments if there is  
9       excess capacity in the market and the cost curves are not  
10      significantly upward sloping because there's a locational  
11      advantage.

12                So um you know, typically the way excess supply  
13      and demand curves work they have to do with residual over  
14      home markets so you would think and I think everyone in the  
15      room would think, all the producers here that they are best  
16      situated because of their location, their understanding of  
17      the market and their costs relative to foreign producers.

18                So while there might be increases in demand  
19      generally, the share increase should be predominantly to the  
20      U.S. producers when they have significant excess capacity  
21      which they do in this market. And why the U.S. producers  
22      when they were planning on building new facilities and  
23      anticipating the exit of China and fairly traded imports  
24      expected to pick up much more sales, much more shipments and  
25      see prices rise.

1                   CHAIRMAN BROADBENT: Okay, um following along  
2 with the economists, I had some questions about sort of how  
3 representative our pricing is really, all of our pricing  
4 products are finished and are already threaded and coupled  
5 products. Even that a lot of the imports enter without  
6 threading and coupling or at some other unfinished level,  
7 can we really say that our price data is representative of  
8 comparisons in the market?

9                   And please identify yourself.

10                  MR. PRICE: Alan Price Wiley Rein. So um I got  
11 to thank the Respondents because they obviously thought  
12 about this in advance, they just don't like the data that  
13 has now showed up in the staff report. So you have your  
14 pricing products and just for the record, and -- out there  
15 and things that were processed in the United States are not  
16 included in the pricing products so that was not taken into  
17 account. Pricing products as the Commission staff  
18 acknowledged were very representative given -- in terms of  
19 quantity of the products and volumes and were quite  
20 representative.

21                  But then thanks to the Respondents for 2013 you  
22 collected exceptionally detailed data by end finish whether  
23 it was threaded only or threaded and coupled, whether or not  
24 it was plain end sold, whether or not it was -- whether or  
25 not it was coupling stock, whether or not it had a

1 proprietary finish, all separated out, all separate out by  
2 grade.

3           And guess what it shows? It shows -- it  
4 uncovers roughly 100% of 2013 sales, and this is the  
5 standard like AUV data you have, giving this incredibly,  
6 incredible microcosm of data and guess what it shows? It  
7 shows 94% subject import underselling regardless of whatever  
8 you -- however you finish it, unfinished et cetera and so  
9 that entire argument is not -- is impeached.

10           And we did this analysis it isn't in the staff  
11 report but we did it in Maverick Exhibit 22, Exhibit 22 it  
12 is all confidential. We talked with staff whether or not  
13 we could do a public version of this unfortunately it is  
14 just too detailed and too proprietary. It shows that their  
15 argument has no basis. Your data is representative and the  
16 representativeness is confirmed by that exhibit and it is  
17 accurate as confirmed by that exhibit, so regardless of  
18 anything they try to throw up here, to try to walk away from  
19 your data, it doesn't work.

20           It doesn't work to say somehow or another they  
21 are separate programs, separate programs in the market. It  
22 doesn't work to say that somehow or another, those are lower  
23 priced and you are not capturing -- because this captures  
24 all the sales in the marketplace. It is essentially 100%  
25 data for 2013 broken down by grade and finish et cetera and

1 so the Respondent's arguments that it has collected from the  
2 importers and the producers just have no merit.

3 CHAIRMAN BROADBENT: Mr. Kaplan, I thought that  
4 you were saying something to me. You all agree? Okay,  
5 all right. For some of the executives, and I'm not sure who  
6 the best but this is on raw material costs again, um, to  
7 what extent do purchasers utilize raw material costs when  
8 you are doing pricing negotiations?

9 MR. THOMPSON: It can be a factor. You know over  
10 the course of the last ten, fifteen years raw material costs  
11 have become more of a factor to discussions of price. That  
12 being said, at the end of the day it is just one factor and  
13 um most of it has more to do with the pricing in the  
14 marketplace of the product. And what we have seen in the  
15 past two or three years is actually a divergence from raw  
16 materials versus the actual pricing, which regardless, being  
17 in the business a view is very intimately familiar with  
18 what's happening on raw materials. All the way back to  
19 iron and true coil pricing, and we don't see much  
20 correlation in the marketplace.

21 Movements, movements up when product goes, as you  
22 can see from the evidence, most of the evidence -- most of  
23 the pricing has gone down over the last two or three years  
24 and raw materials have been up and down.

25 MR. RINTOUL: This is Dave Rintoul, U.S. Steel.

1 One thing I just might add to that and this is true I think  
2 across all steel sectors, tubular included. A lot of  
3 people want to look at raw material pricing, things are  
4 going in directions of lower finished good price, but when  
5 raw materials go the other way rarely will those same people  
6 bring out those graphs so that's why you get this  
7 discontinuity between raw materials sometimes and the  
8 product pricing because the people that are paying for the  
9 ultimate product are wise enough to pick and choose their  
10 timing on when they want to use that particular set of data  
11 that make their case so that's why it is very difficult to  
12 get it across the board long time line correlation.

13 CHAIRMAN BROADBENT: Okay my ten minutes are up.

14 VICE CHAIRMAN PINKERT: Thank you Madam Chairman,  
15 I just have a few follow-up questions. First of all there  
16 has been a lot of talk on this panel about the average unit  
17 values. I want to get you either here or in the  
18 post-hearing to take a look at the pricing product  
19 information that we have in the staff report and looking at  
20 that information can we see that the underselling is causing  
21 the price declines that you have all testified to. You  
22 have all testified about the price declines but can we see  
23 that the one is causing the other?

24 MR. VAUGHN: Commissioner Pinkert we will address  
25 that more in the post-hearing, this is Stephen Vaughn. We

1 will address that more in the post hearing. We think it  
2 clearly shows that, we think what you will see in the  
3 pattern is that um there was constant never-ending  
4 underselling and every time the domestic industry tried to  
5 lower their prices, they were soon faced with lower prices  
6 from the subject imports.

7 And the way we think about what's been happening  
8 in the market over the last two years is that it has just  
9 been you know, just sort of a downward trend. We cut  
10 prices, they cut prices, we cut prices, they cut prices.  
11 One of the really scary things about this record is that we  
12 really -- we still don't know how low their prices could  
13 actually get to because the domestic industry was just never  
14 able to get to a point where they weren't being undersold.

15 VICE CHAIRMAN PINKERT: Thank you Mr. Price.

16 MR. PRICE: Thank you, I will just for the record  
17 we will address this in our post-hearing brief but we agree  
18 with, I agree with my colleagues here and we are raising the  
19 AUV data to confirm the pricing series data to show that  
20 there is just massive underselling and the importers are the  
21 cause and the subject imports are the cause of the harm and  
22 the price declines and the profit declines which all relate  
23 to price, which our variance analysis shows.

24 VICE CHAIRMAN PINKERT: For the record Mr.  
25 Schagrin is shaking his head in the affirmative.

1           MR. SCHAGRIN: Like I said I had a simple one  
2 word, very rare for me, one word answer to your complex  
3 question Commissioner Pinkert which is yes and we will  
4 explicate it in our post-hearing brief, thank you.

5           VICE CHAIRMAN PINKERT: Thank you very much. Now  
6 I wanted to ask you a question and please don't infer from  
7 this question that I have any suspicions or draw any  
8 conclusions, but I just want to get you on the record to  
9 explain your view of whether the fact that some domestic  
10 producers have affiliates overseas has had any impact on  
11 this investigation in any way.

12           MR. THOMSPON: This is George Thompson U.S.  
13 Steel. Being 100% domestic believe me we look at each and  
14 every importer of record and we take -- we look at the  
15 records very, very seriously and if there were twenty  
16 importers to file on the list, we would have listed twenty.  
17 If they were only six importers we would have listed six,  
18 these are the nine offenders and we will continue to watch  
19 importers as they go along and I can assure you that the  
20 relationship of our -- of the other Petitioners have had  
21 nothing to do with who we filed against.

22           MR. MITCH: Dave Mitch with TMP IPSCO. As we  
23 look, as you mentioned Commissioner Pinkert in terms of the  
24 affiliates we have from overseas, we look at it as U.S.  
25 market and certainly as we have structured the business and

1 we go to businesses as I mentioned earlier, we bundled those  
2 products together. We are very, very sensitive with  
3 regards to making sure that from a market perspective we are  
4 going with an eye toward a good return on investment and as  
5 we get into this constant battle of fighting lower and lower  
6 prices, unfairly traded products, it just takes that away.

7 MR. SCHOAFF: This is John Shoaff for Sooner  
8 Pipe. Just to add a little bit to that from a distributor  
9 point of view. The domestic producers here that can import  
10 material from their other facilities and we do buy that  
11 material for applications, some of them are off-shore  
12 applications that is why they are coming in from some of the  
13 other facilities.

14 They don't necessarily have the capability to  
15 make those products here in the states, but in that regard  
16 we see no similarities in the way they are pricing that  
17 material and the way we are seeing the pricing of the  
18 subject imports.

19 VICE CHAIRMAN PINKERT: Mr. Vaughn.

20 MR. VAUGHN: I'm sorry Commissioner Pinkert if I  
21 could just put in a data point because for example I suspect  
22 that the Ukraine this afternoon, you may hear something  
23 about Russia, so let me just mention for example um, from  
24 2010 to 2012 imports from Ukraine went up basically three  
25 times by 68,000 tons over that three year period. Over

1 that same period imports from Russia went up by 10,000 tons,  
2 so I mean you know, as we laid out at the beginning this was  
3 a data driven exercise and the data I think backed up the  
4 decision that was made.

5 VICE CHAIRMAN PINKERT: Thank you perhaps Mr.  
6 Gerard can you comment on whether these affiliations have  
7 had any impact on this investigation?

8 MR. GERARD: I'm sorry, certainly not to our  
9 knowledge, in fact with the transplants as we call them, we  
10 have a pretty constructive relationship and we haven't seen  
11 them benefitting in any way because of their relationship  
12 and exactly as was said by George that we have our first  
13 obligation is to our members. If we thought that they were  
14 in a conspiracy we would be the first to blow the whistle  
15 and so we haven't seen any of that.

16 VICE CHAIRMAN PINKERT: Thank you very much, any  
17 other comments on that issue on this panel? No, okay. Now  
18 I want to turn to another question which again I haven't  
19 drawn any conclusions about but I want to give you a chance  
20 to explain. In some investigations when a Petition is  
21 filed we see some immediate benefits to the domestic  
22 industry and sometimes it's argued that this shows that the  
23 industry was being injured by the subject imports prior to  
24 the Petitions being filed.

25 So in this case do we see an immediate benefit to

1 the domestic industry from the filing of the Petition?

2 MR. THOMPSON: George Thompson of U.S. Steel.

3 We have not. There have been times as we watched the data  
4 that it looks like there might be some kind of a pull-back  
5 but in fact that has not been the case. At the end of the  
6 day we have seen no pull-back and at the risk of sounding a  
7 little bit flippant I think it just shows in general  
8 comments that we have already gotten is they are not  
9 concerned about the ruling of this committee at all, they  
10 are going to keep moving product into this country.

11 MR. GERARD: If I can just put in reverse, we did  
12 see an impact as soon as the Commerce Department made their  
13 determination and that was part of this case and that  
14 happened in a matter of weeks if not a month or a month and  
15 a half where the stuff just flooded in, almost doubled if my  
16 memory is right, just almost doubled within one month once  
17 the Commerce Department said that their interim decision so  
18 it has gone the reverse and are people are still not back to  
19 work.

20 MR. BARNES: Scott Barnes with TMK IPSCO, I would  
21 agree with George Thompson's comments that in this  
22 particular case we have really seen no positive reaction to  
23 improving our situation in the market since the original  
24 filing last summer. In fact quite the opposite, in our  
25 commercial meetings with customers, you know we were getting

1 feedback that these subject imports had no intention of  
2 cutting back and as it is indicated in the import data, in  
3 some countries it actually increased. The big difference I  
4 think was in those that did get preliminary margins in  
5 February they did begin to start to lower their import  
6 levels, but those that got zeroes actually increased their  
7 imports, further depressing the prices.

8 VICE CHAIRMAN PINKERT: Thank you and my last  
9 question is kind of a technical question, I apologize for  
10 that Mr. Gerard but there is (laughter) as many of the  
11 lawyers on the panel I'm sure are aware, there is a case out  
12 there called Bratsk, there was a follow-on case called  
13 Mittal Steel and I'm wondering whether this product should  
14 be considered to be a commodity for purposes of that line of  
15 cases Mr. Price?

16 MR. PRICE: Yeah so I fully anticipated this  
17 question and for the purposes of that line of cases we do  
18 not view this as a commodity product in that in that sense.

19 So you know there are cases where essentially something is  
20 tradable on a future's exchange and we would have something  
21 really along those lines, then perhaps that Bratsk analysis  
22 is fully in play but I think that this is somewhat different  
23 and while the products are very highly substitutable, you  
24 know, the products are not perfect substitutes, they are not  
25 pure commodities, they are commodity-like in many respects,

1 but I would not call them a commodity for purpose of Bratsk.

2 MR. VAUGHN: Thank you Commissioner Pinkert, we  
3 will discuss this specific issue on the commodity nature of  
4 the proceedings in the post hearing brief. Having said  
5 that I think it is arguable that in this case you don't even  
6 have to reach that question, depending upon which way you  
7 want to do the analysis because here you have such different  
8 trends in terms of volume and prices. These guys went up  
9 by 500,000 tons from -- eleven subject imports went up by  
10 500,000 tons from 11 through 13, non-subject imports  
11 actually went down, lost market share, pricing comparisons  
12 are very different as you have heard throughout the day.

13 So I think whether or not you reach the commodity  
14 grade issue, you can easily for purposes of Bratsk there is  
15 no question that the behavior of these products represent,  
16 the subject imports here represent a unique cause of harm in  
17 the domestic industry.

18 VICE CHAIRMAN PINKERT: Thank you very much,  
19 thank you Madam Chairman.

20 CHAIRMAN BROADBENT: Commissioner Williamson.

21 COMMISSIONER WILLIAMSON: Thank you, just a few  
22 more questions. Could anyone explain the increase in  
23 non-subject imports between the interim periods?

24 MR. VAUGHN: Commissioner Williamson this is  
25 Stephen Vaughn. I think part of again we will put some more

1 information on this in the post-hearing as well but I think  
2 part of what you see going on here is that there is an  
3 increase in the consumption from Q1 2013 to Q1 2014.  
4 Consistent with that increase in consumption there were  
5 increases in the subject imports and in the non-subject  
6 imports and in the domestic production. There was some  
7 shift in market shares that you discussed.

8 Part of what seems to be going on is that the  
9 domestic AUV, the domestic pricing has sort of leveled out  
10 toward the end of the period of investigation and it looks  
11 as though the domestic industry having cut prices and cut  
12 prices and cut prices down to a point where it is already  
13 barely breaking even has sort of reached kind of the end of  
14 the line. In other words, they are just not in a position  
15 to cut prices anymore and it looks as though they might be  
16 giving up some market share in the first quarter as a result  
17 of what had happened to their pricing, but we will explain  
18 that in more detail going forward.

19 COMMISSIONER WILLIAMSON: Okay I'll look forward  
20 to that, thank you. Respondents assert that there is a  
21 natural price premium for domestic product. Do you agree  
22 that purchaser are willing to pay a premium for domestic  
23 OCTG and if so how much is that premium?

24 MR. MILLER: Steve Miller with Cinco Pipe. I  
25 think that in certain instances the domestic purchasers are

1 willing to pay a very moderate premium for domestic products  
2 for like products in many, many, many cases, most of the  
3 cases, there is very little premium accepted or not at all.

4 COMMISSIONER WILLIAMSON: Okay, sorry, sometimes  
5 purchasers?

6 MR. MILLER: Generally there is not much of a  
7 premium if any for like products, occasionally you will find  
8 some variation in a product and then we get into the  
9 commodity and non-commodity sort of debate, but in most  
10 instances, for like products, for like quality from mills  
11 that make commensurate products, there is not a serious or a  
12 real measureable increase or premium for domestic product.

13 COMMISSIONER WILLIAMSON: Okay thank you. Is  
14 demand for premium for proprietary pipe and threading  
15 increasing?

16 MR. CURA: I'll take that. This is German Cura  
17 with Tenaris. No Commissioner Williamson, it's actually  
18 decreasing, you know. Premium connections in gas type  
19 products which are designed to withstand high pressure  
20 formation requirements are typically associated with gas.  
21 Now we discussed a little bit the -- markets between 2005-7  
22 right up to today and I was going to say back then that back  
23 then about 80% of the drilling activity in the market was  
24 that activity over gas, today it is 80% oil, a much lower  
25 pressure environment and consequently that requires a lot

1 less premium connections in oil.

2 COMMISSIONER WILLIAMSON: Good.

3 MR. LONGHI: Commissioner I fully concur with the  
4 statement made by my colleague and I have to tell you that  
5 the distributors here today they are all of our customers  
6 and I guarantee you that whenever you got a call from them  
7 that they were telling me that they were willing to pay a  
8 price for any products you sell them.

9 COMMISSIONER WILLIAMSON: Okay thank you. Okay,  
10 good, for my last question how is producing upgradeable J-55  
11 different than producing non-upgradeable J-55?

12 MR. LONGHI: My argument would be that actually  
13 it's probably a more expensive product. The only way you  
14 can make an upgradable J-55 versus a non-upgradeable is  
15 through chemistry and the chemistry and the hours that you  
16 have to put into that product would probably be more  
17 expensive than straight J-55. So my argument and I am not  
18 would be that they are over-providing the product that they  
19 are selling in order to make it upgradable so in fact it  
20 should be more expensive than straight J-55.

21 COMMISSIONER WILLIAMSON: Okay, anything else for  
22 that. With that I have no further questions and I would  
23 like to thank the panel for their answers.

24 CHAIRMAN BROADBENT: Mr. Johanson?

25 COMMISSIONER JOHANSON: Thank you Chairman

1 Broadbent, I have just two more questions. The first one is  
2 for Mr. Cura you had mentioned that Maverick is bringing  
3 along a new pipe plant in Texas, what is the status of that  
4 plant?

5 MR. CURA: The plant is under construction. We  
6 are going to initiate it in phases, the first phase of the  
7 plant will be operational in November 2015 and the full  
8 plant will be up and running by Q2 2016.

9 COMMISSIONER JOHANSON: Has the current import  
10 situation made you all reconsider what you are doing in  
11 Texas?

12 MR. CURA: No we continue to work under the  
13 premise that the trade laws will be enforced.

14 COMMISSIONER JOHANSON: Okay thank you for your  
15 response, I have just one more question. This is for the  
16 distributors. Some of you this morning in the two-hour  
17 recall Mr. DuBois and Mr. Tait attributed larger than usual  
18 inventories of OCTG solely to imports. Throughout your  
19 careers have you seen prior oversupply periods and what has  
20 caused oversupply in the past?

21 MR. DUBOIS: This is Scott DuBois from Premier  
22 Pipe. We have seen oversupply situations predominantly in  
23 the going into '08 going into '09 timeframe when we saw the  
24 surge of Chinese material. As I testified, we have had a  
25 little over four and a half months of supply on the ground

1 for the last couple of years due to the efficiency really in  
2 managing the entire supply chain.

3 We have taken probably about a month out of the  
4 need of inventory on the ground so we are currently in an  
5 oversupply situation. Any time today we are in the four  
6 and a half to five we have been over five during the past  
7 couple of years, we would consider that an oversupply  
8 situation.

9 COMMISSIONER JOHANSON: And what has caused  
10 oversupply in the past?

11 MR. DUBOIS: Excess imports are certainly a part  
12 of it.

13 COMMISSIONER JOHANSON: Okay any other factors  
14 you can recall?

15 MR. DUBOIS: No sir.

16 COMMISSIONER JOHANSON: Okay would anyone else  
17 like to respond?

18 MR. TAIT: I would just concur with Mr. DuBois.

19 CHAIRMAN BROADBENT: Please identify yourself.

20 MR. TAIT: Steve Tait with Pipeco. With regards  
21 to the causes of oversupply I think from a macro standpoint  
22 yeah it's largely, we usually see macro over supply by the  
23 imports. There are times when there is micro out -- micro  
24 oversupply maybe at the end of the year when drilling  
25 budgets may be drilled out the end users maybe slow down

1 their activity because of gas flow issues but that doesn't  
2 happen every year. We have seen that before but those are  
3 usually very quickly correctable situations.

4 MR. SHOAFF: John Shoaff with Sooner just to add  
5 one more thing to that. The majority of the subject  
6 imports that come in aren't necessarily sold when they are  
7 manufactured or even shipped from those countries. A lot  
8 of those tons go into the United States, go into inventory  
9 with the idea of being sold once it gets here, so that does  
10 contribute to the oversupply.

11 COMMISSIONER JOHANSON: All right I thank you for  
12 your responses that concludes my questions. It has been a  
13 long morning but I have learned a lot today and I look  
14 forward to hearing from the Respondents this afternoon and I  
15 would also like to thank all the public, for the public  
16 attendance today I am surprised the room is so packed.  
17 There is a lot of you out there I know everybody is probably  
18 getting ready for lunch but anyway thank you all for  
19 attending here today.

20 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

21 COMMISSIONER SCHMIDTLEIN: Okay I actually have  
22 two more questions and the first one maybe better dealt in  
23 the post-hearing brief because it does involve confidential  
24 information but I do think it's important. One of the  
25 arguments from the Respondents has to do with high start-up

1 cost and that that was causing the decline in profitability  
2 for the domestic industry and so my question is how should  
3 the Commission consider this and in particular, if you look  
4 at table 6-1 in the staff report and the numbers having to  
5 do with other expenses for the U.S. mills and the large  
6 increase in those numbers as well, there's footnote 1 which  
7 talks about some start-up costs that were taken as a charge,  
8 so Mr. Vaughn do you have a response?

9 MR. VAUGHN: Yeah, thank you Commissioner  
10 Schmidtlein. We would address that in the post-hearing but  
11 let me just make one point about the cost issue. If you  
12 look in that same, and these numbers, the numbers I give are  
13 public, if you look at that same table, the average cost of  
14 goods sold for the domestic industry was \$1,372 a ton in  
15 2011 and it was \$1,376 a ton in the first quarter of 2014,  
16 so basically beginning period end period, the total cost of  
17 goods sold, everything that you know what accountants call  
18 above the line for purposes of operating income and yet the  
19 operating income fell from \$196 a ton to \$52 a ton, so it  
20 does not appear that this had anything to do with the big  
21 surge in costs, it was simply falling prices and those  
22 falling prices and again I can't emphasize this enough the  
23 fact that you have falling prices in a period of strong  
24 demand and we just think that is clear evidence of material  
25 injury.

1                   MR. PRICE: Alan Price Wiley Rein. I will  
2 address this in detail in our post-hearing brief but I will  
3 also refer the Commission back to today's variance analysis  
4 and the variance analysis shows that that what we have is  
5 falling prices causing falling profits here, and it is not  
6 you know, that's what our -- that's what the problem is  
7 pretty darn simple.

8                   COMMISSIONER SCHMIDTLEIN: Okay thank you. My  
9 other question relates to the low product coverage which I  
10 think Mr. Price you were talking about earlier and I wasn't  
11 sure maybe I wasn't listening to everything but if you could  
12 also address that in the post-hearing brief and whether or  
13 not and I'm sure in fact I've only been here two months but  
14 I have sat in on a case already where a little product  
15 coverage was an issue and so I know we have had other cases  
16 that deal with that and whether or not that affects the  
17 weight that you can give the pricing data or how we treat  
18 that pricing data.

19                   MR. PRICE: Let Mr. Schagrín say because I have  
20 talked about it a fair amount already.

21                   MR. SCHAGRIN: Okay so Commissioner Schmidtlein,  
22 first we will also address in the post-hearing. Here just  
23 in terms of the process that takes place, you know, both  
24 Petitioners and the Respondents have an opportunity for the  
25 final questionnaires to comment on your pricing products.

1 We are invited by the Commission through your staff to say  
2 do you want additional products?

3 Do you want us to replace products, there are  
4 other products that are more representative. I think that  
5 given that imports are both welded and seamless that the  
6 domestic industry produces both welded and seamless and that  
7 this Commission has a lot of experience in this industry and  
8 both of the Petitioners and the Respondents did a pretty  
9 good job picking pricing products that are representative.

10 When you have an industry in which there is  
11 hundreds of product combinations the fact that you have  
12 relatively low coverage when you pick six or eight is not at  
13 all surprising. The question is it seems like whenever the  
14 Respondents don't like the underselling results, they jump  
15 up and down and say oh you can't use these, these products  
16 aren't representative but it is really kind of result driven  
17 analysis given their ability to participate.

18 The fact is I think if you ask the distributors  
19 who distribute these products to look at the choices of  
20 pricing products, these are really representative products  
21 and you are just not with six or eight products going to get  
22 a huge amount of coverage in an industry like this, but it  
23 doesn't make them not representative and as Mr. Price  
24 already explained, because of the suggestions of Respondents  
25 you have this more detailed information just for 2013 which

1 correlates perfectly in terms of the underselling results  
2 with the pricing products and you have further evidence  
3 based on AUV's because there's not a very large difference  
4 between the product mixes of the domestic industry and the  
5 imports.

6 So however you choose to analyze it I believe  
7 that you would come to the conclusion there is underselling.

8 But from my own perspective of having participated in many  
9 cases on OCTG and consulting with my client saying you know  
10 what do you think of the most representative products today  
11 I do believe that the pricing products chosen by your staff  
12 in consultation with both the domestic industry  
13 representatives and the foreign producer representatives are  
14 representatives of pricing trends for OCTG products.

15 COMMISSIONER SCHMIDTLEIN: Mr. Kaplan?

16 MR. KAPLAN: Thank you. The Commission is often  
17 faced with the task of trying to define the products  
18 narrowly enough that they are head-to-head or broad enough  
19 to get coverage and not that they have an infinite number of  
20 products in the questionnaire. I think given the very  
21 features of the products in OCTG the comments by  
22 Petitioners, the comments by Respondents, the experience the  
23 staff has with this product from previous investigations,  
24 they did well.

25 The other thing from a perspective on how much

1 weight to put on it as an economist or just a scientist  
2 thinking in this area is to look at other measures of the  
3 same thing and see if there is contradictions or see if  
4 there is corroboration and I think if you look at average  
5 unit values, if you look at the testimony you could ask more  
6 from the witnesses here today that are buying and selling  
7 these products every day.

8 If you look at the purchaser questionnaire and  
9 their responses about who is more or less expensive on the  
10 category list, there is a whole series of corroborating  
11 types of evidence and they are all consistent.

12 So when I see something like that, I would give  
13 the pricing products the weight they deserve which is  
14 significant and I would feel comfortable because all of the  
15 evidence I had was consistent with the margins you see and  
16 the underselling comparison. Thank you.

17 COMMISSIONER SCHMIDTLEIN: All right I have no  
18 further questions.

19 CHAIRMAN BROADBENT: Welcome Congressman Bachus.  
20 The secretary will announce you and please take the podium.

21 MR. BISHOP: The Honorable Spencer Bachus, United  
22 States Representative, 6th District Alabama.

23 REP. BACHUS: Well thank you very much. They  
24 are picking my replacement today after 22 years and I wanted  
25 to be there to cast my vote in the run off and I wanted a

1 candidate that wouldn't shut down the government so.

2 (Laughter.)

3 CHAIRMAN BROADBENT: Yeah we would all appreciate  
4 that in here.

5 REP. BACHUS: And I'm not sure we are going to be  
6 successful. I have always supported fair trade. I believe  
7 in fair trade, I believe that trade expands the pie. I  
8 believe that it creates jobs. I believe it is in a global  
9 economy it makes sense. And I believe if done right there  
10 are no losers long term, there may be short term  
11 displacements. I have gone back to mills that were shut  
12 down and some people argue well that means it's not working,  
13 no that doesn't mean that.

14 It can but normally it doesn't, it just means  
15 that someone is more efficient. But while I believe in fair  
16 trade if I learned one thing in 22 years and I've actually  
17 advocated for the Administration, both the Clinton  
18 Administration and the Bush Administration, I urged fellow  
19 members to vote for free trade agreements and I went to  
20 Africa and promoted that very vigorously. I think that has  
21 been a real success.

22 But it has to be fair. People have to play by  
23 the rules. I am an attorney. I believe the rule of law  
24 is one thing that makes our country great. If we are  
25 following the rules and other countries are following the

1 rules, I think trade is a wonderful thing. To use and I  
2 know you have to go to lunch so I am going to speed this up.  
3 Well I know I don't want to get between you and a meal.

4 But if it is not fair, if it is not the rule of  
5 law, it undermines our whole democracy. If it's not fair,  
6 if it's not ethical, if it is not legal, if people are  
7 cheating then it's not fair trade, it's not free trade.  
8 It's really largely in a way it's breaking the rules. And  
9 that's one thing our country should never stand for.

10 And the Commerce Department has regulatory pretty  
11 iron clad shy, it's not my opinion, it's not steelworkers  
12 opinion, it's not those who want the cheapest imports, it's  
13 the Commerce Department that made that decision and I  
14 respect that decision.

15 And I'll see we in Alabama we can't speak if we  
16 are from Alabama without mentioning Auburn and Alabama. I  
17 represent the University of Alabama, I'm a graduate of the  
18 university but I am also an undergrad at Auburn University  
19 and we love our football but can you imagine a tilted  
20 playing field. Can you imagine if Auburn went to Alabama  
21 and when Auburn got the ball they gave them a ball that was  
22 two pounds heavier or they tilted the playing field.

23 Now we probably don't have one in Texas or Texas  
24 A&M could actually design a field with a tilt and would  
25 probably do if it they could get away with it. (LAUGHTER)

1 We don't have that kind of mind, but can you imagine, can  
2 you imagine, you know. We just had a player go from Miami  
3 to Cleveland Cavaliers. Can you imagine if he gets up  
4 there and he finds that their goal on one end is two feet  
5 lower than the other he may want to go back to Miami, if  
6 it's a Miami goal.

7 But I think you see my point. It has to be fair  
8 and it is not. If you and I have heard more and more of my  
9 colleagues I have actually had my Republican colleagues  
10 lately, one that actually came back to me and said you know  
11 you convinced me to vote for a trade agreement and it has  
12 really hurt my folks.

13 Because the rules aren't being enforced, they are  
14 cheating and getting away with it. I don't want that to  
15 happen. I don't want people in this country to sort of  
16 throw up their hands and say I have had enough of trade, I  
17 don't want another Schmidt and Holly, I don't want another  
18 depression partially caused by high tariffs we don't want  
19 that.

20 But I think the American people, they have a  
21 sense, trust the American people and they are beginning to  
22 think this isn't working for us because people are not  
23 playing by the rules. And I think it's up to you, you are  
24 in a way the referee and you have to call it straight but  
25 when someone obviously is cheating you can't say wow you

1 know, we can't get into a fight, we can't get into a trade  
2 war with the other side. We can't take a change on our  
3 relations with these countries but you have to put out a  
4 flag.

5           You have to get in there and you have to call it  
6 and sometimes it's not very popular, sometimes that's not  
7 very popular. So my written agreement I told my staff and  
8 wrote some notes down and when I got here it said that I was  
9 standing up for steel. Well I'm standing up for a fair  
10 shake for domestic steel. I am not necessarily standing up  
11 for steel I'm standing up for fair trade.

12           In fair trade you enforce the rules and it's hard  
13 to enforce the rules. We have a coat maker that we keep  
14 getting decisions and China keeps taking and transporting it  
15 to another country and getting it in the back door and it's  
16 frustrating.

17           I am going to close by saying that I am 22 years  
18 I'm retiring from Congress and I'm a little uneasy about  
19 what the future holds in store for us. You know job  
20 security, after 22 years I think things are going to be  
21 good. I can't imagine being a steel worker and just being  
22 undermined by subsidies and by dumping and thinking how do I  
23 feed my family.

24           You know I am going to retire with 22 years and I  
25 have got my military service, I'm going to retire on like

1       \$90,000 with my social security, nobody is going to starve  
2       and I've got other opportunities, but a lot of them don't.  
3       Those are good paying jobs, there are good health benefits  
4       and you know if anything else, remember that this country if  
5       there are not jobs here, if the jobs aren't here, this  
6       country is not going to remain the leader of the free world  
7       and we in certain instances have sacrificed those jobs to  
8       what some people mislabel you know as free trade and it is  
9       not.

10                 It's dumping and its subsidies so thank you very  
11       much for allowing me to be here and I know that you have got  
12       an important decision to make, thank you.

13                 CHAIRMAN BROADBENT: Thank you Mr. Bachus. I  
14       don't know if my colleagues have any questions. I know you  
15       will be missed in Congress and we appreciate everything you  
16       have done on the trade issues over the years.

17                 REP. BACHUS: Thank you. And I thank you for  
18       your all service and it's a demanding job and I hope the  
19       Congress doesn't make it any harder for you.

20                 CHAIRMAN BROADBENT: Great I think at this point  
21       we are done with our questions, yep and the issue would be  
22       whether the staff has any questions for the panel?

23                 MR. SZUSTAKOWSKI: Thank you Madam Chairman, Mike  
24       Szustakowski, Office of Investigations, staff has no  
25       questions.

1                   CHAIRMAN BROADBENT: In that case we will -- yes,  
2 do Respondents have any questions? No. Got it. Thank  
3 you. Okay now can I adjourn for lunch, okay. We will  
4 return here at three o'clock for the Respondents panel,  
5 thank you very much to all of the participants.

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

2                   CHAIRMAN BROADBENT:   Okay, Mr. Secretary.

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

4                   CHAIRMAN BROADBENT:   Thank you, Mr. Secretary.  I  
5                   want to welcome the afternoon panel.  I'd like to remind all  
6                   witnesses to speak clearly into the microphones and state  
7                   your name for the record for the benefit of the court  
8                   reporter.

9                   You may begin when you're ready.

10                  MR. CAMERON:   Madame Chairman, Don Cameron on  
11                  behalf of the Respondents our initial witness would be Jim  
12                  Dougan, and then we'll proceed

13                  MR. DOUGAN:   Good afternoon. I'm Jim Dougan from  
14                  Economic Consultant Services appearing on behalf of joint  
15                  respondents.

16                  The Commission faces an unusual fact pattern in  
17                  this case.  The domestic industry is claiming to be injured  
18                  by reason of subject imports; yet, most indicators that the  
19                  Commission uses to analyze the condition of the domestic  
20                  industry were strong over the POI.

21                  Petitioners have no credible case for adverse  
22                  volume affects, so their entire injury case rests on the  
23                  fact that their profitability declined in 2013 and 2014.  
24                  They blame this decline on falling prices, which they claim  
25                  were caused by subject imports by pointing to the

1 underselling on the record.

2           The truth is any adverse price effect suffered by  
3 the industry were driven by intra-industry competition  
4 fueled by the domestic industry's ramp up in production to  
5 fill their new capacity coming online just as raw materials  
6 prices and demand indicators like rig count were trending  
7 downwards.

8           The domestic industry has made and continues to  
9 make large investments in domestic capacity that reflect a  
10 strongly optimistic outlook for further OCTG demand in the  
11 United States. But they have blamed subject imports for the  
12 temporary negative impact on profitability as the new  
13 capacity comes online and is absorbed by the market.

14           The domestic industry has made nearly \$2 billion  
15 in investment during the POI, expanded capacity by about one  
16 million short tons, and heat treatment capacity by over one  
17 million short tons, as shown at Slide 1.

18           In September 2013, two months after the filing of  
19 the petition, Tenaros broke ground on its new mill in Bay  
20 City, Texas, which will represent an additional investment  
21 of \$1.5 billion, an additional capacity of 600,000 short  
22 tons.

23           Despite the massive increase in capacity, roughly  
24 18 percent from 2011 to 2013, and roughly 20 percent from  
25 2011 to annualized 2014, domestic industry shipments

1 increased by even more, 23 percent from 2011 to 2013, and 28  
2 percent from 2011 to annualized 2014, with the result that  
3 capacity utilization increased from 68 percent in 2011 to 71  
4 percent in 2013, and to 72 percent in part year 2014.

5 Typically, in ITC cases, such large rollouts of  
6 new capacity are marked by at least a temporary decline in  
7 utilization rates. Here, the opposite is true, which is  
8 highly remarkable and a strong indicator of domestic  
9 industry health.

10 The industry's employment figures also improved  
11 substantially, as shown at Slide 2. Production related  
12 workers at U.S. mills increased by 19 percent from 5,976 in  
13 2011 to 7,092 in part year 2014. These new workers were  
14 paid higher wages as well from 28.39 per hour in 2011 to  
15 \$32.48 per hour in first quarter 2014, an increase of 14.4  
16 percent.

17 These aren't made-up numbers. These are the  
18 numbers from the staff reported based on questionnaires  
19 submitted by domestic producers, and they show employment  
20 indicators strongly improving.

21 The exception to these positive metrics was the  
22 industry's profitability, which declined from an operating  
23 margin of 11.6 percent in 2011 to 3.4 percent in first  
24 quarter of 2014.

25 According to the staff's variance analysis, this

1 decline in profitability was wholly attributable to a  
2 decline in prices, which offset positive income variances in  
3 volume and costs.

4 Petitioners lay the blame for these declines at  
5 the feet of subject imports. Their story is, in short,  
6 import volume increased; there was a lot of underselling,  
7 domestic prices declined, and the domestic industry's  
8 profitability declined with those prices.

9 More specifically, they place primary emphasis on  
10 the sharp decline in profitability from 2012 to 2013, for  
11 which they claim domestic producers were faced with rising  
12 volumes of low price subject imports, and "desperately cut  
13 prices to retain sales," and therefore their profits  
14 suffered as a result.

15 This story only makes sense if one reviews the  
16 data at the surface level. Subject market share increased  
17 from 2011 to 2012, and domestic market share decreased, but  
18 profitability hardly changed at all, from 11.6 percent to 10  
19 percent. And the AUV of domestic producers, U.S. shipments,  
20 actually increased by about 3 percent, from \$1688 per short  
21 ton to \$1736 per short ton.

22 From 2012 to 2013, the domestic industries market  
23 share increased from 48.7 percent to 53 percent, but their  
24 profitability dropped from 10 percent to 5.3 percent, at the  
25 same time prices declined. Their average unit values

1 declined rather by 9.8 percent from \$1736 to \$1566 per short  
2 ton. Therefore, they argue domestic price cuts lead to them  
3 winning back market share lost earlier in the POI to subject  
4 imports, but at the expense of their profit margins.

5           If you scratch the surface, the facts on the  
6 record show the flaws in Petitioners' story. First, with  
7 respect to subject imports initial market share gain from  
8 2011 to 2012, it's worth noting that despite the large  
9 increase in loaded capacity over the POI, according to the  
10 staff report at page 2-7, 4 of 14 domestic producers  
11 reported that they were unable to supply product at some  
12 point since 2011.

13           The specific data are confidential, but I think I  
14 can say that collectively these four producers accounted for  
15 over 15 percent of U.S. sales quantity over the POI. In a  
16 time of rapidly increasing demand, a parent consumption  
17 increasing by 16.5 percent from 2011 to 2012, customers who  
18 were turned away from U.S. mills or placed on allocation  
19 would have no choice but to seek alternative sources of  
20 supply.

21           Second, as shown at Slide 3, between 2012 and  
22 2013 the domestic industry gained 4.3 percentage points of  
23 market share. Of this, however, virtually all of it, 4.2  
24 percentage points, was gained at the expense of non-subject  
25 imports, not subject imports. Moreover, while the specific

1 data are confidential, I can say that the vast majority of  
2 the non-subject import market share replaced was from  
3 non-subject sources affiliated with domestic producers.

4 Thus, the shift in market share were the result  
5 of fierce price competition among domestic producers and  
6 their affiliated imports in the segments where they are most  
7 heavily focused. These are segments where subject imports  
8 have little or no presence, as shown by the fact that their  
9 market share barely changed at all.

10 The problem with Petitioners' theory of causation  
11 persists for the part year periods, as shown at Slide 3.  
12 Between first quarter 2013 and first quarter 2014, subject  
13 import market share declined by 1.8 percentage points and  
14 domestic industry market share also declined by 2.1  
15 percentage points, while non-subject imports gained 3.9  
16 percentage points.

17 Again, while the data are confidential, a  
18 substantial portion of that non-subject import market shared  
19 gain went to imports from sources affiliated with domestic  
20 producers. So, in effect, affiliated imports replaced  
21 domestic shipments, and unaffiliated, non-subject imports  
22 replaced subject imports. And yet, domestic profitability  
23 declined again from 6.2 percent to 3.4 percent. It simply  
24 doesn't follow that this decline can be by reason of subject  
25 imports.

1           The other platform of Petitioners' case is that  
2           underselling by subject imports was responsible for  
3           depressing and suppressing U.S. prices.

4           First of all, the underselling observed in the  
5           data is not significant as an indicator of adverse price  
6           affects. The Commission should place little weight on those  
7           data for the purposes of determining price affects because  
8           they represent a very low coverage of the market.

9           Over the entire POI, the pricing data only  
10          represent 11.6 percent of U.S. producer shipments, and an  
11          even smaller share -- a much smaller share of subject import  
12          shipments. This means that the supposedly high volume, high  
13          competition products there was a limited overlap of  
14          competition.

15          We'll respond to Wiley Rein's Exhibit 22 in our  
16          post-hearing brief regarding what they show with respect to  
17          underselling overall. But the data collected by the staff  
18          do show attenuated competition by very different levels of  
19          participation by grade and finish. We never said no  
20          competition anywhere ever, but that's not what attenuated  
21          means. We know what attenuated means.

22          Second, what the data do show is this. What the  
23          underselling data do show is this. The small underselling  
24          margins observed over the POI indicate that subject imports  
25          aren't the cause of price declines in the domestic industry.

1 The small underselling margin accounts for the longer lead  
2 times and logistical issues that result from purchasing  
3 imported OCTG.

4 The reasons for this natural premium for domestic  
5 OCTG are evident in the pre-hearing report at Table 2-13.  
6 In 11 of 18 categories, the United States is ranked by  
7 purchasers as superior to subject imports; therefore, it  
8 makes sense that domestic industry OCTG commands a higher  
9 price, given that it is superior in characteristics such as  
10 availability, delivery terms, delivery times, product  
11 consistency, product range, program sales, propriety  
12 connections, reliability of supply, and technical support  
13 and service, that there is a domestic price premium is  
14 supported further by the record evidence.

15 At pre-hearing report Table 2-16, reproduced at Slide 4,  
16 shows that purchasers, and it was a majority of purchasers,  
17 indicated that they would be willing to pay a premium  
18 between 5 and 19 percent for domestic OCTG.

19 The domestic industry price premium implied by  
20 the average underselling margin for each subject country are  
21 within these ranges of premiums that the purchasers would be  
22 willing to pay for domestic OCTG. Detailed data are shown  
23 in the Korean Respondent's pre-hearing brief at Exhibit 4.

24 Finally, the observed underselling margins for at  
25 least a few of the pricing products are likely to have been

1 exaggerated by the reporting of domestic producer sales with  
2 higher-priced premium connections.

3 The declines in pricing observed from 2012 to  
4 2013 cannot be explained by the allegedly depressing affects  
5 of subject imports, but rather overall market trends  
6 affecting all prices in the U.S. market.

7 In U.S. Steel's pre-hearing brief, and in their  
8 presentation this morning, it states that subject import AUV  
9 declined by 10.1 percent from 2012 to 2013 compared to 9.8  
10 percent for U.S. producers, and that this 0.3 percentage  
11 point difference in rate of decline amounts to slashing  
12 prices and that somehow explains the 5 percentage point drop  
13 in domestic industry operating margin.

14 This isn't plausible. The more reasonable  
15 explanation for the essentially identical change in prices  
16 is that both parties were affected by similar market forces.  
17 To test whether the AUV comparisons cited in U.S. Steel's  
18 brief and presentation were biased by shifts in product mix,  
19 we calculated the 2012 to 2013 price changes using the  
20 pricing data.

21 While the coverage is low, the product mix among  
22 the six products is very similar between domestic producers  
23 and subject imports. So, weighted average comparison of  
24 these prices will not be biased by product mix and should  
25 give a good indication of pricing trends.

1                   What did they show? From first quarter 2012 to  
2 fourth quarter 2013, average domestic prices declined by  
3 14.4 percent. Average subject import prices declined by  
4 14.7 percent. This is coincidentally the same .3 percentage  
5 point spread. This tiny spread isn't evidence of price  
6 depression, but rather that both domestic producers and  
7 subject imports were, generally speaking, faced with the  
8 same market forces that caused the decline in prices.

9                   What were these market forces? First, as shown  
10 at Slide 5, demand for OCTG is measured by rig count was on  
11 a declining trend from 2012 to 2013.

12                   Second, as shown at Slide 6, prices for the key  
13 raw material input to OCTG, hot-rolled coil, were also  
14 declining. A combination of declining demand and declining  
15 prices for the key raw material input would inevitably lead  
16 to a decline in price with or without subject imports in the  
17 market.

18                   At the preliminary conference, several domestic  
19 industry witnesses made implausible claims about how raw  
20 material prices don't enter into their negotiations with  
21 customers. Yet, in their final phase questionnaire, 8 of 11  
22 producers responded that raw material prices were referenced  
23 in price negotiations. And 6 of 1w indicated that OCTG  
24 prices were actually indexed or linked to raw materials  
25 prices, such as CRU, Pipe Logix were an index for scrapped

1 steel.

2 A witness from this morning's panel said subject  
3 imports were "The one and only cause" of price declines.  
4 The evidence shows that this is simply not true. Declining  
5 domestic prices also go hand-in-hand with the increasing  
6 importance of program sales, in which participating  
7 producers offer what amount to volume discounts in exchange  
8 for planned, if not guaranteed, purchase volumes.

9 Pre-hearing report, page 5-11, based on responses  
10 from purchasers, which include distributors who participate  
11 in the program sales, and they should now, and summarized at  
12 Slide 7, reports volumes that equate to program sales market  
13 share of 70 percent for domestic producers, 18 percent for  
14 non-subject imports, and 12 percent for subject imports.

15 As discussed previously, the majority of  
16 non-subject imports are from producers affiliated with U.S.  
17 producers, so the share of program sales held by the  
18 domestic industry, based on the purchasers' data, is likely  
19 even higher than 70 percent and may be as high as 88  
20 percent.

21 Moreover, the 2.5 million short tons of program  
22 sales reported by purchasers as purchased from U.S.  
23 producers is roughly 22 percent of U.S. producers total U.S.  
24 shipments over the POI; thus, over 20 percent of the  
25 domestic industry's shipments were to a market segment in

1       which it faces only marginal competition from subject  
2       imports and in which sales tend to be made at lower prices  
3       in exchange for volume commitments.

4               It makes intuitive sense that the volume  
5       commitments would have been attractive to U.S. mills with  
6       large amounts of new capacity looking to fill that mill.  
7       Needless to say, shipping greater volumes via program sales  
8       would have had an adverse impact on domestic producers  
9       overall pricing and therefore their profitability.

10              Petitioners have also placed a great deal of  
11       weight on a rising trend in inventories over much of the  
12       POI, harking back and hoping that the Commission harkens  
13       back to the massive inventory overhang built up during the  
14       POI for the China case. As shown at Slide 8, inventory  
15       levels during this POI, even at their highest, are no way  
16       near the levels of 2008 and 2009.

17              Moreover, recent patterns in inventory levels  
18       make sense when compared to patterns in monthly OCTG  
19       consumptions levels. See Slide 9. Beginning in 2010, as  
20       OCTG consumption climbed, inventories were drawn down.  
21       Consumption peaked at the end of 2011 -- monthly consumption  
22       I should say, and inventory levels hit a trough at roughly  
23       the same time. As consumption began to decline, inventory  
24       levels built. Consumption recovered in the second half of  
25       2013, and after a lag, inventory levels began to decline

1 again.

2 I note further that these inventories aren't  
3 composed entirely of subject imports. They're distributor  
4 inventories. And nearly all of U.S. producer shipments,  
5 according to Table 2-1 of the pre-hearing report, over 98  
6 percent, were to distributors as well. In fact, given the  
7 importance of available inventory to participate in program  
8 sales, the proportion of U.S. produced to subject imports  
9 and distributor inventories is likely to have increased.

10 Finally, I remind the Commission that domestic  
11 producers increased their production by 14.5 percent from  
12 2012 to 2013. For an industry that was so concerned that  
13 the market was in an over-supply situation, having a  
14 negative affect on prevailing market prices, ramping  
15 production by 15 percent seems like a counter-intuitive  
16 strategy, especially, when demand drivers like rig count  
17 were trending downward and overall apparent consumption  
18 ended up growing by only 1.3 percentage points overall. But  
19 again, these producers had new capacity to fill, and so fill  
20 it they did.

21 Finally, my testimony thus far has, for the sake  
22 of argument, taken many of Petitioners' arguments on their  
23 own terms. That is, domestic producers and subject imports  
24 compete head-to-head across the market and a sale gained by  
25 one represents a sale lost to the other. But the record

1 data that simply isn't true.

2 Staff have done a tremendous job of collecting  
3 and compiling these data, which show that there is a high  
4 degree of attenuation between subject imports and the  
5 domestic industry. Much of the data are confidential,  
6 detailed analysis is presented in Respondents' pre-hearing  
7 briefs, and we'll provide additional rebuttal to why the  
8 Rein's analysis in our post-hearing brief.

9 But on a few points that can be stated publicly,  
10 the value market for propriety connections is dominated by  
11 domestic producers and non-subject imports. Subject imports  
12 have essentially no presence in this segment of the market.  
13 Price competition in this segment is among domestic  
14 producers and non-subject imports, many of them from  
15 domestic producers overseas affiliates. The record evidence  
16 suggests that this composition is fierce.

17 Domestic producers and subject imports are  
18 concentrated in different grade segments. As shown at Slide  
19 10, two-thirds of subject imports are on the most basic  
20 grade, J-55, and only a minority of these sales are of  
21 gradable. So, the vast majority competes as J-55, compared  
22 to only 21 percent of domestic shipments and 10 percent of  
23 non-subject imports.

24 The majority of domestic shipments, 58 percent,  
25 and non-subject imports, 73 percent, are in the high value

1 P110 and L80 grades, a substantial portion of which also  
2 feature proprietary connections. Only 24 percent of subject  
3 imports are in these grades, and virtually none of them have  
4 proprietary connections.

5 Moreover, the product range of domestic producers  
6 is more diversified with 21 percent in grades other than  
7 those big three while only 8 percent of subject imports are  
8 sold in these grades.

9 The overwhelming majority of domestic producer  
10 shipments, between 87 and 90 percent are of finished OCTG  
11 while less than 20 percent of subject imports are imported  
12 in finished form. Much of the remaining imports require end  
13 finishing, heat treatment, or both; therefore, they are not  
14 directly competitive with domestic production.

15 In summary, Petitioners' causation arguments  
16 fail, even when taken on their own terms and accepting many  
17 of their assumptions. But when one considers the actual  
18 conditions of competition, and the attenuated nature of  
19 competition between subject imports and the domestic  
20 industry, they're shown to have no merit whatsoever.

21 The Commission should not ascribe to subject  
22 imports injury caused by intra-industry price competition  
23 between domestic producers and their affiliated non-subject  
24 imports. Thank you.

25 MR. DONG-HEUI PI: Good afternoon. My name is

1 Dong-Heui Pi, Deputy General Manager with Hyundai HYSCO, one  
2 of the leading producers of OCTG in Korea.

3 Hyundai HYSCO has produced welded OCTG since the  
4 late 1980s. In light of the Department of Commerce's  
5 stunning reversal of its earlier negative preliminary  
6 determination in the OCTG from Korea case through some  
7 unprecedented outrageous methodologies, I felt it important  
8 for me to come to Washington, D.C. to speak with you  
9 directly.

10 There are five primary producers of OCTG in Korea  
11 and one new seamless producer. All five welded producers  
12 produce a variety of welded pipe and tube, including OCTG  
13 line pipe and standard pipe. Most of the OCTG is finished  
14 in Houston, either with threading and coupling only, or with  
15 heat treatment to be upgraded to higher grades of OCTG.

16 Korean OCTG is recognized for its quality and  
17 reliability, and it is well accepted in the market, but  
18 imports from Korea are imports. They are not domestic  
19 production, which is import to some U.S. purchasers.  
20 Neither, HYSCO nor any other Korean producer has access to  
21 premium connections, which are increasingly important in the  
22 U.S. market.

23 Imports from Korea are produced to order. The  
24 time between order and completion of finished OCTG in  
25 Houston is roughly five or six months. This is a long lead

1 time and a lot can happen in that time, including delays in  
2 shipping and finishing. The OCTG market has changed with  
3 the emergence of "Program Sales." Korean imports  
4 participate in program sales to some extent, unlike most  
5 other subject imports; however, domestic suppliers dominate  
6 program sales because they are closer to the market with  
7 shorter supply chains.

8 Thus, for program sales, welded OCTG from Korea  
9 is accepted by many major drilling operators as supplemental  
10 supply within their programs. But, no OCTG program would  
11 rely primarily on imported OCTG because of the risk of the  
12 long supply chain. Thanks.

13 MR. MURRAY: Good afternoon. My name is Kirk  
14 Murray. I'm the Vice President and General Manager of Pan  
15 Meridian Tubular. Pan Meridian is an importer and a master  
16 distributor of OCTG, and is affiliated with SeAH Steel  
17 Corporation, a major producer of ERW OCTG in Korea and in  
18 Vietnam.

19 Pan Meridian competes in the OCTG market every  
20 day. Our primary competition is with other imports. This  
21 is not to say that we don't compete with the domestic  
22 producers, but imports and domestic production compete on  
23 different levels.

24 There is a preference in the marketplace for  
25 domestically produced product, and that preference results

1 in price premiums for the domestic producers compared to  
2 imports. This has always been the case. Purchasers also  
3 prefer the imported product produced by foreign affiliates  
4 of U.S. mills, such as Tenaris, Vallourec and TMK because  
5 these imports are sold right along side their U.S.  
6 production. That market dynamic has to be considered when  
7 evaluating whether subject imports are underselling and  
8 injuring U.S. producers.

9 OCTG is not a commodity. Quality varies  
10 considerably among suppliers, and quality has increased  
11 tremendously in importance with the increase in horizontal  
12 drilling. U.S. producers, quite understandably, focus on  
13 high alloy OCTG with premium propriety connections.

14 I would estimate that this market is about 25  
15 percent of the U.S. market. Neither SeAH Steel, nor any  
16 Korean producer can produce premium, propriety connections,  
17 which is an increasingly important market segment. High  
18 alloy OCTG also doesn't compete with J-55 OCTG, a lower  
19 value and low profitability pipe.

20 We are supplemental suppliers compared to  
21 domestic mills, and that is reflected in the pricing. We  
22 also supply smaller, independent operators who buy J-55  
23 products on the spot market, but the most important factors  
24 in analyzing the market are quality of the OCTG and the  
25 availability of the product required. Price is important,

1 but not as important as quality and availability.

2           The domestic industry claims to be injured by the  
3 subject imports, yet, domestic capacity and production has  
4 increased along with employment. Many domestic mills have  
5 been turning away requests from their customers for more  
6 OCTG. How can that be if the market isn't oversupplying.  
7 Investments in new capacity by U.S. mills have been  
8 substantial, and domestic producers compete head-to-head  
9 with other domestic producers.

10           This head-to-head competition has created a fight  
11 for market share among domestic mills. Put simply, these  
12 investments were not made because investing producers  
13 considered the market injured, and the decisions were made  
14 when imports were still at their traditional 50 percent  
15 market share.

16           So, what has changed? From our vantage point, a  
17 couple of things have occurred. First, raw material prices  
18 declined, and that fact is widely known. When raw material  
19 prices decline, purchasers demand that prices reflect those  
20 declines, whether from imports or the domestic industry.

21           Another major market factor has been the  
22 substantial increase in the domestic capacity. Some  
23 investments in new pipe mills have been more successful than  
24 others, and many of the newer mills have struggled with poor  
25 logistics, high financing costs, and poor construction.

1 None of these factors are the result of subject imports, but  
2 all that new capacity competes head-to-head with other  
3 domestic producers. So, prices and profits naturally take a  
4 temporary dip as the market absorbs the new capacity. That  
5 is the way the market works, but demand is strong and  
6 growing, and not coincidentally, domestic producers are  
7 announcing price increases.

8 I have been told by one of my customers who is a  
9 distributor for these domestic mills that they need more  
10 pipe. They cannot get the allocation. This fits with the  
11 boom and bust nature of this business, and it has happened  
12 time and time again, but these producers are not injured by  
13 imports. Thank you.

14 MR. SCIANNA: Good afternoon. My name is Chuck  
15 Scianna. I'm the President of Sim-Tex L.P., a master  
16 distributor of OCTG produced from a number of sources,  
17 including Korea, Germany, and the United States. We sell to  
18 distributors that sell directly to end users.

19 As a supplier of both imported and domestic OCTG,  
20 I can speak directly to the preference of some end users for  
21 domestic OCTG. I've been in the OCTG business for 31 years,  
22 and I know this industry very well.

23 I remain amazed that imports from Japan, Canada,  
24 all Tenaris, all TMK IPSCO sources, and all Vallourec  
25 sources are excluded as if they do not compete in this

1 market or have an impact. Imports from all of these sources  
2 compete actively in this market just like imports from Korea  
3 and others. The difference is that they're tied to U.S.  
4 producers who are actively competing with each other, and  
5 they have an impact on pricing.

6           They also sell proprietary connections that our  
7 import sources do not have access to and cannot compete  
8 with. The last three years has seen over 700,000 tons of  
9 additional domestic capacity with more on the way, and yet,  
10 to hear the U.S. industry tell the story they should have  
11 been able to raise or maintain prices even as raw material  
12 costs fell and U.S. producers pursued "fill the mill"  
13 policies.

14           It is understandable that U.S. producers  
15 emphasize filling their new capacity, but many of the  
16 producers have had problems operating the new capacity. But  
17 that capacity has put downward pressure on prices despite  
18 growing demand. That is what happens when significant new  
19 capacity enters the market. The market adjusts.

20           That said, our customers have told us for months  
21 that they've been on allocation, especially for tubing and  
22 4-1/2 through 7-inch. Also, the backlog for premium and  
23 semi-premium connections seems to be out a good way. The  
24 domestic producers and imports controlled by those producers  
25 have a number of significant advantages in this market

1 compared to subject imports.

2 First, the domestic industry produces and sells  
3 large quantities of high-grade alloy OCTG. Many of the  
4 subject imports are not alloy grade, and while a portion of  
5 subject imports are upgradeable to alloy grade that amount  
6 should not be overstated. And backlogs for heat-treating  
7 occur regularly. A substantial volume of subject imports  
8 are of lower grade material with regular connections that  
9 service smaller operators that do not participate in program  
10 business.

11 We service these smaller operators. By and  
12 large, the domestic producers don't. Second, U.S. producers  
13 emphasize the sale of alloy-grade OCTG using premium  
14 proprietary connections. When I say "premium," I mean  
15 premium and semi-premium. Premium connections may account  
16 for as much as 25 percent of the market today.

17 U.S. producers have virtually no competition in  
18 this market segment from subject imports. Import  
19 competition in this market segment comes only from imports  
20 controlled by U.S. producers, such as Vallourec, Tenaris,  
21 TMK IPSCO, et cetera. The use of premium connections has  
22 increased dramatically since 2011. Premium connections are  
23 used primarily in high-stress applications. They are quite  
24 expensive, and U.S. producers compete fiercely with each  
25 other for this market.

1           Third, the 50 most active oil and gas operators  
2           account for over half the OCTG consumption in the United  
3           States, and they typically prefer to align with domestic  
4           OCTG producers. This preference appears to be based, in  
5           large part, on minimizing any supply chain disruptions  
6           related to the delivery of OCTG products in a timely fashion  
7           as well as the flexibility if and when a casing design  
8           change takes place.

9           The operators typically require OCTG suppliers,  
10          the mills, and distributors, to guarantee price and quantity  
11          over a fixed period of three to six months or longer. These  
12          are commonly referred to as program sales. Program sales  
13          are a significant portion of the market, but it's important  
14          to understand how program sales work.

15          First, program sales are at seller's risk.  
16          There's no guarantee that the buyers will purchase what was  
17          requested. That said, sellers need to stock sufficient  
18          inventory to guarantee supply because if sellers default on  
19          the supply they won't receive another order.

20          Finally, program sales are the low price in the  
21          market. They represent a volume discount to the mills, but  
22          volume discounts fit perfectly with the "fill the mill"  
23          strategy. We should also note that some domestic mills  
24          provide post-sale rebates to end users based on volumes  
25          purchased.

1           Sim-Tex, along with a few other wholesalers and  
2 distributors participate, to an extent, in program sales,  
3 but this segment is dominated by the domestic mills because  
4 of their proximity to the customers, the supply chain, and  
5 the product selection they can offer compared to subject  
6 imports.

7           Again, most import sources do not participate in  
8 program sales, and to the extent that they do, they're  
9 largely marginal, supplemental suppliers to those programs.  
10 Imports fill in gaps of the domestic supply. They do not  
11 replace domestic supply. Logistics and long lead times for  
12 imports give the domestic mills an advantage in program  
13 business. OCTG prices have been declining over the past  
14 year, but that appears to be the result of a combination of  
15 factors having little to do with overall imports.

16           Within the review period, additional domestic  
17 capacity has been added by Northwest Pipe, Boomerang Tube,  
18 Welded II, Vallourec, Tejas Tubular, Energex, and others.  
19 New capacity has created some pressure on the domestic-only  
20 sectors of the market as these entrants compete for market  
21 share. Again, as domestic mills, those mills command a  
22 premium over imports from non-domestically controlled  
23 sources. This has always been a characteristic of the  
24 domestic market.

25           If there has been damage to the U.S. OCTG market,

1 then why is Tenaris building a new seamless mill in Bay City  
2 with capacity of 600,000 tons? Why is Tejas building a new  
3 seamless mill in Nebraska with announced capacity of 120,000  
4 tons? Add to that new seamless capacity being built by  
5 Benteler, PTC and TPCO, totaling over one million tons.  
6 Consumption of OCTG in 2014 was projected to be 6.8 million  
7 tons. It is going to be 7.2 million tons, the total  
8 previously projected for 2017.

9           These producers have not been injured by subject  
10 imports.

11           MR. BREWER: Good afternoon. My name is Buddy  
12 Brewer. I'm the CEO of Borusan Management Pipe U.S. Prior  
13 to Borusan, I've worked in the U.S. OCTG industry for 32  
14 years. I worked at North Star Steel, which is now Vallourec  
15 Star, Lone Star Steel, which was acquired by U.S. Steel, and  
16 other pipe manufacturers and processors.

17           I'm accompanied here today by Semih Ozmen, the  
18 President and CEO of Borusan in Turkey. Borusan is the  
19 leading Turkish producer of OCTG, has been supplying the  
20 U.S. market since 1998. Borusan estimates that it accounted  
21 for approximately 85 percent of Turkish exports to the U.S.,  
22 but total imports from Turkey only accounted for less than  
23 2.5 percent of the U.S. market.

24           In my testimony today, I want to focus on the  
25 most important fact concerning Borusan, and that is our

1 decision to open a U.S. production facility. It is the  
2 reason that imports of OCTG from Turkey have not caused  
3 material injury to the domestic industry and will never  
4 threaten or cause such injury.

5 About two years ago, Borusan made the final  
6 decision to invest \$150 million to build a new Greenfield  
7 welded OCTG manufacturing facility in Baytown, Texas near  
8 Houston. Our facility is now completed, and we began  
9 commercial operations in March of this year. When fully  
10 operational, we will have pipe-forming capacity of 300,000  
11 tons per year in sizing ranging from 4-1/2 inches up to  
12 10-3/4 inches.

13 Our facility also features two threading lines  
14 and a heat treatment facility, which is coming online this  
15 month. Our plant uses U.S. produced hot-rolled steel source  
16 from Nucor, from Severstal-Mississippi plant and  
17 ArcelorMittal-Indiana plant. And we employ approximately  
18 200 workers at this time.

19 During the Commission's period of investigation,  
20 Borusan exported welded, plain end OCTG to the U.S.  
21 Beginning in the second quarter of 2013, Borusan U.S. became  
22 the importer of record. Borusan maintained its small  
23 position in the market based on its well-deserved reputation  
24 for quality and reliability. Borusan's strategy has always  
25 been cognizant of market conditions.

1                   During the period of investigation, Borusan's  
2 exports and those of Turkey overall declined as the market  
3 slowed down in 2013. Our pricing has never been aggressive.  
4 Borusan's decision to establish production in the U.S.  
5 presented a number of advantages to Borusan.

6                   First, Borusan in Turkey does not have a heat  
7 treat facility, and until this year had no threading  
8 capability either. This meant that Borusan could supply  
9 only plain-end J-55 grade. There are a limited number of  
10 processors in the Houston area, so this was often a source  
11 of bottlenecks and significant cost. By developing our own  
12 dedicated threading and heat-treat capabilities here in the  
13 U.S. for our own pipe production, we avoid these problems.

14                   Second, certain end users just will not accept  
15 imported material for a variety of reasons. By investing in  
16 the U.S. and producing OCTG here that we can also process we  
17 can compete on the same terms as other U.S. producers. It  
18 has become the investment model here in the U.S. OCTG  
19 industry. And many of the so-called domestic mills are  
20 owned by foreign steel companies who have invested here to  
21 get access to the prime segments of the U.S. market. Just  
22 like every other major U.S. mill, including U.S. Steel, we  
23 will continue to import certain sizes from our foreign firm  
24 that are outside the size capability of our U.S. mill.

25                   I do not understand how these foreign-invested

1 companies in U.S. Steel can simply exclude their importing  
2 sources and bring a case against my source of imported  
3 product in Turkey. How can it be that Turkey's imports are  
4 injuring U.S. producers while much larger imports from  
5 Petitioners have no effect on domestic producers? It makes  
6 no sense.

7 So, let's compare. In the first four months of  
8 2014, 184,000 excluded tons total of OCTG was imported from  
9 Argentina, Brazil, France, Italy, Russia, and Mexico, while  
10 less than 48,000 tons were imported from Turkey. Mexico  
11 alone imported double the amount that came in from Turkey,  
12 but they're excluded. And the same countries had an import  
13 license for 69,000 more tons in May while Turkey license for  
14 8,000 tons.

15 It is not a coincidence that four of the  
16 petitioning companies own OCTG plants in at least one of  
17 those countries, and Tenaris owns OCTG plants in four of  
18 those countries, plus has a joint venture with a Japanese  
19 company. Japan imported another 68,000 tons of excluded  
20 imports from January through April.

21 Third, our new facility will incorporate  
22 proprietary connections, allowing us to participate in that  
23 high value segment of the market. Fourth, the market  
24 considers that the highest and most easily audited standards  
25 for quality control are found in U.S. domestic mills. Many

1 end users, and therefore distributors, will pay a domestic  
2 premium U.S.-made OCTG.

3           Once Borusan decided establish a U.S. operation,  
4 we considered several options. Buying existing used  
5 facility and equipment would have been cheaper and faster,  
6 and we evaluated several options, including the Lakeside  
7 Steel facilities later purchased by JMC Steel Group. In the  
8 end, we determined that this facility was not competitive  
9 and opted instead to construct a Greenfield facility.

10           Borusan's decision to make this investment was  
11 based on our evaluation of the long-term fundamentals of the  
12 U.S. OCTG market, which we believe are very strong and on  
13 the inherent advantages of being a U.S. supplier. Borusan  
14 was well aware of the other investments and capacity  
15 expansions that were in the works at the time, as well as of  
16 the competition from imports. But Borusan concluded that  
17 the U.S. OCTG market's long-term prospects were strong and  
18 that the presence of import competition did not diminish the  
19 value of entering the U.S. industry. That is why we went  
20 forward with our investment. And I have no doubt that other  
21 domestic producers, many of whom are much larger and have  
22 made much bigger investments came to the same conclusion.

23           Once our U.S. plant is fully operational,  
24 Borusan's exports of OCTG to the U.S. will be greatly  
25 reduced. We plan to import only sizes which our U.S.

1 facility is not able to produce. As our U.S. plant becomes  
2 the primary source of supply to this market, Borusan in  
3 Turkey will shift its focus to developing opportunities to  
4 supply the Turkish OCTG market. We will also shift some of  
5 our capacity out of OCTG and into the other five types of  
6 pipes that we produce and sell in Turkey.

7           Although t he Turkish market has historically  
8 favored the use of seamless OCTG in the oil and gas sector,  
9 we are finding that Turkish driller, particularly  
10 privately-owned companies as distinct from the state-owned  
11 petroleum agency are increasingly open to using welded OCTG.  
12 In addition, Turkey has significant and expanding geothermal  
13 drilling industry, which also consumes welded OCTG.

14           We included with our brief a study of the OCTG  
15 market in Turkey. The lack of threading capacity in Turkey  
16 was a problem which we solved earlier this year by obtaining  
17 an API threading license.

18           As I already mentioned, Borusan has always been a  
19 careful and responsible participant in the U.S. market. Our  
20 imports did not increase over the period of the Commission's  
21 investigation. They declined, as did overall imports from  
22 Turkey. We have always priced responsibly. We have no  
23 interest in creating market disruption or price drops in the  
24 U.S. market where we have made a \$150 million investment.  
25 And with the opening of our Baytown plant, those imports

1 will continue to decline in the foreseeable future.

2 So, why have been included in this trade case?

3 The answer I suspect has to do with intra-industry domestic  
4 competition. As all the new domestic OCTG capacity comes on  
5 stream, some U.S. producers have felt pressure to fill out  
6 their mills and to have the products from their new  
7 facilities accepted in the marketplace. This is  
8 particularly true for those producers who are re-purposing  
9 older mills or who don't have a long track record of  
10 production in the U.S.

11 This has lead to price-cutting, which is one  
12 reason why OCTG prices have been soft over the past year or  
13 so. We have largely avoided this problem of price cutting  
14 because of Borusan's reputation for quality and because we  
15 have built a brand new mill and hired very experienced,  
16 proven mill operators to run it. We have also invested a  
17 lot of time in bringing customers to our mill as it was  
18 being constructed so they can assure themselves of what  
19 they're getting.

20 But to really compete successfully in this market  
21 in the long run we need to be able to offer our customers a  
22 complete range of sizes and products. And as I mentioned,  
23 there are some sizes we can't currently produce here and  
24 we'll need to continue to import from Turkey. Virtually  
25 every other major U.S. producer, including Tenaris,

1 Vallourec, Start, TMK IPSCO, and even U.S. Steel follow a  
2 similar strategy.

3 By potentially denying us the ability to bring in  
4 OCTG from Turkey to fill out our product line, I believe the  
5 major domestic producers are seeking to gain an advantage in  
6 competing with our domestic production. My understanding  
7 has always been that the unfair trade laws are intended to  
8 protect domestic businesses and workers from unfair foreign  
9 competition. It's not supposed to be a tool for larger  
10 domestic producers to try to squeeze out new domestic  
11 competitors. The U.S. trade laws should not be used in this  
12 way.

13 On behalf of Borusan's 200 U.S. employees, we ask  
14 you to carefully evaluate the merits of this trade case and  
15 to take into consideration Borusan's unique situation.  
16 Thank you.

17 MR. GURLEY: Good afternoon. My name is John  
18 Gurley from Arent Fox representing JESCO and Duferco SA.  
19 JESCO is the only exporter of OCTG to the United States from  
20 Saudi Arabia.

21 Let me begin by stating the obvious. Saudi  
22 Arabia is the farthest thing possible from an export  
23 platform of OCTG. This case is about oil country tubular  
24 goods. Saudi Arabia is oil country. The U.S. industry has  
25 nothing to fear from Saudi Arabia for several reasons.

1           First, imports from Saudi Arabia have always been  
2           small. Second, there's very little unused capacity. Third,  
3           the largest oil producer in the world, Aramco is in JESCO's  
4           backyard, literally. The fastest growing OCTG consumption  
5           is in the Middle East. These are advantages unique to Saudi  
6           Arabia.

7           On threat, there are very strong reasons to  
8           de-cumulate Saudi Arabia from the other countries. There  
9           are clear competitive differences between imports from Saudi  
10          Arabia and the other subject countries. The Saudi product  
11          is high end, seamless product. It is sold at some of the  
12          highest prices on the record, and it is declining in volume.  
13          De-cumulation is clearly warranted.

14          I'm now going to turn the floor over to our  
15          witness, Mr. John Blomberg from Duferco SA.

16          MR. BLOMBERG: My name is John Blomberg. I am  
17          the Director of Pipe and Tube for Duferco SA in Switzerland  
18          and I'm also on the board of directors for JESCO, the Saudi  
19          company named in these petitions. I've been involved with  
20          JESCO since September 2007 when the plant was being  
21          constructed.

22          Saudi Arabia is one of the largest oil producing  
23          countries in the world. However, until 2010 the Middle East  
24          had no local OCTG production at all. JESCO was built  
25          specifically to take advantage of the Saudi and regional

1 market demands for seamless OCTG and line pipe.

2 Saudi Arabia has to be by far the most unlikely  
3 target in this case. So unlikely, in fact, that the two  
4 biggest petitioners, Tenaris and Vallourec refuse to support  
5 the petition as to Saudi Arabia. They know better. For the  
6 USA industry to complain about Saudi Arabia taking 1 percent  
7 share of the U.S. OCTG market is quite remarkable.

8 All speeches heard today by the domestic mills  
9 are referring to export platforms built to ship low-priced,  
10 many times semi-finished imports to the United States. This  
11 has nothing to do with JESCO. We have shipped so far only  
12 high-priced, heat treated, finished seamless material to the  
13 United States. And it is not at all the majority of our  
14 sales that go to this country.

15 JESCO has never sent significant quantities of  
16 OCTG to the United States. JESCO only produces a limited  
17 range of casing and some coupling stock, and our lead times  
18 are much longer than those of the domestic industry. JESCO  
19 focuses primarily on large diameter pipe which is not so  
20 popular in the United States with its shale gas.  
21 Importantly, while JESCO makes premium connections, it is  
22 selling them only to Aramco. They are not approved for the  
23 American market. These factors exclude JESCO's product from  
24 many of the important USA buyers, including most of those  
25 that purchase basis program sales as mentioned by Mr.

1 Scianna.

2           When JESCO has shipped OCTG to the United States  
3 this is done so on a responsible basis. U.S. import  
4 statistics continue to show that JESCO's import prices are  
5 much higher than all other named imports as well as many of  
6 the petitioners' own imports.

7           I'd like to discuss the issue of the alleged  
8 future threat to the United States OCTG industry from Saudi  
9 Arabia. First I want to dispel the myth that there are 13  
10 OCTG producers in Saudi Arabia as alleged by the  
11 petitioners' brief. Vallourec has a large threading plant  
12 and heat-treating facility in Saudi Arabia. Tenaris  
13 likewise recently completed a threading facility for premium  
14 connections in Dammam, Saudi Arabia. Today they control  
15 about 50 percent of the Saudi OCTG market through their  
16 sales of premium connection pipe. They both know the market  
17 very well. We are astonished that the petitioners will  
18 continue to allege that there are potentially 13 Saudi  
19 producers when two of the companies in this room today know  
20 to the contrary. They deserve at least a yellow card for  
21 this infraction.

22           As our legal brief mentions, two companies filed  
23 responses to the ITC questionnaire JESCO and Saudi Steel  
24 Pipe. They produced the vast majority of OCTG production  
25 today in Saudi Arabia. But JESCO is the sole company that

1 has ever exported OCTG to the United States and Duferco  
2 Steel is the only importer of Saudi OCTG pipe.

3           Petitioners mentioned Saudi Steel Pipe as a  
4 possible threat. This company is a welded pipe company  
5 producing large-diameter, non-heat-treated OCTG and line  
6 pipe which are in big demand in Saudi Arabia. Saudi Steel  
7 Pipe has received several large contracts from Aramco for  
8 surface casing as well as for line pipe. But to my  
9 knowledge Saudi Steel Pipe has never exported its OCTG  
10 outside of the Gulf region. It is focused on the Saudi  
11 market and why not.

12           Petitioners alleged that -- AMJ, another Saudi  
13 producer has opened its mill and added 600,000 metric ton of  
14 new capacity. I understand from JESCO that this mill has  
15 recently opened on a limited basis, but it has neither  
16 produced nor sold OCTG to any markets including the United  
17 States market. In fact, I understand that they cannot yet  
18 make their own couplings which is a critical part of OCTG  
19 production. The 600,000 metric ton figure cited by the  
20 petitioners is preposterous. Companies almost always cite  
21 their theoretical rolling capacity of their mill, not the  
22 actual OCTG capacity which is a very different thing.  
23 Moreover, that figure is the theoretical capacity to make  
24 all types of pipe including line pipe when the mills are  
25 running at its full capacity.

1           Based on JESCO's own experience, once you  
2           commission a seamless pipe plant it takes years to go from  
3           zero to full production. This is particularly true in the  
4           Gulf region where there is a lack of skilled workers in the  
5           seamless pipe industry. It took JESCO well over 18 months  
6           to fully commission and accept all the installed equipment  
7           in our factory. It took us a couple of more years to ramp  
8           up production and get customer approvals.

9           In testimony last year I stated that in my  
10          opinion ArcelorMittal OCTG would have zero impact on the  
11          United States market in the next year. That statement has  
12          proven to be true. Even if AMJ's mill now opens, it has not  
13          yet produced OCTG, much less shipped OCTG to the United  
14          States. It is hard to see how AMJ can have any real impact  
15          on the U.S. market in the near future.

16          I would like to now talk about the Saudi market  
17          for OCTG. Saudi Aramco produces around 10 million barrels  
18          of oil per day and plans to increase their capacity to 12  
19          million barrels of oil per day. It is additionally  
20          embarking on a major drilling program in order to increase  
21          their natural gas production to service local industry  
22          needs. Saudi Arabia has around 200 active rigs. The target  
23          is over 240 by the end of 2014.

24          JESCO is participating in a new five-year tender  
25          with Aramco covering casing and premium connections. On an

1 annual basis this will exceed JESCO's total capacity to  
2 produce OCTG. We're confident that winning a significant  
3 amount of the new tender JESCO has also entered the premium  
4 connections segment of the Saudi market and has already  
5 delivered in excess of 50,000 metric tons to Aramco of such  
6 products.

7 JESCO also expects to compete for new business  
8 with Aramco in 2015 for a different type of premium  
9 connections that represents a large part of Aramco's annual  
10 consumption. Indeed premium connections are expected to  
11 exceed 50 percent of the OCTG consumption in Saudi Arabia by  
12 the end of 2015.

13 There is also significant growth in the Gulf  
14 countries and in North Africa. The rig count for this  
15 region is estimated to be greater than 450 by the end of  
16 2014. National oil companies in the region such as Abu  
17 Dhabi, Oman, and Qatar are continuing to issue new tenders.  
18 JESCO is not fully approved in these countries. We estimate  
19 that the market for seamless pipe in the Middle East and  
20 North Africa including line pipe and OCTG is in excess of two  
21 million tons per year. Precisely because of large contracts  
22 awarded by Aramco and the growth in the region JESCO's  
23 export to the United States will not increase.

24 Conclusion. I want to leave the Commission with  
25 a few important points. Number one, like the United States

1 Saudi Arabia is a huge oil producing country with a large  
2 and growing domestic share including a growing market share  
3 for premium connections.

4 Number two, our oil field supply business has  
5 been largely dominated, for years, by USA firms such as  
6 Halliburton, Flamber Jay, Hughes Neighbor Drilling, et  
7 cetera.

8 Number three, meanwhile JESCO's share of casing  
9 sales in the United States is less than 1 percent of the  
10 market.

11 Number four, JESCO wants to set up -- was set up  
12 to serve Aramco and other national oil companies in the  
13 region. JESCO has an advantage here like U.S. producers  
14 have an advantage there.

15 Number five, like most foreign exporters, we are  
16 blocked -- we are not present for much of the United States  
17 market including the very profitable premium connection  
18 segment of the USA market.

19 Number six, the Commission should follow the lead  
20 of Tenaris and Vallourec that did not think that this case  
21 against Saudi Arabia had merit and neither should the  
22 Commission.

23 Thank you very much.

24 MR. McCONNELL: Good afternoon. I'm Mark  
25 McConnell appearing on behalf of Interpipe, the sole

1 exporter from Ukraine. We support the joint defense on  
2 current injury and if the five of you agree with us, you  
3 will move on in your analysis to threat. That's what we're  
4 going to talk about. You have the statutory discretion to  
5 decumulate in your analysis of threat. We think you should  
6 decumulate Ukraine and find that exports from Ukraine viewed  
7 on their own do not cause a threat of injury.

8           Why should you decumulate Ukraine? When I read  
9 the petitioners' briefs, I was struck by how they focus on a  
10 model structure of a foreign industry that supposedly drives  
11 those industries toward the U.S. market. You heard a lot  
12 about that model again today. Ukraine does not fit that  
13 model.

14           First, the petitioners argue that foreign  
15 industries were set up to ship the vast majority of their  
16 product to the United States. That's not Ukraine.

17           Look at the data on page 18 of the U.S. Steel  
18 brief. It shows that we are unique among the suppliers in  
19 this case and how little of our sales we make in the United  
20 States.

21           Second, U.S. Steel argues that the foreign  
22 producers face intense Chinese competition in their home  
23 regions driving them here. This is not Ukraine either.  
24 Chinese product is not a major factor in our home region.

25           Third, Maverick argues that foreign producers

1 have to ship to the United States because their product is  
2 welded and the United States is the only major welded  
3 market. That's not Ukraine. We make seamless OCTG.

4 I could give you other examples, but the bottom  
5 line is that Ukraine does not fit the mold. Ukraine is  
6 different and should be assessed on its own merits.

7 Now, having shown you what Ukraine is not like,  
8 let me show you what Ukraine is like. This is a map of  
9 Ukraine and its neighbors, Russia, Belarus and Romania, all  
10 four of the countries on the map make OCTG. All four ship  
11 small volumes to the United States. And those small volumes  
12 are because they principally serve robust markets in their  
13 home region.

14 Why is Ukraine named in this case but not Russia,  
15 Belarus or Romania? Well, the answer is obvious. A leading  
16 Russian producer, TMK, is one of the petitioners here today.  
17 Another petitioner, Tenaris, owns a mill in Romania. And a  
18 third petitioner Tejas Tubular has a supply arrangement to  
19 bring in OCTG from Belarus. The petitioners know that  
20 Ukraine is not a threat in the U.S. market. The sum total  
21 of all Ukrainian imports is a small fraction of what Tenaris  
22 brings in all by itself. Ukraine was named so that the  
23 petitioners' preferred Eastern European suppliers would get  
24 an advantage.

25 Now, I'm going to depart from the testimony I

1 prepared because I want to show you a slide that just came  
2 up today.

3 This is an article in this morning's Russian  
4 financial press. It's about your hearing today. The  
5 headline is "America Helps Russian Pipe makers". The  
6 Russian view is that you are being asked to grant Russia a  
7 preference in this market. And I submit to you that the  
8 intent of the dumping law is to protect U.S. industries, not  
9 to grant privileged access to countries that happen to have  
10 relationships with U.S. producers.

11 I turn to our witness Fadi Hraibi.

12 MR. HRAIBI: Good afternoon. My name is Fadi  
13 Hraibi. I am the Chief Commercial Officer at Interpipe.

14 This investigation comes at a political turning  
15 point for Ukraine. We hope that out of this will come  
16 better government, and a proper path for our country between  
17 the West and Russia. The United States has been  
18 extraordinarily supportive. We in Ukraine thank you for all  
19 your support.

20 I would like to tell you about Interpipe's place  
21 in the U.S. market, and to puncture some myths about the  
22 effect of political developments on our business.

23 The obvious point about the U.S. market is that  
24 our share is tiny. Our market share is 2 percent. I find  
25 it very hard to believe these small quantities have any

1 effect on U.S. market prices or U.S. producers.

2 The argument seems to be that political  
3 uncertainty will cause us to increase shipments to the  
4 United States. This plausible, but it has not proved true.  
5 Since the start of the political unrest, we have not lost  
6 sales in our home market, we have not lost sales in Russia,  
7 and we have not lost sales in the European Union.

8 Let me start with Ukraine. Political uncertainty  
9 definitely does not encourage drilling, but two other  
10 factors outweigh political uncertainty. First, Russia's  
11 manipulation of gas exports has driven gas prices high.  
12 Natural gas in Ukraine now sells for around \$100 more than  
13 in December. This creates a great incentive to drill, and  
14 drilling has been active.

15 Second, Russia has recently stopped gas supplies  
16 completely to Ukraine. This creates an urgency for  
17 Ukrainian energy independence agenda. The United States has  
18 been very supportive in developing this agenda. As a  
19 result, we are looking for increased drilling, stability in  
20 our home market sales, and growth in the future.

21 Next, Russia. Russia is a very large market for  
22 OCTG, and drilling is very active. It is a strong market  
23 for Interpipe. Yes, Russia imposed additional tariffs on  
24 pipe products, including OCTG. And, yes, Ukraine's  
25 political relations with Russia are challenging, to say the

1 least. However, I have put a great deal of effort into our  
2 Russian marketing, and I can report that nothing has  
3 collapsed. To the contrary, our OCTG exports to Russia have  
4 been increasing. In particular, we have seen very good  
5 growth in our sales of OCTG to the large Russian energy  
6 companies -- some of which are actually state-owned.  
7 Despite all the speculation, we are not seeing a decline in  
8 our OCTG sales to Russia.

9           Finally, the European Union. While there are  
10 antidumping measure in the European Union, Interpipe has  
11 held its market position in OCTG, and is growing exports of  
12 seamless pipe in the European Union. Ukraine and the  
13 European Union has just recently signed an historic free  
14 trade agreement, which will support our growth in this  
15 market moving forward.

16           We produce seamless pipe on the same equipment as  
17 OCTG. So growth in seamless pipe sales means we make less  
18 OCTG.

19           When you put this all together, you see that we  
20 are not dependent on the U.S. market. Of course, we want to  
21 stay in the U.S. market, but we do not have an incentive to  
22 ship massive new volumes to this market, and we actually do  
23 not have the capability to do that. Because our OCTG  
24 capacity is tied to serving our home region, the allegations  
25 that Ukraine will ship massive new volumes to the United

1 States are simply wrong.

2 Thank you very much. I would be pleased to  
3 answer any of your questions.

4 MS. NAGARAJAN: Good afternoon, my name is Nithya  
5 Nagarajan, counsel to Jindal SAW Limited, a producer and  
6 exporter of seamless OCTG from India. Unfortunately my  
7 client had intended on traveling to the United States to be  
8 present at this hearing today, but fell ill and was unable  
9 to travel. At the outset, let me state that we support the  
10 joint defense arguments on all issues of material injury and  
11 will focus our discussion on two main issues.

12 First, there is no threat of material injury by  
13 reason of imports from India.

14 Second, there is no reason for the Commission to  
15 find that critical circumstances exist with respect to  
16 imports by Jindal SAW.

17 First, India is not a major exporter of OCTG to  
18 the United States. As compared to the other exporting  
19 countries, India's overall share is a tiny portion of the  
20 overall market, accounting for less than 2 percent and  
21 steadily declining. Of that tiny portion which India  
22 represent, Jindal SAW's share of the market is even smaller.  
23 And Jindal SAW does not see that changing over the next few  
24 years.

25 Second, Jindal SAW's focus for its seamless OCTG

1 is the domestic Indian market and other export markets. As  
2 we detailed in our prehearing brief at Exhibit 21, our  
3 business plan over the past few years has been to  
4 increasingly serve the local Indian market. This focus has  
5 not changed, and in fact, since the start of this  
6 investigation we have only sped up our plans and have  
7 shifted our sales to markets within India and also to  
8 countries other than the United States. The U.S. market is  
9 not of primary interest to Jindal SAW.

10 The Indian economy is increasingly demanding more  
11 and more energy to sustain its dramatic growth. And this  
12 has resulted in increased exploration activities and well  
13 counts within the country. To our knowledge there have been  
14 no down cycles in the demand for energy within the Indian  
15 market.

16 The OCTG and specifically the seamless OCTG that  
17 Jindal SAW produces is destined for the internal major oil  
18 and natural gas companies, most of which are state owned and  
19 the remainder of their production is geared toward the  
20 smaller, but growing private sector within India.

21 Thus, for purpose of Jindal SAW's own marketing  
22 strategies, it intends to fully focus on meeting the growing  
23 demands of its own national market for the foreseeable  
24 future and not focus on the United States.

25 Third, Jindal SAW does not sell its products

1 based upon price. Our customers choose our products based  
2 upon our quality and delivery schedules. They have a  
3 state-of-the-art production process which enables Jindal SAW  
4 to produce high-quality pipes which serves the needs of  
5 their customers. It does not compete on price as it charges  
6 a premium for its products. Its customers only discuss  
7 price after it's proven by Jindal SAW that it can meet the  
8 quality, availability and delivery requirements demanded by  
9 its customers.

10 Of course, its customers do care at some level  
11 about price, but price is not the driving factor. The  
12 reason why Jindal SAW's OCTG is sought by its customers is  
13 because of its high quality. And it is rare for Jindal  
14 SAW's OCTG to be rejected for quality reasons and its  
15 business is based upon trust and reliability, not on low  
16 prices.

17 Fourth, contrary to petitioner's repeated  
18 arguments, Indian capacity is not continually growing.  
19 Jindal SAW itself has not added any capacity in the past  
20 several years, nor does it plan on doing so in the near  
21 future. Thus, whatever volume it is able to produce today  
22 is what it plans on producing over the next few years.

23 Due to the fact that India accounts for such a  
24 small portion of the overall market within the U.S. OCTG  
25 sector, coupled with the fact that there are no anticipated

1 increases in capacity, there is no possible way that Indian  
2 imports could surge to such a level that it could  
3 potentially cause or even threaten to cause injury to the  
4 U.S. industry.

5 With respect to critical circumstances, the  
6 Commission should not find that critical circumstances exist  
7 with respect to imports from India. First, with respect to  
8 the AD investigation, the Commerce Department found that  
9 critical circumstances do not exist and thus there is no  
10 reason for the Commission to continue its analysis on that  
11 front.

12 With respect to the CVD finding of critical  
13 circumstances, this was driven purely by an adverse  
14 inference and unsupported by the record. We refer you to  
15 our prehearing brief with respect to the arguments specific  
16 to critical circumstances. However, we're happy to answer  
17 questions.

18 MR. MENEGAZ: Good afternoon. My name is Gregory  
19 Menegaz of the law firm DeKieffer and Horgan. I'm here on  
20 behalf of HLD Clark, Pipe Co., Inc., the sole Philippine  
21 producer of OCTG in the Philippines.

22 HLD Clark had participated actively in the  
23 preliminary and final phases of the Commission's injury  
24 investigation in this case and HLD Clark was the only  
25 mandatory respondent in the Department of Commerce's

1       antidumping investigation of the Philippines.

2                 HLD Clark joins and otherwise endorses the  
3       arguments made on behalf of other exporters, that the record  
4       does not support a finding of material injury or threat of  
5       injury generally in these investigations.

6                 With respect to threat of injury, HLD Clark's  
7       production and capabilities present no possibility of  
8       increase as to contribute any eminent threat of material  
9       injury to the U.S. industry. The Commission already found  
10      in the preliminary phase of the injury investigation that  
11      HLD Clark is the sole Philippine producer of subject  
12      merchandise, had the smallest capacity amongst subject  
13      producers, and the highest capacity utilization in 2012 and  
14      interim 2013. That's at USITC Publication 442 at Table 2-4.  
15      The Commission concluded that, quote, "These factors  
16      indicate a relatively low ability to increase shipments to  
17      the United States."

18                The Commission's prehearing report in this final  
19      phase confirms the preliminary finding that the projected  
20      capacity production and end-of-period inventories in the  
21      Philippines reflect a low ability to increase shipments to  
22      the United States in the foreseeable future from the  
23      Philippines. And for that we would refer to tables -- pages  
24      Roman 7-16 and 19 and tables Roman 7-5 and 6.

25                HLD Clark's foreign producer questionnaire

1 reveals that a substantial portion of its production is  
2 dedicated to non-subject merchandise as well. For all these  
3 reasons the Commission should render negative material  
4 injury and negative threat of injury finding with respect to  
5 the Philippines and this investigation.

6 Thank you.

7 MR. CUNNINGHAM: I am Dick Cunningham, Steptoe  
8 and Johnson. With me is my partner Joel Kaufman. We are  
9 counsel to ILJIN Steel, Korea's seamless producer and a  
10 producer that exports exclusively unheat-treated,  
11 semi-finished seamless for processing including heat  
12 treating in the United States before sale. I have  
13 distributed a -- typically for me -- a lengthy hearing  
14 statement which I've ask to be distributed. I'd ask to be  
15 put in the record. I am not going to read that and I am  
16 only in part going to summarize it.

17 Instead I want to devote myself to something that  
18 I am concerned about in view of the testimony that has  
19 arisen today. So you should take that and use it for your  
20 nighttime reading tonight. When you do, you might pay  
21 particular attention to the two legal arguments related to  
22 unheat-treated imports of green tubes, first that they --  
23 when they're heat treated in the United States -- become  
24 sales of U.S. merchandise, not imports. And secondly the  
25 argument that such material, particularly seamless material

1 that's heat treated after importation should be a separate  
2 like product.

3           What I want to focus on is the big picture of  
4 this case. Which I have some fear is getting lost in the  
5 blizzard of details presented by both sides, and as to which  
6 I fear some of the very, very persuasive statistics have  
7 been, if not misrepresented, at least erroneously presented  
8 to you. This is a price case. There's no argument here of  
9 volume injury to the U.S. industry. You heard that clearly  
10 at the end of the U.S. industry's presentation.

11           The issue here is one issue in the case, it's an  
12 issue where the answer leaps out at you from the staff  
13 figures. The issue is, what caused the decline of OCTG  
14 prices during the period of investigation? Was it subject  
15 to imports, or something else?

16           Now, what we're going to talk about here is the  
17 capacity issue. And I want to emphasize that what happened  
18 here is not something that is unusual in a market which is  
19 undergoing a boom in demand as everyone in this room has  
20 said, as everyone has characterized demand during the period  
21 of investigation, as everyone has has characterized demand  
22 in the coming years. What often happens in such a situation  
23 is that market participants overbuild capacity in  
24 anticipation of that demand boom. Note the response of Mr.  
25 Tejada of Tejas to Commissioner Johanson's questions about

1 capacity and at which his response was echoed by a number of  
2 the other companies. They saw the demand coming, and they  
3 very rationally increased capacity.

4 The problem is that in an industry of many  
5 companies, and that is the case here, capacity often gets  
6 overbuilt when everybody reacts in the same way to a coming  
7 boom. The staff report at Table roman numeral 3-4, shows  
8 that very clearly.

9 At the beginning of the period of investigation,  
10 the domestic industry, and I refer to the integrated mills  
11 and the processor had a startlingly large excess of capacity  
12 over their current production, 1.6 million tons for the  
13 process -- for the integrated mills and a little less than  
14 200,000 tons for the processors. That is 600,000 tons more  
15 than the total increase in U.S. consumption over the period  
16 of investigation, over the entire period.

17 In other words, the existing U.S. excess capacity  
18 at the start of the POI was sufficient to absorb all of the  
19 increase in OCTG consumption that came about throughout the  
20 entire period with more than half a million tons left over.  
21 Even allowing for some imprecisions in calculating capacity,  
22 and we all know capacity is not the most precise of figures  
23 that you get in these investigation, that's a startling  
24 figure and the magnitude of it can't be ignored. So what  
25 happened then?

1                   Again, look at table 3-4. Integrated mills added  
2 another 900,000 tons of capacity and the U.S. processors  
3 added over 400,000 tons of capacity. That's another 1.3  
4 million tons. That also exceeded the total increase in U.S.  
5 consumption over the period of investigation by more than  
6 200,000 tons. And it's not just capacity. The U.S.  
7 industry, mills and processors, production also increased  
8 over the POI by an amount significantly greater than the  
9 growth in apparent consumption.

10                   So what happens when you have such an excessive  
11 capacity expansion? The answer is, common sense. Producers  
12 price aggressively to fill their plants. This Commission  
13 has enough experience with steel cases to understand how  
14 maximizing your plant loading is critical to the  
15 profitability of steel companies. And this is especially  
16 likely where, as here, the price of the basic raw material,  
17 hot rolled sheet for most of this stuff, was declining  
18 giving these companies flexibility to cut OCTG prices.

19                   So I submit you need to draw the following  
20 fundamental conclusions here. First, the combined amounts  
21 of new U.S. industry capacity substantially exceeded the  
22 entire increase in U.S. apparent consumption over the POI  
23 even on top of excess capacity at the start of the period  
24 sufficient to absorb the entire POI increase in consumption.

25                   Secondly, the increases in domestic industry

1 capacity, production, and U.S. shipments over the POI each  
2 dwarfed the increase in subject imports. Subject imports  
3 increase is shown in table 4, roman numeral 4-7. The far  
4 greater increases in U.S. producers' shipments than in  
5 imports suggests strongly that domestic firms were the ones  
6 pricing more aggressively than the importers. Moreover, the  
7 data suggests that the integrated mills were the most  
8 aggressive pricers as evidenced by the fact that the mills  
9 were able to increase their capacity utilization from 67.6  
10 percent in 2011 to 70.7 percent in 2013, while the  
11 processors capacity utilization fell from 76 percent to less  
12 than 72 percent.

13           And you should note that all of this  
14 intra-domestic industry competition occurred in the merchant  
15 OCTG market whereas a substantial portion of subject  
16 imports, we estimate them some 20 to 25 percent, were sold  
17 in the input market, that is to processors, where U.S.  
18 producers essentially do not compete.

19           But one final point. This is not the death nail  
20 for the U.S. OCTG industry. Demand, everybody agrees, is  
21 going to continue to grow rapidly. This is a shakeout. A  
22 type of shakeout that occurs as an industry enters the  
23 sustained boom period. It is a self-correcting shakeout.  
24 Unless the U.S. producers continue to overbuild, they're  
25 going to to be fine.

1 Thank you.

2 MR. WAITE: Good afternoon, Madam Chairman. My  
3 name is Fred Waite from the law firm of Vorys, Sater. I'm  
4 here this afternoon with my colleague Kimberly Young on  
5 behalf of C&F International, a U.S. importer regarding the  
6 allegation of critical circumstances with respect to OCTG  
7 imports from Vietnam.

8 Madam, Chairman, we will not be presenting the  
9 prepared statement this afternoon. Instead, we rely on the  
10 arguments in our prehearing brief. We are, nevertheless,  
11 available to respond to any questions which you or other  
12 Commissioners may have on this issue.

13 Thank you.

14 MR. CAMERON: Madam Chairman that concludes the  
15 presentation of respondents. Thank you very much for your  
16 patience and your attention.

17 CHAIRMAN BROADBENT: Thank you to all the  
18 witnesses for coming today. Before we start with questions,  
19 Mr. Secretary, is there any preliminary matters you wish to  
20 --

21 MR. BISHOP: Madam Chairman, I would note that  
22 all witnesses on this panel have been sworn in.

23 CHAIRMAN BROADBENT: Great. Let's see, I think  
24 we'll start with Commission Johanson.

25 COMMISSIONER JOHANSON: Thank you, Chairman

1 Broadbent. And I would like thank all of the witnesses for  
2 appearing here today. I know it's been a long day. But  
3 I've certainly learned a lot about the industry which has  
4 been very helpful.

5 I'd like to begin with the issue of capacity  
6 which was the first issue I raised with petitioners this  
7 morning. As you all, know, that's a major factor in this  
8 investigation. You all the respondents contend that U.S.  
9 producers have harmed themselves by bringing more capacity  
10 on line, but capacity has increased not only in the United  
11 States, but also in a number of subject countries. In light  
12 of this situation, could it be possible that new capacity  
13 both domestic and abroad has negatively impacted U.S.  
14 prices?

15 MR. CAMERON: Well, Don Cameron, our economist  
16 will answer more expansively, but I think that what -- I'm  
17 not sure that we said that the domestic industry harmed  
18 itself. I think what we said was they did build the  
19 capacity. The capacity did have effects. But the building  
20 of the capacity was rational and frankly this is like  
21 watching a rat go through an anaconda. I mean, okay, so you  
22 have a big thing that starts, and what did they do when they  
23 added the capacity? It's not like the capacity wasn't used.  
24 You pointed out this morning that there was already  
25 quote/unquote "unused capacity available". But what did

1       they do? They added a million tons of capacity and they  
2       increased production more than they increased compound. So  
3       I would suggest to you that that's not necessarily  
4       overbuilding capacity, but it does have a temporary effect  
5       on the market as the market adjusts.

6                     Jim, do you want to --

7                     MR. DOUGAN: Sure. And just to add to that, to  
8       the degree that there is attenuation in competition which we  
9       believe that there is, that there are customers who either  
10      for logistical reasons or for domestic only reasons, or for  
11      in some of the cases with the drillers, I understand that  
12      perhaps some of industry folks can back me up on this,  
13      liability reasons for preferring domestic supply. That  
14      demand is going to grow, but they by nature have to compete  
15      with one another for that. It is rational when that demand  
16      is growing to add capacity to service it. But it's also a  
17      fact that when there's more capacity and more production  
18      competing for that business, it's going to have an impact on  
19      prices. So, you know, I'm not -- the effect of capacity  
20      increases overseas, you know, what you see in the market and  
21      the increase in subject imports, the time period when the  
22      greatest degree of at least decline in operating profit was  
23      observed, you didn't see much of a change in subject import  
24      market share. What you saw was a shift in market share  
25      amongst domestic producers and nonsubject imports. And

1 likewise in 2014 or part year 2014, when the operating  
2 margin continued to decline, subject imports were, again,  
3 losing market share. So it seems to me given that fact  
4 pattern that, given the timing of those declines, that  
5 capacity, whatever it may be increasing overseas, would  
6 explain that decline in profitability.

7 MR. CAMERON: There's one other thing that ought  
8 to be pointed out and that is, if there was actually an  
9 overcapacity situation as being said, then exactly why is  
10 it, and this is what Mr. Scianna was pointing out, why is it  
11 that Tenaris is building another 700,000 tons? We have  
12 Tehas and that really is the poignant question. Well,  
13 that's because they think that the capacity is justified  
14 based upon the market demand.

15 MR. SCIANNA: I'm Chuck Scianna with Sim-Tex. In  
16 2008 we had extreme shortages, even with the Chinese in the  
17 market. But that was because we had a robust world economy.  
18 OCTG is just a small segment of the steel industry and in  
19 most of these mills other products can be manufactured on  
20 the same lines, line pipe, mechanical tube, structural pipe,  
21 so the mills have options and the idea to build a capacity  
22 was a great idea in 2006, '07 and early '08 when the mills  
23 looked at it. Nobody anticipated the economic crash of late  
24 2008. And this capacity continued to come on with no  
25 options for those lines. The option today is OCTG. The

1 line pipe market hasn't recovered, the standard pipe market  
2 hasn't recovered. We're not building power plants in the  
3 U.S., so the high dollar, high profit boiler tube market and  
4 pressure tube market hasn't recovered. So all of those  
5 things have kind of come together to create this perfect  
6 storm with this lack of capacity. But like Don said, you've  
7 got a lot of capacity coming on at one time and you can't  
8 swallow it all at once. And there is a preference for  
9 domestic material in this market.

10 And I'm not sure, you know, we go back and forth  
11 and we say, well, the petitioners said they don't get a  
12 premium. Well, one way or the other, we get more for  
13 domestic than we do for the imported material. So you can  
14 call it a premium or a discount, whichever way you want to  
15 look at it, but in this market today, the majors especially,  
16 the large independents, require domestic and the foreign  
17 distributors don't have an opportunity to even quote.

18 MR. CUNNINGHAM: Commission Johanson, I wonder if  
19 I could add something to that? First of all, like Don, I  
20 want to disassociate myself from any idea that what I or he  
21 is arguing is that the U.S. producers were dummies in  
22 expanding capacity. They were reacting rationally each  
23 individually to the expected increase in demand. And what  
24 happens in a multi-company industry is each company acts  
25 independently and then the total becomes a substantial

1 excess of capacity.

2 With respect to your question about foreign  
3 excess capacity, I frankly don't know the issue whether  
4 there's substantial excess capacity around the world. I  
5 know there's not in my client, and I'll let the others talk  
6 to them -- talk for their clients. But, this is an import  
7 issue that we deal with here. If there's foreign excess  
8 capacity that is not transmitted to the United States by  
9 imports, then it's not relevant to antidumping injury  
10 issues. Here, I can't give figures because the shipments  
11 for the U.S. industry and the breakdown of the total imports  
12 by subject imports and others are confidential. But you  
13 will look at the staff report and you will see that the  
14 subject imports increase over the period of investigation is  
15 dwarfed by the increase in shipments by the U.S. industry.

16 And let me make a point of that. I told you  
17 there were figures thrown at you that are sort of at least  
18 inaccurate and maybe disingenuous. There was constant talk  
19 of 1.8 million tons of imports. What you're dealing with  
20 here is the increase in imports over the period of  
21 investigation, not the total imports at the end of the  
22 investigation, as if none of those imports had any right to  
23 be in this market ever. And when you focus on the increase  
24 in imports during the period of investigation and compare it  
25 as you should with the increase in U.S. producer shipments

1 and including processor shipments, you're going to find that  
2 they are very small in comparison.

3 MR. CAMERON: Commission Johanson, I would like  
4 to add just one other thing. There's also capacity and  
5 there's capacity. You asked this morning, for instance,  
6 well, what is the relevance of McKeesport? And the witness  
7 from U.S. Steel sat here and told you, well, I'll answer  
8 that in a post-hearing brief. The reason he told you that  
9 he was going to answer it in the post-hearing brief is that  
10 McKeesport, despite the fact that they have publicly  
11 associated the shutdown of McKeesport with OCTG, McKeesport  
12 has not produced OCTG since 1994. Was that correct date?

13 And I think that there are issues with some of  
14 the other capacity. And you can talk about Energex, I mean,  
15 for instance or Vallourec.

16 MR. SCIANNA: Well, there's capacity that's built  
17 outside of the market, the new capacity that Energex  
18 purchased that was built in Alabama proved to be in a bad  
19 spot to serve the industry. There's different quality  
20 capacity not just around the world, but even here in the  
21 United States. All consumers that require domestic only  
22 material don't accept all domestic manufacturers.

23 It's just like automobiles, domestic automobiles,  
24 we all have a preference if we drive a domestic automobile.  
25 And right or wrong, we think some are better than others.

1 And it's the same thing here except that we have a way in  
2 the industry with the API Standards to track quality and  
3 there is a difference, there's a demand -- different demand  
4 for seamless versus ERW.

5 MR. McCONNELL: Mr. Commissioner, if I may, I see  
6 your yellow light is on, but this is all so far been  
7 response for one country. I'd just like to point out that,  
8 you know, this is a perfect example of a forward-looking  
9 issue where separate consideration of countries would be  
10 very useful, and as you might expect in Ukraine, there has  
11 been no expansion of capacity.

12 MR. BREWER: Buddy Brewer, Borusan. Just to add  
13 a little bit to what Chuck was saying about the Energex  
14 facility, originally Lakeside facility, besides the location  
15 and its inaccessibility to most of the markets, they also  
16 had significant equipment problems and they also had extreme  
17 difficulty getting people to come to that facility with any  
18 experience to try to run the place. So they had a huge  
19 amount of problems at that facility.

20 COMMISSIONER JOHANSON: All right. Thank you for  
21 your responses. As you can see my time is expired.  
22 Actually I had another question this one on capacity also,  
23 but I think I might hold off on that. Thank you.

24 CHAIRMAN BROADBENT: Commission Schmidtlein.

25 COMMISSIONER SCHMIDTLEIN: Thank you. I wanted

1 to ask about the attenuated competition argument and Mr.  
2 Dougan's slides. In particular slide 10 where you show --  
3 I'll let you bring it up -- and, again, you know, you can  
4 correct me if I'm misstating the argument. But because the  
5 numbers here in some of the particular categories are -- I  
6 don't know what you would say, significantly different or  
7 drastically different, maybe J55 and P110, that means  
8 competition is attenuated. And you said that doesn't mean  
9 there's no competition, but that it's attenuated. Do I have  
10 that right?

11 MR. CAMERON: That's fair enough.

12 COMMISSIONER SCHMIDTLEIN: Okay. So my question  
13 is, you know, where do we draw the line? You know, at what  
14 point is it enough competition? Because as you can see, and  
15 I had looked at the tables in the staff report which this  
16 summarizes in a public way, they are competing in every one  
17 of these categories. There are subject imports and U.S.  
18 product in every one of these categories. So, where is the  
19 line between something that's attenuated, admittedly there  
20 is competition and where it's enough to say, they're  
21 competing?

22 MR. DOUGAN: Sure. I think where the attenuation  
23 comes into play is kind of part of the reason that I put it  
24 at the end of the presentation which is to say that the --  
25 for example, what is it that explains the decline in

1 profitability for the domestic industry? How can we  
2 understand this to have happened? What caused it?

3 I think the staff's variance analysis and from  
4 all the other data I've looked at, it is correct in that it  
5 was a decline in price because the variances and their cost  
6 base and in their volume base certainly were positive, so it  
7 was a price decline. And when you look at what the changes  
8 actually were in price, they're very, very similar between  
9 domestic producers and subject imports. To me that doesn't  
10 suggest, in fact they're almost virtually identical, that to  
11 me doesn't suggest that one is pulling one in one direction  
12 or the other. It's suggested that they're both subject to  
13 these, you know, changes in demand trends, they're subject  
14 to changes in raw material price.

15 The fact that there is a gap between the prices,  
16 we say is explained by the domestic price premium due to all  
17 the logistical issues and other reasons. And they're  
18 sometimes not even logistical reasons, but just accepting  
19 domestic-only policies.

20 When you put that together and you put that  
21 together with the fact that they are focused in different  
22 areas, it doesn't explain the decline in profitability for  
23 the domestic industry. And that's -- if there were much  
24 more competitive overlap, if they were virtually identical  
25 and identical presence within these different segments, if

1       they all had access to the premium connections, if there  
2       were changes in the pricing that were drastically different  
3       over time, if the timing of the shifts in market share  
4       between domestic industry, subject imports, and nonsubject  
5       imports kind of came together in that way, then you could  
6       point to the subject imports as being a cause. But to me  
7       when you sort of put it all together, it doesn't fit. And  
8       this is an aspect of that. And, you know, we're not saying  
9       they never see each other ever in the marketplace, but when  
10      you put all those things together, subject imports can't be  
11      explaining what the changes were and the decline in  
12      profitability.

13               MR. CAMERON: Commission, just one moment. I  
14      think it would be a mistake -- Don Cameron. I think it  
15      would be a mistake to suggest that this is the only  
16      attenuation that we are suggesting. Because --

17               MR. DOUGAN: The only public one.

18               MR. CAMERON: It's the only public -- yeah, but,  
19      I mean, that's an important fact. I mean, this is the one  
20      that we could point to. But we've also discussed  
21      proprietary connections which actually is an extraordinarily  
22      important part of the market. We've discussed the price  
23      premiums and the price premiums for the domestic industry  
24      are very real. They are documented by the Commission staff  
25      and they get again into this issue of attenuated

1 competition. So this is part of the story of attenuation,  
2 but we don't claim that it is the complete story of the  
3 attenuation. I don't know if that helps, but --

4 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

5 MR. CUNNINGHAM: Commissioner, could I add one  
6 point to that?

7 COMMISSIONER SCHMIDTLEIN: Sure.

8 MR. CUNNINGHAM: Because there is a portion of  
9 the imports -- substantial portion that is quite clearly not  
10 competing with the domestic industry and I refer to the the  
11 stuff that's brought in, heat treated after it's brought in,  
12 and then sold. Take Iljin's situation. Iljin sells unheat  
13 treated seamless green tubes to a distributor in the United  
14 States. The distributor will have that tool heat treated,  
15 an operation which the Commission has determined constitutes  
16 U.S. manufacturing makes it a U.S. product. But put that  
17 aside for just a moment and look at the competition. Iljin  
18 is not competing with the domestic mills in sales of  
19 finished seamless, heat treated. We don't set the price for  
20 the finished seamless, heat treated. We don't sell it to  
21 the customers of the distributor, and at that level in the  
22 merchant market, the seamless unheat treated material -- the  
23 seamless, heat-treated material is not in competition  
24 between imports and the domestic industry and Iljin does  
25 not. Nor does Iljin compete with the domestic industry in

1 sales of the unheat treated material. Why is that? Because  
2 the domestic industry will not sell to our clients, to the  
3 distributors unheat treated, seamless OCTG for heat treating  
4 and then reselling in competition with them. Therefore,  
5 that is an area, and it is a substantial area in the overall  
6 spectrum of imports where the imports simply do not compete  
7 at all with the U.S. industry at either level of trade.

8 COMMISSIONER SCHMIDTLEIN: Okay. I had a sort of  
9 similar question with regard to the program sales slide that  
10 you had which was slide seven in terms of attenuation.  
11 Because the point of this was also look, the domestic  
12 producers have most -- you know, most of the program sales.  
13 I mean, one question I had was, the percentages you have up  
14 there, if you looked at what percentage of the domestic  
15 producers sales were in program sales, that's a much  
16 different number; right?

17 MR. CAMERON: Yeah, I believe it's a little over  
18 20 percent.

19 COMMISSIONER SCHMIDTLEIN: Right. Okay. So if  
20 you look at it that way like what percentage of each of  
21 those --

22 MR. CAMERON: Right.

23 COMMISSIONER SCHMIDTLEIN: -- actors' sales are  
24 going into program sales --

25 (Simultaneous conversation.)

1                   MR. CAMERON: According to the petitioners this  
2 morning, all of their sales were program sales when they  
3 testified.

4                   COMMISSIONER SCHMIDTLEIN: Yeah. Okay. Well, so  
5 t his is my -- I guess two questions. You heard the  
6 petitioners this morning say that -- and the distributors in  
7 particular that testified, that, you know, foreign producers  
8 may not realize that their product is coming in and is being  
9 sold into a program sale, were you aware of that?

10                  MR. CAMERON: Commissioner, this table is based  
11 upon the purchaser questionnaire data that was collected by  
12 the staff. This is not based upon the foreign producers.  
13 This is based upon the distributors themselves. So, this  
14 actually is the accurate data that breaks it up. Because  
15 what the staff did, is they asked the question, what are you  
16 selling into the program? Are you selling U.S. production,  
17 nonsubject and subject? And this was the result of it. So  
18 it actually -- this is the accurate representation based  
19 upon the data that has been collected by the staff and we  
20 stand by it.

21                  MR. SCIANNA: Chuck Scianna. On that point,  
22 we're a wholesaler. We sell other distributors, but we know  
23 100 percent of the time, 100 percent, where our pipe is  
24 going, program, or nonprogram spot market.

25                  COMMISSIONER SCHMIDTLEIN: But the real point, or

1 I guess my question is, is there anything stopping  
2 distributors from selling more of that import into the  
3 program sales? In other words, like, yeah, they're not as  
4 much right now as domestic producers. But, again, they are  
5 there and --

6 MR. CAMERON: What stops them is the requirement  
7 that you have to have the inventory. This was the testimony  
8 this morning from one of the domestic distributors about,  
9 well, they have lower inventory requirements if I am serving  
10 a program out of domestic sales because, of course, the  
11 domestic sales are there. What happens if you're stocking  
12 for inventory? And many of the importers have to have a  
13 requirement of more inventory in order to supply that  
14 program sales. Why? Because the program sales operate on a  
15 just-in-time basis. And you either have the stock, or you  
16 don't. And this is the problem that the distributors who  
17 are sourcing from imports have. So, it is a different  
18 situation and it is a different situation with respect to  
19 them. And, of course, when you're ordering for the imports,  
20 you're doing it based upon a forward base six months ahead  
21 of time assuming that there aren't going to be any changes  
22 in the order.

23 MR. DOUGAN: One last thing. In the staff report  
24 it says, six of 37 responding importers noted that they had  
25 tried to sell OCTG from these countries via program sale

1 agreements, but had been unable to do so. And then other  
2 various reasons were stated by approximately half of the 32  
3 importers which didn't attempt to sell imported OCTG from  
4 the nine countries. But they weren't -- I mean, the ones  
5 who tried to get in couldn't and a lot of the other ones  
6 didn't try. I mean, there certainly were some who did,  
7 evidently, but it's a very small percentage of the market.

8 COMMISSIONER SCHMIDTLEIN: Thank you.

9 MR. BLOMBERG: I'd like to fill in on that, also,  
10 if I may. This is John Blomberg from Saudi Arabia. It also  
11 is a question of approvals. Many of the large programs in  
12 this country are booked by big companies like Anadarka et  
13 cetera, and they have close relationships with the American  
14 steel mills, pipe mills, and they're not going to consider  
15 foreign mills like ours for their programs, unfortunately.  
16 So, you know, maybe some of the smaller guys will, but these  
17 are not really -- these are very small program.

18 COMMISSIONER SCHMIDTLEIN: Okay. The time is up.

19 CHAIRMAN BROADBENT: The time is up, but we can  
20 get around to it again.

21 COMMISSIONER SCHMIDTLEIN: Okay. We can come  
22 back.

23 CHAIRMAN BROADBENT: This is probably back on the  
24 capacity question, Mr. Cunningham, and maybe others, I  
25 understand the argument that domestic capacity growth could

1 lead to aggressive domestic competition. But there's a bit  
2 of a difficulty, I think, looking at the excess domestic  
3 capacity as the source of the injury to the industry or sort  
4 of as a shakeup of the prices. You know, on the other side  
5 the petitioners might argue that excess capacity is an  
6 effective injury. So in your post-hearing brief, could you  
7 take a look at excess capacity and sort of cause and effect  
8 trace it out for us? And you might have a comment on that  
9 now.

10 MR. CUNNINGHAM: If I might say one thing about  
11 it before I do that. If the petitioners' excess capacity  
12 (a) came from a decline in their sales because they're  
13 losing sales to imports during the POI, I would have said,  
14 but, yeah, that's capacity excess caused by imports. That's  
15 not the case here. District sales increased.

16 If the petitioners' capacity comes from new  
17 capacity put on, if that's reason for the excess, and if the  
18 reason for the excess is capacity that existed already  
19 before the POI, I have trouble with the argument that  
20 somehow the imports caused the excess of capacity.

21 MR. CAMERON: Commissioner with all due respect  
22 capacity is an issue but I believe that one of the things  
23 that we have been trying to emphasize is it wasn't nearly  
24 the capacity per se, it was the fact that actually they were  
25 able to produce actually more than they added in capacity.

1 That run up in production occurred at the same time that you  
2 had raw material costs falling, raw material prices falling  
3 and it was a combination of that that actually led to price  
4 declines with a lot of the production that was coming on  
5 stream so it's not simply a matter of capacity per se, it's  
6 a matter of the ramp up in production and the timing of  
7 that.

8 MR. DOUGAN: Agreed the affects that we observed  
9 in the marketplace with the ramp up of production and its  
10 corresponding impacts on prices would have happened if they  
11 were running at 90 or 95 or 100% so the fact of the excess  
12 capacity "almost doesn't matter" to some degree they added a  
13 lot of capacity and they filled it but that did have, you  
14 know, consequences for intra-industry competition and prices  
15 given the timing of that.

16 CHAIRMAN BROADBENT: Okay. Ah let's see, Mr.  
17 Dougan or Mr. Murray is there a typical methodology used by  
18 purchasers to set prices based on raw material costs, of raw  
19 material costs -- do purchasers rely on hot rolled coil  
20 billets or an index that uses both, is there another way to  
21 do it?

22 MR. MURRAY: Raw materials I'm sorry, Kirk  
23 Murray. Raw materials have always been a factor in pricing  
24 considerations. They are used primarily as an index and  
25 purchasers, pipe buyers and end users use those because they

1 are concerned about replacement costs. Replacement costs  
2 are what is driving that and we use it strictly as an index  
3 on our programs, ah - we are a distributor, we bring in the  
4 steel and the data matches ours.

5 About 75% of our sales is through distribution,  
6 the other 25% is direct and approximately 20% of our sales  
7 overall are program business. Some of those, most of the  
8 programs that we have are through distribution and many of  
9 these programs, I say many, some are indexed with hot rolled  
10 coil prices.

11 MR. SCIANNA: Miss Commissioner, I'm Chuck  
12 Scianna. When we look at prices the mills have all used  
13 raw material cost as justification for increases. Back in  
14 2005, 2006 and 2007 it was iron ore, scrap prices, all of us  
15 in distribution look at those numbers as Mr. Murray said as  
16 indexes to try to see what's coming in the future. The  
17 scrap increase today will hit the pipe price or the hot band  
18 price 30 days, 60 days, 90 days from now.

19 So there are a number of indexes, coke and coal,  
20 iron ore, scrap, depending on what type of mill you have and  
21 energy costs as well. So those are all used when a price  
22 goes up anybody that's mining wants to know why and there  
23 has to be justification so most of the time it's raw  
24 material and there are times when it is labor cost and raw  
25 material.

1                   MR. BREWER: Buddy Brewer, Borusan. We are a  
2 producer and we sell 100% to distributors and I can assure  
3 you in our discussions with them we definitely get questions  
4 especially when scrap prices are going down, CRU's going  
5 down, coil price index are going down, we definitely have  
6 those conversations, it's our negotiation it's part of  
7 posturing I guess if you want to say it that way, it's  
8 definitely a part of our discussions. Is it the  
9 manufacturer? No, not always, but it is definitely part of  
10 discussion.

11                   CHAIRMAN BROADBENT: Okay Mr. Dougan going back  
12 to one of your sites, is rig count the best indicator of  
13 demand in the market as you discussed today? It's my sense  
14 that not all rigs are the same in terms of their usage of  
15 OCTG and we know that OCTG intensive horizontal drilling is  
16 on the rise. Why not use operator consumption of OCTG as a  
17 demand indicator?

18                   MR. DOUGAN: Well they are -- it is a good  
19 indicator and perhaps there are better ones because I think  
20 it has gotten less good as an indicator over time for this  
21 particular -- we can put something in the post-hearing brief  
22 that shows that, but it is going to show the same trend from  
23 12 to 13. It was, I mean they are not one to one in the way  
24 that they may have been in the past but you are going to see  
25 a decline in the demand indicators right around the same

1 time that the new capacity was coming online and the  
2 production was being ramped up and the raw material prices  
3 were declining.

4 MR. CAMERON: But we do agree with your  
5 observation concerning the fact that the rig count per se is  
6 not the same as it used to be and we will look at that.

7 CHAIRMAN BROADBENT: Okay good. Um, Mr. Blomberg  
8 why did Saudi Arabia develop a seamless high quality  
9 industry? Is it typical I mean is it for the Saudi Arabia  
10 geology or is it because you focus on a lot of external  
11 markets?

12 MR. BLOMBERG: I'm sorry could you repeat the  
13 question again I didn't hear it quite well.

14 CHAIRMAN BROADBENT: Sure, why did Saudi Arabia,  
15 why did you and Saudi Arabia develop a seamless high quality  
16 industry, why did you focus on that, are you focused on the  
17 Saudi Arabia market or exporting generally?

18 MR. BLOMBERG: Actually most if not all of those  
19 key markets outside of ocean North America pretty much  
20 insist on seamless pipes. Saudi Arabia has a consumption  
21 of OCTG in excess of 500,000 ton a year and it's all  
22 seamless with the exception of the 1805 8's surface casing  
23 which is huge and that's welded because it is only set to  
24 about 300 meters but it is very mild application, the rest  
25 of it is all seamless.

1 No welded and it is the same for all the near countries  
2 north Africa, mid-east north African, everybody.

3 CHAIRMAN BROADBENT: Okay I think I will turn to  
4 my colleague Vice-Chairman Pinkert.

5 VICE CHAIRMAN PINKERT: Thank you Madam Chairman  
6 and I thank all of you for being here today. It's been a  
7 long day but you are all looking chipper. I want to begin  
8 with a question that I asked the earlier panel and that is  
9 about the apparent preference for importing grain tubes and  
10 then heat treating them in the United States. You can tell  
11 me that that's not a real preference but assuming that it is  
12 what is the best explanation for it?

13 MR. CAMERON: Before we do that I think it would  
14 be, Don Cameron, it would be useful to clarify some of the  
15 discussion that occurred this morning because they basically  
16 finessed your question. There is a difference which some  
17 of the witnesses were more candid about than others between  
18 green tube and upgradeable J-55. And your staff collected  
19 the difference between those two.

20 Most of the industry witnesses when they were  
21 testifying to you were really discussing upgradeable J-55.  
22 That is sometimes known in the industry as green tube but it  
23 is not green tube. J-55 as a monogram, it is certified to  
24 chemical and mechanical properties, J-55 can be upgradeable  
25 as one of the witnesses this morning said, it is upgradable

1 if it has the chemical properties but it is not necessarily  
2 upgradeable and even all upgradeable J-55 is not necessarily  
3 upgraded. That is not green tube.

4 Green tube per green tube comes in it has no  
5 mechanical properties, it has no API monogram and it has to  
6 be heat treated and Mr. Shoaff was the most honest witness  
7 you had this morning in terms of being candid because what  
8 he said is, if you don't heat the green tube you might as  
9 well stick it into the ground as a piece of pipe because you  
10 can't use it as OCTG and that is correct so you have to  
11 distinguish between green tube which is non-stenciled non  
12 API monogram and the stuff in the question asked to  
13 distinguish between that and certified API but upgradeable  
14 which is J-55.

15 And I believe what we pointed out in our  
16 questionnaire is that the J-55 that is imported, there is a  
17 portion of it but it is not and it shouldn't be overstated.  
18 I thought that was useful to clarify because that had been  
19 the question that you had asked so I thought it was  
20 important to get the facts out.

21 VICE CHAIRMAN PINKERT: No I really appreciate  
22 that but I would also like to I hear about the preference if  
23 there is one and what explains it.

24 MR. PLANERT: Commissioner, Will Planert, it may  
25 vary, sorry. Will Planert, it may vary a little bit

1 country to country but in some instances for example with  
2 Turkey the answer was that they didn't have the ability to  
3 heat treat in the home market and so they would export J-55  
4 some of it was upgradeable and if they needed to upgrade it  
5 they would but rather than that being a preference it was to  
6 some extent a bit of a disadvantage because they are as Mr.  
7 Brewer testified there can be bottlenecks there, there are  
8 incremental costs there and one of the factors that I looked  
9 at, his investment is the fact that by building a facility  
10 here having its own dedicated heat treatment facility it  
11 would no longer be dependent on getting capacity from the  
12 merchant heat treaters.

13           So I'm not sure when you say preference, I think  
14 to some extent it was a matter of necessity and it is  
15 actually a disadvantage that importers face, these are the  
16 the domestic industry which has its own heat treatment  
17 capacity, you know and dedicated, allocated as it sees fit  
18 so I think from our respect that's not a preference, that's  
19 to some extent a disadvantage that at least some subject  
20 imports are facing in trying to compete with the domestic  
21 industry in this market.

22           MS. MENDOZA: And Commissioner Pinkert just to  
23 continue on with that, just to clarify Turkey did not import  
24 into the U.S. any so-called green tube. Everything was  
25 specified to API specifications at the time of importation.

1                   MR. SCIANNA: Chuck Scianna Mr. Commissioner.  
2                   From Korea there is only one importer of green tube and  
3                   that's ILJIN that Mr. Cunningham talked about earlier. The  
4                   upgradeable J-55 is preferred because in tubing, we are  
5                   talking about two different items now, tubing and casing.

6                   In tubing the upgradeable J-55 gives you the most  
7                   flexibility. The foreign manufacturers don't upset and  
8                   heat treat tubing, it comes in here plain end and if you get  
9                   a green tube or an upgradeable J-55 you can upset it and  
10                  sell it as J-55 or in a lot of cases heat treat it depending  
11                  on the chemistry to the other grades, N, L or P.

12                  The encasing if you can buy it already heat  
13                  treated plain end it is the best way to bring it in. When  
14                  the foreign producers just got into the heat treating  
15                  business in the last five or six years, most people bring it  
16                  in head treated to grade. Some casing comes in green J a  
17                  lot of that is sold as J, the reason we don't like to bring  
18                  it in threaded and coupled is because of handling damage.  
19                  It is easier to have it threaded here and there are  
20                  different types of threads, most of the casing can be  
21                  threaded with long thread, short thread or buttress and  
22                  again there are semi-premiums that we don't have access to  
23                  but some of the customers do.

24                  MR. CUNNINGHAM: Commissioner Pinkert could I  
25                  just add further, this is Dick Cunningham. I thought I

1 would further confuse the issue here, something I have been  
2 notoriously good at. What the Commission has determined to  
3 be U.S. produced material by a U.S. producer is stuff that  
4 is heat treated. That would include green tubes, that is  
5 the stuff that can't be used at all until heat treated and  
6 processed.

7 It would also include that portion of J-55 that  
8 might have been usable without heat treating but is in fact  
9 heat treated. Once it is heat treated it becomes a U.S.  
10 product. Now there are some problems with the Commission's  
11 data on this and it may be the product attributable to  
12 miscommunications between us the U.S. industry and the  
13 staff. It is hard to separate out that portion of J-55 that  
14 is heat treated and that which is not heat treated although  
15 Don probably knows better than I about that.

16 MR. CAMERON: I believe the staff actually did  
17 collect the data on that and I believe that it is in the  
18 staff report.

19 VICE CHAIRMAN PINKERT: Thank you.

20 MR. BREWER: Excuse me, Buddy Brewer, Borusan I  
21 would also like to make a clarification of something that  
22 was mentioned this morning about the advantage that the  
23 importers have in bringing in one tube that can be made into  
24 anything. I worked for U.S. domestic producers for many,  
25 many years. I can assure you they do exactly the same

1 thing. They produce tubes that can be then converted into  
2 any grade downstream, so they do exactly what they said that  
3 the imports have an advantage in doing.

4 VICE CHAIRMAN PINKERT: Thank you I just wanted  
5 to clarify that. Now Mr. Dougan I want to ask you an  
6 economic question before the end of this round and the  
7 question is can you explain to me why an imported green tube  
8 can't have a price effect on the sales in the United States  
9 of the finished product, of the finished domestic product  
10 and you have a minute and twenty seconds.

11 MR. DOUGAN: Okay wow, a minute fifteen,  
12 fourteen, thanks Don. Well on the first -- in the first  
13 instance the domestic industry is not selling green tube  
14 into the merchant market or if they are it is at a fraction  
15 of their sales, I'm not sure if there is any at all. So  
16 there is no head-to-head competition in that sense. The  
17 other aspect of it is once it is heat treated and had  
18 significant value add to it to be as I understand it from  
19 Commission precedent considered domestic production, it is  
20 domestic product that is sold into the marketplace in  
21 competition with domestic product and also other imported  
22 product and so in that sense if it is domestic product  
23 whatever price effect it may have it is not attributable to  
24 subject imports.

25 VICE CHAIRMAN PINKERT: I am going to ask the

1 question again and perhaps you can answer it in the post  
2 hearing.

3 MR. DOUGAN: Okay.

4 VICE CHAIRMAN PINKERT: What I am concerned about  
5 is whether the pricing

6 MR. DOUGAN: Okay.

7 VICE CHAIRMAN PINKERT: Of the imported green  
8 tube can have an impact downstream

9 MR. DOUGAN: Okay.

10 VICE CHAIRMAN PINKERT: In the finished product  
11 market?

12 MR. DOUGAN: Okay I will think about that and  
13 answer it post-hearing.

14 VICE CHAIRMAN PINKERT: Thank you.

15 MR. CUNNINGHAM: Could I suggest one thing, could  
16 you ask also does it because it can -- my answer to that  
17 would be it can but it may or may not, it depends on the  
18 person who we sell the green tube to and that person then  
19 has the pricing, sets the price for the finished product,  
20 not the foreign seller of the green tube and therefore it  
21 may affect the cost of the person who sells into the U.S.  
22 market the finished product or it may not, it depends on all  
23 sorts of factors that we could write a few books about.

24 VICE CHAIRMAN PINKERT: Okay so the question for  
25 the post hearing then is can it have an impact and does it

1 have an impact, thank you.

2 CHAIRMAN BROADBENT: Okay Commissioner  
3 Williamson.

4 COMMISSIONER WILLIAMSON: Thank you. I want to  
5 thank all of the witnesses for their testimony. We have  
6 had conflicting arguments about whether the market has moved  
7 toward more standardization or toward more uses of specialty  
8 grades due to horizontal drilling and fracking and I am want  
9 to know how we assess that.

10 I have heard people talk about this, it's  
11 definitely there was quite a bit this morning.

12 MR. BREWER: Buddy Brewer Borusan. I can't speak  
13 for the domestics all I know is that the inquiries that we  
14 see on a daily basis are for specialized products. They  
15 are asking for restricted, hardness limitations, impact  
16 resistance, collapsed values. We see -- we certainly sell  
17 standard API products every day but we see a huge number of  
18 inquiries on specialty products.

19 COMMISSIONER WILLIAMSON: Okay, excuse me this  
20 morning, domestic energy was saying that with the shift  
21 towards you know oil as opposed to natural gas, and that the  
22 demand is stronger now with the oil that you could use more  
23 J-55 you don't need the specialties, do people agree with  
24 that or either with the shift or with that implications?

25 MR. SCIANNA: Chuck Scianna again.

1                   COMMISSIONER WILLIAMSON: Yeah.

2                   MR. SCIANNA: We are shifting into oil and what  
3 you can do with oil as compared to gas is you don't have to  
4 have the premium gas tight connections. With the new  
5 horizontals you can't use more J-55, the J-55 won't make the  
6 curve, J-55 won't you can't drill it into the ground so like  
7 Mr. Brewer said I have been in this business, I have been in  
8 the oil field for over 40 years, 31 in OCTG. I don't know  
9 what my inventory needs to be tomorrow. It changes on a  
10 daily basis because right now we are still in trial and  
11 error. Trying to find out what works best and what  
12 application.

13                   And as Buddy said the standard grades in P110 now  
14 there's P110, there's P110 high collapse, there's P110  
15 enhanced collapse. The end users are asking does P110  
16 control yield all of these things are being developed as we  
17 speak at the request of the end users so I don't really know  
18 what standardization is.

19                   It may be that some grades like N80 are much less  
20 in demand but we haven't shifted from the specialty grades  
21 to J-55 and the connections that we are using some are  
22 premium but a lot are called semi-premium and then you are  
23 splitting hairs, now when you talk about premium versus  
24 semi-premium.

25                   MR. CAMERON: Commissioner, just one thing

1       yesterday's American metal market TMK IPSCO is quoted as  
2       saying the following with respect to the results announced  
3       by the Commerce Department it is not going to have that much  
4       of an impact "because the company has been shifting its  
5       focus towards value added products such as premium  
6       connections".

7                 I mean the questionnaires are littered with  
8       information with respect to the increased specialization of  
9       the products and so I actually I do think that the  
10      questionnaires and the staff report supports the proposition  
11      that no these are not standard -- I mean first we started  
12      calling it a commodity product, then later it was called a  
13      commodity-like product -- I mean I don't know how many  
14      variations of the word commodity we can use because I know  
15      that they are not going to agree with Commissioner Pinkert  
16      the way we ought to be doing a Bratsk test and it appears to  
17      us that there is a great deal of quality differences.

18                There are a great deal of different requirements  
19      per well and these spring designs change so this I heard all  
20      the noise about it but in the end you cannot harmonize that  
21      with the, the increased use of premium connections and that  
22      is a very real.    So I heard the testimony but I don't  
23      believe that the data that has been collected by the staff  
24      so far supports that proposition.

25                COMMISSIONER WILLIAMSON:   Well are you saying

1 then because you have argued about intenuating competition,  
2 isn't that the importers, the suppliers of the importer  
3 product aren't trying to compete where they think the demand  
4 is going?

5 That's the implication I get from what you --

6 MR. CAMERON: No, the implication is actually the  
7 contrary. Yes, the importers would love to be able to  
8 compete in the proprietary connection of the market which  
9 you guys have estimated at 25% of the market. They don't  
10 have access to the proprietary connections. Those  
11 proprietary connections are controlled by the eleven  
12 producers, whether it be U.S. Steel, TMK IPSCO, Vallourec  
13 and every one of the controlled imports of those producers.  
14 That's who has the proprietary connection.

15 No subject imports have proprietary connections  
16 so they actually can't compete in that segment of the  
17 market.

18 COMMISSIONER WILLIAMSON: But is it just the  
19 proprietary connections or is it also demands for higher  
20 levels?

21 MR. BREWER: Just a couple of points, this is  
22 Buddy Brewer. If products are becoming standardized then  
23 there would have been no reason for TMK to build a  
24 multi-million dollar research facility for standard  
25 products. The other thing is that a few years ago, five,

1 six years ago a standard string was maybe 12,000 feet,  
2 15,000 feet. Today they are going down 12 or 15,000 feet  
3 turning it and going another 15,000 feet.

4 To Chuck's point especially the API connections  
5 cannot handle that bending and so what we are having  
6 difficulty with, again this is the life we are living right  
7 now. We are having difficulty sourcing API couplings  
8 because the coupling shops are spending all of their  
9 capacity to produce semi-premium and premium couplings,  
10 that's because they are not standard products.

11 MR. GURLEY: Commissioner this is John Gurley.  
12 Some of us have become somewhat familiar with the financial  
13 statements of Tenaris in the Department of Commerce  
14 proceeding and the reason I mention that is because their  
15 financial statement is littered with references to the  
16 premium connections they make and it is also littered with  
17 references to the fact that their profit margins are over  
18 25%. So I think it defies logic that there is a commodity  
19 product out there when Tenaris is making 25% margins and  
20 they are talking about premium connections being one of the  
21 bigger reasonings.

22 COMMISSIONER WILLIAMSON: I am not talking about  
23 commodity products, I am just trying to find out where the  
24 demand is and where the demand is growing and what role our  
25 imports are going to play in satisfying the demand can they

1 not?

2 MR. HRAIBI: Fadi Hraibi while I supported --

3 COMMISSIONER WILLIAMSON: Will you identify  
4 yourself, I'm sorry.

5 MR. HRAIBI: Fadi Hraibi, Interpipe. So I  
6 supported what my colleagues said actually both Tenaris,  
7 Vallourec and TMK on every single conference call they make  
8 with their shareholders and every single financial statement  
9 and financial report we make, they stated their strategies  
10 were into the premium segment, their strategy is going to  
11 premium connection and the special steel gauge, proprietary  
12 steel gauge.

13 Why we as importers or actually as smaller  
14 companies cannot enter this market because it is very  
15 heavily protected by patents. No we have just as an  
16 anecdote we have developed a premium connection called a  
17 Ukrainian premium joint, however we cannot market it outside  
18 of the Ukraine because of the patent protection from  
19 Vallourec, from Tenaris and TMK so I think that it's a big  
20 intellectual property barriers that stops us from going in  
21 there.

22 MR. SCIANNA: Sir, Chuck Scianna again. To  
23 answer your question directly, what part of the market are  
24 imports going to take? The API portion, the standard API  
25 portion which will not limit us to grade it will be J L and

1 P, it will be the standard API connection. We won't as --

2 COMMISSIONER WILLIAMSON: Does that mean you  
3 can't do the deep horizontal drilling?

4 MR. SCIANNA: No, no, tubing for the most part is  
5 horizontal, I mean vertical not horizontal and we can do  
6 some of the horizontal drilling with buttress which is an  
7 API connection and some drillers still use that. But we  
8 have a limited market because of the intellectual property  
9 we are very limited in what we could develop. I think  
10 almost every foreign mill that you talk to would like to  
11 develop a premium or semi-premium connection, but they have  
12 been around for so long, so many variations have been  
13 patented and the new ones that have been patented don't have  
14 the tools, the down hole tools to match the thread.

15 The end users want to buy a connection that they  
16 can use, a buttress tool, a buttress threaded tool or  
17 somebody that already has the tools made to go with the  
18 thread because the real profit is in those tools. The down  
19 hole tools that they have to use, the packers and the  
20 different tools that go on the pipe that have the premium  
21 connection as well and those are proprietary also.

22 COMMISSIONER WILLIAMSON: Okay my time is up but  
23 if there is anything that Respondents or Petitioners can do  
24 to shed light on this as to how we should assess this trend  
25 and how significant is it and what does it say about our

1 decision whether or not the subject product is causing  
2 injury? Thank you.

3 CHAIRMAN BROADBENT: Mr. Johanson.

4 COMMISSIONER JOHANSON: Thank you Chairman  
5 Broadbent and I'm going to believe it or not ask you more on  
6 attenuated competition from somewhat of a different angle.  
7 As you all know this is a major issue in this investigation.

8 With nine Respondent countries making both cumulation and  
9 attenuated competition arguments, it is not easy to keep  
10 track of all of the proposed distinctions. Among others we  
11 have heard high grade alloy versus low grade carbon,  
12 seamless versus welded, heat treated versus green tube,  
13 casing or coupling stock versus tubing, finish versus plain  
14 end, premium or proprietary connections versus non-premium  
15 connections and program sales or contracts for spot markets.

16 It seems that if some of these categories are  
17 combined then some attenuation could be shown for at least  
18 some of the countries, yet I'm sure that counsel are aware  
19 of the Diamond Sawblades case and what it says about the  
20 Commissions' attenuated competition analysis.

21 Is it possible for one of the parties to give us  
22 the best argument for attenuating competition with the  
23 Diamond Sawblades case in mind?

24 MR. CAMERON: If it would be possible to do that  
25 in the post-hearing brief we would be glad to do that.

1                   COMMISSIONER JOHANSON: All right thank you Mr.  
2 Cameron I look forward to seeing that at that time.  
3 Petitioners contend that the plants in some of the subject  
4 countries were built specifically with the goal of getting  
5 around the China order. Could the witnesses please respond  
6 to these statements?

7                   MR. CAMERON: Well to the extent that it's been  
8 well I guess could you be more specific about that?

9                   COMMISSIONER JOHANSON: If you look at some of  
10 the pre-hearing briefs there are contentions that certain  
11 plants were built in other countries specifically I am not  
12 going to use the word evade, that's a loaded word, but --

13                   MR. CAMERON: Okay I think individual countries  
14 have to answer the questions. In the case of Korea there  
15 is no -- first of all there is no Chinese hot coil that is  
16 used to manufacture OCTG in Korea. Secondly, those are  
17 Korean mills, they are not trans-shipping any Chinese OCTG  
18 and the other countries can speak for themselves.

19                   MR. BLOMBERG: John Blomberg. For us it is not  
20 applicable, we built our seamless mills to supply seamless  
21 casing primarily for the Middle East.

22                   COMMISSIONER JOHANSON: I don't know if any of  
23 these countries are present, yes?

24                   MR. SAILER: Frank Sailer from Bali Pipe Company  
25 Limited, a Thai company which does have some Chinese

1 ownership. We would prefer to address that in the  
2 post-hearing brief but I will say that Bali in particular it  
3 has set its sights more on the Southeast market, sorry  
4 Southeast Asian market, the plant was not built to get  
5 around the U.S. anti-dumping case. Again we will address  
6 that in more detail in the post-hearing brief.

7 MS. NAGARAJAN: This is Nithya Nagarajan for  
8 Jindal SAW an Indian producer of seamless. No their plant  
9 was in existence for many years prior to the Chinese  
10 investigation. They don't source from China, the Chinese  
11 case has no influence on their decisions to produce.

12 MR. HRAIBI: Fadi Hraibi, Interpipe Ukraine.  
13 Our plants are actually built in the Soviet era to serve the  
14 Soviet oil industry so of course there is no influence on  
15 the Chinese anti-dumping order.

16 MR. CUNNINGHAM: Dick Cunningham for ILJIN,  
17 perish the thought Mr. Johanson.

18 MR. MURRAY: We are the distributor for SeAH  
19 Steel out of Korea and SeAH also has a plant in Vietnam and  
20 the only mill that I was aware of there that was a literal  
21 transplant was SeAH-VINA is owned by SeAH of course and that  
22 is the only one I am aware of in Vietnam.

23 MR MENEGAZ: This is Craig Menegaz from HLD Clark  
24 just to chime in. Their partial owner was not a mandatory  
25 Respondent in the OCTG case in the first place so they are

1 kind of caught up in that case but as you heard this morning  
2 all of the Petitioners or many of the Petitioners have their  
3 own foreign affiliates and for us this seems to be a basic  
4 business decision and HLD Clark is in an economic zone with  
5 a lot of other large U.S. and foreign corporations and this  
6 issue was investigated in detail by the Commerce Department  
7 even though Petitioners admitted in their allegations that  
8 it wasn't really a legal problem for the company so we don't  
9 see really the legal relevance of this but we will address  
10 it in our post-hearing brief.

11 COMMISSIONER JOHANSON: I don't necessarily see a  
12 legal problem with it but I could see how one could contend  
13 well if the U.S. is in effect that the United States is in  
14 effect a magnet market for certain countries which do not  
15 consume OCTG and perhaps particularly in light of the  
16 contention that certain plants were built up solely to  
17 export to the United States in order to once again get  
18 around the China order that those imports could thus drag  
19 down the U.S. prices, I think that's in effect what the  
20 Petitioner's stated in some of their pre-hearing briefs.

21 MR. BREWER: Buddy Brewer Borusan. For Turkey  
22 our stretch reducing 3 inch mill began operations in 1975,  
23 our large diameter casing mill began operations in 1987 and  
24 then our direct coil 3 inch mill began operations in 2008.

25 MR. CAMERON: Commissioner it is useful to know

1 that there has been a lot of talk about how Korea does not  
2 have oil drilling capacity, oil drilling in Korea and that  
3 is undoubtedly true. The Korean pipe mills have been in  
4 operation the three largest since the early 1980's and  
5 actually before that. OCTG the first OCTG case that I did  
6 was in 1982 dealing with preclearance on the trigger price  
7 mechanism.

8 I know it would be a shock to you that the  
9 Commerce Department, having found that the Koreans could  
10 produce under the trigger prices discontinued the  
11 pre-clearance system for the trigger price mechanism but it  
12 is to say that China had nothing to do with the capacity of  
13 OCTG or any other pipe in Korea and they manufacture a  
14 variety of pipe and they do it on the same mills.

15 In other words, it is not like you are building  
16 OC -- you are manufacturing OCTG on a separate mill from  
17 Standard Pipe and Line but they are manufacturing, they use  
18 the same pipe forming equipment to manufacture. The  
19 difference is number one the quality of the hot rolled coil  
20 that is used to manufacture OCTG as opposed to other types  
21 of piping tube.

22 Secondly they have now recently developed a heat  
23 treating capacity in some of the mills but they manufacture  
24 a wide variety of pipe and tube and the China order has  
25 never had anything to do with Korea.

1                   COMMISSIONER JOHANSON: All right, thank you for  
2 your responses, they were helpful. I am going to get back  
3 to another issue which I raised this morning. This morning  
4 Mr. Schagrín, counsel for Petitioners said that imported  
5 products are indeed included in program sales and you all  
6 addressed that a few moments ago. If foreign produced OCTG  
7 is not included extensively in program sales which seems to  
8 be your response to what he stated, is foreign produced  
9 OCTG, O-C-T-G primarily sold to the spot market?

10                   MR. SCIANNA: Chuck Scianna. It is sold through  
11 the spot market and is sold as filler for programs.

12                   COMMISSIONER JOHANSON: Okay so you are basing  
13 stating what I heard this morning from Mr. Schagrín that it  
14 is in effect often used as a back-up whenever a program pipe  
15 is not available?

16                   MR. SCIANNA: Yes I think that if you read the  
17 brief that we filed and I grant you that there has been a  
18 lot of paper flowing in so that wasn't, that's not a  
19 criticism. We did not say that there is no import  
20 participation in program sales. We said that there is a  
21 limited import participation in program sales and we cited  
22 to the data that had been collected by the staff and that  
23 was the point and actually what we are suggesting is that  
24 the data selected by Mr. Schagrín was suggesting that there  
25 is no real data to support how much the imports are

1 participating in program sales, and that is where we  
2 strongly disagree with Mr. Schagrin because what we are  
3 saying is the staff actually collected that data from the  
4 purchasers, that is the data in the purchaser questionnaire  
5 and that is the data that was on the slide that we presented  
6 this morning.

7 So that yes, we do participate as a marginal  
8 supplemental supplier to program sales but programs are not  
9 going to rely primarily upon imports to supply them because  
10 they are not going to be able to make them just in time and  
11 there is going to be a problem if that's what program sales  
12 do.

13 MR. SCIANNA: Chuck Scianna again. If the end  
14 users would accept foreign pipe in all of their programs and  
15 if as has been alleged foreign pipe is so cheap there  
16 wouldn't be a domestic industry. It would all be handled  
17 by foreign pipe but that is not the case. The majors, the  
18 large independents, will not accept the foreign pipe for the  
19 most part and when you are looking at these programs you are  
20 looking at hundreds of thousands of tons. I don't know of  
21 a foreign mill that has the kind of capacity and even in the  
22 domestic mills, multiple mills usually service these  
23 programs with the same end user.

24 COMMISSIONER JOHANSON: A ll right well thank  
25 you for clarifying that for me and I must admit it's my

1 mistake that I made a generalization in my mind about  
2 program sales.

3 MR. CAMERON: No problem and we will try to  
4 clarify anything in the post-hearing brief, we appreciate  
5 the question.

6 COMMISSIONER JOHANSON: Okay certainly thank you  
7 and my time has expired.

8 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

9 COMMISSIONER SCHMIDTLEIN: Thank you. Um, I want  
10 to make sure that I understand the argument with regard to  
11 the controlled import sources which are non-subject imports  
12 and what exactly you are saying? Is it that, is part of  
13 the non-attribution argument, is this that the Respondents  
14 are arguing that non-subject imports are causing injury?

15 MR. DOUGAN: And I'm sure Don will have something  
16 to say. Jim Dougan from ECS I'm sure Don has something to  
17 say about this but the -- it's we have heard both from the  
18 panel this morning and from it's in the questionnaires and  
19 from I'm sure some of the witnesses here would say the same  
20 thing is that the domestic producers those who have overseas  
21 affiliates, go to market to their U.S. customers in the same  
22 way with the staff they make from the U.S. mills and from  
23 their overseas mills.

24 To the customer, the customers may know where  
25 it's produced but they may not and it's not always and often

1 isn't sold with any distinction. So to the degree that  
2 affiliated non-subject imports are arriving in significant  
3 volumes and they are, the shifts in market share and the  
4 competition amongst those producers is an important  
5 condition of competition that could be leading to and we  
6 argue is, leading to declines in domestic industry  
7 profitability.

8 Now any individual U.S. producer is going to only  
9 bring in stuff from their overseas mills that compliments  
10 their domestic production but in aggregate that isn't  
11 necessarily so, so the stuff they bring in from overseas  
12 might be competing with one of their fellow domestic  
13 producers and is. So that's the crux of the argument that  
14 we are making here.

15 MS. MENDOZA: This is Julie Mendoza on behalf of  
16 Borusan and Turkish producers. I mean I think we are also  
17 making an additional argument which is that it doesn't make  
18 very much sense for example in the sake of Turkey and you  
19 heard Mr. Brewer's testimony. This suggests that somehow a  
20 supplier of such a small quantity to this market who also  
21 has already undertaken an investment and has already begun  
22 production and is going to continue to increase production  
23 and become a U.S. producer and do exactly what these U.S.  
24 producers do which is to import sizes that they can't make  
25 domestically and compliment their production, we are

1 suggesting that to the extent the Commission examines the  
2 issue of injury it is pretty hard to find that those others  
3 you know non-subject imports which are much bigger  
4 individually and certainly together than Turkey has ever  
5 been or will be is you know, just means that there can't be  
6 any threat at all from Turkey.

7           And I think that you know what Mr. Brewer was  
8 trying to say today and what you heard this morning is all  
9 of these U.S. producers look at it, including U.S. Steel as  
10 we have U.S. operations but we also need to bring in imports  
11 to complement our production. Now if there is such  
12 standardization one would wonder why it is that they have to  
13 do that but in any event the fact of the matter is that you  
14 know that is exactly what Borusan is intending to do in  
15 Texas as well and yet Petitioners have brought this case  
16 against them and to try to prevent them from following the  
17 exact same business model so we in addition are make that  
18 argument.

19           MR. DOUGAN: I'm sorry I have one more thing to  
20 add on that, and Julie Mendoza's testimony reminded me.  
21 The panel this morning pointed to the non-subject imports as  
22 well they are all higher priced and they are not the same  
23 thing and if you look at the data it will show that and that  
24 may be true on a case by case basis on an average rated  
25 value but that has to do with product mix and the product

1 mix data do show that they are much more similar to the  
2 domestic producers in their composition and in the segments  
3 in which they play than they are to the subject imports.

4 But in the pricing data for the six pricing  
5 products, non-subject imports undersold domestic producers  
6 in a majority of cases by an average underselling margins  
7 very similar to what you see from the subject imports. So  
8 the idea that that can't have an effect on prices is not  
9 plausible to me and also it is indicative of how they might  
10 behave in the products rather than aren't captured just by  
11 the six pricing products and given their composition it's  
12 likely to be much more fierce with the domestics than it is  
13 with the subjects.

14 MS. MENDOZA: And if I could just include the one  
15 thing I forgot, that Jim made me remember is actually if you  
16 look at our brief you will see that the pricing of the  
17 non-subject imports in terms of the margins of underselling  
18 are actually greater than the margins of underselling by  
19 Turkey and I mean there is a very specific reason for that  
20 because I think you know, Turkey and Borusan are looking out  
21 for the U.S. market and looking at its future and, and  
22 taking that into account, so I think when you compare  
23 underselling margins from Turkey to underselling margins  
24 from Argentina or Mexico or any of these other places or if  
25 they have comparable pricing categories being compared, our

1 margins of underselling are lower.

2 MR. GURLEY: This is John Gurley speaking for  
3 JESCO I think we mentioned in our brief and as well earlier  
4 today in our testimony that JESCO's prices were actually  
5 above some of the non-subject import prices.

6 MR. HRAIBI: This is Fadi Hraibi Interpipe. I  
7 think the matter of non-subject imports is actually a matter  
8 of competition because if you look at the OCTG market it is  
9 a global market. Three of the players have proved that  
10 submitted the Petition have major sales and major production  
11 assets all over the world. It's a global market and they  
12 are competing globally. They are competing and creating  
13 baggage for other smaller less fortunate players to enter in  
14 different markets, so it can be in terms of intellectual  
15 property rights, in terms of new technical requirements, in  
16 terms of pre-qualifications for oil and gas but also trade  
17 barriers that they are trying to create here that we are  
18 witnessing in other markets, like Russia for example, for  
19 Ukrainian pipe, so I think it's becoming a question of big  
20 boys club versus the independent smaller OCTG producers.

21 MR. MCCONNELL: This is Mark McConnell if I can  
22 just follow along with that. I mean it was really  
23 fascinating this morning to watch the Petitioners at one  
24 moment swearing that our subject imports you know, depressed  
25 the whole market, just bypass all of the issues about

1       whether we are really selling the same product and then  
2       defending their own imports as complementing their product  
3       lines.

4                   And the obvious fallacy here is that if TMK  
5       brings in product to complement its product line, then yeah,  
6       probably it's complementing its own product line but it is  
7       competing with all of the other producers in the market like  
8       U.S. Steel and Tenaris and Vallourec.

9                   So what's happening is that each of them is  
10      trying to pull in a full product line by pulling in imports.

11      Effectively what's happened here is that they have just  
12      formed a club, you know and the stake to get to the table is  
13      having U.S. production. If you have U.S. production you get  
14      to sit at the table and figure out who the case is against.

15      And if you don't have U.S. production you don't have that  
16      right. So what we are seeing simply is an attempt to defend  
17      what is really going on which is everybody is trying to  
18      protect their own full product line and keep out the guys  
19      that don't have U.S. production facilities.

20                  MR. CAMERON: I will say that the Petitioners  
21      have taken the tactic of saying that non-subject imports  
22      that they control have nothing to do with this market.  
23      They barely compete and that's basically been their, their,  
24      the thrust of their testimony. What we are suggesting to  
25      the Commission is that no, not-subject imports that are

1 controlled by the domestic industry actually, they are part  
2 of the domestic industry.

3 When you are looking at the market share because  
4 when Tenaris, Mr. Cura didn't say it this morning, he said  
5 it in previous forum, Tenaris looks at its global position  
6 and its global profitability. TMK IPSCO says the same  
7 thing, this isn't a coincidence, it's not really a  
8 revolutionary concept and yet what it means is that that,  
9 they adjust and they are able to import and they compete but  
10 that competition is quite real and it is very real in this  
11 marketplace and it can't be ignored. It is part of this  
12 case and we think it is a significant factor and part of the  
13 price issue.

14 COMMISSIONER SCHMIDTLEIN: So are the Respondents  
15 arguing that the producers in these countries, Japan,  
16 Canada, Argentina and so forth should be considered part of  
17 the domestic industry as that's defined?

18 MR. CAMERON: We can't say that as a legal  
19 matter, Commissioner so we understand that.

20 COMMISSIONER SCHMIDTLEIN: This is just a part of  
21 the --

22 MR. CAMERON: But it is a very definite condition  
23 of competition but no we are not going to say as a legal  
24 matter that they should be considered part of the domestic  
25 industry but as a condition of competition, it is very real

1 and it is an 800 pound gorilla in this proceeding.

2 COMMISSIONER SCHMIDTLEIN: Okay that's my time.

3 CHAIRMAN BROADBENT: All right, I had a couple of  
4 questions for Mr. Hraibi and the counsel for Interpipe.  
5 What region of Ukraine is Interpipe based in?

6 MR. HRAIBI: We are located in southeastern  
7 region of Ukraine, in Dnipropetrovsk.

8 CHAIRMAN BROADBENT: Okay and do you face home  
9 market competition from regional producers like Russia,  
10 Belarus and Romania?

11 MR. HRAIBI: Yes of course. We in Ukraine we  
12 have imports from Russia. I think that's the biggest  
13 exporter of pipe to Ukraine, a bit from Russia, a bit from  
14 high end European producers -- .

15 CHAIRMAN BROADBENT: Okay and as you're seeing  
16 it and I think it was mentioned before that imports maybe  
17 you didn't say this but U.S. imports from these three  
18 countries increased over the period of investigation?

19 MR. HRAIBI: Oh I will have to get back to you on  
20 this one, numbers if we are talking about with Russia,  
21 Belarussia but in terms of Ukraine if you look at the last  
22 year when we actually decreased our exports to the United  
23 States.

24 CHAIRMAN BROADBENT: Okay all right and then I  
25 just had a question on threat for the counsels. In the

1 2010 case on OCTG from China the Commission made affirmative  
2 determinations on the basis of threat. In your  
3 post-hearing briefs can you draw parallels between the case  
4 before us today and the determinations made in 2010?

5 MR. CAMERON: Yes glad to do so.

6 CHAIRMAN BROADBENT: That would be good. I  
7 think that's some kind of winding down here. Commissioner  
8 Pinkert, Vice-Chairman excuse me.

9 VICE CHAIRMAN PINKERT: I just have a few follow  
10 up questions. You heard with the earlier panel a discussion  
11 of the domestic share of the U.S. market from 2005-2007 and  
12 I don't want to mischaracterize the arguments that we heard  
13 this morning but basically the view was that during the  
14 period of investigation the domestic industry has not  
15 achieved that market share that it achieved on average from  
16 2005 to 2007, is that a valid benchmark?

17 Is that something that we should be considering  
18 in this investigation?

19 MR. CAMERON: We don't think so, I mean there  
20 were a number of import sources including Tenaris Nation  
21 that were excluded from the marketplace at that time due to  
22 anti-dumping orders but we will be glad to address that in a  
23 post-hearing brief and no we don't believe that that is a  
24 valid benchmark.

25 VICE CHAIRMAN PINKERT: Mr. Gurley?

1                   MR. GURLEY: I agree with Mr. Cameron that going  
2 back that far doesn't seem to be very logical and I don't  
3 think the Commission has actually used such a benchmark  
4 going that far back.

5                   VICE CHAIRMAN PINKERT: Thank you I understand  
6 that as a legal matter we are not required to go back there  
7 but I am trying to understand the economics of it.

8                   MR. CAMERON: Understood Commissioner but you  
9 know I think that there is an analogy being drawn between  
10 this and the Standard Pipe case from UAE where we had  
11 introduced it in order to put into economic context, the  
12 period of 2000 to 2008 because the period of investigation  
13 had occurred at the beginning of the Great Recession.

14                   This appears to be more of a cherry picked period  
15 and we will be glad to address it but no I don't think that  
16 actually 2005 to 2007 adds any great insight into this. I  
17 mean we can do 2008 too, they complain a lot about 2008 and  
18 all of the Chinese imports that's killed us, I mean we only  
19 made a 30% profit that year. I mean come on. You know, I  
20 mean it doesn't really hold together, so we would be glad to  
21 address it.

22                   We understand the question, it's a valid question  
23 and we will address it.

24                   VICE CHAIRMAN PINKERT: Thank you.

25                   MR. DOUGAN: Sorry Vice Chairman Pinkert, as a

1 prelude to that though I'm looking at their market share and  
2 just from the China case in '06 and '07 it was 59 and 58%  
3 and their current market share is in the neighborhood well  
4 at least in 2013 was in 53% which isn't drastically  
5 different and given the amount of volume that they are  
6 bringing in from affiliated non-subject sources, you know  
7 I'm not sure that the differential that you are seeing is  
8 evidence of injury to their domestic operations as opposed  
9 to just a choice from where to source their pipe.

10 VICE CHAIRMAN PINKERT: Mr. Dougan as you know  
11 averages sometimes conceal as much as they reveal so  
12 anything that you can shed light on in the post-hearing I  
13 think that would be very helpful.

14 MR. DOUGAN: We will work to do so thank you.

15 VICE CHAIRMAN PINKERT: Thank you, now turning to  
16 this question about why certain countries may not have been  
17 included in the investigation, I know that Mr. McConnell you  
18 have testified about that and I'm wondering whether we have  
19 a conflict of testimony here. You know that I asked that  
20 question of the earlier panel and I was assured that those  
21 affiliations had little if anything to do with which  
22 countries were included. How can I sort through that  
23 conflict if there is one?

24 MR. MCCONNELL: I think you definitely have a  
25 conflict. I would suggest that it's an amazing coincidence

1       that the scientific review of who the bad guys in the world  
2       are just happen to line up with everybody who wasn't sitting  
3       at the table when the Petition was put together and I would  
4       urge you to take that into account in assessing the  
5       credibility of their testimony.

6               MR. GURLEY:  And this is John Gurley I would just  
7       like to say that even though they did apparently a  
8       scientific calculation at least there was a split decision  
9       as to Saudi Arabia.

10              VICE CHAIRMAN PINKERT:  Thank you now did I  
11       understand this panel to testify that domestic companies  
12       that have the foreign affiliates control the foreign  
13       affiliates participation in the U.S. market and can you  
14       elucidate the basis of that if in fact it is the case?

15              MR. DOUGAN:  There's a lot of information on the  
16       record.  Jim Dougan ESC, there's information on the record,  
17       both in questionnaires and in the testimony that you have  
18       heard that again the domestic producers who have overseas  
19       affiliates go to market to their customers in the same way  
20       and often at the same price with their domestically produced  
21       OCTG and their overseas OCTG so given that the customer face  
22       is unified and we understand that to be the case then it  
23       follows that it is controlled by the domestic producer or at  
24       least the U.S. affiliate of the multinational in how it is  
25       presented to the customer.  I think that is the only

1 reasonable conclusion to draw.

2 MR. PLANERT: Commissioner, Will Planert. I  
3 think you heard testimony even this morning from the  
4 domestic panel that in many cases they are coordinating and  
5 complementing their product line that they are producing  
6 here with the sizes of the products that they are producing  
7 with their affiliates abroad so I don't really think that  
8 there's any dispute that there's a unified effort to supply  
9 the U.S. market and they rationalize what comes out of their  
10 U.S. mills, what's coming out of their foreign mills based  
11 on their particular commercial and competitive situation but  
12 it is, in that sense they are controlling what they are  
13 choosing to bring in versus what they are producing  
14 domestically.

15 MR. CAMERON: But that doesn't mean that seamless  
16 OCTG that comes in from Tenaris in Argentina or Mexico  
17 doesn't compete very fiercely with domestic OCTG seamless  
18 that is produced by Vallourec or U.S. Steel and that  
19 actually gets to the point?

20 MS. MENDOZA: Vice-Chairman I was just wondering  
21 is your question to what extent the U.S. producers decide  
22 what they, what the foreign manufacturers, let's say Mexico,  
23 Tenaris's operation in Mexico or Tenaris's operation in  
24 Argentina are you asking whether the U.S. operation makes  
25 the decision about what to import into the U.S. market?

1                   VICE CHAIRMAN PINKERT: Correct.

2                   MS. MENDOZA: Okay I mean I think they answered  
3                   that this morning didn't they. I think Mr. Planert  
4                   suggested it, I mean we heard U.S. Steel, we heard Tenaris,  
5                   we heard TMK all say that the reason that their imports are  
6                   not injurious is because what they do is they have a  
7                   strategy where they bring those imports in to complement  
8                   their production and to supplement in the sizes and what  
9                   other qualities they can't produce in the U.S. so I don't  
10                  think that they in any way denied that their controlling  
11                  those operations for the same reason is the Commission's  
12                  found in past cases, I think and what Don has just said  
13                  which is even if one could bring in imports from your own  
14                  mill and consider it to be complimentary it is still  
15                  competing against everyone else. I mean just because now  
16                  Tenaris has a U.S. operation and they are bringing in  
17                  imports from Argentina to complement their production  
18                  doesn't mean that they might pose the same threat as they  
19                  did in those prior years when they were kept out of the  
20                  market because they had a dumping case against them and  
21                  Tenaris had no investments in the U.S. so I think that they  
22                  have already settled that question, I mean they have already  
23                  said that they are the ones who are making decisions about  
24                  what to bring in, Buddy?

25                  MR. BREWER: From a previous company I worked

1 with it was a mix of both. Most of the time we ordered  
2 pipe from the parent company to that we needed to fulfill  
3 orders but there were other cases where the parent company  
4 would say our mill isn't being utilized, we need to make  
5 some of this and send it to you and sell it, so it was some  
6 of both.

7 VICE CHAIRMAN PINKERT: Ms. Mendoza I would just  
8 suggest that the explanation that we heard this morning is  
9 compatible with both the idea that the domestic company  
10 controls those imports or that the international entity  
11 controls and so I was asking whether the testimony was that  
12 the domestic companies control those imports?

13 MS. MENDOZA: I understand your question now, I  
14 think we would probably have to say that with respect to  
15 U.S. Steel that their situation is such that they are  
16 probably making those decisions nationally. I would say  
17 for the other producers your point is well taken, I think it  
18 is going to be almost impossible to determine you know who  
19 is precisely making that decision, you know, whether it is  
20 the international entity itself that is deciding where do I  
21 want to place my tonnages in the world or the U.S. entity  
22 saying you know bring this in because I can't make it in the  
23 United States. I'm sure it's some of both.

24 VICE CHAIRMAN PINKERT: Thank you, thank you  
25 Madam Chairman.

1                   CHAIRMAN BROADBENT: Commissioner Williamson?

2                   COMMISSIONER WILLIAMSON: I was about to ask our  
3 subject farm producers who invest in the ability to produce  
4 premium and semi-premium connections. But first, I have to  
5 ask you to define what you mean by premium and semi-premium  
6 in the sense that is there premium proprietary product,  
7 premium non-proprietary product, and the same with  
8 semi-premium because people seem quickly to jump to the  
9 proprietary aspect.

10                  MR. BLOMBERG: The leading manufacturers of  
11 premium proprietary products probably are -- you know,  
12 Tenaris and Vallourec have the vast majority of market  
13 share. TMK is growing in that area. They have big research  
14 efforts, and they patent these connections and they're  
15 protected for I believe 17 years according to patent law.

16                  COMMISSIONER WILLIAMSON: Yeah.

17                  MR. BLOMBERG: Then there are expired premium  
18 connections. In other words, where the patent has expired  
19 and that are still acceptable as premium connections for  
20 some customers, not so much, but some in the United States I  
21 guess. And that we can all sort of reverse engineer and  
22 make our -- you know.

23                  And then you have the so-called semi-premium,  
24 which is really not a gas-tight, metal-to-metal seal  
25 suitable for natural gas drilling, but it's usually in this

1 country a high torque connection where you can use it for  
2 shale drilling and I'll say make the bend, and these are  
3 buttress-type connections that you can produce on relatively  
4 rudimentary threading machines relatively fast. I guess  
5 there are some patented ones, but they're less difficult to  
6 make.

7 MR. GURLEY: If I could just add to Mr. Blomberg,  
8 maybe he can expand, is just JESCO itself does make premium  
9 connections, but they're for use only in Saudi Arabia.

10 MR. BLOMBERG: That's correct.

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. BLOMBERG: We make one. We're developing a  
13 second.

14 COMMISSIONER WILLIAMSON: What about for the  
15 others subject importers?

16 MR. CAMERON: Well, you know that the data that  
17 you have on the record shows that there is no premium and  
18 semi-premium connections for subject imports. That was  
19 actually in one of the tables that was supplied by the  
20 Commission.

21 COMMISSIONER WILLIAMSON: But are the sum and  
22 substance producers trying to get into this market or moving  
23 in that direction?

24 MR. HRAIBI: Fadi Hraibi, Interpipe. I think,  
25 you know, naturally for us the premium connection and the

1 semi-premium connection is an effective market because this  
2 is where the growth is and this is where the big margins  
3 are. But we should not underestimate the know-how required  
4 in developing such connections.

5 As I mentioned, we've developed one, which we  
6 cannot market because it just infringes patents in other  
7 countries. Also, we're trying for multiple use to develop  
8 our own connection that will be patent clean, and we've  
9 spent the last four or five years developing that and we're  
10 still not close to finalizing it. So, I think the know-how  
11 required is really quite important.

12 MR. MCCONNELL: Mr. Hraibi left one word out of  
13 that statement. He meant to say "allegedly" infringes.

14 COMMISSIONER WILLIAMSON: Those cases are  
15 expensive.

16 MR. SCIANNA: Mr. Commissioner?

17 COMMISSIONER WILLIAMSON: Yes.

18 MR. SCIANNA: Your question about the other  
19 non-subject mills developing. I'm not a mill, but as a  
20 distributor, we've looked into developing a connection so we  
21 could participate. But to reverse engineer one of the  
22 expired patent connections today we've been told is about a  
23 half million dollars, then another \$250,000 to test it.  
24 We're not a mill, so we have not gone forward with that  
25 program.

1                   MR. BLOMBERG: If I may also say something. The  
2 big barrier really is not just the technology of the  
3 connection to develop it, but the after sale service, the  
4 technical services you provide, the accessories and the  
5 license shop so that the exploration companies can have the  
6 down hold and accessories that go together with the  
7 connection, crossovers, et cetera, et cetera.

8                   This takes big operations, lots of engineers, and  
9 you know, for example, our company is a small company. We  
10 can do it for Saudi Arabia, but to do it in America would be  
11 very, very difficult to convince an American oil company to  
12 try our connection when they can get other connections would  
13 be very, very hard.

14                   COMMISSIONER WILLIAMSON: Okay, thank you for  
15 those answers.

16                   MR. BREWER: Excuse me. For Borusan US, we are  
17 developing the capability to produce our own semi-premiums  
18 as well. We're going to go through a licensing process with  
19 an existing thread.

20                   I agree with what everyone's said that to develop  
21 your own thread it's time and money, but the biggest issue  
22 is trying to get it accepted out in the field. The first  
23 question they ask you is "Who's using it?" And if you're  
24 the first, nobody wants to be the first. So, that's why  
25 we're going to license because we will have the capability

1 to produce those at our plant in Houston.

2 COMMISSIONER WILLIAMSON: Okay. Good. And I  
3 take it the licensing option could be available for some of  
4 the other firms if they found it worth it.

5 MR. BREWER: It would be if they had the  
6 equipment to produce it.

7 COMMISSIONER WILLIAMSON: Okay. Thank you for  
8 those answers. Good.

9 How is producing upgradeable J-55 OCTG different  
10 from producing the non-upgradeable J-55? There was a  
11 discussion on that this morning.

12 MR. CAMERON: Non-upgradeable J-55 is carbon  
13 J-55. It cannot be upgraded to an alloy grade such as L-80  
14 or P-110.

15 Upgradeable J-55 can be heat-treated. If it is  
16 heat-treated that heat-treating will alter the mechanical  
17 properties of the casing or tubing that's involved, and as a  
18 result it then can be graded as L-80 or P-110, an alloy  
19 grade. That's the difference.

20 COMMISSIONER WILLIAMSON: In a post-hearing, can  
21 you give some indication of what you know about how much the  
22 J-55 pipe imported to the U.S. is upgraded to P-110?

23 MR. CAMERON: We will be glad to do so.  
24 Actually, I believe we also have that data in our brief, but  
25 I will check and we will clarify.

1                   COMMISSIONER WILLIAMSON: Okay.

2                   And also, is all upgradeable J-55 capable of  
3 conversion to P-110, or if not --

4                   MR. CAMERON: I'm not sure that that's accurate.  
5 I'm not sure that that's true, but we'll get the answer to  
6 that and answer it.

7                   COMMISSIONER WILLIAMSON: Good. Thank you.

8                   Why would program sales not be affected by  
9 pricing in the broader OCTG market? There has been some  
10 discussion about that.

11                  MR. DOUGAN: Commissioner, Jim Dougan, from ECS.  
12 I don't think we said that they weren't affected by pricing  
13 in the broader market. It would be impossible for it not to  
14 be impacted by pricing in the broader market. But if you  
15 are competing almost entirely with other domestic producers  
16 for that volume, and what it is, is, in effect, is the  
17 volume discount. Whatever the prevailing price in the  
18 market may be and how that's influenced by various different  
19 things, demand and raw material, it's going to be at the  
20 lower end of that.

21                  The thing you have to take into account is when  
22 they're talking about the fact that it is linked to various  
23 indices, Pipe Logic, Preston, et cetera, these aren't just  
24 subject import prices. These are prices for all OCTG that  
25 is in this mix. So, yes, it has an impact that is in the

1 market, but -- and as you heard earlier today, it is really  
2 operating on a futures rather than on the present, at least  
3 that was the testimony that you heard from the witness this  
4 morning.

5 In other words, he had an existing program. The  
6 prices changed. So, did that impact the program sales that  
7 you were making? Right now, no. It impacts the forward  
8 future.

9 COMMISSIONER WILLIAMSON: So, you don't disagree  
10 that the prices of imported product can affect the program  
11 sales.

12 MR. DOUGAN: We don't disagree that the prices of  
13 imported product, just as the prices of non-subject,  
14 controlled imports, just as the price of non-subject imports  
15 and the price domestic prices all contribute to the price of  
16 program sales. The only other thing that was not mentioned  
17 this morning is that program sale is at the lowest price.  
18 It is a volume discount for the mill. They are making a  
19 tradeoff. They are pursuing a "fill the mill" policy. That  
20 lower price is the tradeoff for that.

21 COMMISSIONER WILLIAMSON: Thank you.

22 My next question, imports from sources that had  
23 negative preliminary determinations from Commerce increased  
24 between the interim periods. Doesn't this indicate likely  
25 behavior, at least for those sources if orders are not

1 imposed?

2 MR. CAMERON: I'm sorry. Could you repeat that?

3 COMMISSIONER WILLIAMSON: Imports from sources  
4 that had negative preliminary determinations there were a  
5 number of those, those imports increased between the interim  
6 periods. And my question was doesn't this indicate their  
7 likely behavior if orders aren't imposed.

8 MR. CAMERON: Well, I think if you're speaking  
9 about Korea, which was spoken of extensively this morning, I  
10 think there are a couple of things to keep in mind. They're  
11 talking about, yes, imports increased in the second quarter  
12 of 2014, all right. And in the second quarter of 2014, we  
13 have evidence that prices in the marketplace were  
14 increasing, number one.

15 Number two, we have indications that there were  
16 allocations in the market. So, exactly what is that saying  
17 about the market? Are the imports actually behaving  
18 consistently with increased demand in the market?

19 We heard testimony this morning that the original  
20 projection for 2014 was 6.8 million tons, I believe, and now  
21 it's about 7.2 million tons. And so when you start talking  
22 about allocations in that type of a market, I don't see that  
23 there's a contradiction in terms of that.

24 COMMISSIONER WILLIAMSON: So, are you saying  
25 those increases may be more of an indication of market

1 conditions as opposed to --

2 MR. CAMERON: Absolutely. And we will be glad to  
3 put information on the record that supports that statement  
4 in the post-hearing brief.

5 COMMISSIONER WILLIAMSON: Good. Thank you. I'd  
6 appreciate that. Okay, and thank you for those answers.

7 CHAIRMAN: Commissioner Johanson?

8 COMMISSIONER JOHANSON: Thank you, Chairman  
9 Broadbent. And I have a technical question. This is  
10 probably best answered by Mr. Blomberg.

11 You had stated that seamless pipe is a standard  
12 in most countries around the world as opposed to welded  
13 pipe, and that welded pipe is -- the primary market for  
14 welded pipe is in North America. I'm curious. Why is that  
15 the case? Not just to satisfy my intellectual curiosity,  
16 but I think it also might have somewhat of a bearing on this  
17 investigation.

18 MR. BLOMBERG: It's a good question, I think.

19 COMMISSIONER JOHANSON: It's a more expensive  
20 product, so I would think if welded versus seamless if you  
21 can use them in either application you would, of course, go  
22 with the less expensive product, I would think.

23 MR. BLOMBERG: Right. But I mean in many of the  
24 national oil company cases in the Middle East, for example,  
25 where I'm actively selling they're highly conservative and

1 very suspect of the weld and prefer to go seamless. And  
2 it's been like this traditionally since I've known it.

3 COMMISSIONER JOHANSON: Because it seems to me  
4 like the more technical drilling being done right now is  
5 more in North America as opposed to other markets due to the  
6 fracking and I think there's more horizontal drilling here,  
7 et cetera.

8 MR. BLOMBERG: But in all those markets where  
9 we're selling they're insisting on seamless, and people like  
10 Tenaris and Vallourec are quite happy about that.

11 COMMISSIONER JOHANSON: Maybe someone should --

12 MR. BLOMBERG: Tenaris is building a seamless  
13 mill here, and Vallourec was building a seamless mill here  
14 where they could be an ERW mill for a fraction of the cost.

15 COMMISSIONER JOHANSON: But here we have a more  
16 of an incentive to use a seamless, I would think.

17 MR. BLOMBERG: Where?

18 COMMISSIONER JOHANSON: In North America due to  
19 -- I think there's more technical considerations to take  
20 into account right now. I don't know. I don't want to get  
21 off -

22 MR. BLOMBERG: I'm not a technician, so it's  
23 difficult for me to answer. I just know that outside of the  
24 United States that you go to an oil company and try to sell  
25 them a welded product that they don't want to buy it.

1                   COMMISSIONER JOHANSON: Okay. Mr. Scianna?

2                   MR. SCIANNA: Yes, sir. This is speculation.  
3 ERW came into use here prior to World War II, and part of  
4 that was a shortage of seamless. And the old Lone Star Mill  
5 in Texas started making bomb casing and then got into OCTG.  
6 So, I don't know the full history, but a lot of the welds  
7 overseas were considered critical, the Saudi Arabia, the  
8 North Sea, and even offshore here in the United States ERW  
9 is not considered, even though ERW producers try to argue  
10 that it's equal to, in some aspects it doesn't perform as  
11 well as seamless. And most end users were biased to  
12 seamless in critical applications.

13                   So, like was said earlier, when you look at the  
14 announced manufacturing of an ERW mill for a couple hundred  
15 thousand dollars versus over a million dollars for a  
16 seamless mill, here's a reason that they're spending that  
17 additional money, and here there is demand. Overseas it's  
18 just that that's the way it's been for years. And if you  
19 look at Europe, a lot of the mills in Europe are seamless.

20                   Also, as I've said, these mills can produce other  
21 items on the same piece of equipment. So, in the automotive  
22 industry, in the Netherlands, the geothermal heat, so there  
23 are a lot of different power plant applications, and  
24 seamless is preferred in those applications as well.

25                   MR. CAMERON: Commissioner, it is important to

1 note two things. First of all, welded is also accepted -- I  
2 believe widely accepted in Canada, and welded is also  
3 accepted in Turkey. But I do think that your discussion  
4 does go to the issue of, gee, is OCTG really a commodity  
5 product? I think that the question that you're asking would  
6 suggest that maybe it's not.

7 COMMISSIONER JOHANSON: Yes.

8 MR. BLOMBERG: I'm sorry. John Blomberg again.  
9 In the Middle East, I can tell that there is also a lot of  
10 sour, corrosive, sour gas and things of this nature, and  
11 they just don't want to have anything to do with a weld.

12 COMMISSIONER JOHANSON: I didn't know that.  
13 Okay. I was not aware of that. When I think of sour gas, I  
14 think of Venezuela. That shows you my sense of the oil  
15 industry. Yes?

16 MR. HRAIBI: I would add that actually Russia is  
17 one of the big markets for welded OCTG, and that's also  
18 historical. There's a historical reason for that because  
19 Russia, Soviet Union at that time, had deficit of OCTG to  
20 develop the new gas development and oil development, and the  
21 welded were easier to build and faster to build. This is  
22 why I think one of the second largest markets in terms of  
23 welded OCTG.

24 COMMISSIONER JOHANSON: All right. Yes?

25 MR. BREWER: Buddy Brewer. A part of that is

1       also carryover from say in the seventies and even early  
2       eighties that the technology, the welding technology was  
3       very primitive, and so the reliability of that product was  
4       poor. The inspection processes were not very reliable as  
5       well. Ultrasonic testing really came into vogue in or came  
6       into be a reliable process maybe in the mid-eighties. And  
7       so there were a lot of quality issues that couldn't be  
8       detected and there's a lot of carryover from those old days,  
9       but technology has changed dramatically. It's not the same  
10      product today as it was then.

11                COMMISSIONER JOHANSON: All right. Well, that  
12      concludes my questions, unless any of you have any more  
13      comments on that. I found the presentations very useful  
14      today. I have to say I took petroleum engineering 101 in  
15      college, and that was the extent of my engineering career,  
16      although I actually did well in it. Let's put it this way.  
17      I also took oil and gas law in law school, and did better in  
18      the engineering course than I did in my law school course,  
19      but look where I ended up?

20                Anyway, thank you again for appearing here today,  
21      and I look forward to reading further on this issue in the  
22      post-hearing briefs.

23                CHAIRMAN BROADBENT: Commissioner Schmidtlein?

24                COMMISSIONER SCHMIDTLEIN: Thank you. I have two  
25      questions that I think would be best addressed in the

1 post-hearing briefs by both sides, actually, Petitioners and  
2 Respondents.

3           One has to do with the "fill the mill" policy  
4 that you just mentioned Mr. Cameron because, you know, it  
5 has been acknowledged today this case largely depends on why  
6 the price went down for the domestics, and so I'd like to  
7 know is there evidence in the record that the domestics were  
8 leading prices down and the converse. What is the evidence  
9 in the record that the subject imports were causing prices  
10 to decline?

11           And then the second question I have has to do  
12 with the trend in raw material costs. And so, the  
13 generalization has been made today that raw material costs  
14 were declining, but when I look at even Slide 6, which Mr.  
15 Dougan presented. You know in the second half of 2013 with  
16 regard to hot-rolled coil it shows a slight increase.

17           If you look at the staff report, the annualized  
18 number from 2011 to 2012 shows an increase in raw materials.  
19 If you look at the graph in the staff report, which is it  
20 Figure 5-2, which has the yearly raw material costs for a  
21 hot-roll steel sheet, and you see there in the second half  
22 of 2013 it's going up.

23           And so, I'd just like to see, by both sides  
24 again, the Petitioners, since obviously this is part of the  
25 argument that prices were falling, raw material costs, but

1       what we actually see isn't so clear. And there is quarterly  
2       data in the staff report for the pricing of the domestic  
3       product, so I'd like to see how that lines up.

4               MR. CAMERON: Commissioner, we'll be glad to do  
5       that. I would like to make one comment with respect to your  
6       first question about whether there is evidence of leading  
7       prices down. And I would point you to Chart 22 of the  
8       Shoaff exhibits this morning in which they suggest that  
9       there is strong evidence that subject imports lead prices  
10      down because subject import prices fell by an even greater  
11      percentage, this is comparing AUVs. That's the title of  
12      this chart.

13              The difference between the change in AUVs is for  
14      the domestic industry it's 9.8 percent and for subject  
15      imports it's 10.1 percent. So, we are now being lead to  
16      believe that prices were lead down by subject imports  
17      because of a difference in AUVs of .3 percent. I find that  
18      that is a very difficult proposition to accept, but we will  
19      expand on that in the post-hearing brief.

20              MR. DOUGAN: And Commissioner, one other thing  
21      I'd like to note about that, which is the -- I take your  
22      point about the prices, and we'll address that in  
23      post-hearing. But it was also -- you know, what we're  
24      arguing is not inconsistent with a recovery in price at the  
25      end of 2013 when the overall trend over those years was

1 down, especially when, at least from month-to-moth, the  
2 consumption figures also were trending down.

3 So, it was the combination of the two things. It  
4 wasn't linked only to one, but the combination of the two.  
5 When you add to that the ramp up of production and available  
6 supply from domestic producers, you see the results that you  
7 get, but we will expand on that more in post-hearing. Thank  
8 you.

9 COMMISSIONER SCHMIDTLEIN: Okay. Thank you. I  
10 don't have any further questions.

11 I'd just like to thank both sides again. It's  
12 been very helpful and educational for me. Thank you.

13 CHAIRMAN BROADBENT: I have no further questions,  
14 so Sir Honorable Esteemed Deemed Vice Chairman Pinkert?

15 COMMISSIONER PINKERT: I have no further  
16 questions. But I do appreciate the testimony today, and I  
17 look forward to the additional submissions.

18 COMMISSIONER WILLIAMSON: I also have no further  
19 questions. But I again want to thank all of the witnesses  
20 for their time and testimony. It's been a fascinating  
21 hearing. Thank you.

22 CHAIRMAN BROADBENT: Thank you.

23 If Commissioners have no further questions, does  
24 the staff have any questions for the panel?

25 MR. SZUSTAKOWSKI: Thank you, Madame Chairman.

1 Mike Szustakowski, Office of Investigations. Staff has no  
2 questions.

3 CHAIRMAN BROADBENT: Do the Petitioners have any  
4 questions for the panel?

5 MR. VAUGHN: No.

6 CHAIRMAN BROADBENT: With that, I'd like to thank  
7 all the panel for their testimony, and you can be dismissed  
8 now.

9 MR. CAMERON: Thank you very much, Commissioner  
10 -- Madam Chairman.

11 CHAIRMAN BROADBENT: With that, we'll come to  
12 closing statements. Those in support of the petition have  
13 zero minutes left over from direct, and five minutes for  
14 closing for a total of five minutes.

15 Those in opposition have four minutes from direct  
16 and five for closing for a total of nine minutes. As is our  
17 custom, we'll combine those two. We will start with those  
18 in support of the petition. You can begin when you're  
19 ready.

20 CHAIRMAN BROADBENT: Mr. Price and Mr. Vaughn.

21 MR. PRICE: Thank you.

22 This case is about dumped and subsidized import  
23 competition that undercuts the U.S. market. These imports  
24 increased significantly by underselling the U.S. industry by  
25 significant amount. U.S. profits and prices and volumes

1 would have been higher, but for the subject imports, and the  
2 record shows little attenuation.

3 In the face of this record, The Respondents have  
4 tried to create a series of misdirections and let's try to  
5 keep everyone focused on the key issues. So, let's remember  
6 three years ago this Commission determined that about the  
7 same amount of imports from China warranted import relief.  
8 The Commission imposed an order and nearly all the Chinese  
9 imports exited, and this should've lead to increases in  
10 domestic production, prices, profits, market shares.

11 And this actually started to happen, but the  
12 subject imports have replaced the Chinese dumped imports on  
13 virtually a ton-for-ton basis. Thus, despite rising demand,  
14 the domestic industry finds itself with falling prices,  
15 falling profit, and a market share stuck at about the same  
16 level.

17 In the face of the obvious, the Respondents keep  
18 on trying to conjure up alternative explanations, but they  
19 really can't get away from the key here, which is the  
20 subject imports are a cause of material injury.

21 Now, let's focus on just two of their arguments.  
22 First, increases in capacity utilization did not cause the  
23 industry's troubles. It's uncontested that OCTG demand  
24 increased by twice as much as domestic capacity. This  
25 should've caused prices and profits to increase not fall.

1           Second, Respondents have argued that they don't  
2 compete across the higher grade and higher end finishes, so  
3 they can't affect those prices. Not only is this factually  
4 false, including all of their arguments on end finishes  
5 because they can get the product end finished in the United  
6 States with semi-premium and premium connections, and we'll  
7 fully document that.

8           But both producers and distributors testified  
9 that the prices for all grades are tied together, and the  
10 subject imports undersold. They undersold dramatically, and  
11 they were a stark contrast to the non-subject imports and  
12 the domestic prices were dragged down.

13           The subject imports underselling has caused harm  
14 to domestic profits and prices, and it has hit directly and  
15 with a lag. They are a cause of material injury to the U.S.  
16 industry. Mr. Vaughn?

17           MR. VAUGHN: Just a few points.

18           First, there were references to USS as an  
19 importer. USS did not import any significant volumes of  
20 OCTG during the period. We also made very clear, despite  
21 the allegations you heard this afternoon as to why these  
22 particular countries were chosen and are here and before  
23 you, and there was no response with respect to any of the  
24 facts that we laid out.

25           Second, with respect to McKeesport, the testimony

1 of the USS witness this morning was related to the notion  
2 that not all of the imports that are hurting U.S. producers  
3 are OCTG imports. We are also being hurt on other product  
4 lines, and we'll provide more detail on that as well.

5 Third, with respect to Commissioner Schmidtlein's  
6 points about competition, I thought they really had no  
7 answer for the notion that there is a clear and present  
8 overlap between competition. If you look at the numbers,  
9 they shipped about a billion dollars worth of J-55 product  
10 in 2013. We shipped about \$947 million worth of J-55. It's  
11 ridiculous to think that we're not competing for that type  
12 of business.

13 Second, they say they don't really do that much  
14 in P-110. They shipped \$252 million worth of P-110,  
15 according to the data. It's a huge market for them. They  
16 talk about program sales. A reasonable estimate based on  
17 their own numbers of their program sales would be over \$400  
18 million, huge amounts of overlap on all of this.

19 And finally, the most important piece of evidence  
20 in this case, to some extent, is their own chart, Chart  
21 Number 5 of theirs where they show definitely that prices  
22 peaked and started to fall in the third quarter of 2011  
23 before any of the new capacity came online, before  
24 consumption went up in 2012 and 2013. Prices were already  
25 on a downward path. There is no alternative explanation.

1 They are the one and only cause for the oversupply that  
2 would cause prices to fall even in a rising market and even  
3 before any significant new volumes of domestic capacity had  
4 come online.

5 That reason alone disproves all of their claims  
6 and shows that they are responsible for the material injury  
7 suffered by the domestic industry. Thank you very much.

8 CHAIRMAN BROADBENT: We won't confuse you two.  
9 Mr. Cameron? Ms. Mendoza? Mr. Cunningham?

10 MR. MENDOZA: On behalf of Respondents, our  
11 closing statement, I think the issues have been pretty well  
12 defined between the two sides, and the Commission's  
13 questions I think have gotten a long way toward  
14 understanding exactly what the differences of opinion are.

15 I would have just one comment with respect to the  
16 issue of underselling, and that is something that's pretty  
17 unique about this particular record, which is that the  
18 Commission staff actually has the information on the price  
19 premium issues.

20 The actually got purchasers to answer the  
21 question of what level of price premium would you require in  
22 order to purchase material from each of the nine countries.  
23 And what you will find, if you compare the underselling  
24 margins to those price premiums that were given in the  
25 record, is that the underselling margins are well within

1 those price premium levels.

2 MR. CAMERON: Don Cameron. I have one brief  
3 comment to make.

4 The question has been asked for us to compare  
5 this case with the 2010 China case, which we fully intend to  
6 do. But the statement was made just a moment ago how this  
7 case is really identical. It would be useful for this  
8 Commission to keep in mind that that 2010 China case was  
9 based upon threat, not material injury, despite the  
10 quantities that were involved, quantities of imports  
11 involved.

12 And that case hinged upon something that they  
13 don't have here, and that was, essentially, the million tons  
14 of Chinese steel that was on the docks in Houston, and that  
15 inventory overhang was considered to be the cause of the  
16 threat of material injury.

17 That is the reason that the goalpost are being  
18 moved here with respect to this issue of whether there's  
19 inventory overhang. We would suggest to you that there is  
20 not that same evidence in this case, that this is a very  
21 different investigation, and that, to the extent that there  
22 is evidence of shortages already developing in the  
23 marketplace, of price increases already into effect, that  
24 this is a very different case; and therefore, the analogy is  
25 not correct. And we'll address it further in our

1 post-hearing brief.

2 MR. CUNNINGHAM: I hadn't intended to say  
3 anything, except our friends from the other side got up and  
4 gave you false information again.

5 They say OCTG demand increased twice as much as  
6 domestic capacity. They've been saying that all along. It  
7 is obviously not true. The consumption, if you will look at  
8 Table IV-XIV increased by 1,770,758 tons. Mill capacity  
9 increased by 900 -- if you look at Table II-IV, increased by  
10 about 980,000 tons. And I haven't got the processors  
11 capacity, but that increased by about 450,000 tons. The  
12 capacity was up 30 percent more than the demand, in addition  
13 to, starting with a million six of unused capacity at the  
14 beginning of the period.

15 I don't mind arguing with people, but I don't  
16 like people misstating the facts, and so that's my act for  
17 the day.

18 MR. MCCONNELL: One quick comment, if I may.

19 Mr. Vaughn said that when we were addressing the  
20 question of the selection of countries as respondents in  
21 this case that we didn't deal with the facts that were  
22 mentioned this morning. I just looked back at my notes. I  
23 don't see any facts. You know, I'll look through the  
24 transcript and see if there's something I missed, but all I  
25 heard were allegations. And I would stay with the position

1       that we made in response to Vice Chairman Pinkert's  
2       question, which is you have an issue of credibility.  
3       They've made allegations. I would urge you to evaluate  
4       those allegations in light of the facts that are on the  
5       record, which is that the countries with which those  
6       companies have relationships were surprisingly not named as  
7       respondents.

8                   MR. CAMERON: Thank you very much.

9                   CHAIRMAN BROADBENT: Thank you. It's been an  
10       interesting day. I want to express the Commission's  
11       appreciation for everyone who's participated in today's  
12       hearing.

13                   Your closing statement, post-hearing briefs  
14       statements responsive to questions and requests of the  
15       Commission and corrections to the transcript must be filed  
16       by July 22, 2014. Closing of the record and final release  
17       of data to the parties will be on August 6, 2014. Final  
18       comments are due on August 8.

19                   And with that, this hearing is adjourned. Thank  
20       you.

21                   (Whereupon, the meeting was adjourned.)

22

23

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25