

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
CERTAIN WELDED LINE PIPE FROM  
KOREA AND TURKEY

) Investigation Nos.:  
) 701-TA-524-525 AND  
) 731-TA-1260-1261 (PRELIMINARY)

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CERTAIN WELDED LINE PIPE ) 701-TA-524-525 AND  
FROM KOREA AND TURKEY ) 731-TA-1260-1261 (PRELIMINARY)

Thursday, November 6, 2014  
Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC

The meeting commenced pursuant to notice at 9:30  
a.m., before Catherine DeFilippo, Director of  
Investigations, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission Staff:

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4 Officer

5 Sharon Bellamy, Program Support Specialist

6 Mikayla Kelley, Student Intern

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8 Catherine DeFilippo, Director of Investigations

9 Douglas Corkran, Supervisory Investigator

10 Michael Szustakowski, Investigator

11 Mahnaz Khan, International Trade Analyst

12 Jessica Pugliese, International Trade Analyst

13 Tana Farrington, Economist

14 Peter Sultan, Attorney/Advisor

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1 In Support of the Imposition of Antidumping and  
2 Countervailing Duty Orders:

3 Schagrin Associates, Washington, D.C. on behalf of American  
4 Cast Iron Pipe Company ("ACIPCO"), California Steel  
5 Industries ("CSI"), Energex, a division of JMC Steel Group,  
6 Northwest Pipe Company, Stupp Corporation, a division of  
7 Stupp Bros., Inc., Tex-Tube Company, TMK IPSCO, Welspun  
8 Tubular LLC USA, United Steel, Paper and Forestry, Rubber,  
9 Manufacturing, Energy, Allied Industrial and Service Workers  
10 International Union ("USW"):

11 Jon Noland, Division Manager - American Steel Pipe  
12 Division, ACIPCO

13 Michael O'Brien, Vice President of Sales, ACIPCO

14 Ray Dubreuil, Vice President of Sales, CSI

15 Robert Mahoney, Senior Vice President of Strategy &  
16 Business Development, Northwest Pipe Company

17 John Clark, Senior Vice President of Global Sales and  
18 Marketing, Stupp Corporation

19 Raymond Davila, Consultant, Tex-Tube Company

20 Scott Barnes, Senior Vice President and Chief  
21 Commercial Officer, TMK IPSCO

22 Rusty Fisher, Senior Vice President of Marketing and  
23 Sales, Welspun Tubular LLC USA

24 Skip Herald, President and CEO, Welspun Americas LLC

25 Holly Hart, Legislative Director, USW

1           Roger B. Schagrin, John W. Bohn and Paul W. Jameson,  
2           Schagrin Associates

3

4           Skadden, Arps, Slate, Meagher & Flom LLP, Washington, DC on  
5           behalf of United States Steel Corporation ("U.S. Steel"):

6           Robert Y. Kopf, General Manager North American Flat-  
7           Rolled Marketing, U.S. Steel

8           Jeff Johnson, Director, Commercial - North American  
9           Line & Standard Pipe, United States Steel Tubular Products

10          Robert C. Upton, Manager Standard and Line Pipe  
11          Marketing, United States Steel Tubular Products

12          Stephen P. Vaughn, Skadden, Arps, Slate, Meagher & Flom

13

14          Wiley Rein LLP, Washington, DC on behalf of Maverick Tube  
15          Corporation:

16          Brad Lowe, President, Tenaris Global Services (USA)  
17          Inc. and Commercial Director, Maverick Tube Corporation

18          Alan H. Price and Robert E. DeFrancesco, Wiley Rein LLP

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1 In Opposition to the Imposition of Antidumping and  
2 Countervailing Duty Orders:

3 Morris, Manning & Martin LLP, Washington, DC on behalf of  
4 Husteel Co., Ltd., Hyundai HYSCO, Nextell Co., Ltd., SeAH  
5 Steep Corporation:

6 Hope Snow, Vice President, Trident Steel

7 Donald B. Cameron, Julie C. Mendoza, Morris, Manning &  
8 Martin, LLP

9

10 Arent Fox, LLP, Washington, DC on behalf of Celik

11 Ihracatcilari Birligi ("CIB"):

12 Matthew M. Nolan, Diana Dimitriuc Quaia and Keith F.  
13 Huffman, Arent Fox, LLP

14

15 Law Offices of David L. Simon, Washington, DC on behalf of

16 Cayirova Boru Sanayi ve Ticaret A.S. and its affiliated

17 exporter, Yucel Boru Ithalat-Ihracat ve Pazarlama A.S.

18 (collectively "Yucel"), Toscelik Profil ve Sac Endustrisi

19 A.S. and its affiliated exporter, Tosal Dis Ticaret A.S.

20 (collectively "Toscelik")

21 David L. Simon, Law Offices of David L. Simon

22

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

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

3 MS. DeFILIPPO: Good morning, and welcome to the  
4 United States International Trade Commission's conference in  
5 connection with the preliminary phase of anti-dumping and  
6 countervailing duty Investigation Nos. 701-TA-524 and 525,  
7 and 731-TA-1260 and 1261, Concerning Certain Welded Line  
8 Pipe From Korea and Turkey.

9 My name is Catherine DeFilippo. I am the  
10 Director of the Office of Investigations, and I will preside  
11 at this conference. Among those present from the Commission  
12 staff are from my far right Douglas Corcoran, the  
13 supervisory investigator; Michael Szustakowski, the  
14 Investigator; to my left, Peter Sultan, the Attorney  
15 Advisor; Kenneth Arrington, the Economist; Mahnaz Khan, the  
16 Industry Analyst; and Jennifer Pugliese, another industry  
17 analyst.

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

25 All witnesses must be sworn in before presenting

1 testimony. Any questions regarding the time allocations  
2 should be addressed with the Secretary. Are there any  
3 questions?

4 (No response.)

5 MS. DeFILIPPO: Hearing none, Mr. Secretary, good  
6 morning. Are there any preliminary matters?

7 MR. BISHOP: Madam Chairman, I would note that  
8 all witnesses for today's conference have been sworn in.  
9 There are no other preliminary matters.

10 MS. DeFILIPPO: Thank you. Very well. Let us  
11 proceed with the opening statement.

12 MR. BISHOP: Opening remarks on behalf of  
13 Petitioners will be given by Roger B. SchagrIn, SchagrIn  
14 Associates.

15 MS. DeFILIPPO: Good morning, Mr. SchagrIn.

16 OPENING REMARKS BY ROBERT B. SCHAGRIN

17 MR. SCHAGRIN: Good morning Ms. DeFilippo and  
18 members of the Commission staff. For the record, my name is  
19 Roger SchagrIn. The record in this investigation on line  
20 pipe from Korea and Turkey is very similar to that of the  
21 recent affirmative injury determinations that the ITC made  
22 in OCTG from six countries.

23 In this case, Korea and Turkey alone account for  
24 nearly two-thirds of current imports of welded line pipe 24  
25 inches and under. Between 2011 and 2013, subject imports

1 increased from 573 to 789 thousand tons, a 38 percent  
2 increase, and their market share increased significantly.

3 The prices of these imports fell consistently  
4 over the POI, and undersold the U.S. industry. Given that  
5 API line pipe meeting the same specifications is a commodity  
6 product. The U.S. industry had to drop its prices. As a  
7 result, profits plummeted. In a flat or slightly increasing  
8 demand market, there is no other reason for the dramatic  
9 decline in domestic industry prices and profits than the big  
10 increase in subject imports that undersold the U.S.  
11 industry.

12 By early 2013, with massive inventories of  
13 unfairly traded imports already on the docks, U.S. producers  
14 were already facing the unenviable choice of continuing to  
15 drop prices or give up volume. As you will hear today, and  
16 as you have already seen in the questionnaire responses,  
17 some U.S. producers decided not to lay off employees, to  
18 fight back against unfairly traded imports aggressively in  
19 price, while other U.S. producers decided to stop selling at  
20 a loss and layoff employees, or in the case of U.S. Steel,  
21 to even shut down a plant in McKeesport, Pennsylvania.

22 The Korean and Turkish producers did temporarily  
23 slow their incredibly aggressive push to dominate the U.S.  
24 market for ERW linepipe during the several months between  
25 the preliminary and final OCTG margins from the Department

1 of Commerce. However, once final duties were found by  
2 Commerce in July 2014, we began seeing record monthly ERW  
3 line pipe imports from Korea and Turkey in the licensing  
4 data for the months of August through November.

5 Over 269,000 metric tons, almost 300,000 short  
6 tons from Korea and Turkey were licensed for the three  
7 months of August to October, a rate more than 50 percent  
8 above last year's rate, and amazingly in just the first four  
9 days of November, more than 50,000 tons have already been  
10 licensed. The tsunami is on, and it is costing U.S. jobs.

11 A word on like product. Since the China welded  
12 line pipe case six years ago, the industry has changed in  
13 response to demand changes, so that now a majority of welded  
14 line pipe 24 inch and under is being made by producers who  
15 have ERW mills, have bridged the 16 inch size range. In  
16 other words, 24 is the new 16.

17 The channels of distribution and customer  
18 perception of line pipe 24 inch and under now has  
19 significant overlap. New prolific shale, gas and oil wells  
20 result in pipe sizes 18 to 24 inches being used for  
21 gathering, and the need to move oil and natural gas liquids,  
22 not just gas, from new fields to refineries and chemical  
23 plants, has resulted in more use of 16 inch and under  
24 product for pipelines.

25 Distributors now not only play a role in

1 distributing line pipe for gathering uses, but also have  
2 begun to play major roles in both providing and servicing  
3 pipe for pipelines. Thus, the market is now perceived as an  
4 ERW line pipe market, sizes 24 inch and under, and LSAW and  
5 HSAW line pipe market in sizes over 24 inch.

6 In conclusion, the U.S. industry and its workers  
7 have been materially injured by reason of the surge in  
8 unfairly traded imports from Korea and Turkey. Without  
9 relief, these subject imports will take over the U.S.  
10 market. Older U.S. mills will be shut down. The newer  
11 mills will not obtain a return on investment, nor will there  
12 be continued reinvestment in new mills to serve the energy  
13 renaissance in the United States. We urge the Commission to  
14 make an affirmative preliminary determination in this  
15 investigation. Thank you.

16 MS. DeFILIPPO: Thank you, Mr. Schagrin.

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

20 MS. DeFILIPPO: Good morning, Mr. Cameron. So I  
21 can remember. Welcome.

22 OPENING REMARKS BY DONALD B. CAMERON

23 MR. CAMERON: It's very good to be here. It's  
24 nice to see all of you again. For the third time in ten  
25 years, the U.S. line pipe producers have filed an

1 anti-dumping case against the imports of line pipe from  
2 Korea. This time they have also included Turkey. Countries  
3 where U.S. producers have affiliated line pipe production  
4 have again been excluded from the investigation, kind of  
5 like OCTG redux as far as that part of the investigation is  
6 concerned.

7 The last two times, Petitioners withdrew their  
8 petition prior to the ITC final determination, and we'll see  
9 what happens here. It's clear that Petitioners are hoping  
10 that what was good for OCTG will be good for line pipe.  
11 Again, we'll see. However, as you listen to the testimony  
12 of the U.S. producers today, we urge you to consider a few  
13 issues.

14 First, fluctuations in the gas rig count explain  
15 the performance of the industry. Demand for line pipe lags  
16 the gas reed count by several quarters. The gas rig count  
17 increased in 2011, leading to an increase in line pipe  
18 demand in 2012. The gas rig count then fell in 2012 and has  
19 continued to fall until the most recent quarter.

20 Demand for line pipe also dropped since the 2012  
21 spike in demand. Demand and hot rolled coil costs drive  
22 line pipe pricing, and if demand is off and hot rolled coil  
23 prices remain steady, U.S. producer metal margins will be  
24 reduced. U.S. producers cannot pass on hot rolled coil  
25 costs if prices drop as a result of significant drops in

1 demand, and there were significant drops in demand.

2 Reported costs of U.S. producers. Some U.S.  
3 producers have reported hot rolled coil costs that have far  
4 exceeded published ex-factory hot rolled coil costs. We  
5 just heard from counsel for Petitioner that this is a  
6 commodity product. Well that's interesting.

7 The rolled coil that is used for ERW line pipe is  
8 not exceptional. Hot rolled coil has been priced at under  
9 \$700 a ton ex works for at least the last year, and the hot  
10 rolled coil required to produce ERW is not extraordinary.  
11 The Commission needs to look carefully at the basis for  
12 these reported hot rolled coil costs of some of the U.S.  
13 producers.

14 Like product. In the previous cases, of course,  
15 as you know, line pipe was defined by the U.S. industry as  
16 welded line pipe under 16 inches. The like product was not  
17 all producers under 24; it was all producers under 16. I  
18 heard that, you know, 24 is the new 16 is like 65 is the new  
19 40. I don't believe 65 is the new 40, so I'm somewhat  
20 skeptical about the 24 and 16, and the one I do know a lot  
21 about.

22 We know that the scope of the investigation is  
23 all welded line pipe below 24 inches. But that doesn't mean  
24 that there is now one like product where there were two  
25 before. Many U.S. producers of over and under 16 inch line

1 pipe are different. The end users are different, and the  
2 end use is different.

3 The ITC needs to look at the question of like  
4 product, because this gerrymandering of the petition appears  
5 to be more opportunistic than fact-based. According to the  
6 Petitioners, subject imports from Korea and Turkey are the  
7 cause of injury to the U.S. industry.

8 We don't see it that way. What's really  
9 happening here is that the subject imports took market share  
10 from non-subject imports over the POI. Consumption spiked  
11 in 2012, and domestic shipments and imports increased. The  
12 greatest growth in market share in 2012, however, was by  
13 non-subject imports, not subject imports, and 2012 was a  
14 good year for the domestic industry.

15 Demand has declined since 2012, but U.S.  
16 producers have maintained their market share, which actually  
17 increased by the end of the POI. Subject imports' market  
18 share increased during that time, but not through surging  
19 imports. Rather, subject imports increased market share at  
20 the expense of non-subject imports by declining less than  
21 non-subject imports.

22 So this is not a case of surging subject imports.  
23 This isn't OCTG. This is a case of a declining consumption  
24 in which subject imports have taken market share from  
25 non-subject imports, as domestic producers have maintained

1 their market share.

2 Finally, the role of OCTG shouldn't be ignored.  
3 Many of the domestic producers of line pipe are also  
4 producers of OCTG. During this period, OCTG capacity,  
5 production, shipments and capacity utilization all grew  
6 significantly. Those mills that have produced OCTG and line  
7 pipe on the same mill were focusing their efforts on OCTG  
8 production and sales, and they continue to do so. Thank you  
9 very much for your attention, and we appreciate your  
10 patience. Thank you.

11 MS. DeFILIPPO: Thank you, Mr. Cameron.

12 MR. BISHOP: Would the first panel, those in  
13 support of the imposition of anti-dumping and countervailing  
14 duty orders, please come forward and be seated.

15 (Pause.)

16 MS. DeFILIPPO: Welcome back, Mr. Schagrín, and  
17 welcome to your panel. Please proceed when you're ready.

18 MR. SCHAGRIN: Thank you again, Ms. DeFilippo.  
19 For the record, my name is Roger Schagrín, and Don doesn't  
20 look older than 40 to me, and I don't know your perception.  
21 But maybe that's why we differ about line pipe sizes is I  
22 just can't tell these old guys ages anymore.

23 Our first witness today is going to be John Clark  
24 of Stupp.

25 STATEMENT OF JOHN CLARK

1                   MR. CLARK: Good morning, Ms. DeFilippo and  
2 members of the Commission staff. For the record, my name is  
3 John Clark, and I am the senior vice president of Global  
4 Sales and Marketing for Stupp Corporation, a division of  
5 Stupp Brothers.

6                   Stupp Brothers is a diverse, family-owned  
7 business that is 158 years old, with our fifth generation of  
8 family leadership. Stupp Corporation is a line pipe  
9 manufacturer based in Baton Rouge, Louisiana, founded in the  
10 1950's. I am based in Stupp's Houston, Texas location,  
11 which is where most of the energy and pipeline companies  
12 have their headquarters. I've been with the company for  
13 about three and a half years.

14                   The Baton Rouge campus, where we produce the API  
15 line pipe, includes two pipe mills. The first mill  
16 manufacturers ERW pipe from 10-3/4 inches to 24 inches in  
17 diameter. It is a large capacity mill with one of the  
18 largest steel accumulators in the world.

19                   The second mill is a newer mill and it was  
20 commissioned in 2009. It's an HSAW facility. It's capable  
21 of producing line pipe from 24 to 60 inches in diameter.  
22 However, during my tenure, we have not produced any 24 inch  
23 HSAW pipe because the ERW mill simply makes that product  
24 more economically.

25                   We have traditionally sold both through

1 distributors and directly to the end users who own and  
2 operate the pipelines. The majority of pipe we sell is used  
3 domestically, but export has been an important part of  
4 Stupp's business for decades.

5           Unfortunately, exports of line pipe 24 inches and  
6 below have all but disappeared in recent years, and the  
7 primary reason for that decline is imports. First, or  
8 there's two primary reasons for that decline, I apologize.  
9 First, the strong domestic energy market created a higher  
10 demand in the U.S. than in most international markets.

11           Second, the Latin American markets that we have  
12 traditionally exported to have become dominated by Korean  
13 and Chinese pipe sold at very low prices, that are simply  
14 unachievable by free market producers. Often, the price per  
15 ton for their pipe, coded and delivered to the final  
16 destination, has been lower than the landed cost for us to  
17 buy the raw steel in coil form.

18           The United States market has experienced  
19 significant price deterioration over the last two years  
20 because of those import pressures. Just as we experienced  
21 internationally, I have seen imports from Korea and Turkey  
22 being sold at prices in Texas and Oklahoma that are below  
23 our cost of steel.

24           The import-related price deterioration have  
25 obviously had a significant negative impact on our profits.

1 The Commission should be aware that pricing is transparent  
2 in the line pipe industry. Customers issuing a request for  
3 proposal frequently provide feedback after they place their  
4 order, to let the bidders know how their proposal rated  
5 against a field of competition.

6 That feedback is often broken into two general  
7 categories: foreign mills and domestic mills. The reason  
8 those categories have become commonplace is because there  
9 are usually two tightly clustered groups. The domestic  
10 competitors are typically within a few percent of each other  
11 in one group, and the Korean and Turkish mills are in  
12 another cluster 15 to 20 percent below the prices of the  
13 domestic mills.

14 Earlier this year, Stupp management made a  
15 decision not to supply the market demand at prices below  
16 profit. As a result, we had to lay off a shift of  
17 production workers. We also eliminated personnel in  
18 management, engineering and maintenance. In total, we  
19 employed 627 people in 2013. Since then, we have reduced  
20 173 jobs and currently employ over 454 people.

21 The reductions are obviously most difficult for  
22 the families that have been impacted by unemployment.  
23 However, the company also shares difficult challenges  
24 managing our way through these reductions with the United  
25 Steelworkers union officials.

1                   For Stupp to return to profitability and rehire  
2                   our laid off workers, we desperately need relief from the  
3                   unfairly-traded Korean and Turkish pipe. Thank you for your  
4                   time.

5                   STATEMENT OF JON NOLAND

6                   MR. NOLAND: Good morning, Mr. DeFilippo and  
7                   members of the Commission staff. For the record, my name is  
8                   Jon Noland. I am the division manager of the American Steel  
9                   Pipe Division of ACIPCO. I have been with the company for  
10                  22 years. I'm accompanied by Mike O'Brien, the vice  
11                  president of Sales for ACIPCO, who has been with the company  
12                  for 39 years.

13                  ACIPCO is based in Birmingham, Alabama, and we  
14                  were founded in 1905. ACIPCO became one of the country's  
15                  first major employee-owned corporations in 1924. The steel  
16                  pipe division was started in 1963. We have two ERW mills in  
17                  Birmingham, one of which has a diameter range of 10 to 20  
18                  inches, and the other from 16 to 24 inches.

19                  We are first and foremost a line pipe producer.  
20                  No other pipe and two products have been significant part of  
21                  our product mix. We have over 200 employees dedicated to  
22                  the production of steel line pipe. We sell on a nationwide  
23                  basis both to distributors and for pipeline projects.

24                  In the past, imported Korean and Turkish pipe was  
25                  found almost exclusively in the distributor, but over the

1 past few years, we have seen the Koreans in particular,  
2 directly or in conjunction with distributors, bidding on the  
3 large pipeline projects.

4 Over the past two years, we have lost significant  
5 project business and our customers repeatedly told us that  
6 our prices weren't even close. We reported a number of  
7 those lost sales in the petition. It is much easier to  
8 document information on lost sales for project bids than it  
9 is for distributor bids.

10 In fact, given the size and breadth of the major  
11 distributors of line pipe, it is almost impossible for us to  
12 determine how much business or how much market share we are  
13 losing to imports through distributors, and the prices that  
14 the foreign producers and trading companies are selling to  
15 these distributors.

16 Earlier this year, a major pipeline customer told  
17 us that if we lowered our bid by a million dollars to get  
18 closer to the Korean price, we could have the business.  
19 Because we were on the verge of shutting down one of our two  
20 facilities, we were desperate for the business and lowered  
21 our bid to get the volume.

22 Because of these imports over the past two years,  
23 we went from operating our mills six days a week, 12 hours a  
24 day to not only four or five day a week, ten hours. This  
25 has had a major impact on our employee owners in terms of

1 wages earned and profits shared.

2 Import prices have severely pushed down market  
3 price, and our profits have dropped over the last two years.  
4 In early 2013, we decided to invest over \$60 million to  
5 increase our finishing throughput at the mill. This is the  
6 second largest investment in our history.

7 This investment will raise productivity, remove  
8 bottlenecks, increase capacity and reduce cost. The new  
9 equipment will be operational in the first half of next  
10 year, and we desperately need to get a return on this  
11 investment. For all these reasons, I ask that you make an  
12 affirmative injury determination. Thank you.

13 STATEMENT OF SCOTT BARNES

14 MR. BARNES: Good morning Ms. DeFilippo and  
15 members of the Commission staff. For the record, my name is  
16 Scott Barnes. I'm senior vice president and chief  
17 commercial officer of TMK IPSCO, and we produce welded line  
18 pipe at our mills in Wilder, Kentucky, Blyeville, Arkansas  
19 and Camanche, Iowa. I have more than 30 years of experience  
20 in the pipe industry.

21 We also produce OCTG at all three of these  
22 plants. However, while OCTG is a higher value product, it  
23 also requires significant finishing in the form of heat  
24 treating, testing, threading and coupling. Line pipe does  
25 not require this level of finishing and therefore to achieve

1 optimum utilization of our mills, we target a balance  
2 between OCTG and line pipe production.

3 In addition this production balance, TMK IPSCO  
4 and its predecessor company, IPSCO Tubulars, have a long  
5 history of commitment to the line pipe market. Most of our  
6 line pipe distributors do not distribute OCTG, and therefore  
7 they depend on us for steady supplies of line pipe that they  
8 can stock for their customers.

9 We are committed to this supply chain and these  
10 customers know that they can depend on us. Unfortunately,  
11 because these distributors have to be competitive in the  
12 market place, they will sometimes be less committed to us  
13 than we are to them, when there are large volumes of  
14 low-priced imports in the market.

15 This has certainly been the case in the last  
16 couple of years, as we have seen major distributors of our  
17 line pipe products increase their purchases of Korean and  
18 Turkish line pipe at the expense of our sales.

19 TMK IPSCO reached a point earlier this year where  
20 we could no longer compete on price with these imports. We  
21 were essentially losing money on every ton of line pipe we  
22 made. So instead, we decided to scale back production and  
23 employment at all three of these ERW mills.

24 As someone who recently participated in the OCTG  
25 cases, I would like to make a couple of points about the

1 differences between the OCTG and line pipe markets. First,  
2 OCTG consumption is directly related to the number of rigs  
3 drilling for oil and gas, the efficiency of those rigs and  
4 the transition to a more manufacturing based process through  
5 pad drilling.

6 That is the reason the Commission saw the big  
7 increase in OCTG consumption from the period of 2011 through  
8 2014. Now line pipe consumption is much more focused on gas  
9 drilling than oil drilling, and is also more  
10 project-specific. As previously mentioned, natural gas must  
11 move in a pipeline, while there are other means for  
12 transporting oil.

13 In particular, in a new oil field, oil field  
14 production must reach critical mass volume in order to  
15 justify the expense of constructing a pipeline. Until that  
16 point, it can be more economical to move the oil by rail or  
17 even truck tankers. That is exactly what has happened in  
18 the Bakken.

19 Moving oil by rail also gives oil producers more  
20 options to ship the oil to markets where they can get a  
21 better price. The same can be true of a refining company,  
22 which may decide it does not want to make a longer-term  
23 contract commitment for transportation in an oil pipeline  
24 from one particular field, because it is bound to purchase  
25 from that field, where it may be able to seek arbitrate

1 opportunities by bringing in oil from various other fields  
2 via rail or truck to seek improved costs.

3 I know there was a lot of discussion in the OCTG  
4 case about program sales. Unlike OCTG, our company as a  
5 manufacturer, and I believe this to be true of most of the  
6 industry, does not participate in end user programs for line  
7 pipe. However, line pipe distributors are increasingly  
8 doing alliance programs with midstream companies, that  
9 include those line pipe needs.

10 It is more difficult for line pipe distributors  
11 to forecast their midstream company needs for line pipe,  
12 than it is for OCTG distributors with oil exploration  
13 programs. Therefore, line pipe distributors have not  
14 partnered with pipe mills for the alliance programs that  
15 they have with these midstream companies.

16 Instead, distributors just make sure to stock all  
17 the sizes and grades that may be required, and they will  
18 either buy from domestic mills or imports to stock these  
19 inventories. Now given the massive amounts of speculative  
20 import line pipe inventory in Houston, these distributors  
21 can buy imported line pipe, which is dominated and Korean  
22 and Turkish line pipe at the moment, on shorter lead times  
23 from stock than they can from many domestic mills.

24 Even though at TMK IPSCO we try hard to build  
25 relationships based on service as well as product quality,

1 the simple fact is that API line pipe meeting the same  
2 specifications is sold on the basis of price, and  
3 distributors have been buying increasing amounts of line  
4 pipe from Korea and Turkey because their prices are lower.

5 The licensing data we analyzed at our company  
6 demonstrates that the Korean and Turkish producers have  
7 clearly redirected tonnage from OCTG into line pipe, since  
8 Commerce's final determinations in mid-July. While our OCTG  
9 business is improving thanks to the relief, our line pipe  
10 business is suffering material injury in terms of both  
11 volume and pricing impact from these unfairly-traded  
12 imports.

13 On behalf of our employees at all three of our  
14 welded pipe facilities, we ask that you make an affirmative  
15 determination, so that Commerce can investigate these  
16 subsidies and dumping alleged in our petitions. Thank you  
17 very much.

18 STATEMENT OF RAY DUBREUIL

19 MR. DUBREUIL: Good morning Miss DeFilippo and  
20 the Commission Staff. My name is Ray Dubreuil. I'm a sales  
21 manager for California Steel Tubular Products in Fontana,  
22 California. I have been in the industry for 42 years. CSI  
23 was founded 30 years ago in 1984 on the footprint of the  
24 former Keiser Steel. CSI has its own rolling facilities so  
25 we roll our own coil to produce our own line pipe in both of

1       our mills.

2                       Since 1986 CSI has produced 4 through 16 inch  
3       line pipe in Fontana, California. That is our only piping  
4       product. Secondary products are sold as structural or  
5       piling grades. In 2012 we announced an investment of over  
6       100 million dollars to build a new ERW mill that will  
7       produce 8 through 24 inch. This is the biggest single  
8       investment in our company's 30 year history.

9                       It was a decision that took us almost two years  
10       to make and the new mill is currently commissioning and will  
11       be done November/December of this year. In our market  
12       research it was indicated that the growth in the shale gas  
13       and oil drilling increased and the demand for these sizes  
14       from this new pipe mill. Our projections for demand are  
15       being realized however the surge in imports was not  
16       projected. These volumes are bad enough but the pricing of  
17       these imports from both Korea and Turkey for the Western and  
18       Iraqi Mountain markets have been devastating to California  
19       Steel.

20                      Given today's market conditions and the line pipe  
21       that's -- the line that will be coming off this new mill, we  
22       will not be able to achieve our spreads between our quad  
23       costs and our line pipe that we project. We will not  
24       achieve our return on investment because prices have  
25       deteriorated and since we made this investment two years ago

1 and costs have pretty much remained flat.

2 I would put the blame squarely on unfairly traded  
3 imports for this dismal pricing in the ERW line pipe. There  
4 is simply no rational explanation for these prices. We are  
5 currently planning on having 160 employees on these new  
6 mills and we are proud to create these jobs in an area in  
7 the inland empire that has a tremendously high unemployment  
8 rate.

9 CSI has bet a good portion of its future of this  
10 company on this new line pipe mill. Steel and pipe are very  
11 competitive business, we realize that, but the unfairly  
12 traded imports have greatly and negatively impacted all  
13 1,100 CSI employees. All that our owner and employees ask  
14 from the Commission and the Department of Commerce is to  
15 restore fair trade for the market for line pipe in the  
16 United States, thank you.

17 STATEMENT OF RUSTY FISHER

18 MR. FISHER: Good morning Miss DeFilippo and  
19 members of the Commission staff. For the record my name is  
20 Rusty Fisher and I am Senior Vice-President Sales and  
21 Marketing of the Americas for Welspun Tubular. I have 32  
22 years of experience selling welded line piping in this  
23 market.

24 I am accompanied today by Skip Herald, CEO  
25 Welspun Americas. Welspun began producing large diameter

1 line pipe in Greenfield Spartwell Facility in Little Rock,  
2 Arkansas in 2009. The mill has a stated capacity to produce  
3 between 24 and 60 inch line pipe, but for all intents and  
4 purposes it is essentially a 33/48 inch mill.

5 In 2013 Welspun commissioned a new ERW mill with  
6 the size range between 10 3/4 and 20 inch, a nominal low D  
7 for APR line. The mill is dedicated to line pipe it does  
8 not produce CGT standard pipe or structural pipe. In my 32  
9 years of experience selling line pipe in the U.S. market I  
10 have never seen such a large delta between import prices,  
11 whether from Korea or Turkey, and domestic prices.

12 I have also never seen such unrelenting  
13 quantities of the subject imports in the U.S. market. When  
14 I was at Lone Star Steel I was a witness in several Title 7  
15 investigations as well as safeguard investigations. The  
16 competitive pressures from these imports today is much worse  
17 than in any of the previous cases that I have been involved.

18 In fact import prices of pipe are about at the  
19 same levels as our coil prices today. While in recent OCTG  
20 cases you probably heard about numerous new investments in  
21 OCTG mills and welded line pipe not greater than 24 inches.  
22 There has really only been our new mill and CSI's new 24  
23 inch mill. I know that Mr. Dubreuil has told you about the  
24 CSI mill which from my understanding is just being  
25 commissioned.

1           In fact with the closing of the U.S. Steel Mill  
2           in McKeesport, Pennsylvania, there probably has been a  
3           little dent in the new additions to overall U.S. line pipe  
4           capacity in the subject ranges, the size ranges through the  
5           period that you are examining.

6           The amount of speculative subject line pipe or  
7           import line pipe inventory sitting in Houston, Texas is  
8           mind-boggling. I am based in Houston because that is where  
9           mostly line pipe and most of the major tubular distributors  
10          have their headquarters or purchasing offices.

11          The subject import prices are so cheap that the  
12          distributors know there is no risk to buying as much as they  
13          can, sticking it in inventory and waiting to sell it later.  
14          The domestic prices could never drop to those distributors  
15          acquisition costs for Korean and Turkish line pipe or all  
16          the domestic mills would be out of business.

17          I believe that some significant quantities of  
18          these distributor inventories actually financial on an  
19          independent type basis by Korean trading companies  
20          affiliated with the Korean mills. It reduces these  
21          distributor's risks even more.

22          Welspun's new mill is a world class mill and one  
23          of the finest that I have been associated with. Since the  
24          company's initial investments in Little Rock we have grown  
25          into one of the largest private employers in the city. Just

1 a small diameter in its raw material support and finishing  
2 operations counts for over 300 employees at the company.

3 These new employee's jobs are directly threatened  
4 by these dumped and subsidized imports from Korea and  
5 Turkey. On their behalf, I ask that you make an affirmative  
6 determination.

7 STATEMENT OF BOB MAHONEY

8 MR. MAHONEY: Good morning Miss DeFilippo and  
9 members of the Commission staff. My name is Bob Mahoney and  
10 I am the Senior Vice President of Strategy and Business  
11 Development for Northwest Pipe. I have been with Northwest  
12 Pipe for 22 years. We produce API line pipe at two mills in  
13 Atchison, Kansas covering the size ranges from 4 to 16  
14 inches. Over the past few years we have spent approximately  
15 35 million dollars upgrading these mills.

16 The purpose of these upgrades was to expand our  
17 product offering to heavier walls and to produce grade X70.  
18 We also increased productivity resulting in capacity  
19 increase at that plant. We increased employment at the  
20 Atchison mill however as you will hear later we also reduced  
21 some of our line capacity by selling mills that could  
22 produce both line pipe and OCTG.

23 Kansas is a great geographic location in the  
24 center of the country and gives us good freight access to  
25 virtually all of the major shell places in the United

1 States. We have a Union-Pacific rail line right at our  
2 plant and rail is an ideal way to ship double and triple  
3 lengths of pipe to our customers.

4 Several years ago Northwest Pipe made a strategic  
5 decision to expand our investments in the energy tubular  
6 market. These investments included major investments in  
7 changing equipment in Houston, in Boulder City, Louisiana  
8 plants that produce OCTG as well as the investments I have  
9 talked about in our line pipe business in Atchison, Kansas.

10 Unfortunately as the Commission is aware from  
11 your recent investigation that resulted in the affirmative  
12 determinations against Korea and Turkey on OCTG, Northwest  
13 Pipe did not receive returns on those investments and was  
14 forced to write off most of those investments and sell the  
15 assets.

16 As a public company, a long-term vision for  
17 participating in a growing energy market in the United  
18 States can be undercut by several years of significant  
19 losses. As the Commission found and we agreed, those losses  
20 in our OCTG division were not caused by market forces  
21 because the market for OCTG grew rapidly but instead were  
22 caused by unfairly traded imports.

23 We do not want to see the same thing happen to  
24 our line pipe business. Most of our sales are to  
25 distributors and competition is fierce. The problem is that

1 Koreans and Turks are now selling line pipe to distributors  
2 at prices that are similar to our delivery costs of steel.

3 Northwest Pipe made these investments in our  
4 Kansas plant after we received relief from the barrage of  
5 unfairly traded imports of line pipe in China. We did so at  
6 the expectation that the U.S. Government would vigorously  
7 enforce unfair trade laws. We remain committed to this  
8 plant and to the line pipe business and on behalf of our 130  
9 employees in Atchison, we ask this Commission to make an  
10 affirmative injury determination.

11 STATEMENT OF RAYMOND DAVILA

12 MR. DAVILA: Good morning Miss DeFilippo and  
13 members of the Commission staff. For the record my name is  
14 Raymond Davila and I'm now a Consultant for Tex-Tube Company  
15 in Houston, Texas. Until October 2, 2014 I was VP of Sales  
16 for Tex-Tube. I have spent 20 years at Tex-Tube and have  
17 more than 30 years of experience in the pipe and tube  
18 industry.

19 Tex-Tube has been making line pipe in Houston,  
20 Texas since the 1950's. We have two pipe mills with outside  
21 diameters from 2 to 8 inches. We are a line pipe company  
22 and always have been. We have approximately 150 employees.  
23 As someone that spent my career selling line pipe, I can  
24 tell you quite honestly that I have never seen the spread  
25 between the selling price of Korean and Turkish line pipe

1 compare to the domestic line pipe price and that I have seen  
2 the past 12 to 24 months.

3 Even when our steel costs went up as they did  
4 earlier this year, we had no chance of passing along higher  
5 costs in price increases to our customers. I have seen a  
6 lot of demand cycles through price. I have seen a lot of  
7 demand cycles throughout my career and normally our business  
8 moves up and down with the demand cycles for line pipe.

9 Once again we are doing very poorly during a  
10 period of very strong line pipe demand. I hate to return to  
11 that period when Tex-Tube is doing so badly. Our owners are  
12 involved in different business, I am afraid that they will  
13 not keep Tex-Tube open if our company continues to lose  
14 money and there is no hope for things to turn around.

15 Most of our 150 employees have been with our  
16 company for more than 20 years. Tex-Tube is their life and  
17 livelihood and I know Tex-Tube can compete if trade is fair.  
18 On behalf of this 150 employees and friends of mine, I ask  
19 you to make an affirmative entry determination, thank you.

20 STATEMENT OF BRAD LOWE

21 MR. LOWE: Good morning, I am Brad Lowe,  
22 President of Tenaris Global Services USA, Inc. and  
23 Commercial Director of Maverick Tube Corporation, a U.S.  
24 producer of welded line pipe. As Commercial Director I  
25 manage Maverick's U.S. sales and commercial operations. I

1 have over 29 years of experience in the energy tubular  
2 industry.

3           Unfortunately it's only been a few months since I  
4 last appeared before the Commission. Last time I was here  
5 to discuss the harmful effects of dumped and subsidized  
6 imports of another product, OCTG from these same countries,  
7 Korea and Turkey. As with OCTG, our line pipe operations  
8 have been taking a beating from unfairly traded imports for  
9 almost a decade now. First, unfairly priced Chinese and  
10 Korean line pipe flooded in, forcing us to mothball our line  
11 pipe facility and reduce our work force in Counce,  
12 Tennessee. Foreseeing better times because of the  
13 imposition of orders against China, we kept the equipment in  
14 Counce in place, hoping to restart the facility and rehire  
15 workers.

16           Despite improvements in demand we are still  
17 waiting for those better times. After duties were imposed  
18 against Chinese line pipe, many Chinese producers stopped  
19 shipping to the United States. Instead they began to ship  
20 massive volumes to markets outside of the United States.  
21 Cut off from alternative markets due to greater competition  
22 from Chinese exports, Korean producers have continued to  
23 flood the U.S. market unabated with unfairly low priced line  
24 pipe.

25           In addition, Turkish producers have pushed

1 rapidly increasing volumes into the United States through  
2 dumping and massive subsidies. Just like they did with  
3 OCTG, Korean and Turkish produces have stepped in right  
4 where the Chinese producers left off. Since their peak in  
5 2007, Chinese line pipe imports have declined by 96% as of  
6 the end of 2013.

7 Imports from Korea and Turkey, however, have  
8 increased by an astounding 206% over the same period, more  
9 than replacing the Chinese volumes. This growth in volume  
10 vastly outstrips any U.S. demand increase during the POI.  
11 As a result, Korean and Turkish imports have captured market  
12 share directly at the expense of U.S. producers like  
13 Maverick.

14 That Korean and Turkish producers have increased  
15 their volumes and market shares so quickly and substantially  
16 demonstrates a key characteristic of the line pipe market.  
17 This is a highly standardized product it is sold almost  
18 exclusively on the basis of price. Whether Korean, Turkish  
19 or U.S. made all line pipe is produced according to  
20 American Petroleum Institute 5L Specifications. As long as  
21 the pipe meets these specifications it is entirely  
22 interchangeable, regardless of where it is produced.

23 With unfairly traded imports depressing market  
24 prices, we are forced to focus almost exclusively on price  
25 in our sales negotiations. Our customers won't pay more

1 just because the product is made domestically. We either  
2 match dumped and subsidized Korean and Turkish prices, or we  
3 lose this sale.

4 Even when we can lower our prices somewhat, the  
5 Korean and Turkish producers lower their prices even further  
6 and we lose sales anyway. As Korean and Turkish volumes  
7 have surged in and pushed prices downward, we have continued  
8 to lose sales and things have gotten worse for our line pipe  
9 operations.

10 These imports have driven prices down so low that  
11 we often simply cannot compete for these sales. As a  
12 result, we have seen our production and shipment volumes  
13 decline significantly over the period. Even when we can  
14 make sales, prices are so depressed because of the Korean  
15 and Turkish imports, that we have seen our margins collapse  
16 in recent years.

17 Year after year, our margins have narrowed as  
18 prices have fallen. In this environment we cannot earn an  
19 adequate return on our investments and can barely keep our  
20 line pipe operations running at all. Instead of being able  
21 to re-hire workers and restart production, the Counce  
22 facility, with around 170,000 tons of production capacity  
23 remains idle. We have also had to curtail production and  
24 cut workers on lines at our Hickman, Arkansas facility.

25 One of these lines has effectively shut down. We

1 can only afford to run it on an as-needed basis to fill  
2 specific orders. We have kept the equipment at these  
3 facilities in place because we believe that with relief from  
4 these unfairly traded imports, prices will recover and we  
5 can restart production by hiring additional workers to run  
6 the lines. Without relief however, we may never be able to  
7 profitability produce line pipe again.

8 By 2011 the worst effects of the financial crisis  
9 were behind us, the economy was growing again and the United  
10 States was producing oil and gas at historic levels.  
11 Unsurprisingly, demand for line pipe was also growing.  
12 Instead of domestic producers like Maverick benefitting from  
13 these conditions, however, Korean and Turkish producers  
14 pushed dumped and subsidized line pipe into the market at  
15 levels that far outstrip demand growth, undersold domestic  
16 producers and captured a disproportionately large share in  
17 the growth in the market.

18 This share in Korean and Turkish imports caused  
19 an inventory overhang at the end of 2012 and into 2013 that  
20 continued to drive the prices downward. Now, demand has  
21 softened along with lower gas prices and growing inventories  
22 of the subject imports, but Turkish and Korean producers  
23 have continued to push volume into the U.S. market at our  
24 expense and their harmful effects are only more apparent.

25 In fact, our line pipe operations have been

1 losing money since 2013. We are losing sales, we are losing  
2 money and we are losing high-paying jobs that our workers,  
3 their families and communities rely on. Without relief the  
4 situation will only get worse. As the Commission knows well  
5 at this point, these countries have limited oil and gas  
6 exploration and production in their home markets, so their  
7 line pipe industries are almost exclusively export  
8 platforms.

9 The United States on the other hand is one of the  
10 world's largest and most attractive markets for line pipe.  
11 The United States is and will continue to be the market of  
12 choice for Korean and Turkish line pipe producers. Now that  
13 trade relief has been imposed against Korean and Turkish  
14 OCTG these producers have every incentive to ramp up line  
15 pipe production and push even greater volumes of unfairly  
16 traded product into the U.S. market.

17 On behalf of Maverick and it's workers we urge  
18 the Commission to make an affirmative preliminary  
19 determination in this investigation. Thank you.

20 STATEMENT OF JEFF JOHNSON

21 MR. JOHNSON: Good morning, I am Jeff Johnson,  
22 Commercial Director Standard and Line Pipe, North America  
23 for United States Steel Tubular Products. I have been  
24 actively engaged in our efforts to sell welded line pipe  
25 over the last few years and has personally seen the harm

1 done by subject imports to our facilities making welded line  
2 pipe. I have no doubt that unfairly traded imports have  
3 hurt the domestic industry.

4           Only a few years ago, we at U.S. Steel were very  
5 optimistic about this product. Welded line pipe is used  
6 primarily to transport energy products such as oil and gas  
7 and we saw great promise in the energy markets. In early  
8 2011, we made the decision to assume operation of a facility  
9 in McKeesport, Pennsylvania that had been operated by Camp  
10 Hill Corporation. Significantly that facility was focused  
11 primarily on welded line pipe.

12           We believe that strong demand for energy tubular  
13 products would allow us to grow our welded line pipe  
14 business. The McKeesport facility's location near  
15 Pittsburgh meant that it was ideally situation to serve the  
16 Marcellus shale, one of the key locations in the ongoing  
17 U.S. energy revolution.

18           We can also make welded pipe in our Texas  
19 facilities and we had available capacity to increase sales  
20 there as well. We were certainly right about the Marcellus  
21 shale, a recent study found that roughly 45,000 new building  
22 trade jobs are being created in Pennsylvania, Ohio, and West  
23 Virginia thanks to drilling in that region.

24           And we made investments in our facilities, making  
25 them even more competitive. We also made a very aggressive

1 effort to grow our sales of welded line pipe. In fact those  
2 sales grew by more than one-third from 2011 to 2012 but it  
3 became increasingly clear that we literally could not afford  
4 to sell significant volumes of welded line pipe at the  
5 prices available to us.

6           Despite increased sales the profits on welded  
7 line pipe production plummeted in 2012 everywhere we looked,  
8 including in the Marcellus shale, unfairly traded imports  
9 had driven prices to unsustainable levels. Think about  
10 that. The imports travel across the ocean, through the gulf  
11 and up to the Marcellus shale and they were still priced  
12 lower than our products we were making right there in  
13 Pennsylvania.

14           Our efforts to grow the business at our Texas  
15 facilities were hindered by the same problem, too many low  
16 priced imports. In the fourth quarter of 2012 we slashed  
17 production at McKeesport and laid-off over 140 workers.  
18 Unfortunately imports continue to attack the market. Prices  
19 remained at levels that were to us, literally unsustainable.

20           In August of this year the McKeesport plant was  
21 closed indefinitely. While we can still make welded line  
22 pipe in Texas, we have little incentive to do so as prices  
23 continue to be distorted by unfair trade. Accordingly, we  
24 urge the Commission to let these cases go forward, thank you  
25 very much for your time.

1 STATEMENT OF ROBERT KOPF

2 MR. KOPF: Good morning I am Robert Kopf and I'm  
3 the General Manager of North American Flat-Rolled Marketing  
4 for United States Steel Corporation. U.S. Steel is one of  
5 the nation's largest producers of hot-rolled steel, the  
6 primary input in welded line pipe. We sell steel to all the  
7 producers in this proceeding and I spend a great deal of  
8 time studying the welded line pipe market.

9 Jeff Johnson has already testified that U.S.  
10 Steel's tubular operations saw a great opportunity in this  
11 market a few years ago and those of us in the hot-rolled  
12 business felt the same way. When I began my current job  
13 responsibility in early 2010, we saw the welded line pipe  
14 market as an attractive high-end business with a bright  
15 future.

16 Our facilities at Gary, Indiana and Granite City,  
17 Illinois are particularly well suited to supply hot-rolled  
18 steel for welded line pipe and we began to develop facility  
19 investment plans to take full advantage of this opportunity.  
20 More recently however, our outside customers making welded  
21 line pipe have repeatedly told us that they were being hurt  
22 by unfair trade.

23 As hot-rolled producers we now see welded line  
24 pipe as one of our weakest markets in terms of  
25 profitability. In fact, our margin on hot-rolled sales to

1 welded line pipe producers is down by a third since 2011,  
2 the direct result of the unfair pricing competition faced by  
3 our outside customers. Unfair trade is the only credible  
4 explanation for these problems and I have no doubt that the  
5 subject imports have hurt U.S. welded line pipe producers.  
6 Thank you for the chance to testify.

7 MR. SCHRAGRIN: This is Rogert Schragrin, I'm  
8 very pleased to introduce our final witness. We have again  
9 saved the best for last that is going to be Miss Holly Hart  
10 the Legislative Director of the Domestic Interested Party  
11 USW. She's a very strong voice in Washington for the union  
12 and we are very proud that our PHARMA is again representing  
13 the USW in other incentive trade cases here representing  
14 many companies that have her and I recently attended a  
15 surprise birthday party for Miss Hart, much like Mr. Cameron  
16 and I she also recently turned 40.

17 Okay, without further introduction Miss Hart.

18 STATEMENT OF HOLLY HART

19 MS. HART: Good Lord, hopefully that didn't take  
20 too much of my time. Good morning Miss DeFilippo and  
21 members of the Commission staff. For the record my name is  
22 Holly Hart I guess I don't have to say anything more but I  
23 am Assistant to the President and Legislative Director for  
24 United Steel Paper and Forestry, Rubber, Manufacturing,  
25 Energy, Allied, Industrial and Service Workers International

1 Union, otherwise known as the Steelworkers or the USW.

2 First let me thank all of you and the Commission  
3 for the affirmative determinations of injury in the recent  
4 cases on oil country tubular good from six countries  
5 including Korea and Turkey. These orders will save  
6 thousands of jobs for our members and the non-union workers  
7 producing OCTG and just as importantly those who make the C  
8 stock steel products that go into OCTG.

9 And it's my understanding that line pipe is the  
10 second most important pipe and tube product by volume in the  
11 U.S. market. It's not surprising given how vital this  
12 product is to our U.S. energy infrastructure and the fact  
13 that America has more miles of pipeline than any other  
14 country in the world.

15 Our union represents or represented unfortunately  
16 workers in many of the facilities in the United States  
17 producing or that used to produce these products, including  
18 facilities at U.S. Steel, TMK Ipsko, the Energex Division of  
19 JMC Steel and its stock corporation.

20 In addition to workers at these welded pipe  
21 mills, the steelworkers have tens of thousands of members at  
22 facilities that produce the hot-rolled sheet that's the  
23 principal raw material that goes into welded line pipe as  
24 well as the iron ore mines that supply the iron ore for  
25 integrated producers like U.S. Steel to make the hot-rolled

1 sheet.

2 In this case, the increase in the import volumes  
3 for line pipe from Korea and Turkey are as striking as they  
4 were for OCTG. Between 2011 and 2013 these imports  
5 increased from 574,000 tons to 780,000 tons and they did so  
6 at prices as you have already heard from the members of the  
7 domestic industry, that severely undersold them and took  
8 market share from the domestic industry and its workers,  
9 once again dealing a severe blow to our union's members and  
10 their families.

11 As you have heard from the U.S. Steel witness,  
12 U.S. Steel shut down its pipe mill in McKeesport,  
13 Pennsylvania in mid-August of this year with a loss of many  
14 family supportive jobs, 265 is what I have here. This plant  
15 is located just 15 miles from our union's headquarters and  
16 ironically it's in the middle of the most vigorous energy  
17 exploration we have seen in recent years.

18 But these workers and their families' lives have  
19 been shattered. As you have heard, McKeesport was a line  
20 pipe mill making line pipe up to 20 inches in outside  
21 diameter. The fact that this shut down occurred during a  
22 time when the energy renaissance was going on in the United  
23 States with quite strong demand can only be attributed to  
24 unfairly traded imports.

25 On behalf of all the workers in the U.S. line

1 pipe industry, we ask that you make an affirmative  
2 determination of injury, thank you.

3 MS. DEFILIPPO: Ms. Schagrin, does that conclude  
4 your presentation?

5 MR. SCHAGRIN: It does. And we're happy to  
6 answer the staff's questions.

7 MS. DEFILIPPO: Excellent. First, before  
8 starting with staff question, I would like to take a minute  
9 to thank all of you for coming today to present testimony  
10 and to answer questions of staff. I know it is not easy to  
11 get away from your job and come to D.C., but it's very, very  
12 helpful for us to understand the dynamics of the market and  
13 answer the questions that we have to put together the best  
14 report we can.

15 So, with that, I will turn to Mr. Szustakowski  
16 for questions.

17 MR. SZUSTAKOWSKI: Hello. And I too also want to  
18 thank you for being here today to answer our questions.

19 The first thing I want to discuss is the import  
20 data, and the staff plans to use official statistics in the  
21 report. The scope of the investigation was ten statistical  
22 reporting numbers and subject merchandise may enter. Three  
23 of these numbers are for Allied Products with no certain  
24 diameter size limit. The three numbers are 7305115000,  
25 735125000, 7305195000. There's a confidential Edus document

1 number 545605. It contains some notes about questionnaire  
2 responses, staff interviews with importers, and analysis of  
3 confidential import data, which shows that very few subject  
4 imports enter under these three numbers.

5 Our intention is not use those three numbers in  
6 our presentation of the import data in the report. If you  
7 want to comment on that, or if you're prepared to comment on  
8 that now, excluding those three numbers that would be  
9 appreciated, or if you need to wait to review that  
10 confidential Edus document for your comments I'd like to see  
11 at least that addressed in your post-conference brief.

12 MR. SCHAGRIN: This is Schagrin. Mr.  
13 Szustakowski, we reviewed that EDIS document, and we agree  
14 with staff's conclusions as to the data to be utilized in  
15 this preliminary staff report.

16 MR. SZUSTAKOWSKI: Do other counsel want to  
17 comment on that right now?

18 MR. SCHAGRIN: Counsel for Maverick. We will  
19 comment on it in the post-conference brief.

20 MR. SZUSTAKOWSKI: Okay. So, while looking at  
21 some preliminary apparent consumption figures, we see an  
22 increase 2011 to 2012, and then a decrease from 2012 to  
23 2013. What explains the increase from '11 to '12, and then  
24 the decrease from '12 to '13? What changed from one year to  
25 the next to the next?

1                   MR. NOLAND: Jon Noland, American Steel Pipe.  
2                   Our particular situation we saw a big increase in demand for  
3                   natural gas liquid pipeline in 2012 that drove our sales at  
4                   that point. At the end of that year we saw there was a  
5                   significant drop in the price of NGLs. This is ethane and  
6                   propane, butane, other things that can come out of the  
7                   ground with the methane, the natural gas, that also has a  
8                   separate market. And we saw that particularly the price of  
9                   ethane drop dramatically in the end of 2012 and discouraged  
10                  further investment in that particular market.

11                  We also saw a ramp up of oil production at that  
12                  time, as the price of oil increased. And again, there are  
13                  alternatives to moving oil, other pipelines, and a lot of  
14                  our customers chose those alternatives from '12 to '13. So  
15                  those are two of probably many reasons why the demand  
16                  fluctuated during that time period.

17                  MR. SZUSTAKOWSKI: I'm sorry. Mr. Schagrín, if  
18                  you want to continue?

19                  MR. SCHAGRIN: I just want to add one thing. So,  
20                  the producers on the panel are most aware of, of course,  
21                  changes in demand that would be driven by changes in the  
22                  prices of natural gas liquids or changes in the prices of  
23                  oil or natural gas and the amount of drilling for different  
24                  product, but line pipe, like OCTG, but without the same  
25                  degree of information that was available to the Commission

1 as in the OCTG investigation has distributors holding  
2 tremendous tonnages of inventory.

3 So, there's a big difference between actual  
4 consumption that is used in the fields and apparent  
5 consumption that is based on imports plus domestic shipments  
6 minus exports. And as I found throughout my career, these  
7 distributors will hold several months of inventory. They  
8 will change the amount of inventory they hold based on their  
9 prediction of which way pricing is going.

10 So, when they see prices dropping, they say I  
11 don't want to buy a lot more inventory now. This is the  
12 time to cut my inventory. And we think that after the big  
13 run up in imports in 2012 at very low prices in both import  
14 and then following those domestic prices following in early  
15 2013 that the big distributors of the line pipe in the  
16 United States said we ought to reduce our inventories.

17 Obviously, in purchasers' questionnaires for a  
18 final investigation, the Commission can get information from  
19 purchasers about the amount of inventory. We have searched  
20 in Preston Pipe Report, Pipe logics. There just is not the  
21 kind of data available on months of inventory on hand and  
22 the amount of total stock of inventory held by distributors  
23 of line pipe like there is in OCTG.

24 And I don't know if anybody else on the panel,  
25 Mr. Fisher or anybody else, would like to comment on

1 distributor inventory changes.

2 MR. FISHER: There was a considerable -- after  
3 2012, there was considerable drop in inventory, or people  
4 wanted to reduce their inventory in 2013 because of drop in  
5 prices, and that probably accounts for some of the shipments  
6 going down.

7 And as Roger said, in line pipe there is no real  
8 industry source that keeps track of inventory. It's just a  
9 company-by-company thing, and just generally how the  
10 inventory is moving.

11 MR. SZUSTAKOWSKI: You already answered my one  
12 question about whether or not there's any sort of Preston  
13 Pipe or other data about this. So, is it unusual, or is  
14 this normal to see this almost like lumpy trend where one  
15 year there's a big increase from the next, just based on the  
16 fluctuations in gas prices from one to the next that  
17 explains why the inventory overhang occurred? Is this  
18 something that we've seen before, or is this a new  
19 phenomenon?

20 MR. BARNES: Scott Barnes, TMK IPSCO. I think  
21 you do see your term "lumpy" is a pretty appropriate  
22 description of what we see in the line pipe market. You go  
23 through, as I mentioned in my testimony about new fields  
24 being developed until they reach a critical mass, then  
25 there's several projects for pipelines to be built. Then

1 that capacity for that take away of the volumes is there for  
2 a while until production increases and then there's another  
3 need to build another pipeline.

4 So, you do see some of this lumpiness and  
5 cyclicalities. But I also agree with what was said earlier  
6 that you go through these cycles where there's over buying  
7 and then reduction of inventory. It seems that that's a  
8 constant, never-ending cycle that distributors go through  
9 based up on where pricing goes and where they think pricing  
10 is going to go in the future. Nobody wants to be caught  
11 holding a lot of inventory at high-level prices. So, if  
12 they see that import pricing, as an example, is declining  
13 they don't want to chase that down by buying more at that  
14 time, and therefore that big distinction between apparent  
15 consumption and real consumption is there.

16 MR. BARNES: And Mr. Szustakowski, I can just  
17 predict, having heard from Mr. Cameron's opening this  
18 morning that the Respondents are going to try to give you  
19 later this really simple, I got one magic bullet that  
20 completely examples a hundred percent of subject line pipe  
21 demand, and that is look at the natural gas rig count and  
22 then lag it by several quarters. And they'll probably have  
23 some economist go, wow, I can just match it and I can  
24 correlation analysis and I can jut explain everything.

25 And I would just urge you it's just not true.

1 Mostly, because this is really a complicated market. We'd  
2 all like things in life to be simple. The line pipe market  
3 is not simple. Mr. Herald, who's an incredible expert in  
4 this field, given his role as executive at Halliburton and  
5 Maverick and now Welspun, you know, can explain to you  
6 better than I could the change in pad drilling and what it's  
7 done to demand for different line pipe sizes, and that pad  
8 drilling for oil more than for natural gas where we used to  
9 have a single well and you take a 4-inch pipe to connect to  
10 the pipeline. Now, you have a pad with like 10 wells off of  
11 it, and you bring in so much oil through all this casing and  
12 tubing come into this drilling pad that you might now use  
13 20-inch or 16-inch or 24-inch to collect the oil. And then  
14 it may go to a place where there's a rail depot and it's put  
15 on rail cars, but there is a lot of line pipe being used in  
16 the collection of oil from oil fields. It's not just used  
17 for natural gas collection.

18 And Mr. Herald, I don't know if you want to  
19 amplify at all on that issue.

20 MR. HERALD: This is Skip Herald with Welspun. I  
21 think Roger's comments are valid. And I think part of the  
22 unpredictability and maybe the lumpiness, as Roger said, is  
23 with the pad drilling there's a critical mass before they're  
24 going to put a pipeline in. And then also associated with  
25 that they can move oil via rail or truck. So, in the

1 interim, they may do that until they get enough capacity of  
2 production to do that. But line pipe you just can't tie it  
3 necessarily to the natural gas rig count.

4 I think, historically, these guys would say that  
5 every time there was a gas well or group of gas wells they  
6 would build infrastructure to connect those wells to a main  
7 line. That's not true with the new pad-drilling  
8 environment. So, they wait until the pads are done and  
9 completed, and then even at that point they still may not  
10 know what size of line pipe they're even going to use. You  
11 have to understand the whole productivity of the field, so  
12 it's a different market today than it was even two years  
13 ago, and think it will continue to evolve.

14 MR. SZUSTAKOWSKI: Given these fluctuations that  
15 you see in the actual demand, how does a firm like Welspun  
16 or CSA how do they plan for these big investments, knowing  
17 that the market seems to fluctuate quite a bit? What is the  
18 assumptions? What are the planning devices? What are the  
19 reports that you're looking at for basing -- on which you  
20 base these investments?

21 MR. DUBREUIL: This is Ray Dubreuil from  
22 California Steel. What we looked at in our analysis was  
23 basically the way that the drilling programs were going to  
24 be going for the -- particularly, the shale part of it.

25 Now, taking into consideration in the long run

1 we're probably going to shutdown our other mill because of  
2 obsolesce and we're going to have this new mill, which will  
3 be our total capacity. So, that was the thinking is that  
4 the equipment itself was just aging. And one of the things  
5 that's happened in the line pipe market is the  
6 specifications have gotten much tougher over the years and  
7 the liability has gone up. So, this mill is basically a  
8 world-class mill. It will produce to all the major  
9 specifications in the line pipe market, and that was the  
10 justification for us doing it.

11 MR. SZUSTAKOWSKI: Let me just jump in here for a  
12 second. When you're talking about specifications becoming  
13 tighter, what does that mean?

14 MR. BARNES: Okay, I mean it's over and above API  
15 specifications, something beyond that. Most end users will  
16 have their own specification for testing, which will be  
17 tougher than the API spec.

18 MR. SZUSTAKOWSKI: And who's supplying the over  
19 and above API specification? Who's the --

20 MR. BARNES: Most mill --

21 MR. SZUSTAKOWSKI: Does it take a new mill to do  
22 that?

23 MR. BARNES: Most mills can do it, but this mill  
24 that we put in it is, like I said, state-of-the-art mill,  
25 and it will do all of the specifications required by the end

1 users, and most of it is on the testing site.

2 MR. SZUSTAKOWSKI: So, for the other domestic  
3 producers here who else is producing this over and above API  
4 specification? Can you just state your name?

5 MR. BARNES: Scott Barnes, TMK IPSCO, and we can  
6 comply with the proprietary specifications.

7 MR. CLARK: John Clark with Stupp. And we see  
8 the same thing. A lot of times the end users and operating  
9 companies come up with their own unique requirements in one  
10 area or another, and they're all very similar. And for the  
11 most part, all of my peers here and the importers can meet  
12 those specifications, but because they have their own  
13 engineers and metallurgists and things, they come up with  
14 some particular chemistry requirements or some particular  
15 grinding specifications, or whatever, and they're unique in  
16 a couple of different areas, aside from the standard API  
17 spec. But it's very consistent with API with a few  
18 deviations. Usually, they're customized to each individual  
19 end user.

20 MR. FISHER: This is Rusty Fisher with Welspan.  
21 I would just like to add that most every mill can comply  
22 with these above-API specifications, both domestic and  
23 importers. There's very world-class mills that we're  
24 competing with around the world and they make these  
25 above-API specifications on a daily/weekly basis just like

1 we do.

2 MR. SZUSTAKOWSKI: Is this a growing market  
3 compared to just the standard API grade, or is this a --  
4 what's the recent trend in the last couple of years with  
5 this -- is it proprietary? How do you describe this?

6 MR. FISHER: A number of years ago the API 5-L  
7 tightened up their own specifications, and they made from  
8 the regular product service level to what they call Product  
9 Service Level 2. And making better and better pipe, line  
10 pipe because of the liability of pipelines has been a thing  
11 for API line pipe or proprietary line pipe we would call it,  
12 but everybody can make them. They're there and it's just  
13 you have to make better and better specifications all the  
14 time, better and better quality of pipe.

15 MR. DUBREUIL: I would just add I think Mr.  
16 Fisher is right that all the U.S. mills and all the Korean  
17 and Turkish mills can both make product that complies with  
18 the new API specification, which as I remember went into  
19 affect just as recently as July 1 of last year. Yeah, July  
20 1 of last year there's a new API specification that very  
21 much tightened up API because of concerns by all the users  
22 of line pipe for these liability issues.

23 The San Bruno explosion and others that consuming  
24 industry wants a higher specification product. Even in just  
25 the API, it's one of the reasons that -- and I think all Mr.

1 Cameron's clients know this, if he didn't, that the steel to  
2 make line pipe is sold at a higher price than the published  
3 AMM price because the steel to make the line pipe is better  
4 than the steel to make carbon grades of tubing and casing.

5 It's better and more expensive than the steel  
6 used to make standard pipe or structural pipe or all kinds  
7 of products out there because line pipe carries products  
8 that explode. And so we want to make sure people don't get  
9 killed, so I mean not laughable, and we get to it later, but  
10 the idea of saying we can't understand why the people whose  
11 questionnaire responses you received actually reported  
12 higher steel costs than the AMM.

13 It's always been like that, but it's become more  
14 like that since the specifications became more difficult.  
15 It's not just your pipe mill that has to be good to meet the  
16 specifications. You need better steel. And the steel mills  
17 in Korea and Turkey and the United States and in other  
18 countries -- and U.S. Steel's marketing person can speak to  
19 this. They need to give line pipe producers better steel  
20 and they're going to want to charge for it to meet these  
21 specifications.

22 MR. SZUSTAKOWSKI: I think it would be helpful in  
23 the post-conference briefs if that point was addressed in a  
24 bit more detail with maybe comparing what the AMM prices are  
25 for the high rolled sheet coil to what this other specialty

1 steel input is and maybe provide some basic raw material  
2 pricing data about that product and what those  
3 specifications are for that steel.

4 MR. SCHAGRIN: We'll do that in the  
5 post-conference brief, Mr. Szustakowski.

6 MR. SZUSTAKOWSKI: Regarding the 24 being the new  
7 16, when did that start?

8 MR. SCHAGRIN: I'll others talk about it, but it  
9 really began with change in drilling in the Untied States  
10 toward shale. It's these compared to the traditional just  
11 straight, vertical drilling the new shale drilling as over  
12 the last five, six years has just really changed the U.S.  
13 energy industry and the kind of demand for line pipe.

14 MR. NOLAND: Jon Noland with American Steel Pipe.  
15 And we're one of those manufacturers that crossed that. We  
16 have 10-inch through 24-inch. And would say prior to the  
17 shale revolution a lot of our larger diameter, being 18, 20,  
18 and 24, was used more in what we call the downstream of the  
19 transmission where you still see a lot of the 30-inch and  
20 above play in that market. That's getting the natural gas  
21 to the customer in some form or fashion.

22 Now, the shale play has changed this where most  
23 of our pipe now is used upstream. So, it's not about  
24 getting the gas to changing population centers. It's more  
25 about how do you get the gas out of the fields and into the

1 processing plants, or the oil out of the fields into the  
2 refineries. So, because of the change in the pad drilling  
3 that's been talked about before, we have seen more of a  
4 shift of larger diameters being used for this upstream  
5 application.

6 But the bottom line is we sell to the same  
7 customers. It's the same specification. It's made on the  
8 same facility. We sell to the same customers 12-inch and we  
9 sell them 20-inch. So, it's the same manufacturing process,  
10 so the distinction is really more now with the manufacturing  
11 process. So, above 24-inch you have to go to an LSAW or a  
12 HSAW application.

13 MR. SZUSTAKOWSKI: Are LSAW and HSAW applications  
14 are those also used in the greater than 16, less than --  
15 24-inch or less ERW applications?

16 MR. NOLAND: Rarely are they used in 24-inch and  
17 down. It's like Mr. Clark said we can more economically.  
18 We can make it faster than they can, so the LSAW and LHAW  
19 mills have a hard time competing against ERW facilities in  
20 those size ranges.

21 MR. SZUSTAKOWSKI: Anyone else care to comment on  
22 that?

23 Mr. Fisher, you look like you want to say  
24 something on that.

25 MR. FISHER: The LSAW and the HSAW business is

1 really above 24-inch through 48-inch business in the United  
2 States. If you get outside of the United States, places  
3 like maybe Russia they use 56-inch, but the United States  
4 it's basically a 30-inch through 48-inch market for  
5 HSAW/LSAW, primarily.

6 And as John stated, the 24-inch business, due to  
7 the process of making HSAW, submerge arc welded material and  
8 helical fashion it's hard to compete with the ERW mills in  
9 that size range. It's just ERW is a faster process.

10 MR. SZUSTAKOWSKI: Jumping around here a little  
11 bit. Looking at the official import statistics, we see from  
12 2011 to 2012 that subject imports increased by about 200,000  
13 tons and non-subject imports by about 340,000 tons. And I'm  
14 just trying to understand how do you distinguish the 200,000  
15 tons from subject imports to the market, that increase from  
16 the increase of 340,000 tons from the non-subject, and what  
17 role those have in the market and the impact?

18 MR. SCHAGRIN: I distinguish them two ways, one  
19 by price. I think you're going to see consistently over  
20 your POI that non-subject imports were higher priced than  
21 the subject imports. And I think there are some folks on  
22 the panel who do have plants in other countries. I think  
23 they would also say that as you see almost no drop between  
24 '12 and '13 in subject imports, even though everyone says  
25 the market went down, yet, subject imports don't go down.

1 And I think you see that non-subject producers, whether  
2 related to or not related to U.S. producers said we don't  
3 want to try to compete in the U.S. market with subject  
4 import prices.

5 So, I think they made the same decisions about  
6 producing less and shipping less to the U.S. that some of  
7 the U.S. producers said about I should reduce production, as  
8 you heard in the testimony this morning because I don't want  
9 to compete against the Koreans and Turks at those prices and  
10 not make money.

11 MR. SZUSTAKOWSKI: Could those producers with  
12 related foreign operations I mean how do you decide your  
13 sourcing, whether or not you're going to make something  
14 domestically or rely on an imported product?

15 MR. BARNES: Scott Barnes with TMK IPSCO. Our  
16 philosophy, marketing plan is similar to what we said in the  
17 OCTG case. We only import those products that complement  
18 our size range. In other words, we don't produce them here  
19 in the U.S.

20 MR. SZUSTAKOWSKI: And can you tell me publicly  
21 what size range that would be?

22 MR. BARNES: We produce up through 16-inch at  
23 ERW, and so therefore we bring in 18, 20, and 24-inch.

24 MR. SZUSTAKOWSKI: And that volume of imports  
25 you're bringing in does that increasing, decreasing?

1                   MR. BARNES: That's in our petition that we  
2                   filed.

3                   MR. SZUSTAKOWSKI: Okay.

4                   MR. SCHAGRIN: Just to clarify Mr. Barnes, the  
5                   questionnaire response, it's in the importers' questionnaire  
6                   response line in the petition.

7                   MR. SZUSTAKOWSKI: Yes, I might have some  
8                   follow-up questions after the staff conference.

9                   I guess my last question is for Welspun and CSI.  
10                  What does it take to gain market acceptance with your new  
11                  mills?

12                  MR. FISHER: From my perspective at Welspun --  
13                  Rusty Fisher with Welspun, by the way.

14                  Basically, Welspun maybe has a bit of an  
15                  advantage in that -- and I think CSI would be the same.  
16                  We're not a new producer. We're a new ERW producer, but  
17                  we're not a new producer in the U.S. market, been quite  
18                  successful with the large diameter products that we make.  
19                  And basically you have to work with the end users to gain  
20                  approval of your mill. Sometimes it's very quick.  
21                  Sometimes it's very slow. It's just something you have to  
22                  do. You have to gain approval with the end users and make  
23                  sure they approve your products.

24                  MR. SZUSTAKOWSKI: What's the timeline? Is that  
25                  quick/slow? I mean months, years?

1                   MR. FISHER: It can be as quick as a week or  
2 making a call, and it can take years. You know it depends  
3 on the individual end user and what their approval process  
4 is.

5                   MR. SZUSTAKOWSKI: CSI?

6                   MR. DUBREUIL: Yes, we've been producing pipes  
7 since 1986, and we the majority of the customers that we  
8 deal with up through 16-inch we've already been approved by  
9 API for the new mill. They will do a minor audit in  
10 probably January, but most of our end users they have  
11 approved manufacturers list, which we're on. And all it  
12 will take at that point will be for them to audit our mill  
13 and expand that manufacturers list.

14                   MR. SZUSTAKOWSKI: Thank you.

15                   That concludes my questions. Thank you very  
16 much.

17                   MS. DEFILIPPO: Thank you, Mr. Szustakowski.  
18 We'll now turn to our attorney, Mr. Sultan.

19                   MR. SULTAN: Thank you. I'd like to ask several  
20 questions which go to the issue of how we define the  
21 domestic-like product, starting with physical  
22 characteristics. Are there any differences between line  
23 pipe, which is a below 16-inch and line pipe which is  
24 between 16 and 24-inch in terms of physical characteristics,  
25 other than the diameter of the pipe?

1 MR. SCHAGRIN: No.

2 MR. SULTAN: Turning then to uses, Mr. Nolan, you  
3 just explained that with the advent of the shale revolution  
4 that the larger, 16 to 24-inch pipe whereas it used to be  
5 used more in downstream applications is now increasingly  
6 used in upstream applications. Could you explain to me a  
7 little bit why that is? I don't quite understand what drove  
8 that.

9 MR. NOLAND: One of the reasons is just sheer  
10 volume and so we really have -- that's where the demand is  
11 for the product now is -- again, we have new places. We're  
12 getting gas and oil from places that current infrastructure  
13 doesn't support. So, it's not the Gulf of Mexico and the  
14 four corners region. It's Pennsylvania. It's South Texas.  
15 It's North Dakota. So, we've got to get the product out of  
16 those areas. Very few people live in South Texas and North  
17 Dakota. So, we have to get the product out and get it into  
18 the major pipelines to get it to the customers.

19 So, that, along with the new technology of  
20 several wells coming off of one pad where it used to be one  
21 well per pad as demanded that there's a bigger take away  
22 capacity from the pads. So again, the diameters are  
23 increasing on that what some people call gathering pipe.

24 MR. SULTAN: Okay.

25 MR. BARNES: Scott Barnes, TMK IPSCO. If I could

1 give you a scale factor. John made the comment, you know,  
2 one well and one pad. Pad drilling has increased  
3 dramatically over the last couple of years, the number of  
4 wells per pad. From what he said one well per pad to now a  
5 pad can have 32 wells on it.

6 So, when you think about how many hydrocarbons  
7 are coming up at one location from 32 different wells just  
8 the volume of those hydrocarbons is going to require a  
9 bigger volume or diameter to take that product away from  
10 that producing field to a processing plant or some other  
11 market downstream.

12 MR. SULTAN: Thank you. That's pretty helpful.  
13 That makes it clearer to me.

14 What about channels of distribution? I think we  
15 heard this morning that line pipe is sold both to  
16 distributors and to end users. Is there any distinction  
17 between the larger line pipe and the smaller line pipe that  
18 is over 16 and under 16 in terms of where it's sold?

19 MR. SCHAGRIN: No, there's no distinction.

20 MR. SULTAN: Thank you. And what can you say  
21 about customer and producer perceptions of these two groups  
22 of products? How has that changed in the last few years, or  
23 perhaps it hasn't changed.

24 MR. CLARK: This is John Clark for Stupp  
25 Corporation. You're asking two groups of products, but

1       which two groups are you talking about?

2                   MR. SULTAN: I'm thinking of line pipe below  
3       16-inches in diameter and line pipe between 16 and 24-inches  
4       in diameter.

5                   MR. CLARK: Okay. I would say that our customers  
6       really don't view that as two different groups. It is one  
7       product. And the only designation is what is the take away  
8       capacity that they require, then that would be the only  
9       thing that would -- there's no preference or reason why they  
10      would choose 16-inch or 12-inch or 20-inch or 18-inch, or  
11      anything else. It's strictly what is the capacity they need  
12      to move the amount of product that needs to be moved, and  
13      that's what determines whether it's 16 or 20 or 24 or 12.

14                  MR. SULTAN: Okay.

15                  MR. CLARK: They're exactly the same product on  
16      the same -- we manufacture them on the same production line  
17      with the same steel. It's just different sizes.

18                  MR. SULTAN: You've actually anticipated my next  
19      question. I was going to ask about manufacturing  
20      facilities. I think I heard some of you say this morning  
21      that you tend to make a smaller product. Some make a larger  
22      product. Is this just a very company-by-company type of  
23      thing? I'm not expressing this very well. Some of you make  
24      the full range up to 24. Some of you don't. Is that  
25      correct?

1                   MR. CLARK: Still John Clark with Stupp. And  
2                   yes, that's correct. And for us, I know we've looked  
3                   several times at expanding into additional line diameters  
4                   and it's a significant capital investment, so it's not  
5                   really an interest in larger diameter versus smaller  
6                   diameter. It's just a matter of where we made the  
7                   investment and can we afford to make more investment. Does  
8                   it make sense for us? Is the market there? But I think  
9                   that's the determination for us as to why -- we've been in  
10                  the market that we've been in since the fifties, and like I  
11                  say it's not really a preference for large versus small.  
12                  Actually, it's to look at the market and the investment  
13                  required to expand.

14                 MR. SULTAN: Okay.

15                 MR. DUBREUIL: This is Ray Dubreuil from  
16                  California Steel. I think what's happened in the  
17                  marketplace and what's happened with mills is in the old  
18                  days if you had a mill that ran from 8 to 16-inch it was a  
19                  certain investment and it was basically that was an  
20                  expansion probably from a mill that made probably 8 to 10 or  
21                  12-inch and you expanded it.

22                 I think what the new technology, and the reason  
23                  that we put in the mill that will make 8 through 24 is  
24                  because the technology as come quite a ways in the last few  
25                  years.

1                   MR. BARNES: Scott Barnes with TMK IPSCO. As I  
2 mentioned in my testimony, we make line on three different  
3 mills. And those three different mills don't just make line  
4 pipe. They also make oil country. So, at our Blytheville,  
5 Arkansas mill we can make EOW three and three eighths through  
6 four and a half inch, so we cover those sizes a line pipe.  
7 And the efficiency of a mill besides the technology is also  
8 dependent upon the range of products that you make.

9                   And so at Comanche, Iowa, we make four and a half  
10 through eight and five-eighths. And in our Wilder plant, we  
11 make eight and five-eighths through sixteen inch because if  
12 we were to make 2 through 24 on the same mill you're going  
13 to have a sweet spot in that mill, but on the extremities  
14 you're not going to be efficient at either one of those  
15 outlying diameters. So, you pick the investment and market  
16 and products that you want to be in, and then design your  
17 mill around that package of products. And so, therefore, as  
18 I said, we make two and three-eighths through four and a half  
19 in Arkansas, four and a half and five-eighths and eight  
20 through sixteen, making a variety of different products.

21                   MR. SULTAN: We've heard a fair amount of  
22 testimony this morning about how the subject imports from  
23 Korea and Turkey are priced way below the domestic product.  
24 Are there any quality reasons for that?

25                   Mr. SULTAN: Okay. We also -- there was also

1 some discussion about specifications that are over and above  
2 the API specifications, so called proprietary  
3 specifications. Can the subject producers in Korea and  
4 Turkey meet those specifications?

5 MR. CLARK: It's John Clark from Stupp. And yes,  
6 they can. I'd like to clarify because I don't -- I  
7 personally don't consider them proprietary specifications.  
8 It's -- it's different than that. There -- they may be  
9 unique. So they may have for one reason or another  
10 determined that it's important to them to, you know, tighten  
11 up on the ovality specification or to say well API allows  
12 this much grinding, but we're only going to allow a little  
13 bit less than that because we don't want to allow that much  
14 grinding on the pipe. But it's not proprietary like it's a  
15 secret or it's -- you know, that they -- that they've  
16 developed it themselves. It's just according to their own  
17 preferences.

18 MR. LOWE: Okay.

19 MR. CLARK: And actually, they -- they often come  
20 from a set of a few experts in the industry that -- that  
21 help the operating companies establish those specifications.  
22 And a lot of company's specifications look almost identical  
23 to the others but they are still slight deviations from the  
24 standard API spec.

25 MR. LOWE: Brad Lowe, Tenaris. Just -- just for

1 clarification. The vast majority of our sales of ERW line  
2 pipe are made to strictly API 5L specifications. And the --  
3 the additional specifications over and above that are more  
4 of a niche, a niche product.

5 MR. FISHER: In that I was going -- Rusty Fisher  
6 with Welspun. I was going to say the same thing. Still the  
7 -- the majority of the times, I believe would be API 5L in  
8 nature and not anything above that in terms of  
9 specification.

10 MR. SCHAGRIN: Just in case Mr. Sultan and some  
11 of the industry people didn't specifically answer the -- I  
12 think the first part of your question was, can the Korean  
13 and Turkish mills make in addition to the Vanilla API extra  
14 qualifications that some companies have. And I think  
15 everybody believes that they can. These Korean and Turkish  
16 mills are world class mills, and they market the full range  
17 of line pipe products to distributors and customers in the  
18 United States.

19 MR. PRICE: Alan Price, Wiley Rein. Let me just  
20 take a step and so I think we just heard testimony that the  
21 vast majority of the U.S. production and the imports are all  
22 standard 5L product. Not these niche products that we sort  
23 of somehow rather -- started talking about.

24 We've seen, obviously, a very large influx of --  
25 of these products. The -- all of these products compete

1 with each other in market. I'm waiting for Mr. Cameron's  
2 argument as to why there is some separate universe where the  
3 imports compete and the domestic products don't with each  
4 other. But, you know, this very competitive market of  
5 standardized product.

6 MR. SULTAN: Thank you. My last question is  
7 really for you, Mr. Schagrin. And you can deal with this in  
8 your post-conference brief, or now if you would like. But I  
9 would be interested to -- to hear some input about the  
10 factors that we typically look at in terms of -- in terms of  
11 non-subject imports.

12 MR. SCHAGRIN: In our post-conference brief, Mr.  
13 Sultan. Thank you.

14 MR. SULTAN: Thank you. That's all I have.

15 MS. DEFILIPPO: Thank you, Mr. Sultan. We now  
16 move to Ms. Farrington, with one reminder for those of you  
17 on the panel to state your names. Most of you are doing a  
18 good job, but it is a big panel. So I'm just trying to make  
19 it easier for the court reporter. Thank you.

20 MS. FARRINGTON: Good morning, and thank you all  
21 for coming. I just have a few questions.

22 I'll start with demand. Most of the panel has  
23 noted the increase in the Shell exploration as an  
24 anticipated demand driver in recent years. Are there any  
25 others that you have experienced outside of Shell that have

1 also popped up or others that have decreased to offset the  
2 increase in demand for Shell?

3 MR. LAWRENCE: Scott Lawrence with DMK. Is it  
4 on? Yeah. DMK IPSCO. Rusty probably can address this  
5 better than anyone but in the Keystone Pipeline is one that  
6 would have generated probably more demand had it been built  
7 in the form of laterals coming off of that which would have  
8 come into, you know, 24 inch and downsizes. We still have  
9 high hopes that will go through and that will be out there  
10 in the future.

11 The other thing, of course, as Roger mentioned,  
12 the San Bernardino -- San Bruno accident and a lot of the  
13 pipeline safety accident that happened since then. And we  
14 anticipate in the future that there will be a pick up in a  
15 -- in a demand for repair and replacement of existing  
16 pipelines which is why it's important to address these  
17 unfair imports now. So when that does happen, we will be  
18 able to benefit from it.

19 MR. CLARK: John Clark from Stupp. I think that  
20 there are a variety of things as Scott just mentioned and  
21 there -- and I mean on the other side there was the MQ and  
22 the ban on Gulf production for a short while had -- had, you  
23 know, the downside for demand in that particular area but --  
24 but those are all small factors by comparison to the shield  
25 developments. And that's been the -- and that's been kind

1 of the 600 pound gorilla of the demand driver.

2 MS. FARRINGTON: Okay. I'll move onto raw  
3 materials and how the price of hot rolled coil has affected  
4 the price of pipeline in the domestic market.

5 MR. FISHER: Rusty Fischer with Welspun. I  
6 think it's -- it's the same for any other serial making ERW  
7 line pipe or welded line pipe.

8 Hot roll coil is -- is the largest cost  
9 component of anybody making the product. And obviously if  
10 the price of hot roll goes down or the price of hot roll  
11 goes up, it certainly effects your cost and -- and what you  
12 can sell the product at. So I don't know where you're going  
13 beyond that but --

14 MS. FARRINGTON: Just wondering if they've moved  
15 tangentially or there's other things.

16 MR. BARNES: It's Scott Barnes with TMK IPSCO,  
17 and I've been in the business for going on 34 years. And  
18 it's very rare in any welder product that hot roll coil  
19 costs, you know, tend to track together. I've seen them go  
20 -- go together. I've seen them go against each other.

21 MR. LOWE: Brad Lowe, Tenaris. We see in the  
22 line pipe market where prices are -- are set from -- since  
23 it's a standard product at the lowest price that's out there  
24 in the -- in the market. And at the end of the day, it's  
25 not the cost. It's related to the price of the imports that

1 are -- that are coming in that we have to meet in order to  
2 sell our products.

3 MR. SCHAGRIN: And I would just emphasize a lot  
4 of the prepared testimony and going through the data and the  
5 questionnaire responses for most of the or actually half of  
6 the POI input costs were going up or down but finished  
7 product prices were only going down. So the price of line  
8 pipe is set by the supply and demand for line pipe and the  
9 competitive pressures. And producers of line pipe just as  
10 in any industry would like to pass along raw material cost  
11 increases. But if the supply demand conditions for the  
12 product they are selling are such that the market will not  
13 accept those then they're not going to be able to pass them  
14 along.

15 And what is most troubling here, and what we  
16 really haven't seen over the past 30 years through a number  
17 of investigations on this particular product is the fact  
18 that now Korean and Turkish pipe is being off loaded at the  
19 Port of Houston, Texas at about the same price as the cost  
20 to U.S. producers of their input steel.

21 And that leaves them no room for conversion  
22 costs, overhead, SG&A. It's a recipe for plant closures  
23 like the McKeesport closure. You simply can't stay in a  
24 market where you're competitors sell at your cost of raw  
25 materials. It's a disaster.

1 MS. FARRINGTON: Thank you. Next onto how you  
2 typically purchase your raw materials. Are they spot  
3 market? As you get a project, do you then go to the steel  
4 mill and put in an order there? How does that typically  
5 work?

6 MR. BARNES: Scott Barnes with TMK IPSCO. We  
7 have relationships with the different hot roll suppliers,  
8 and we'll respond to your question in a post-hearing.

9 MS. FARRINGTON: Thank you. How are -- what is  
10 the bidding process or the trend for each particular  
11 transaction either with the distributor or with a particular  
12 project?

13 MR. NOLAND: To an end user, it's typically they  
14 send out a request for a proposal to all of the pipe mills  
15 that are on their approved manufacturer's list and they give  
16 us a time to prepare. It's a very specific project. It's  
17 usually from point A to point B. They have a diameter wall  
18 grade, a wall thickness and grade combination that they're  
19 asking for.

20 And they'll give us a certain period of time to  
21 submit a proposal to them. And it's a spot price at that  
22 time. That's for the project sales which we primarily do.

23 MS. FARRINGTON: And how do the sales to distributors  
24 typically happen?

25 MR. FISHER: Rusty Fischer with Welspun. They

1 can work just like John described. On the users, you get a  
2 -- you get a proposal from one or two distributors that are  
3 very much the same and -- and you quote it. You're given a  
4 time period to quote it. You're given a time period that  
5 they need delivery and you quote it based on that. Or a  
6 distributor can put out an inquiry that is strictly for  
7 inventory purchase. So that's -- but it works all basically  
8 about the same.

9 MR. BARNES: Scott Barnes at TMK IPSCO. Our  
10 sales to distributor have increasingly become more spot  
11 basis where, you know, they'll -- they'll call up. Do you  
12 have this and how soon can you get it to us? Within a very  
13 short lead time. And that seems to be where the majority of  
14 our sales to distributors now go. And I think a lot of this  
15 is because they've become accustomed to having an available  
16 inventory in Houston from a lot of these low priced imports.

17 MR. DAVILA: I'd just like to make a comment.  
18 Raymond Davila with Tex-Tube. In relationship to Tex-Tube  
19 and being in Houston, Texas, the comments that have been  
20 mentioned here are very true. And I live them every day.  
21 It's simply that we have a tremendous amount of inventories  
22 -- of foreign inventories at the Port of Houston. So that  
23 consequently, when we do our rolling schedule and present to  
24 our stock and distributors, we constantly, constantly battle  
25 with the fact that the prices that the Korean and Turkish

1 mills are offering at the Port of Houston are already there.  
2 It makes it very difficult for us to stay in business.

3           Going back to your previous question regarding  
4 the cost of hot roll coil versus what we produce and going  
5 back to Schagrin's comment. You know, there's some prices  
6 sitting there at the Port of Houston at about the same price  
7 that we pay for hot roll coil delivered to Houston by the --  
8 the steel mills.

9           MR. LOWE: Brad Lowe, Tenaris. As you've heard  
10 due to the nature of the industry, vast majority  
11 requirements are very short lead time and the sales are  
12 generally bought through distribution based on -- based on  
13 the lowest price.

14           MS. FARRINGTON: That actually helps but my next  
15 question was going to be is what is the average lead time  
16 between once you have been awarded a project and when you  
17 can actually deliver?

18           MR. NOLAND: John Noland, American. It varies  
19 with the customer. Often times if a distributor is buying  
20 an item that's very standard then they might want to quit  
21 because they have it available to them and -- and at the  
22 port in Houston, but if it's for a project then typically  
23 the end user might need it anywhere from three to six months  
24 from -- from the period that you're quoting. So on rare  
25 occasions, it's quicker than that but usually it's -- it's a

1 planned project that's out in the future. And they're  
2 giving everyone plenty of time to -- to prepare and be able  
3 to make it beyond their current backlog.

4 MS. FARRINGTON: And by quick, I'm just trying  
5 to understand. Do you mean a week? A month? Fifteen, two  
6 weeks, fifteen days?

7 MR. NOLAND: Well, for us to manufacture because  
8 we don't make our own steel. There's a natural lead time  
9 that -- that we have to order the steel and receive it that  
10 end. And that's usually at least two months. So you -- you  
11 might have a requirement as quick as that, but most of them  
12 are beyond 90 days.

13 MS. FARRINGTON: Everybody is nodding in  
14 agreement so I'll take that as a -- oh, Mr. Lowe?

15 MR. LOWE: Brad Lowe, Tenaris. And due to the  
16 amounts of inventory on the ground, there's no real  
17 incentives for the -- for the end users to -- to buy with a  
18 long lead time because of the standardization of the  
19 products. There's few items and they're all available from  
20 the -- from the ground. So we do see the lead time is very  
21 short and that's why they're buying through the distributors  
22 and the importers who are carrying this in their -- in their  
23 inventories.

24 MS. FARRINGTON: Okay. Thank you. And I think  
25 my last question will be about substitutes. Are there any

1 equal to line pipe or close to that would be used in similar  
2 fashions?

3 MR. NOLAND: Are you asking about substitute  
4 materials or just substitute methods of transportation?

5 MS. FARRINGTON: Could a -- could somebody  
6 contracting out for a particular project use a different  
7 type of pipe for the same purposes?

8 MR. NOLAND: Usually the pressures that we're  
9 talking about are so high that they -- they need to use high  
10 strength steel, line pipe. But we do compete against, for  
11 instance, real cars on the old distribution.

12 MS. FARRINGTON: Okay. I think that answers my  
13 question. Thank you.

14 MS. DEFILIPPO: Thank you, Ms. Farrington. I  
15 will turn to Ms. Kahn to see if she has questions for this  
16 panel.

17 MS. KHAN: I was just wondering if -- was there a  
18 certain line pipe that is used for onshore drilling versus  
19 offshore drilling, in terms of maybe a different  
20 manufacturing method or a different size that's needed?

21 MR. FISHER: So Rusty Fisher with Welspun.  
22 Onshore, you're dealing with internal pressure. That's your  
23 main criteria. When you go offshore, you're dealing with  
24 internal pressure, the pressure of the gas or the crude  
25 going through the pipeline. You're also dealing with

1 external pressure of the, you know, being 5,000 or 8,000  
2 foot below the surface of the ocean.

3 So therefore, in offshore applications, you  
4 often have much thicker walls driven by that requirement.  
5 So certainly it's totally different offshore or onshore. I  
6 would think there is some ERW pipe used offshore certainly,  
7 but I would think that when you get offshore, you get into a  
8 lot of seamless applications, because the walls get very  
9 thick and you get into longitudinal submerge arc welded pipe  
10 that can make very thick wall thicknesses and that type of  
11 thing.

12 MR. CLARK: This is Jon Clark with Stupp. The  
13 ERW manufacturing process doesn't lend itself well to very  
14 thick wall thicknesses. So it doesn't work very well. So  
15 that's why there's a little difference in the deepwater and  
16 offshore types of installations versus the onshore ERW.

17 It's more costly for the extra wall thickness.  
18 They don't use it when they don't have to. But ERW is not  
19 really able to make that really, really heavy wall pipe very  
20 well as a manufacturing technology.

21 MR. SCHAGRIN: So just to summarize, Ms. Khan.  
22 It tends that in these size ranges, at the really large size  
23 ranges because generally, except for maybe the Japanese, you  
24 can't make seamless much above 26 or 28 inches, that in  
25 these 24 and under size ranges, offshore very much a

1       seamless line pipe oriented business.

2                       Then in much larger sizes, it tends to be  
3       heavy walls, where you do need it welded via HSAW or LSAW  
4       process. It's heavier walls offshore than are onshore.

5                       MR. LOWE: Yeah. Brad Lowe with Tenaris, just  
6       confirming what Roger was saying. We participate in a big  
7       way in the offshore Gulf of Mexico marketplace, and that is  
8       a seamless environment.

9                       MS. KHAN: My next question has to do with the  
10      sizes that are coming in from Korea and Turkey. What sizes  
11      are coming in that make up the majority of the imports?

12                      MR. SCHAGRIN: Just being flooded with all the  
13      import data. The Koreans sell all the size ranges probably,  
14      from 2 to 24, and the Turkish product seems to have much  
15      fewer imports greater than 16. They seem to have been  
16      focused on the smallest through 16. The Koreans sell, I  
17      believe, every single size range that the domestic industry  
18      produces.

19                      MS. KHAN: And my last question is for the ERW  
20      method, what's the largest size you can make using that ERW  
21      method for line pipe?

22                      MR. CLARK: This is John Clark with Stupp.  
23      Our largest diameter is 24 inch, and there's a few mills  
24      that can make the 24 inch. I think the largest ERW mill  
25      that's out there can make 26, but it's 24 type primarily, a

1 couple of 26 inch mills. There you go.

2 MS. KHAN: Thank you.

3 MR. PRICE: The U.S. is at 24. So yes, the  
4 largest production rate is 24.

5 MS. KHAN: Okay, thank you. That's all my  
6 questions.

7 MS. DeFILIPPO: Thank you, Ms. Khan. Ms.  
8 Pugliesi, do you have any questions?

9 (No response.)

10 MS. DeFILIPPO: I then turn to my right. Mr.  
11 Corkran, questions for this panel?

12 MR. CORKRAN: Douglas Corkran, Office of  
13 Investigations. I'd like to join to my colleagues in  
14 thanking you all for being here. This has been extremely  
15 helpful. My questions will probably bounce around a little  
16 bit just to try to pick up a few areas.

17 My first question would be for any of the U.S.  
18 Steel witnesses. I've been following with some interest the  
19 Carnegie Way Program that U.S. Steel has been implementing,  
20 and I'm very curious about the role that that program has  
21 had in the discontinuation of McKeesport's operations. I'd  
22 also like to know about McKeesport's traditional product  
23 mix.

24 In looking back at some of the older  
25 characterizations of the mill, they tend to talk a lot about

1       pylene pipe and fairly low end, lower end pipe. So could  
2       you address issues, those issues?

3                   MR. VAUGHN: This is Stephen Vaughn, counsel  
4       for U.S. Steel. Mr. Corkran, we would like to address that  
5       in the post-conference.

6                   MR. CORKRAN: There has been a lot in print  
7       about the Carnegie Way program. I'll expand that to a more  
8       general question then, because I was also listening with  
9       interest when we talked a little bit about the CSI and the  
10      ultimate decision to close the older of the two CSI mills.

11                   So can you tell me a little bit about the life  
12      span of a mill? I mean as a mill starts to move past --  
13      starts at least to accumulate age, what are the  
14      considerations that go into maintaining that mill or not  
15      maintaining that mill?

16                   MR. DUBREUIL: This is Ray Dubreuil,  
17      California Steel. What we looked at was the mill had been  
18      in since 1986, and when they purchased that mill, it was  
19      already basically an older mill that had been refurbished. So  
20      we got to the point where the refurbishing of that mill and  
21      trying to expand our size range, and all the things we would  
22      have wanted to do, it outweighed putting in the new one.

23                   So the specifications that we were looking at, and  
24      basically to keep our business going, because our ultimate  
25      goal is to shut that facility down some time in the future,

1 and just have the one mill producing 8 through 24 inch.

2 MR. NOLAND: Jon Noland with American Steel  
3 Pipe. I mean one of our mills is the original mill we put  
4 in in 1963. However, we've upgraded many components of that  
5 mill along the way.

6 We put a brand new welder on that facility two  
7 years ago. It has a new front end. The forming section has  
8 been modified, upgraded, bigger motors, so it's kind of a  
9 tough question to answer. But we've been utilizing the  
10 basic structure and foundation of that mill for over 50  
11 years.

12 MR. BARNES: Scott Barnes with TMK IPSCO, and  
13 it's in our questionnaire response. But we've made similar  
14 type investments in our Wilder facility, which probably some  
15 time in 1970 out of the old Interlake Steel. I think the  
16 answer to your question is that you make those investments  
17 based upon the return you expect to get, and we're making  
18 those based upon the return that they will be trading fairly  
19 in the marketplace, and hopefully those investments will  
20 earn those returns.

21 But the life span of a mill is completely  
22 dependent upon you continuing improving your process,  
23 including the quality and the cost efficiencies to maintain  
24 that competitive place in the market, and while it's only  
25 limited by what you think you're going to get on your return

1 on investment.

2 MR. CORKRAN: Okay, thank you. That's very  
3 helpful and I appreciate that there was sort of range of  
4 responses, because it sounds like there's no one single  
5 answer to the issue of a life cycle of a mill.

6 My next question is sort of a housekeeping  
7 question, but I'd like to discuss some terms that have been  
8 used throughout the course of the conference or in other  
9 proceedings on this product, to get some definitions in  
10 place.

11 One is we've heard the term upstream,  
12 midstream and downstream today, and I was wondering if we  
13 could get a definition of those three terms.

14 MR. FISHER: Rusty Fisher with Welspun. I'll  
15 attempt to take a swing at it. So upstream is typically the  
16 oil and gas production area. That's where you actually  
17 produce, drill and produce the oil and gas. Midstream is  
18 moving from the wellhead to the gas processing plant, the  
19 large diameter pipeline, the refinery, moving it at a  
20 midpoint.

21 Downstream refining is referred to as  
22 downstream and crude oil refining and marketing into  
23 gasoline. Downstream in my terminology, when you're going  
24 to the end market with natural gas, you're going to the --  
25 you're going to the City of Boston, you know, City of

1 Washington, D.C., whatever. So that's kind of how it's  
2 done.

3 MR. CORKRAN: Thank you. That is excellent.  
4 I'm going to ask for a similar definition on three more  
5 terms, but I think they line up pretty closely with what  
6 you've already described, gathering, transmission and  
7 distribution. So if I'm following correctly, gathering  
8 would align with upstream transmission with midstream and  
9 distribution with downstream?

10 MR. FISHER: That's correct, yes sir.

11 MR. CORKRAN: And the last set of terms to  
12 make sure we all have a common understanding of is looking  
13 at market participants, when you look at markets for  
14 maintenance and repair versus project, what are we talking  
15 about when we use those types of terms?

16 MR. BARNES: Scott Barnes with TMK IPSCO, and  
17 I'm sure Rusty's got an excellent definition there for you  
18 as well. But since I introduced those terms, I think, in a  
19 previous question, pipeline companies and processing plants,  
20 you know, have to do maintenance, and you know, because of  
21 the accidents and so on, there's piggying and  
22 non-destructive testing that's done on existing pipelines.

23 When they find that they're getting to a point in  
24 their life cycle where there's an erosion in the wall, or  
25 there's been infrastructure built closer to a pipeline and

1       it's changed the density or the population around there, so  
2       they have to upgrade the line.

3                   They may only choose to repair, you know,  
4       three or four thousand feet of that line because it's going  
5       next to a school or something, and that would be a  
6       replacement of that line.

7                   The example I mentioned earlier, where they do  
8       a pigging of the line and they find that there's -- because  
9       the product that's going through that line may not be  
10      properly treated, it's more corrosive and it's deteriorated  
11      the thickness of the pipe, as an example, they may decide  
12      that they're going to take that out and replace that portion  
13      of the line for a repair.

14                   In projects, basically there's new  
15      construction job of some kind with a new pipeline or a new  
16      processing plant, you know, that's a project that requires  
17      extra piping as part of that inside the fence structure.

18                   MR. FISHER: Rusty Fisher with Welspun. I'm  
19      good with that.

20                   MR. CORKRAN: Thank you. One question that I  
21      will have for this panel, and we'll of course have it for  
22      the following panel as well is umm, what is the role of  
23      Turkish line pipe in the U.S. market? There may be -- the  
24      Commission may need to distinguish between those two sources  
25      of imports, and from some of the testimony today, I'm trying

1 to figure out where imports from Turkey fit in.

2 There has been some discussion about what's  
3 happening on the West Coast. It doesn't look like there are  
4 a lot of entries of Turkish product to the West coast.  
5 There's discussion of events that are happening from mills  
6 that are producing greater than 16 inches. It doesn't look  
7 like we're seeing imports of pipe from Turkey greater than  
8 16 inches.

9 Testimony about replacing China. The volume  
10 of imports from Turkey do not appear to be at the same order  
11 of magnitude as the former imports from China. So for all  
12 those reasons, I'm just kind of curious. What is the role  
13 of imports from Turkey in the U.S. market?

14 MR. SCHAGRIN: Mr. Corkran, Roger Schagrin.  
15 We'll address all the cumulation criteria fully in our  
16 post-conference brief. But as one of the items you  
17 mentioned were the Turkish imports, because they're  
18 primarily Gulf Coast, not West coast or other coast.

19 We'd point out that major U.S. distributors of  
20 line pipe, though they are often different from the major  
21 U.S. distributors of OCTG, have a similar game plan, which  
22 is they're largely based in Houston. They have supply  
23 depots throughout the United States.

24 So Turkish product that enters Houston and is  
25 sold to a distributor, and I won't throw out specific names.

1 But let's say there's ten distributors that distribute line  
2 pipe throughout the United States and have supply depots  
3 everywhere. They will move that Turkish product just like  
4 they will Korean product to the supply depots in the Rocky  
5 Mountains or the Bakken or the Marcellus or wherever they  
6 have supply depots.

7 So we do believe that in a final  
8 investigation, the Commission will find that there's a  
9 significant overlap of customers of both Korean and Turkish  
10 line pipe that are primarily distributors, and who sell  
11 those products as well as other imports and domestic  
12 products throughout the United States. Anyone else want to  
13 comment?

14 MR. CLARK: This is John Clark for Stupp.  
15 Just to add to what Roger was saying, I think was relatively  
16 clear. I just want to make sure that the -- once the  
17 imported pipe enters, most of it is through the Port of  
18 Houston and along the Gulf Coast.

19 But once it enters, we really lose visibility  
20 to where it ultimately winds up, and in most cases, the  
21 Turkish line pipe that is imported to Houston may wind up  
22 in, you know, California or anywhere else. You really can't  
23 tell, because the distributors, as Roger said, have  
24 distribution depots throughout the country, and once we look  
25 at their overall inventory and they sell it anywhere.

1                   So that's the, I guess, the preferred port of  
2 import, but it's not where it lines up ultimately.

3                   MR. CORKRAN: Okay. I wanted to elaborate on  
4 a request that Mr. Szustakowski made. I wanted to look a  
5 little bit more closely at the steel that's used as an input  
6 for the various sizes of pipe that we're talking about. One  
7 question I had is is plate used as an input for any of the  
8 pipe that we're talking about, up to 24 inches, maybe even  
9 the submerged dark welding area?

10                  MR. FISHER: Rusty Fisher with Welspun.  
11 Certainly, when you're making submerged arc weld at the long  
12 seam, 24 inch, you're going to use plate. Twenty inch  
13 you're going to use plate. There isn't a tremendous demand  
14 for that except in places like the deep waters of the Gulf  
15 of Mexico and the United States, where the wall thickness  
16 doesn't lend itself to make it in the ERW fashion. So you  
17 have to make it with a thicker plate. So maybe that will  
18 explain it.

19                  MR. SCHAGRIN: And just based on the HTS  
20 breakout, so almost all line pipe has a wall thickness  
21 greater than .1875. So it's plate, but it's in coil form,  
22 and virtually all the inputs into the subject line pipe is  
23 coil plate, and I think, as Mr. Fisher said, I think you  
24 would find only minuscule amounts of subject product made --  
25 subject sizes made in the United States from cut to length

1 plate in the DSAW process.

2 MR. CORKRAN: Okay. The related question I  
3 had was is there a particular grade of hot rolled steel that  
4 is associated with the production of line pipe? Do those  
5 grades vary as you move up say the various X grades of line  
6 pipe that you're producing? Just what type of grades are we  
7 looking at for the hot-rolled steel used to produce this  
8 product?

9 MR. NOLAND: Jon Noland, American Steel Pipe.  
10 Of course, the grade is just the strength of the steel, and  
11 so the pressure that a pipe will hold is based on its  
12 diameter, the wall thickness and the grade of the steel. So  
13 our customers order a range of pipe, because they need a  
14 range of pressures depending on the application.

15 So you know we -- you can -- the range  
16 typically is X-42 on the low end, and X-70 on the high end,  
17 and we get a variety of requests for proposals for all those  
18 grades. So there's not one particular grade that they focus  
19 on. But certainly the higher pressure application, usually  
20 you'll see the higher grade of steel is requested.

21 MR. KOPF: This is Rob Kopf with U.S. Steel.  
22 I'd just like to add that in terms of when we get an order  
23 from our customers for hot-rolled steel, there are multiple  
24 grades that are requested from our customers, just as it was  
25 discussed, in terms of an X-42 or an X-65, etcetera. But

1 they are generally very common types of grades that are  
2 produced by the steel mills for these applications.

3 MR. CORKRAN: Okay. I think that concludes my  
4 questioning. I certainly appreciate all of your time here  
5 today, and look forward to continuing to work with you all  
6 on this investigation.

7 MS. DeFILIPPO: Thank you, Mr. Corkran. Most  
8 of my questions have been asked and answered, asked by staff  
9 and answered by the panel, so I appreciate that. I did just  
10 want to go through one area that I'm a little confused on,  
11 and it sort of relates to the channels of distribution.

12 So from what I understand, the domestic  
13 industry sells to both distributors and end users; correct?  
14 Imports come in. There is a U.S. importer, and then they  
15 resell that to a distributor; is that correct?

16 MR. CLARK: This is John Clark from Stupp.  
17 For the most part, yes. There is a little bit of direct  
18 sales from that very low end.

19 MS. DeFILIPPO: Okay, that was my -- that was  
20 my question. So when we talked about project sales earlier,  
21 when a U.S. producer is responding to a request for a quote  
22 on a specific product, are you competing certainly probably  
23 against other U.S. producers. But are you competing against  
24 the U.S. importer, a distributor selling imported product, a  
25 distributor selling U.S. product? How would that work?

1           MR. NOLAND: Jon Noland with American. In the project  
2 line pipe business, we oftentimes are competing against the  
3 subject imports. They get the same requests for proposal  
4 that we do.

5           There are a minority of our customers who  
6 still prefer the domestic product, but for the most part,  
7 our customers have, especially over the last two years, have  
8 included the Koreans and the Turks on their approved  
9 manufacturers lists. So we're competing with subject,  
10 non-subject and domestic on almost every project.

11           MS. DeFILIPPO: Do the distributors typically  
12 carry a mixture of -- I think we talked earlier about some  
13 -- I think Mr. Schagrin was talking about distributors that  
14 carried both Turkish and Korean product. Do they also do --  
15 sorry. Do distributors carry subject import, non-subject  
16 and domestic, a mix of that?

17           MR. NOLAND: Yes, they do.

18           MS. DeFILIPPO: And do you have any knowledge  
19 of when they are responding? Would they be providing  
20 product from one source, or do they intermingle the sources  
21 in a sale?

22           MR. NOLAND: Probably if it's non-project,  
23 they intermingle. So when they are supplying to the  
24 markets, be they downstream, midstream or upstream that  
25 distributors are working with, and sometimes specific

1 companies have relationships or programs with specific  
2 distributors, sometimes they don't, they'll go out. I'll  
3 need this, and they'll get bids from several distributors.  
4 Those distributors are generally competing with other  
5 distributors, and are just saying -- someone says I need  
6 next week eight inch X-52, this wall thickness, and they say  
7 this is what I have.

8 If they can sell them, Korean and Turkish, and  
9 make an extra \$200 a ton versus selling a domestic, that's  
10 exactly what they're going to do. They're not going to say  
11 "Here's our price for import, here's our price for  
12 domestic." They're just going to say "here's our price,"  
13 and that's why the distributors want to buy the lowest  
14 price, because they resell at the same price.

15 So it just greatly improves their margin and  
16 thus their business. Some of them are publicly-traded  
17 companies, and they are doing very, very well as compared to  
18 the manufacturers. And then I think it differs a little bit  
19 when it comes to projects, because in the project, the  
20 customer is going to have an approved list of who can bid,  
21 and they will either work with mills or distributors to  
22 furnish the product for the project. But when  
23 the distributors are also intermediaries in helping  
24 coordinate the delivery of all the product for the project,  
25 they're going to tell the customer these are the mills we're

1 utilizing, and they have to tell them that. So when it's  
2 project, it's very mill-specific. When it's just regular  
3 usage in the fields, it doesn't matter. It's just the size.  
4 Mr. Fisher or Mr. Noland, do you want to add anything to  
5 that or --

6 MR. BARNES: This is Scott Barnes with TMK  
7 IPSCO. I'd just like to follow up on Jon Noland's comment  
8 about having some customers that prefer domestic, and the  
9 number of those customers has diminished quite a bit, and  
10 most of those customers today will say that, you know, they  
11 prefer domestic if it's within a certain pricing range with  
12 the import, and more often than not they'll go with the  
13 import, but for a very small price difference.

14 MS. DeFILIPPO: Just to follow up on that, are  
15 there any Buy America provisions that are in place that  
16 affect the market?

17 MR. NOLAND: Jon Noland, they're not.

18 MS. DeFILIPPO: Okay, thank you. One last  
19 question, just tying up the conversation on approved  
20 manufacturer lists, and this is probably something that you  
21 could address in a post-conference brief. If during the  
22 Period of Investigation any of you producers have fallen off  
23 of the list, I'd be interested in knowing that you did and  
24 why, the time period, etcetera.

25 I'll look up and down my table. Mr. Sultan

1 has one quick question.

2 MR. SULTAN: I just have a very brief question  
3 for Mr. Lowe. A little while ago when you were talking  
4 about lead times and inventories, I thought I heard you say  
5 there are just two items, and I'm not sure what you meant by  
6 that.

7 MR. LOWE: No, I said there's a few.

8 MR. SULTAN: Oh, a few items.

9 MR. LOWE: Because it's a standardized  
10 product. There aren't that many products. Distributors  
11 carry all of them basically.

12 MR. SULTAN: I misheard you. Thank you.

13 MS. DeFILIPPO: Mr. Sultan reminded me I had  
14 one more question. Sorry. Don't give me a mic. I might  
15 never get rid of it. We talked earlier in the day about --  
16 or in the morning about inventory, I'll call it hangover or  
17 build up of inventories. Was that buildup in inventories at  
18 both the distributor and importer level, or was it  
19 concentrated with distributors or importers, or do we not  
20 know?

21 MR. NOLAND: Generally when it happens, it  
22 happens at both levels. MS. DeFILIPPO: Okay.

23 MR. PRICE: This is Alan Price at Wiley Rein.  
24 Having chased steel inventories around in multiple cases, my  
25 favorite being one where everyone swore there was no

1 inventories anywhere. There were several hundred thousand  
2 tons of the product on docks in Houston that we could show  
3 pictures of, it's always hard to find where the inventory is  
4 held, and whether, you know, who's the person it's being  
5 held.

6 But somehow or other, the importers never  
7 magically confess to having much inventory, and yet it's all  
8 over the docks. So it's one of the great mysteries in my  
9 life. I'm sure one of these days, when Don and I are a bit  
10 older and no longer practicing law, maybe I'll find out  
11 where it really was.

12 MR. SCHAGRIN: That other question I wanted to  
13 respond to. But that's going to have -- we've got to be  
14 retired, we've got to be off the record, we've got to be  
15 maybe inebriated, but --

16 MS. DeFILIPPO: You don't have to invite me to  
17 that conversation. It sounds interesting. Ms. Khan, I  
18 think, has one final question. This is the place for the  
19 continuation of questions.

20 MS. KHAN: I just have a quick question. Are  
21 there any sizes of line pipe that dominate midstream  
22 applications or upstream and downstream applications?

23 MR. NOLAND: You know, you can -- you know,  
24 the larger diameter would lend itself, larger diameter  
25 being, you know, 12, 16, 24 would be more prevalent on the

1 transmission side, I guess.

2 But it's really different today, because like  
3 we've stated, the advent of shell drilling and pad drilling,  
4 there's a lot of larger diameter in the midstream gathering  
5 side of the business as well. So it's really different  
6 today than it was ten years ago, I think, in that respect.

7 MR. BARNES: Scott Barnes from TMK IPSCO, and  
8 I agree with Rusty's comments. The other thing that is  
9 changing a little bit is a lot of the oil and gas companies  
10 themselves are trying to, I guess the word monetize their  
11 assets by spinning off into master limited partnerships to  
12 form midstream companies. So you're seeing kind of a bit of  
13 a different trend.

14 MS. DeFILIPPO: Are we good? All right. With  
15 that, I think we can finally say we are done with our  
16 questions. Thank you all very, very much for being patient  
17 with us through some of the back and forths on questions.  
18 We very much appreciate the information you have provided to  
19 us today.

20 We will take a break until 12:15, so people  
21 can get a snack, and we'll come back for Respondents then.  
22 Thank you.

23 (Recess.)

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

25 MS. DEFILIPPO: Welcome back to the table Mr.

1 Cameron please proceed with your panel when you are ready.

2 MR. CAMERON: Thank you Miss DeFilippo. We are  
3 going to start with Hope Snow who is the Vice-President of  
4 Trident Steel, a large distributor of line pipe.

5 STATEMENT OF HOPE SNOW

6 MS. SNOW: Good afternoon. My name is Hope Snow,  
7 I am the Vice-President of line pipe at Trident Steel, a  
8 major distributor of line pipe and OCTG located in St.  
9 Louis, Missouri. I have worked for Trident Steel in charge  
10 of line pipe purchasing and sales for 17 years and I have  
11 been in the steel distribution business for 40 years.

12 Trident purchases line pipe from a number of  
13 different importers including imports from Korea. Trident  
14 also purchases line pipe from some U.S. producers. Many  
15 U.S. end users of line pipe, including most gas companies  
16 have an approved manufacturer's list which we call an AML.  
17 If the line pipe we are quoting is not on the AML of the end  
18 user, they generally will not purchase our line pipe.

19 Most domestic producers are on the AML's of most  
20 end users. End users typically prefer to purchase line pipe  
21 from domestic mills for a number of reasons. Lead times --  
22 lead times from order to delivery for imports of line pipe  
23 from Korea are roughly 120 to 150 days. This is a  
24 significant delay. Sometimes we have inventories of the  
25 products they are seeking but often we do not.

1                   In the case of the U.S. producers they do not  
2                   have the same delays. Liability issues -- many U.S.  
3                   purchasers feel more comfortable knowing that the producer  
4                   is in the U.S. if they have quality claim issues. AML's --  
5                   one reason that end users turn to AML's for line pipe is  
6                   that unlike OCTG there is no intermediate U.S. processor  
7                   that will inspect the pipe.

8                   There were some quality problems with Chinese  
9                   line pipe when it began coming in, and as a result, many end  
10                  users started to pre-qualify their purchases using AML's.  
11                  Most, but not all, U.S. producers are on the AML's of major  
12                  end users. Most but not all Korean products are on several  
13                  end user AML's, but the reality is that many end users do  
14                  not accept imports on their AML's.

15                  But one reason that imports from Korea have  
16                  generally increased relative to imports of line pipe from  
17                  non-subject countries is that imports of line pipe from many  
18                  non-subject countries are not accepted by end users like  
19                  imports from Korea area. So we have seen growth in imports  
20                  from Korea relative to other imports in part due to this  
21                  preference.

22                  Depending on my customer's needs, I try to source  
23                  line pipe from domestic producers. Most domestic producers  
24                  will not sell to Trident and other distributors outside of  
25                  their distributor network. This is a long-standing policy

1 and part of the structure of any -- I'm sorry -- structure  
2 of the domestic market. The reason is simple, domestic  
3 producers have their own distributors and do not want to  
4 supply steel to other distributors outside of their  
5 networks. That, of course, is their choice but the fact is  
6 that I try to purchase from U.S. mills and I can't because  
7 they will not supply me.

8 And it isn't a matter of the price, it's because  
9 of the way U.S. mills have structured their business. A  
10 couple of the U.S. mills do supply Trident on a spot basis  
11 and we value the relationship but it is no secret that they  
12 charge us higher prices because we are not their stocking  
13 distributors, we are spot purchasers and they charge a  
14 premium to us.

15 Depending on our customer's needs our customers  
16 may be willing to pay that premium for line pipe and if we  
17 were able to source more line pipe from domestic mills we  
18 would but the fact is that we cannot because they won't even  
19 quote to us, much less sell to us.

20 When I place an order for imported line pipe from  
21 Korea, I do so based on prevailing prices at the time I  
22 place the order. The lead time from Korea is less, roughly  
23 120 days from the time I place the order. As you can  
24 imagine, a lot of things can happen in 120 days. When you  
25 look at 2012 and 2013 demand dropped significantly. Prices

1       dropped as well.

2                   When prices decline this is a very real problem  
3       for us. We lose money because we essentially buy a forward  
4       position so you can bet that when we sell the line pipe into  
5       the down market, we try to obtain the highest price we can  
6       in order to minimize our loss.

7                   Trident Steel purchases line pipe from Korea and  
8       other countries. Because of the AML's, Korean line pipe  
9       generally has greater acceptance in the market than imports  
10      from other sources. In addition the prices at which we sell  
11      Korean line pipe can be the same or higher than the prices  
12      of other imported line pipe.

13                  Trident purchases primarily line pipe under 16  
14      inch. These line pipes are usually -- are used primarily as  
15      gathering lines for natural gas wells to transport the  
16      natural gas from the well head to the storage tank or  
17      facility. The market for under 16 inch line pipe is  
18      different than the market for the over 16 inch line pipe  
19      which is used less as gathering pipe and more in  
20      transmission lines.

21                  Historically 16 inch through 24 inch has not been  
22      a very prevalent size range and it was historically sourced  
23      overseas because there was limited domestic capacity to  
24      produce it. My view of the line pipe market is very  
25      different from what you heard from the U.S. producers.

1 Between 2011 and 2012 the market was pretty good. Imports  
2 were up, but so were domestic shipments by U.S. producers.  
3 But between 2012 and 2013 domestic demand declined  
4 significantly. I'm not sure what the reason was, it may be  
5 related to the decline in natural gas wells but whatever the  
6 reason the market turned down both volumes and of course  
7 prices.

8           During this time there was nothing different  
9 going on between U.S. producers and imports -- everyone felt  
10 the decline in the market. The market appears to be  
11 changing for the better. Right now U.S. mills are going  
12 orders for January, February delivery, this tells me that  
13 domestic order books are full and out several months. This  
14 was not the case at this time last year.

15           MS. DEFILIPPO: Thank you.

16           MR. CAMERON: Just a couple of things, you heard  
17 a lot of discussion this morning about McKeesport. Well  
18 actually not as much as we wanted to hear because I guess we  
19 are going to hear the rest of the story in the post-hearing  
20 brief. But it's kind of interesting because the last time I  
21 heard the discussion of McKeesport it was the President or  
22 CEO of U.S. Steel saying that imports of OCTG had been  
23 responsible for the shut-down of McKeesport so at least now  
24 we have got the -- we are in the right range of product.

25           But what I also found interesting was the rather

1 candid conversation that we had with the witness from CSI  
2 who said yeah, we are shutting down a mill because it's  
3 obsolete. Well, you know I had not heard a U.S. industrial  
4 witness in years actually say yes we are shutting it down  
5 because it's obsolete not because yeah the imports made us  
6 do it. I mean there is a life span to these things. In  
7 McKeesport I would suggest to you it has been in the same  
8 boat, it has been on the same schedule.

9 Now they want to attribute it to imports I get  
10 it, I understand but in reality there is a life span to a  
11 mill and I would suggest to you that in the case of  
12 McKeesport that mill outlived its usefulness. We have  
13 already heard this morning other testimony and that other  
14 testimony was with respect to there is a tightening of the  
15 requirements for API and with the tightening of those  
16 restrictions for API what do we have? The mills have to  
17 have the ability to manufacture to those newer, tighter  
18 specifications and one of the things that the witness from  
19 CSI was saying is well you know one of the reasons we are  
20 getting rid of the older mill and using the newer mill is  
21 that the older mill wasn't going to be able to manufacture  
22 to those prior specifications and we want to make sure we  
23 can do that.

24 I would suggest to you that McKeesport may or may  
25 not have been in that same boat, especially given the other

1 product mix that they have.

2 Inventories -- we heard -- you know this is an  
3 old story and Alan Price was referring to the old story that  
4 we have had on inventories, yeah. Okay this is like that  
5 whole thing about the tax guy, don't tax you, don't tax me,  
6 tax the guy behind the tree. I mean this is the old issue  
7 of okay so the evidence of the inventory overhang, which is  
8 of course what they hung the Chinese and OCTG on. This  
9 inventory overhang and the evidence is what I mean -- oh  
10 that's right it's not on the record. Oh well if it is not  
11 on the record where is it?

12 Well it's all in those distributors, oh but you  
13 don't have any evidence with respect to distributor level  
14 inventories. I would suggest to you that this argument is a  
15 sham. There is no evidence whatsoever of inventory overhang  
16 by the distributors. Indeed, distributors learned an  
17 incredibly valuable lesson after 2008 and that valuable  
18 lesson was inventory that you have that is too high runs a  
19 very big risk of your being hung with it if the market turns  
20 down and this is exactly the point.

21 The point is yeah, I've got to order six months  
22 in advance if I am ordering line pipe from Korea. Do I  
23 really want to be stuck with high levels of inventory if the  
24 market turns down and indeed the market has been horrible  
25 for quite some time and the evidence that you have on the

1 record with respect to inventory levels being held by  
2 importers is that there is nothing extraordinary going on  
3 here so I hear the argument but it is very convenient to  
4 make an argument with respect to information that they have  
5 absolutely no evidence on it. And I don't think there's  
6 going to be.

7           They of course tried to make the argument that  
8 API line pipe is a commodity product and that's where they  
9 started the conversation. Of course by the time we start  
10 getting into questions and answers of the witnesses it turns  
11 out that well, you know, it's not all that much of a  
12 commodity product, I mean there are differences.

13 Well what are the differences? Well for one thing you know  
14 a lot of the end users are asking for tighter specifications  
15 than API. Oh what does that mean? Well, what that means is  
16 that API may have a tolerance of 10% and the end user has a  
17 tolerance of 2% because why, because the quality is much  
18 more important here.

19           What exactly do you think the approved manufacturer's  
20 list is all about?

21 I mean if every API quality product is all the same and if  
22 it's all the same, exactly why does anybody -- why do you  
23 need an API, an approved manufacturer's list? And the  
24 reason that they have an approved manufacturer's list is  
25 pretty simple. It's because all API quality -- everything

1 that qualified as API isn't necessarily equal. There are  
2 quality differences and therefore some people qualify on  
3 AML's and some people don't and that's a very important  
4 distinction but of course that just totally shoots this  
5 whole concept of the commodity product to smithereens, this  
6 isn't a quality product and that is what the AML is talking  
7 about.

8 I found this discussion that we had on L saw and  
9 H saw this morning somewhat fascinating as well. According  
10 to the witnesses for the domestic industry, L saw and H saw  
11 is all produced over 24 inches. Okay, that's very  
12 interesting, why isn't it included in this case? I mean I  
13 don't get it. I mean you have expanded the product up to 24  
14 inches and it includes L saw and H saw but the testimony we  
15 heard this morning is well no, I mean the L saw and H saw is  
16 over 24 inches. Now I may have misheard it but I don't  
17 think I did, I mean I think that is what they were saying so  
18 I find this to be somewhat of a mystery but it is what it  
19 is.

20 Finally on the raw material costs, we think that  
21 the Commission has to look at the raw material costs that  
22 were reported. There are some very squirrely things going  
23 on in these questionnaires with respect to these raw  
24 material costs. They -- I get it that they are not -- that  
25 the reported hot-rolled coil prices are, that they are

1 requiring a higher value added and with an extra. Okay, but  
2 the reported hot-coil prices, raw materials costs in some of  
3 the questionnaires, not all of them, some of them, looked to  
4 be extraordinarily high and raise some questions as to  
5 exactly what's going into this calculation.

6 STATEMENT OF MATTHEW M. NOLAN

7 MR. NOLAN: Thanks Don. Ladies and gentlemen and  
8 the staff my name is Matt Nolan, good afternoon. It's a  
9 pleasure to be before you again today. My apologies I'm a  
10 little bit nasally because I have still got a cold that I  
11 cannot seem to shake and it's driving me crazy but if you  
12 hear me stop periodically just bear with me a little bit.

13 Of course we represent the Turkish Steel  
14 Exporter's Association in the proceeding today and its  
15 members which includes Toscelik, Yucel, Borusan and other  
16 line pipe producers. We are joined by my colleague Diana  
17 Dimitriuc Quaia from my firm, and Mr. David Simon who has  
18 been a long-term counsel for several members of the pipe  
19 industry in Turkey and has a very good perspective on their  
20 particulars.

21 So thank you for letting us do this today. I  
22 would like to start with saying that obviously we concur  
23 almost 100% with what Mr. Cameron just said except that  
24 Turkey probably is more on the commodity side of this than  
25 the specialty side just because we are not approved on a lot

1 of ANL lists and are most unlikely I think to be competing  
2 in those more rigorous parts of the market so there's some  
3 limitations on what Turkey can compete in.

4 I would like to start by saying that the Turkish  
5 Association regrets that it was unable to send a  
6 representative here today given the short notice to testify  
7 and given the limited time available to respond. So they  
8 have asked me to say something on their behalf before we go  
9 into the rest of our presentation.

10 And here we go -- the Turkish Steel Exporter's  
11 Association is a business association of producers and  
12 exporters in the Turkish Steel industry. The Association  
13 supports Turkish Steel producers so my comments today are to  
14 be understood to refer to all Turkish line pipe producers.

15 Turkish Steel's main objective is to improve the  
16 potential of Turkish Steel producers and to obtain a  
17 globally sustainable competitive strength based on free and  
18 fair trade. We thank you for the opportunity to have our  
19 views presented to you through our counsel.

20 Turkey of course is most distressed to be before  
21 the Commission on yet another case. While Turkey admires  
22 and respects U.S. trade laws, we are concerned that the U.S.  
23 industry has declared "open season" on foreign steel  
24 producers in order to close the U.S. market from free and  
25 fair competition. Recent case decisions on OCTG and rebar

1 at the Commerce Department and before this body only  
2 heighten the Turkish industry's concerns as certain  
3 decisions were reached in Turkey's view with unusual  
4 reasoning and results shall we say.

5 There's a growing consensus abroad that some U.S.  
6 trade decisions are becoming politically motivated and not  
7 based on the principals of fair trade. This approach only  
8 inspired other countries to apply similar practices to  
9 protect their domestic industries without proper  
10 justification. The Association hopes and prays that we are  
11 wrong in this view and request only that the Commission view  
12 us and our case objectively and based on the facts.

13 Turkey does not dump line pipe, nor does it  
14 receive subsidies. We pride ourselves on fair, competitive  
15 trade and are a world-class producer. We ship line pipe to  
16 over a dozen different countries, substantial quantities  
17 including the United States and the U.S. is far from our  
18 primary market. In fact, line pipe production in Turkey is  
19 relatively modest although it has grown in recent years in  
20 anticipation of major pipeline projects either under  
21 construction currently or about to start.

22 Turkey has historically supplied line pipe to  
23 countries in the Middle East and Africa regions as needs  
24 dictate. Some of these projects have been and are quite  
25 large. For example, three weeks ago on October 15th, Turkey

1 announced that six of its line pipe producers including  
2 Borusan, Toscelik, Noksel, Umran and Yucel were selected to  
3 supply steel pipe for the Trans-Anatolian gas pipeline  
4 system. The TANAP project will require 1,800 kilometers,  
5 1,800 kilometers of line pipe or, approximately 1.2 million  
6 tons over the next two years.

7 This will absorb a substantial amount of Turkish  
8 line pipe capacity. In addition there are two coming  
9 projects which are in an Iran-Turkey-Europe natural gas  
10 pipeline project and a Trans Adriatic natural gas pipeline  
11 project that is about to commence. These projects are  
12 extremely important for the Turkish steel pipe sector. It  
13 also accounts for some of the reasons why that sector has  
14 grown recently in anticipation of these projects.

15 Turkish pipes are being used in the Melen Project  
16 for water demand of Istanbul as well and BOTAS and DSI which  
17 are local sales and distribution arms for gas in Turkey are  
18 buying pipe to renovate and upgrade facilities in and around  
19 the Istanbul area.

20 If you look back to the rebar case there's a lot  
21 of construction going on in Turkey, it's continuing to go on  
22 so they continuously need to feed more production into the  
23 pipeline material for these projects that are upcoming  
24 online.

25 As you can see Turkish producers are fortunate

1 enough to be selected as a world class efficient industry  
2 producer, we will see that in a few minutes. The Turkish  
3 steel industry produces high quality products and delivers  
4 these products all around the world at competitive prices  
5 with an advanced logistic infrastructure. We can ship to  
6 multiple countries because we are very good at it in Turkey.

7 Our country is a favorable geopolitical location  
8 for reaching out to the world markets and this enables us to  
9 export steel to many countries. Unfortunately we do not see  
10 U.S. steel producers competing in any of these markets let  
11 alone major international pipeline projects as I have just  
12 noted.

13 We would like to state clearly that Turkish steel  
14 companies are profit oriented, private enterprises and  
15 receive no sector-specific government support due to the  
16 ECSC free trade agreement with the European Union. This has  
17 been confirmed by the Commerce Department in numerous  
18 reviews on CVD orders.

19 Turkish steel producers on the contrary must deal  
20 with the extra costs associated with taxes and special funds  
21 which the government imposes upon them in Turkey as they are  
22 an established industry. While Turkish line pipe producers  
23 are competitive, we do have disadvantages in the U.S.  
24 market. We make pipe to order, lead times as much as three  
25 to four months before pipe gets delivered, not too far off

1 from the Koreans.

2 We compete predominantly for smaller size ranges  
3 in the U.S. market and of course Turkish product does not  
4 have the wide degree of acceptance enjoyed by U.S. producers  
5 who are favored by U.S. customers and are on these ANL  
6 lists. Any country that has demand higher than the  
7 production level, has to resort to imports and importers  
8 choose the best quality material, at the best available  
9 prices in the market which is in line with the rules of free  
10 trade.

11 On the other hand, from time to time producers  
12 which either are not efficient in production or cannot  
13 compete with imports want to keep prices high to maintain  
14 their profit levels or seek government protection by using  
15 the rules of trade as a tool for their own benefit.

16 We trust that this is not the case here but a  
17 recent experience suggests that vigilance is required. In  
18 our view the U.S. line pipe industry is trying to  
19 "piggy-back" on the recent OCTG case. Please do not let  
20 them do so, that completes the statement on behalf of the  
21 Association, thank you.

22 So now we are going to move into sort of the  
23 affirmative presentation and Diana is going to help me with  
24 this, we have got some slides to show you as we go along.

25 Petitioners this morning regaled you with tales

1 of how imports from Turkey and Korea have flooded the market  
2 and are responsible for all the current ails facing the U.S.  
3 industry. We acknowledge that Turkish imports increased in  
4 2012 albeit from negligible levels in 2011, right, we are  
5 not talking about coming from a big base here. This is  
6 reflected -- the increase was due to overall increases in  
7 consumption and demand for line pipe in the U.S. between  
8 2011 and 2012, which is reflected in increased production  
9 and overall import numbers for 2012, both subject and  
10 non-subject.

11 In fact, revenues, profitability and other  
12 indicators for the U.S. industry actually improved 2011 to  
13 2012 and the industry was clearly in an expansion mode  
14 during that period of time. I'm going to turn first to our  
15 slide number 2 where we give you some indications of ongoing  
16 capacity expansions or announced capacity expansions in the  
17 U.S. industry would you like me to take this or would you  
18 like to talk about it?

19 STATEMENT OF DIANA QUAIA

20 MS. QUAIA: Good morning. Good afternoon  
21 actually right now. My name is Diana Quaia on behalf of the  
22 Turkish producers.

23 There are a number of advantages that the U.S.  
24 industry has in this market. As was discussed this morning  
25 and as counsel for Korea has also mentioned, the issue of

1 the approved manufacturers' list, the issue of the short  
2 lead times. But one of the things that we wanted to focus  
3 your attention to first is the sentiment maybe of U.S.  
4 producers and how that is reflected in their expansion  
5 plans.

6 So, over the POI, additional domestic capacity  
7 has been added, as we heard this morning. The first slide  
8 that we prepared provides for a list of four companies that  
9 are adding capacity. Yes, both were OCTG and line pipe, but  
10 there is definitely new capacity coming online within the  
11 POI.

12 This new capacity is significant. It may have  
13 created some pressure and intensified competition among  
14 domestic producers for market share, but the other thing the  
15 new capacity says is that there is confidence in the U.S.  
16 market for line pipe.

17 Petitioners are rational business people. The  
18 new capacity additions would not be in place if the industry  
19 did not believe that it would be profitable to expand  
20 capacity. So, let's go over to Slides 2 and 3, where we are  
21 looking at the performance of the U.S. industry over the  
22 POI. Clearly, there was a peak of the industry in 2012.  
23 And afterwards, there's been some mixed data. So, what we  
24 have done at Slide 4 is an aggregate of the questionnaire  
25 response data from the U.S. producers and tried to present

1 that in a form that we can discuss publicly.

2 What the aggregate data reflects at Slide 4 is  
3 the fact that the market peaked in 2012 and dropped quite a  
4 bit in 2013. Over the last three years, the main economic  
5 indicators showed this trend. And while we cannot discuss  
6 the specifics of the confidential data, the confidential  
7 data also showed that certain domestic producers have done  
8 better than others. So, there is a significant amount of  
9 variation which can be expected as a result of competition  
10 among the domestic market players.

11 Let's look at some of the indicators. So,  
12 average capacity has increased over the POI. Production  
13 went up during 2012, and in 2013, it came back lose to 20  
14 levels in 2011. U.S. shipments followed the same trend.  
15 The workers and wages were higher from the beginning to the  
16 end of the POI. Capital expenditures increased year upon  
17 year.

18 And let's talk about prices. Of course,  
19 Petitioners have made the point that there's been a decline  
20 in import prices from the subject countries. That's quite  
21 obvious from the data. But pricing haven't declined over t  
22 he past year, but that appears to be a result of a  
23 combination of factors, and it has little to do with subject  
24 imports, as we will discuss a little later.

25 So, raw material prices have declined. That's

1 clear in the slide at Slide Number 4, but demand for line  
2 pipe has been declining. So, if you would turn to Slide 5  
3 and Slide 6, so the producers' performance is tracking  
4 demand and line pipe consumption is tied to drilling  
5 activity. So, we see at Slides 5 and 6 are the fluctuations  
6 in drilling activity over the POI.

7 In particular, you will see a very diverging  
8 trend when it comes to gas rigs and oil rigs. Even the  
9 combine affects of the rig counts show again a peak in 2012  
10 and a dip in 2013, not as accentuated overall or for oil as  
11 it has been for gas. And as we've heard this morning, line  
12 pipe demand is primarily driven by consumption in the gas  
13 production in gas rigs.

14 So, what we see at Slide 6 is from the beginning  
15 of the POI to the current time the split between oil rigs  
16 and gas rigs that are in operation has shifted quite a bit.  
17 From January 2011, the split was quite even, actually with  
18 more gas rigs than oil. We end up in September 2014 with  
19 oil rigs accounting for 82 percent of operating rigs, and  
20 gas rigs accounting for 17 percent. It's quite a marked  
21 changed over the POI.

22 So drilling activity has been boosted by  
23 continuous improvements of drilling rig and well completion  
24 efficiencies, but this also has a second side to it, which  
25 is the more efficient the wells the less pipe they required.

1       So, demand has been affected in many ways by the fluctuation  
2       and gas rig counts.

3                 MR. MUTAN: So, I just want to stop her for a  
4       second and just talk, and we'll catch up with the export  
5       side of it.

6                 Just a couple of quick observations, one, we  
7       didn't capture all the new production capacity coming  
8       online. Buroson has a 300 to 350,000 ton ERW mill that is  
9       coming on line in Baytown, Texas now. Right? And there are  
10      other projects, including Northwest Pipe increasing its  
11      capacity, based upon published accounts by an additional  
12      100,000 tons for ERW capacity.

13                So, why are they building all this capacity? If  
14      imports are destroying the market, why are they investing in  
15      all this capacity? Perhaps somebody made a bad bet.  
16      Perhaps demand went up in 2011, 2012 when these decisions  
17      were being made, as you heard this morning, that the well  
18      counts and all the demand was going on and things looked  
19      really good and revenues are up, just as the numbers here  
20      tell you. But then, all of a sudden, the bottom dropped out  
21      of the market. And why? And we're all scratching our heads  
22      a little bit. Why? Because if you invest a lot of money in  
23      new capacity domestically, and the demand's not there, you  
24      have an overcapacity in the domestic market. That's not the  
25      fault of imports. That's the fault of the domestic market

1 misjudging the demand characteristics that exist.

2           So, why would that happen here? You heard some  
3 evidence of it this morning. You have the problem of demand  
4 shifting. We're not using smaller diameter pipe as much.  
5 They're shifting to larger diameter pipe, right? The  
6 Marcellus shale plays uses multiple wells on a single  
7 platform that used larger diameter, over 24-inch pipe. So,  
8 the demand characteristics have changed, and in fact, a lot  
9 of these upgrades in additional capacity we're talking about  
10 are in the larger diameter sizes. So, the demand pattern  
11 has moved.

12           At the same time, gas rate counts are down  
13 significantly. We're talking half of what they were between  
14 2011 and 2013. You don't think that's going not have an  
15 impact on the demand for line pipe in the domestic market?  
16 We had what I would like to call a mini recession for demand  
17 for smaller diameter line pipe. That is not attributable to  
18 imports. That is purely a demand consumption factor in the  
19 U.S. market. And what's happening is we're shifting away  
20 from that into the larger diameter sizes. That's a natural  
21 competitive instinct, makes sense, but it doesn't mean  
22 imports are causing a problem here.

23           In fact, if you look at imports, and we'll get to  
24 that in just a minute, imports have reacted similar to what  
25 the domestic industry has done.

1                   So, I will turn it back to you now.

2                   MS. QUAIA: So, if we look again at Turkey, we  
3                   heard Petitioners claim this morning that Turkish imports  
4                   have flooded the U.S. market, that there was a surge. Now,  
5                   if we look at Slide 7, we can see that Turkish export data  
6                   show quite a different picture. So, what we have at Slide 7  
7                   is a pie chart with Turkey's main export markets for line  
8                   pipe. And by no means is the U.S. market the dominant  
9                   export destination for Turkish exports. And it's quite a  
10                  stretch to infer from these figures that Turkish producers  
11                  are targeting or flooding the U.S. market.

12                  They have developed -- they're very good at  
13                  developing other markets. They ship to Africa. They ship  
14                  to Israel, to Europe, to the Middle East. These are  
15                  Turkey's main export markets. So, how much does Turkey  
16                  represent in the U.S. market? How much is Turkey out of the  
17                  U.S. consumption?

18                  So, on Slide 8, we've calculated the market share  
19                  for Turkey, and it's really isolated from either negligible  
20                  to very close to negligible. The reality is that Turkish  
21                  imports are a minuet part of the import market share.

22                  So, let's take a look at non-subject imports.  
23                  So, if we look at Slides 9 and 10, we have at Slide 9 are  
24                  the import statistics highlighting non-subject imports by  
25                  value and at Slide 10 by quantity.

1           Now, Turkey has never been one of the top two  
2 sources of imports in the United States. And interestingly,  
3 the second, the third, the fourth largest sources of imports  
4 are not included in this investigation. I mean that is odd.

5           The petition exclude, among others, Mexico,  
6 Japan, Germany, United Kingdom, some of the largest sources  
7 of imports in the POI, as we can see from Slides 9 and 10,  
8 but the petition includes Turkey. Turkey's imports have  
9 been somewhere between 20,000 tons to 60,000 tons.

10           Now, Petitioner argued that in 2012 when all the  
11 economic and financial indicators were going up their sales  
12 values and profits essentially did not go up high enough.  
13 So, Petitioners claim that they were materially injured at  
14 that time and attribute that claim of injury to imports.  
15 However, if we look at the import trends there are surges in  
16 non-subject imports compared to moderate increases in  
17 subject imports.

18           In 2013, both subject and non-subject imports  
19 retrenched. Again, there was more volatility with  
20 non-subject imports compared to subject imports. Now, after  
21 a surge of non-subject imports in 2012, one would reasonably  
22 assume that in 2013 there would still be some non-subject  
23 inventory. So, this inventory over hang. If we look at the  
24 material that came in, in 2012, most of it was non-subject.  
25 So, the inventory over hang, if there is, cannot be

1 attributed all to subject imports.

2 So, it was non-subject imports that gained most  
3 market share in 2012 at the expense of domestic producers.  
4 And are we to believe that imports from Turkey that are  
5 close to negligible levels are injuring the U.S. producers,  
6 but higher imports from non-subject countries are not? It's  
7 not very plausible.

8 So, I would turn to Matt for a final --

9 MR. NOLAN: Okay, thanks Dianna. Just a couple  
10 of quick observations, obviously, we can't go onto the APO  
11 data at this point, and I urge you -- obviously, we will get  
12 into that pretty quickly.

13 There are published reports that shipments in the  
14 United States declined by 33 percent inside of two quarters  
15 between 2012/2013. That's not APO data. I can show you the  
16 articles that it's published in, so it's pretty common  
17 knowledge.

18 We had a mini collapse in demand in the market.  
19 Imports went up when demand was good. Subject imports went  
20 down when the market retrenched. It's that simple. I don't  
21 think you contribute that to Turkey or to Korea.

22 We will now turn it over to David Simon to speak  
23 a bit more on behalf of the Turkish producers.

24 STATEMENT OF DAVID SIMON

25 MR. SIMON: My name is David Simon of the Law

1 Office of David Simon. I represent Toscelik and Yucel in  
2 this proceeding. Yucel is the trading company and group  
3 name. Cayirova is the producer name. Toscelik accounts for  
4 the largest portion, by far, of U.S. imports of line pipe  
5 from Turkey. And I will welcome your questions when we get  
6 to that point.

7 I would say just a few comments. Toscelik is not  
8 on the approved manufacturer list of any of the end users,  
9 so far as I know. And I will check with the client, but I  
10 believe that's going to be the case.

11 Second, I want to talk a little bit more about  
12 the TANAP project that Matt referred to. This is a huge  
13 project to carry natural gas from the fields in Azerbaijan  
14 to Western Europe. It has important security considerations  
15 in view of Western Europe's demand for gas, and also in view  
16 of Turkey's chronic short supplies and growing demand for  
17 natural gas. It's a \$45 billion project, and it will extend  
18 from gas fields in Azerbaijan through Turkey to -- across  
19 Turkey pass the Marmora Sea and then branch off to Greece  
20 and Bulgaria. From these points, TANAP the project will  
21 supply natural gas throughout Europe; carrying 16 billion  
22 cubic meters a year. By 2020, the capacity will increase to  
23 about 22 billion cubic meters per year, and ultimately, 33  
24 billion cubic meters.

25 The pipeline lane within Turkish borders is about

1 1900 kilometers on the section up to the Bulgarian border,  
2 and an additional 67 kilometers for the Greece connection.  
3 And the project is also going to provide a substantial  
4 amount of natural gas to the Turkish domestic market, via  
5 laterals that will come off of the main pipeline.

6 Toscelik has been selected by a competitive  
7 process to supply more than half the line pipe necessary for  
8 that project, and it undertakes to finish about 570,000  
9 meters of line pipe, some 400,00 metric tons with monthly  
10 deliveries beginning in March 2015 and extending for 24  
11 months thereafter. The value of Toscelik's participating  
12 directly in the project is some \$600 million. It's a very  
13 significant commitment and Toscelik will allocate a  
14 significant portion of its capacity for this work.

15 I have nothing else to say directly about  
16 Toscelik or about Yucel. I concur with Matt's comments on  
17 the status of the industry as a whole, and I welcome your  
18 questions.

19 MR. CAMERON: One final word. Julie informed me  
20 that I may or may not have misunderstood the discussion on  
21 HSAW and not LSAW. And if I did, you have my apologies, and  
22 the industry has my apologies. We have no intention of  
23 trying to misstate their positions on the stuff, but that  
24 was my impression. If I was wrong, I do apologize for that.

25 With that, our presentation is at an end.

1 MR. MUTAN: And we reserve time for rebuttal.

2 MS. DEFILLIPO: Thank you very much. And a  
3 special thanks to Ms. Snow for being here with us today. I  
4 appreciate your testimony. It is always helpful to have  
5 Respondent testimony in a prelim, as we're trying to gather  
6 as much information in a very short time. So, I appreciate  
7 your coming here today.

8 I will turn first to Mr. Szustakowski for  
9 questions.

10 MR. SZUSTAKOWSKI: Hello. I also want to thank  
11 you for being here today. And thank you, Ms. Snow, for  
12 making the trip in. I appreciate it.

13 My first question is the same as the first  
14 question that I had for this morning's panel, which is the  
15 use of official import statistics in the staff report. I  
16 highlighted that there are three statistical reporting  
17 numbers for the allied pipe that does not have a ceiling on  
18 the outside, diameter sides. So, our intention right now is  
19 to not use those three numbers.

20 Is that something you can comment on now? Do you  
21 endorse that?

22 MR. CANNON: We can comment on that. We analyzed  
23 your release and at least with respect to the Korean  
24 producers we thought that what you were doing made sense and  
25 we agree with that.

1           MR. SZUSTAKOWSKI: Mr. Nolan, Mr. Simon, is that  
2 something you can comment on now?

3           MR. SIMON: Toscelik and Yucel agree with your  
4 approach.

5           MR. NOLAN: The same thing with the association.

6           MR. SZUSTAKOWSKI: Thank you.

7           MS. QUAIA: And the slides that we provided for  
8 the presentation today the import statistics already include  
9 those three ATS subcategories.

10          MR. SZUSTAKOWSKI: Sounds good. Thank you.

11          My next question for Mr. Nolan, the association  
12 that you're representing that's for not just exporters but  
13 also for producers. And I'm trying to gauge what our  
14 coverage is for both the Turkish and the Korean industry.  
15 We received, I believe, four responses from the Turkish  
16 producers so far. You mentioned in your testimony six  
17 producers. And I'm just trying to square up, how many  
18 producers are there actually of this product in Turkey.

19          It's not something you have to answer now on the  
20 spot, but something that you can provide in your  
21 post-conference brief. Maybe you can comment on what the  
22 Petitioners provide in their petition as a list of producers  
23 just so we have a better idea of the universe and what those  
24 gaps might be and whether or not -- I know at this late  
25 stage I don't know how enthusiastic we are about receiving

1 more questionnaire responses, but something to help us to  
2 give us direction that in the event of a final phase we'll  
3 be able to reach out to these producers.

4 MR. NOLAN: Our sense is there's probably six to  
5 eight producers. We'll address it more precisely in the  
6 post conference, but you've got all the big fish. You've  
7 got the vast majority of the industry covered here.

8 MR. SIMON: David Simon. And you certainly have  
9 everything that accounts for what came to the United States.

10 MR. SZUSTAKOWSKI: That's my understanding too.  
11 Of course, we want to see the entire Turkish industry.

12 MR. NOLAN: I understand.

13 MR. SZUSTAKOWSKI: Any indication how big those  
14 other producers are would be helpful too, if that's  
15 possible.

16 MR. NOLAN: I mean aside from the four that  
17 answered there are no other significant players in line pipe  
18 in Turkey.

19 MR. SZUSTAKOWSKI: Okay. Similar question for  
20 Mr. Cameron regarding the coverage in Korea.

21 MR. CAMERON: We will give that to you in the  
22 post-hearing brief. I believe that you have the big  
23 producers in Korea. And as for the final determination, I  
24 mean I don't know why we would have to be doing this in a  
25 final. I mean I would think that we'd be able to stop here.

1 Just an observation.

2 MR. SZUSTAKOWSKI: I said "in the event of".

3 MR. CAMERON: "In the event of," that's a  
4 hypothetical.

5 MR. SZUSTAKOWSKI: Yes.

6 MR. CAMERON: We're good.

7 MR. SZUSTAKOWSKI: Good. I'm trying to  
8 understand more about these unique specifications for line  
9 pipe that were mentioned this morning and touched upon just  
10 now.

11 Ms. Snow, is that something that you can speak  
12 to? What are these unique specifications that they were  
13 describing this morning? Are you aware of products that are  
14 in excess or greater than the API 5-L specification, what  
15 sort of market there is for that?

16 MS. SNOW: We do API 5-L, X-42 and X-52. The AML  
17 list is where they put together what the domestics and the  
18 customer wants to provide. It's still the API, but it's  
19 expanded like as you explained like tighter controls on the  
20 -- the API has an over, under on the wall thickness. They  
21 brought that to a tighter -- we wanted 5 percent, not 12 1/2  
22 percent, whatever. But we don't get into the -- as far as  
23 inventory; we do not get into the higher grades because  
24 that's something that the domestics have taken a hold of.

25 If we get an inquiry from an end user, we take it

1 to an import product. The lead times on even just quoting  
2 are significantly longer than the domestics because they  
3 have to review it, their QC department has to review it, and  
4 sometimes by the time we have gotten back to be able to  
5 quote it they've already got the domestic. They've made  
6 their decision and so it's -- I would say the proprietary  
7 grades or whatever that's a lot domestic.

8 MR. CAMERON: Just to add something to that,  
9 first of all, when she talks about higher grade she's  
10 talking about anything over X-52, which is a significant  
11 part of the market, number one.

12 Secondly, we heard this morning some speculation.  
13 There was a lot of speculation this morning that was not  
14 actually supported by any facts, and some of that  
15 speculation was, well, these distributors hold everything in  
16 inventory. They have all the specs. They have all the  
17 sizes and it's all there all ready to go. And what you're  
18 hearing here is that, well, I don't think so.

19 What Trident is holding is they're holding the  
20 X-42 and X-52. They are holding minimal levels of inventory  
21 in order to supply the market, but they're not going to be  
22 holding excess inventories because, of course, that's a  
23 higher risk for them.

24 Number two, they're not going to be holding what  
25 we would call -- and proprietary isn't really the right

1 word. It's really tighter specifications than are required  
2 by API. Yes, there are producers that manufacturer this.  
3 The Korean producers, the good ones manufacture very close  
4 tolerance, so it's not a problem. But at the same time,  
5 you're not pre-ordering that material, number one.

6 Number two, not everybody is able to do that.  
7 That's one reason that manufacturers have approved -- the  
8 end users have approved manufacturers lists. In other  
9 words, they trust some suppliers. They don't trust all  
10 suppliers. There are more U.S. producers, not all, but more  
11 U.S. producers that are on the AML list. And this is  
12 important because that's the way that you qualify. And in  
13 the case of imports a lot of imports don't qualify. Why is  
14 that? Well, because there's not a lot of faith in some of  
15 the imports in terms of the quality of product uniformly,  
16 all the time, every time meeting the quality.

17 MR. SZUSTAKOWSKI: Who then is purchasing the  
18 non-AML list of products because I'm just trying to  
19 understand. So, not all purchasers or end users have a list  
20 of AML?

21 MR. CAMERON: Well, I mean what you heard this  
22 morning is that a lot of the end users have AMLs. Would you  
23 agree with that?

24 MS. SNOW: Absolutely.

25 MR. CAMERON: And so that doesn't mean that just

1 because you have an AML you are necessarily -- and I don't  
2 think that the domestic industry was suggesting otherwise.  
3 They're not saying every order off an AML is requiring a  
4 tighter specification. What it means is that, number one --  
5 an AML, first of all, means that they pre-qualified the  
6 mill, the supplier, the end user did. They said, yes, I  
7 will buy -- in the case of Trident -- I will buy SeAH Steel.  
8 I've been to the mill. I know it's a quality product. I  
9 know I'm not going to have to worry about it, and I know  
10 they'll stand behind the product.

11 No, I am not going to buy from that Indian  
12 producer. Why? Because I haven't been to the mill. I  
13 don't necessarily trust their product. So, that's one  
14 reason you have an AML. The other is that AMLs are also  
15 there for, well, I require a tighter wall thickness or a  
16 tighter specification. Quite often, that's the case, but  
17 the other thing is in the case of anything over X-52 that's  
18 a higher grade of API spec, and higher grades of API spec  
19 that's going to be accompanied by additional demands with  
20 respect to the tolerances. And therefore, you're not going  
21 to be sitting there with ordinary API X-52 and expect to  
22 compete. These are generally going to be supplied by  
23 domestic producers to the U.S. end users because, as they  
24 testified this morning, yes, I have a very short lead time  
25 in order to do that, and I have an advantage in doing that.

1 Well, yeah, we agree. But we're not sitting with that  
2 inventory to be able to deliver it tomorrow. In fact, if  
3 she's got an order for that what she's talking about is  
4 going to some of the domestic producers to see whether or  
5 not they will fill that order and help her fill that order  
6 for that sale.

7 MR. SZUSTAKOWSKI: Is there an estimate of how  
8 large the AML market relative to the total market for line  
9 pipe? This is just a new concept to me, this AML, so I'm  
10 trying to figure out what it means and how big it is and  
11 what role it --

12 MS. SNOW: What most end users -- I'm sorry.  
13 Hope Snow, Trident Steel. I believe most end users now have  
14 an AML list. I mean I get them -- I will not quote without  
15 the salesman getting me that information. Is there or  
16 isn't? And they usually -- the salespeople usually provide  
17 that to me, so I have an idea.

18 MR. SZUSTAKOWSKI: Mr. Simon, you mentioned that  
19 Toscelik is not on an AML; is that right?

20 MR. SIMON: That's right.

21 MR. SZUSTAKOWSKI: So, who's consuming Toscelik's  
22 product? What does it mean to not be on an AML list and  
23 where does it ultimately end up being consumed?

24 MR. SIMON: Toscelik doesn't know that  
25 information.

1 MR. SZUSTAKOWSKI: Okay.

2 MR. NOLAN: I think you can say that like any  
3 other market there's the commodity end of the market where  
4 you get your API standard. Okay. Fine. You're good to go  
5 in that portion of the market. Then there's the part of the  
6 market which is much more demanding in terms of we cannot  
7 have more than a 2 percent thickness difference in the wall  
8 because if it is we might blow a pipe out and this is very  
9 light-end, backus material and it'll explode. So, we cannot  
10 have that. So, you've got build to our spec, right?

11 There are less demanding applications for it  
12 where it's a low level gathering line for a low pressure  
13 item and you don't need to worry about that tolerance level  
14 so much. I can't tell you were the AML list is. I can tell  
15 you that it does matter, and you get a premium for it when  
16 you're on it.

17 MR. CAMERON: Yes, I mean I think one way that we  
18 could approach this is that we are -- and you can ask the  
19 same of the domestic producers -- just to give the list of  
20 end users that they are aware of that actually have AMLs.  
21 We actually did that in the last preliminary hearing that we  
22 did on line pipe years ago. Of course, we didn't do a final  
23 hearing on that because, of course, the petition had been  
24 withdrawn before the final determination and all of that,  
25 but we did provide a list of that. And I'm sure that they

1 can do the same thing. And I think that might help a little  
2 bit, but I'm not sure that we can put tonnages on that  
3 number, but I think we can give you an estimate of that.

4 MR. SZUSTAKOWSKI: So, there was some discussion  
5 of inventory this morning, and I was going to say, Mr.  
6 Cameron, where's the inventory?

7 MR. CAMERON: I've got it in my bag.

8 MR. SZUSTAKOWSKI: That's what I'm trying to  
9 figure out. They were saying there's inventory out there.  
10 There's no data that they have available to show that  
11 there's inventory. But on the other hand, you're saying  
12 that you don't believe that there's any inventory. Besides  
13 the importers' inventory and the U.S. producers' inventory  
14 is there another source that we could look at?

15 MR. CAMERON: Well sure in that inventory. But of  
16 course, when they make the statement they already know who  
17 the questionnaires are going to. You're at a preliminary  
18 stage of an investigation. Did you send purchaser  
19 questionnaires to purchasers? No. Why not? Because you  
20 never do that at a preliminary investigation. What? I just  
21 fell off of a turnip truck? We all know that you don't send  
22 purchaser questionnaires at a preliminary, so it's quite  
23 easy to say, well, all those inventories are all over there  
24 all of those distributors. So, yeah, I take it with a grain  
25 of salt because there's no evidence to support it, but we've

1 got a distributor here and she can talk about what her  
2 inventory levels are. How's that?

3 MR. SZUSTAKOWSKI: Miss Snow can you tell us  
4 about your inventory levels? In general terms if you want  
5 to save the proprietary information for the post-conference  
6 briefs, so it's 2011, 2013.

7 MS. SNOW: Well we inventoried 2 through 16 inch.  
8 That's -- we made the determination that over 16 inch that  
9 belongs to the domestics, you know, we are just not good at  
10 that. It's a crystal ball when I go to purchase material  
11 when it is 120 to 150 days out so and 2 through 12 inch is  
12 where we are right now. There are many different wall  
13 thicknesses so you can't possibly inventory the tonnages  
14 that you would need for these large inquiries that you see,  
15 with all the different walls.

16 So I believe I am at a disadvantage because I  
17 can't get it fast enough so we've kind of brought our  
18 inventories in, brought our inventories in and our inventory  
19 is significantly less than it was you know, even a couple of  
20 years ago. Now we are all looking right hopefully next year  
21 will be better and I will be able to increase the purchases  
22 but I do not feel I have a significant inventory in Houston  
23 and my line pipe is all kept in Houston.

24 MR. CAMERON: And the other thing you have to  
25 keep in mind is all of these people lived through 2008 when

1 actually they did have higher inventory levels and a lot of  
2 people got hung out to dry with that. Go ahead, you should  
3 tell him what the experience was then.

4 MS. SNOW: Well we did have larger inventory  
5 levels before 2008 and when the -- I call it the crash  
6 because it was and we had significant amounts of inventory,  
7 probably because over my 17 years there, back there it  
8 wasn't 17 we built up where we could have a little more of  
9 this and a little more of this and then like everything fell  
10 apart and we had way too much inventory at way too high  
11 prices.

12 So our company lost millions of dollars getting  
13 rid of it but we chose to get rid of it rather than to hold  
14 on to it and see when the market came back up. So since  
15 that time as you know, as a group we have decided to reduce  
16 what we had and just do away with 16 through 24 which is you  
17 know, I don't know if that's a good decision or a bad  
18 decision but that's just a decision we made so it really  
19 came about in 2008 where we -- and I can assure you that I'm  
20 not the only distributor that made that determination to  
21 reduce our inventory significantly. MR. CAMERON: But  
22 the reason that we are stressing skepticism about this I  
23 mean speculation because that's what it is, is because you  
24 have to look at the -- once we get by the speculation let's  
25 start looking at some facts. The distributors if they are

1 holding the inventory -- who is bearing the risk?

2 Distributors are. Who's bearing the cost? The distributors  
3 are.

4 So one of the questions that you have to ask  
5 yourself, especially given the current economic times that  
6 we are dealing in, is do you really believe that the  
7 distributors are basically going to be the fall guy for the  
8 imports, because that's really what you're saying because  
9 the importers, they are not holding inventory so are you  
10 really saying that the distributor as a rational player in  
11 the market, are going to be holding vast storages of  
12 inventories because that's what the suggestion is.

13 Yeah, I'm talking about a normal level. You are  
14 talking about extraordinary levels of inventory overhang  
15 that was the allegation. Well why would that be? We did  
16 have a bubble with the Chinese and OCTG years ago. We all  
17 know that that was the basis on which you made your  
18 affirmative determination. But and I grant you that  
19 somebody can go with a camera and photograph something on  
20 the dock that doesn't really tell me a lot. I guess  
21 the question I have is, is that really what we are hearing  
22 in the marketplace in terms of inventory overhang and I  
23 think the answer to that is clearly no and I think the  
24 economic situation that you are dealing with, especially  
25 given the fact that the demand has dropped so significantly

1 does that really indicate to you that people are going to be  
2 ordering six months out and holding vast sums of inventory  
3 in a declining price market?

4           Again, whose risk is it? The risk is the  
5 purchaser who bought it in a forward position six months  
6 earlier and therefore what I'm suggesting to you is that  
7 this story about all the mountains of inventory is a nice --  
8 that's a very nice story, but there is nothing to support it  
9 and indeed the logic of the market doesn't support it.

10           MR. SZUSTAKOWSKI: Regarding -- do you have a  
11 suggested definition for domestic-like product that --  
12 regarding the size range to be included, or what would be a  
13 separate definition? I mean is this --

14           MR. CAMERON: We think -- I mean I heard the  
15 explanation this morning but again you know we have both  
16 gone for what 20 years where the like product is 16 inches  
17 and under and over that is a different product right. We  
18 see this morning that there are differences among the  
19 producers as to who produces what and who produces what size  
20 range and we are suggesting that actually it ought to be two  
21 different like products, one is the over 16 and the other is  
22 16 inches and less.

23           I mean we think that you ought to collect the  
24 data and look at that and see where it goes but that's where  
25 we see it because we do think that there are differences

1 here in the product.

2 MR. SZUSTAKOWSKI: Mr. Nolan and Mr. Simon do you  
3 want to comment on that too now or is that --

4 MR. NOLAN: We don't have anything in the larger  
5 size range so you know our product range is 3 to 16.

6 MR. CAMERON: We don't have very much in the  
7 larger, we have some you know it does appear that there's a,  
8 it's a somewhat opportunistic thing. We have this case on  
9 line pipe let's go see if we can get some more sizes in it.  
10 I just think there has to be an analysis of this, and the  
11 fact that they have -- the scope happens to be 24 up to 24  
12 inches I grant you that, that's fine. I mean that's their  
13 right to file a case the way they want to file the case,  
14 that does not determine the like product and so we do think  
15 that it needs to be analyzed further.

16 MS. MENDOZA: I have one additional comment which  
17 is just kind of reading between the lines and I think when  
18 Ms. DeFilippo was asking this question about who you sell  
19 to, you know the largest 16 to the 24 and I think what I was  
20 hearing were that the same we are selling directly to end  
21 users and you know that's why the imports are not really  
22 able to sell to that segment of the market as easily so I  
23 think we would add that to our reasons for thinking that  
24 there is more than one like product which is that there are  
25 different channels of distribution for the two products, and

1 we'll address all the factors in our brief obviously.

2 MR. SZUSTAKOWSKI: Thank you. I have a mess of  
3 notes here but the organizational scheme seems to be failing  
4 me right now, let's see. Actually that will conclude my  
5 questions so thank you.

6 MS. DEFILIPPO: Thank you Mr. Suzastakowski. Mr.  
7 Sultan I'll turn to you for questions of this panel.

8 MR. SULTAN: Mr. Cameron, I may be wrong about  
9 this but haven't these cases been rumored for a long time,  
10 we haven't --

11 MR. CAMERON: It's been rumored for three years,  
12 just like OCTG was so if you are asking about timing this  
13 case, forget about it. As a matter of fact, yeah --

14 MR. SULTAN: Here's the point I'm getting to, I  
15 mean you were talking about the logic of the market in  
16 connection with inventories, you were saying well people  
17 aren't going to be building up any inventories in a  
18 declining market, but just hypothetically or speculatively I  
19 could see why a distributor might want to build up  
20 inventories if it thought these cases were coming. MR.

21 CAMERON: I understand the logic that you are driving at.  
22 Let me make a suggestion to you when I said that it has been  
23 rumored for three years that is not an exaggeration.  
24 Moreover, during this whole debate over OCTG one of the  
25 questions was what are they going to do with line pipe and

1 of course the rumors went back and forth as to whether or  
2 not there was unity in the industry, whether there wasn't,  
3 is there any going forward, or not going forward et cetera,  
4 et cetera.

5           There came a point a couple of years ago where we  
6 had clients who basically said will you stop sending us the  
7 rumors because we are tired of hearing about it because I  
8 mean it's a never ending rumor mill. We've been hearing  
9 about the rumors on the flat-rolled since actually, actually  
10 since the sunset on the flat-rolled so it's -- I understand  
11 the theory, I've seen in my experience and you take it for  
12 what it's worth which is probably not much but I haven't  
13 seen companies bet on the likelihood of Petitions being  
14 filed.

15           I've seen companies that once a Petition has been  
16 filed, and you know we are always asked about the rumors --  
17 and you know in the end what we say is, look until you see  
18 the Petition it is a rumor. So you know, these things have  
19 been in the American metal market and it is not an  
20 exaggeration to say that you can go back three years and you  
21 will be seeing the rumors in the line pipe case and you had  
22 the same thing in OCTG.

23           Of course they couldn't file the OCTG case until  
24 they got a quarterly downturn in profitability. So it's  
25 similar with line pipe, so anyway so I understand what you

1 are saying, I don't see it.

2 And the risk is still there because what you are  
3 saying I can see that because then they are going to be  
4 betting on speculation that the market goes up but until now  
5 they have had no assurances to A -- when the Petition would  
6 be filed, if it were to be filed; B -- all of the actual  
7 data that they actually have to live with every day was that  
8 demand was dropping and pricing were declining. Again when  
9 you are buying a six month forward position, that's a big  
10 risk and that's a lot of money.

11 MR. SULTAN: Thank you. A question for counsel  
12 of the Turkish Respondents, do you have any view on whether  
13 we should cumulate imports from Turkey with those from  
14 Korea?

15 MR. NOLAN: We will address that in the  
16 post-conference brief more specifically but obviously we  
17 think that the parties should be decumulated, Turkey is a  
18 much smaller player in this market and much more limited in  
19 this market and has a much more limited range so the  
20 conditions exist in our view, that we are not occurred to  
21 injury-maker and be distinguished.

22 MR. SULTAN: Thank you, my last question is I  
23 would just invite counsel for both groups of Respondents to  
24 address the BRASK factors in the post-conference brief,  
25 thank you that's all I have.

1 MS. DEFILIPPO: Thank you Mr. Sultan. Miss  
2 Farrington questions?

3 MS. FARRINGTON: Good afternoon, I at the moment  
4 just have one question for Miss Snow. As a distributor do  
5 you have other products that you buy and what are they and  
6 are there products that you carry that would be substitutes  
7 to line pipe?

8 MS. SNOW: No on both.

9 MR. CAMERON: Trident also, yeah, no-no-no -- the  
10 reason that she is saying that is the answer is because she  
11 does line pipe. She doesn't do OCTG in the company. The  
12 company also is a major distributor of OCTG but there is no  
13 substitute for line pipe. I mean there might be seamless  
14 line pipe but you know we don't -- they don't deal in  
15 seamless line pipe.

16 MS. FARRINGTON: Just trying to see if there is  
17 consensus on both sides.

18 MR. CAMERON: On substitute-ability I think there  
19 is largely is consensus. I mean you can ask about seamless  
20 line pipe but frankly I'm not sure how much seamless line  
21 pipe there is in the market and whether that's a legitimate  
22 substitute. I mean I don't think that there's much -- we're  
23 not going to be suggesting to you that there are substitutes  
24 when in fact we don't -- I don't think that that's realistic  
25 and I think that the Petitioner's will take the same view on

1 that.

2 MS. FARRINGTON: Okay thank you.

3 MS. DEFILIPPO: Thank you Miss Farrington, I will  
4 now turn to Miss Khan.

5 MS. KHAN: This question is more for Miss Snow.

6 Do you know how much of the U.S. market buys the  
7 lower grade, like the X42 and the X50 versus the higher  
8 grade steel?

9 MS. SNOW: It would strictly be speculation but  
10 maybe 50% or maybe 60% for the 4252 and 40 for the 60, 65/70  
11 but it would strictly be speculation since I don't inventory  
12 those and when I do get an inquiry, like I said it goes to  
13 the domestic producers that will quote me and you know  
14 importers.

15 MS. KHAN: Okay thank you. Also, just wondering  
16 do you get any spiral welded line pipe from Korea?

17 MS. SNOW: I do not purchase any nor do I source  
18 any.

19 MS. KHAN: That's all the questions that I had,  
20 thank you.

21 MS. DEFILIPPO: Thank you Miss Khan, Miss  
22 Pugliese?

23 MS. PUGLIESE: I was wondering if the panel could  
24 tell us more about the non-subject countries and whether if  
25 they know if they are on these AML lists. You said Turkey

1 is not and South Korea is and I just wanted to know if you  
2 had any more information about the non-subject countries?

3 MS. SNOW: I brought something up and some of the  
4 other countries are not listed in the Petition because they  
5 have ownership and an involvement with the domestic  
6 producers.

7 MR. CAMERON: We can go country by country and --  
8 we can go country by country and producer by producer.  
9 AML's are not based upon country.

10 MS. PUGLIESE: Right.

11 MR. CAMERON: It's based on individual producers  
12 and what we are going to try to do is get you a list of the  
13 AML's that we are aware of.

14 MS. SNOW: Yeah, German, Japanese those are for  
15 sure on the AML list right?

16 MR. CAMERON: Vietnamese are not necessarily on  
17 AML lists. Many Indian suppliers are not on the AML lists.  
18 I think you have in your questionnaire -- Canada is on the  
19 AML list. They are owned by U.S. producers, they should be.

20

21 MS. PUGLIESE: Is Mexico?

22 MR. CAMERON: I believe Mexico is most primarily  
23 are they on all AML's?

24 MS. SNOW: I can't speak for all of them but they  
25 are on some.

1 MS. PUGLIESE: No problem.

2 MR. CAMERON: Some and China is the extent that  
3 they were in the market was a lot of them are -- they a lot  
4 of India specially says no Chinese material. Moreover, many  
5 of the AML's also say no Chinese hot coil so you know.

6 MS. PUGLIESE: Okay thank you.

7 MS. DEFILIPPO: Thank you I will turn now to Mr.  
8 Corkran for questions of this panel.

9 MR. CORKRAN: Thank you very much and thank you  
10 to the panel for being here today. I would like to  
11 follow-up on the question about AML's. Is there a common or  
12 accepted AML maybe industry standard, I'm thinking about  
13 some of the other products that we have seen where a single,  
14 very large established purchaser say Exxon Mobile or  
15 somebody of that stature issues an AML and it's broadly  
16 accepted throughout the industry. Is there anything like  
17 that in line pipe?

18 MS. SNOW: Yes, there are some that you will see  
19 but mostly that for us is to another distributor sale that  
20 it has to be the Exxon Mobile, you know AML approved list so  
21 I dig out my AML's and go through them. But usually that  
22 type of thing for us is selling to another distributor.

23 MR. CORKRAN: And with the end users can you be  
24 specific?

25 MS. SNOW: Yes, yes correct.

1                   MR. CORKRAN: Okay so distributor to distributor  
2                   there might be a commonly accepted AML but when you sell  
3                   directly to a particular end user it's specific to that end  
4                   user?

5                   MS. SNOW: Selling to another distributor  
6                   referring to an AML is because they are selling it to that  
7                   end user. So that's why they are saying, there's a lot of  
8                   distributor to distributor sales, so when you see that you  
9                   kind of know that that's who they are quoting so it's you  
10                  know and then like I said obviously the end user has theirs.  
11                  No, I don't think there's a standard one, I personally do  
12                  not.

13                  MR. CORKRAN: Okay thank you very much that's  
14                  very helpful. One of the questions that I promised I would  
15                  ask and I think it's been touched on but I would like to get  
16                  some clarification please is what is the role of U.S.  
17                  imports of line pipe from Turkey in the U.S. market?

18                  MR. SIMON: Negligible. I mean let me, Toscelik  
19                  is the largest supplier of this product by far and it might  
20                  be useful to understand who they are and what they do.  
21                  Toscelik is a big company, they are a producer of steel,  
22                  they have a melt shop, they produce coils, they produce  
23                  slab. They produce coil from slab, and from those coils  
24                  they produce pipes. They produce profile, square profile  
25                  structural, standard pipe, line pipe, OCTG.

1           They are in other aspects of the steel sector as  
2 well. They are a Mediterranean company, not only a Turkish  
3 company. How they operate with respect to the United States  
4 -- basically they have a customer in the United States. And  
5 you see this in their questionnaire response, and a few  
6 times a year the customer will place an order for a vessel  
7 load of material. That vessel load will include everything  
8 from their product line.

9           Every type of pipe so Toscelik is not sitting  
10 over there in a Iskenderun, trying to push line pipes into  
11 the United States for one thing. For another thing they  
12 enjoy a tremendous cost advantage over American -- over the  
13 American industry as a whole. We all know, I believe, the  
14 Americans are paying a very high price for their coils, much  
15 higher than world market price and Toscelik because they are  
16 a coil producer in a very modern efficient plant, is a very  
17 low cost coil producer, so they have a very good cost  
18 advantage.

19           They are a rational player, they are a private  
20 company, they are a family-owned company, they are a profit  
21 seeking enterprise and they are not sitting in Turkey trying  
22 to push line pipe into the United States. They are acting  
23 in that sort of methodical manner.

24           The tonnages even though Toscelik is the largest  
25 of the suppliers, the tonnages are quite small and a change

1 of a month or two can change the import picture  
2 substantially because they are only shipping a couple of  
3 times a year, three times a year maybe so you are not seeing  
4 a lot of frequent small shipments into the United States.

5 Of course that goes into channels in the United  
6 States and Toscelik doesn't really know or control but the  
7 company's -- Turkish exports are a very small part of total  
8 consumption in the United States and we haven't heard a  
9 single reference today in the morning other than Korea and  
10 Turkey, Korea and Turkey. We haven't heard a specific  
11 reference to Turkish pipe once.

12 MR. CORKRAN: Thank you, that was very helpful  
13 and I'd actually like to follow-up on something else that  
14 you said. Can you give -- when you talk about container  
15 loads -- that is typically about what tonnage?

16 MR. SIMON: I'm sorry but Toscelik is shipping  
17 vessel loads.

18 MR. NOLAN: That's pretty typical of the entire  
19 Turkish steel industry, they don't ship small lots. I mean  
20 ---

21 MR. SIMON: No, they do I mean there are times  
22 when Toscelik will ship 6, 8, 10 containers but for United  
23 States sales they charter a vessel and they have to fill it  
24 efficiently, they have to work with their customer to get a  
25 product mix that suits their entire factory plan not just

1 one product and make it possible to load that vessel in a  
2 reasonable amount of time so that you don't have a lot of  
3 demurrage charges and that sort of stuff, but these are  
4 vessel loads.

5 MR. CORKRAN: Thank you that's helpful, that will  
6 shed some light on some of the monthly import entries that  
7 we are looking at.

8 MR. SIMON: There is freight that moves by  
9 container, I mean container freight charges are such that  
10 you can do that but at least with multiple containers, you  
11 are not going to ship a container of pipe the way it happens  
12 in other industries, you can ship a container of product.  
13 But you can ship 8, 10, 12 containers at a time but it in  
14 fact what Toscelik is doing is shipping vessel loads.

15 MR. CORKRAN: Well, with that, I appreciate all  
16 of your time here. It's been -- it's been very helpful.  
17 Thank you very much.

18 MS. DEFILIPPO: Thank you, Mr. Corkran. That has  
19 actually exhausted my questions I have scribbled on my  
20 paper. And I'm going to look left and right and see if --

21 MR. CAMERON: May I ask you a question?

22 MS. DEFILIPPO: Maybe.

23 MR. CAMERON: This morning, you asked the --  
24 somebody asked the panel whether or not there were any by  
25 American restrictions.

1 MS. DEFILIPPO: Yes, I did.

2 MR. CAMERON: You did? And therefore, I was  
3 going to follow up on your question.

4 MS. DEFILIPPO: Mr. Cameron, are there any Buy  
5 American provisions in the market that you're aware of?

6 MR. CAMERON: Thank you.

7 MS. SNOW: Yes.

8 MR. CAMERON: Go expand. Tell them.

9 MS. SNOW: Well, the Department of  
10 Transportation most often requires domestic material.

11 MR. CAMERON: How about Arkansas?

12 MS. SNOW: Well, Arkansas is totally. You know,  
13 the DOT requires -- and others that fell into Arkansas went  
14 domestic. And actually Illinois kind of get that way also.

15 MS. DEFILIPPO: Do you have any sense of -- of  
16 the size of what overall by American purchases sales would  
17 be relative to the total market for line pipe? And has --  
18 has it changed, increased or decreased over the period of  
19 investigation?

20 MR. CAMERON: We can try and get that for you in  
21 post-hearing.

22 MS. DEFILIPPO: Okay.

23 MR. CAMERON: I mean that's a normal question  
24 that you ask in the few questionnaires is what was the  
25 percentage, and we can at least make an estimate based upon

1 -- upon our experience. I'm not -- I don't think that it  
2 dominates the market, but it's important to clarify that  
3 indeed there are Buy American restrictions that do have an  
4 impact on this market.

5 MS. DEFILIPPO: Thank you. I appreciate that.  
6 Any other? That concludes our questions. And I thank you  
7 all again for this panel. For providing information and for  
8 answering our questions. I'm going to look to the -- the  
9 counsel and say if we gave you until 10 of to sort of  
10 prepare your closing remarks is that good? All right.  
11 Seeing thumbs up, I will say we will take a seven minute  
12 break and come back at 10 of.

13 (Thereupon, a brief recess was held.)

14 MS. DEFILIPPO: Thank you, Mr. Secretary.  
15 Welcome back, Mr. Price and Mr. Schagrin. Please proceed  
16 when you are ready to with your closing remarks.

17 CLOSING REMARKS OF ALAN PRICE

18 MR. PRICE: Thank you. Alan Price, counsel for  
19 Maverick Tube. I'll just have a few brief remarks and then  
20 Mr. Schagrin will present the bulk of the closing argument.

21 First of all, I have to say it's a pleasure  
22 practicing before the Commission and particularly one of the  
23 things I have appreciated in recent opinions is the degree  
24 to which the Commission is really looking at the facts.  
25 Because you get a lot of these attenuation arguments and a

1 lot of the speculation, a lot of conjecture. And what the  
2 Commission has done increasingly as it gets into the  
3 records is really look at, okay, where is the head-to-head  
4 competition? Is it there? What's going on?

5 And what you heard today from the respondents  
6 was a lot of speculation. Speculation essentially by  
7 attorneys and one distributor. Even though, I think their  
8 exact words are, there are a lot of distributors. Okay?  
9 And so the Commission -- the respondents' entire set of  
10 arguments, as sort of disjointed as they were in this thing  
11 really don't add up to much. I must tell you. But  
12 whatever they do, they tell you you have to go to a final  
13 determination.

14 The question is, is there a reasonable  
15 indication that there is material injury by reason of the  
16 subject imports? Imports don't have to be the greatest  
17 cause. They just have to be a cause of injury. The  
18 question is there a reasonable indication of a significant  
19 price effect? The answer is yes. Significant volume  
20 effect? The answer is yes. And is there an impact?  
21 Absolutely.

22 Turning to couple of the specific issues in this  
23 case, let's address like product for one minute here.  
24 Obviously, there's been some discussion of like product and  
25 one of the issues is customer/producer perceptions out

1       there.

2                       And we happen to go on last night, Trident Steel  
3       Corporation's website. We've handed this out and it's  
4       available for everyone. And you can look at their own  
5       website here.

6                       ERW size is what they offer. How do they  
7       perceive the market? Two and three-quarters inches to 24  
8       inches outside diameter. Coincidentally, that happens to be  
9       how we define the like product here. Okay. So this goes  
10      -- just again, one more piece of information to say that the  
11      like product here is coextensive with the scope. Certainly  
12      that's how Trident when it's presenting to its actual  
13      customer base presents -- presents the product line.

14                      With regard to cumulation, we believe that all  
15      the factors for cumulation clearly are met in this case.  
16      They're simultaneous -- their products are simultaneously  
17      present in the market. Their price are somewhat in a  
18      similar manner. They're sold in a similar manner. They  
19      both undersell the domestic product.

20                      And in a period of essentially on the  
21      respondent's theory of declining -- declining market, they  
22      continue to maintain significant shares in the market and  
23      push product into the United States.

24                      With regard to head-to-head competition, I will  
25      say that the respondents also conceded there was very

1 significant head-to-head competition in this case. With  
2 regard to all this discussion of AMLs, and Mr. Schagrin will  
3 discuss that in -- in more detail in a minute, there's no  
4 question the Koreans have conceded. With regard to the AMLs  
5 they're fine plus the AMLs. So we don't know if that, you  
6 know, how that really diminishes the competition, but they  
7 also -- but we also heard testimony from the distributor  
8 that about 50, 60 percent of the market, there's really just  
9 standard X42, 52 product. And let's face it, the Koreans  
10 and the Turks both produce that product. So there's no  
11 question that there's significant overlap as to products and  
12 direct head-to-head competition with the domestic industry,  
13 the Turkish imports and the Korean imports through -- in the  
14 vast majority of the product range. Thank you.

15 CLOSING REMARKS OF ROGER B. SCHAGRIN

16 MR. SCHAGRIN: Thank you, Alan. I'm Roger  
17 Schagrin for the other petitioners. I'm very glad that  
18 Trident was here today.

19 One reason there's reasonable indication  
20 standard and you do big final investigations particularly  
21 where you have such an overwhelming record of the  
22 preliminary stages. You're going to find in your final that  
23 the really gigantic line pipe distributors in the United  
24 States, I mean people who dwarf Trident by, you know, X  
25 factors. The MRCs, the JD Fields, the Wilson's Supplies,

1 the Texas Pipes that over your POI. These really big  
2 nationwide line pipe distributors were all buying more  
3 subject imports, less domestic and forcing their domestic  
4 suppliers to cut their prices if they wanted to keep  
5 supplying them instead of these folks just buying Korean and  
6 Turkish.

7 API line pipe is a commodity product.  
8 Overwhelmingly it's just standard API grades and all the  
9 Korean mills are on these AMLs. Everybody can make these  
10 products that just are a little bit more than API for the  
11 customers. Lead times is not an issue in this case.  
12 There's long lead times.

13 But let's get to what -- I mean, the injury data  
14 on your record is so overwhelming that all the respondents  
15 can say is, it can't be us. It's the collapse in the  
16 market.

17 This is not a collapse in the market case.  
18 You're going to actually look at the data. Numbers don't  
19 lie. Lawyers make things up, but numbers don't lie. So  
20 what are you going to say? You can already see it in the  
21 data put together on their table four. Between 2011 and  
22 2013, domestic shipments went down by five percent. Is that  
23 a market collapse? Even between '12 and '13, they only went  
24 down by 15 percent. That's not a market collapse. But  
25 while our shipments were going down by five percent while

1 the market was quote, unquote, collapsing, the subject  
2 imports went up by 38 percent. So what's the real story?  
3 And I can tell you it's just absolutely baloney and we'll  
4 get to it when we get to brass.

5 And that is what really happened between '12 and  
6 '13. Is in '12, there was a lot of non-subject imports that  
7 don't compete with subject or the domestic. It's 300,000  
8 tons from Japan and Germany that went into deep offshore  
9 with heavy walls that sold for a hell of a lot more than  
10 domestic or subject imports. They know it doesn't compete  
11 with them, but they use it to make up a story of market  
12 collapse. And it's a story. I'd say baloney instead of  
13 saying something else.

14 The numbers on this record show injury. They  
15 show overwhelming underselling. They show subject imports  
16 increasing while demand is declining, and we don't have a  
17 market collapse. Nothing is collapsing this market. In  
18 fact, this is overall cyclically a strong market. And yet  
19 the domestic industry's profits during a period in which  
20 demand is relatively stable fall by 70 percent and over the  
21 entire POI fall by 95 percent. Why? Because it's a  
22 commodity product, and we have to compete on price.

23 As the thread -- I mean, you also hear, gee,  
24 it's really tough for us to compete in the market. And yet,  
25 just last month over 100,000 tons came in from Korea in one

1 month. That's 50 percent of total U.S. market demand.  
2 You're going to see the market right now is about 2.4, 2.5  
3 million. 200,000 tons a month. A lot of it is going in  
4 inventory. We'll figure that out in the final.

5 Can the Turks ship more? Well, they just  
6 shipped 15,000 tons last month. And the fact that they just  
7 took a 1.2 million ton contract for products that's 36, 42  
8 and 48 inches. What does that have to do with this case? I  
9 mean, they should know that. I don't care if the Turkish  
10 industry sends that baloney to Mr. Nolan. He ought to look  
11 at it and go, do any of the mills making 36, 42 and 48 inch  
12 in Turkey make any of the subject sizes? No. That's why  
13 they're increasing their exports of long pipe because they  
14 can't keep shipping OCTG because they were found to be  
15 dumping against subsidies.

16 So you're not going to have to look at thread in  
17 this case. I mean, the -- everything in this record except  
18 making up a story of market collapse shows that the domestic  
19 industry is suffering. They're suffering price pressures.  
20 They're suffering volume pressures. They're doing poorly.  
21 They're not just closing mills because they're old. They  
22 can reinvest in their mills. They have competitive  
23 pressures, and they're suffering. And they're laying off  
24 employees during a period of relatively strong demand. And  
25 the imports are actually going up and carrying market share

1 and the thread is real and imminent for all those reasons.  
2 You should make an affirmative preliminary determination.  
3 Thank you.

4 MS. DEFILIPPO: Thank you, Mr. Price and Mr.  
5 Schagrin. I believe -- we will now hear closing remarks on  
6 behalf of respondents. And I welcome back Mr. Cameron and  
7 Mr. Nolan and ask that you proceed when you are ready. Ten  
8 minutes is what I believe my sheet says.

9 MR. NOLAN: We don't need that much.

10 MR. CAMERON: Matt, is actually going to do most  
11 of this. Don Cameron. I actually was shocked at the -- at  
12 Roger's exuberance. And I was just going to advise that I  
13 think that we should all maintain a calm attitude when --  
14 when reviewing this record and dealing with these problems.

15 You know, the only other thing I was going to  
16 mention is that -- is that it's -- to me this is curious.  
17 We're being told that the distributors that the U.S.  
18 industry sells to are increasingly buying imports from  
19 subject countries. And yet the U.S. industry will not sell  
20 to distributors that are not in their network.

21 And I would suggest to the domestic industry  
22 that they may want to rethink their business plan here and  
23 -- and open things up because the reality is that there are  
24 a couple of domestic producers who will sell to -- to  
25 Trident on a -- on a spot basis. But -- but that is not the

1 -- that is not -- that's the exception and not the rule.  
2 And so, I find it ironic that we're talking about lost sales  
3 and the difficulty of selling to market, but I'm not going  
4 to broaden the base of who I'm selling to.

5 U.S. producers also and what has not been  
6 mentioned by my colleagues is that U.S. producers have  
7 increasingly been selling to end users directly and cutting  
8 out distributors. And we'll expand on that in our  
9 post-hearing brief. I appreciate the time that the  
10 Commission and staff has taken. We appreciate your time.

11 CLOSING REMARKS OF MATTHEW M. NOLAN

12 MR. NOLAN: All right. Thanks, John. So just a  
13 couple of quick thoughts that stuck in my mind. The closing  
14 statement numbers don't lie.

15 Numbers don't lie. It's really hard to escape  
16 them. It's hard to escape the fact that gas recounts struck  
17 by 50 percent in the space of a year. It's hard to escape  
18 the fact that while imports went up 30 plus percent between  
19 2000 and 2012, all imports. They also went back down again  
20 when demand was reduced.

21 It's hard to escape the fact between 2000 and  
22 2012, '11 and '12, the U.S. industry actually did pretty  
23 doggone well. And it was -- it was positioning itself  
24 presumably to do better with a lot of investments in plant.  
25 In new facilities. And you got that -- it either got put on

1 hold or other items intervened or events intervened which  
2 had everything to do with change of demand patterns in the  
3 U.S. market.

4 It's interesting on the like product that very  
5 few people on the respondent's side said, we produce  
6 anything at the upper ranges. So why is that in this case?  
7 Why is the 16 to 24 in this case? Unless they're trying to  
8 protect that for later on just in case. I don't think  
9 that's mandate of the Commission to be doing things like  
10 that.

11 The facts from the Turkish standpoint -- is the  
12 biggest producer and the biggest exporter to the United  
13 States. And this is just one of a large number of products  
14 they make that they ship into the U.S. market.

15 It's not a target of opportunity for them. They  
16 came from basically negligible imports to a modest level of  
17 imports which is not all that unusual. And yes, they  
18 compete head-to-head with non-subjects. It's that simple.

19 There's a lot of known subjects. Take a good  
20 look at the volatility analysis in level imports going in  
21 and out of the market here from different sources. You have  
22 100 percent plus swings between different countries just in  
23 the POI. Somebody goes from 20,000 to 120,000 back to  
24 30,000 tons in the space of two years. This is an  
25 indication that there's a lot of non-subjects out there.

1 That you really have to think about what's going to happen  
2 if you knock somebody else. What else is going to happen to  
3 replace that? I think the brass analysis is pretty  
4 important here.

5 And I would say that -- that the idea that the  
6 U.S., that the foreign producers would create lots of  
7 inventory into the U.S. in anticipation of a case is far  
8 less persuasive than the parties buying product in an  
9 uprisng market in anticipation of being able to sell that  
10 product, i.e., 2011 to 2012. And then saying when the  
11 market got soft, we better turn back our inventory. It's  
12 not a good idea to keep it when the market is going down.  
13 And clearly, it went down. And everybody knows it went  
14 down. And what has happened? The market has shifted to the  
15 larger sizes, to a different configuration. It's that  
16 simple. It's not about imports.

17 MR. CAMERON: Yeah. One final word is -- is  
18 yeah, I can't resist. I can't resist. You know, with this  
19 comment about the fact that Trident is really small and, you  
20 know, that we shouldn't really be paying attention to them  
21 because they don't really mean anything in the grander  
22 scheme of things is -- as opposed to the huge distributors,  
23 those huge distributors that general buy domestic material.

24 The reality is that Trident is a -- is a very  
25 significant producer -- you know, distributor and player in

1 the marketplace. And the fact of the matter is that it took  
2 an awful lot of effort to come here and testify to the  
3 Commission and try to give some context to an otherwise  
4 fanciful description of the conditions of competition. And  
5 it's always useful to have somebody who is actually in the  
6 marketplace and is in -- and is buying and selling.

7 So I understand the need to discount the  
8 testimony of the -- of the witness, but frankly, it was the  
9 most honest and forthright testimony you've received today.  
10 So with that, I would like to close. Thank you.

11 MS. DEFILIPPO: Thank you, Mr. Nolan and Mr.  
12 Cameron. On behalf of the Commission and the staff, I would  
13 like to thank the witnesses who came here today as well as  
14 counsel for helping us gain a better understanding of the  
15 product and the conditions of competition in the surging  
16 welded line pipe industry.

17 Before concluding, please let me mention a few  
18 dates to keep in mind. The deadline for submission of  
19 corrections to the transcript and for submission of  
20 post-conference briefs is 12:00 noon on Wednesday, November  
21 12th. If briefs contain business proprietary information, a  
22 public version is due on Thursday, November 13th. The  
23 Commission has tentatively scheduled its vote on these  
24 investigations for Wednesday, November 26th, and it will  
25 report its determinations to the secretary of the Department

1 of Commerce on Monday, December 1st. Commissioner's  
2 opinions will be issued on Monday, December 8th. Thank you  
3 all for coming. This conference is adjourned.

4 (Whereupon, at 2:03 p.m., the conference was  
5 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Welded Line Pipe from Korea and Turkey

INVESTIGATION NOS.: 701-TA-524-525 and 731-TA-1260-1261 (Preliminary)

HEARING DATE: 11-6-2014

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary Conference

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

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