UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	**Investigation Nos.:**
CERTAIN WELDED LINE PIPE FROM	)	**701-TA-524-525 AND**
KOREA AND TURKEY	)	**731-TA-1260-1261 (FINAL)**

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Tuesday, October 6, 2015
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., Chairman Meredith M. Broadbent, presiding.

Commissioners Present:

Chairman Meredith M. Broadbent (presiding)
Vice Chairman Dean A. Pinkert
Commissioner Irving A. Williamson
Commissioner David S. Johanson
Commissioner Rhonda K. Schmidtlein

Staff:

On behalf of the International Trade Commission Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Program Support Specialist

Sonia Parveen, Student Intern

Angela Newell, Investigator

Mahnaz Khan, International Trade Analyst

Jessica Pugliese, International Trade Analyst

Cindy Cohen, Economist

Mary Klir, Accountant/Auditor

Patrick Gallagher, Attorney/Advisor

Douglas Corkran, Supervisory Investigator

APPEARANCES:

Congressional Appearances:

The Honorable Jeff Sessions, United States Senator, Alabama

The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana

Opening Remarks

Petitioners (Paul W. Jameson, Schagrin Associates)

Respondents (Matthew M. Nolan, Arent Fox, LLP)

-- continued --

APPEARANCES (Continue):

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

Schagrin Associates, Washington, DC on behalf of:

American Cast Iron Pipe Company ("ACIPCO")

California Steel Industries ("CSI")

Energex, a division of JMC Steel Group

Northwest Pipe Company

Stupp Corporation, a division of Stupp Bros., Inc.

Tex-Tube Company

TMK IPSCO

Welspun Tubular LLC USA

United Steelworkers of America ("US")

Van Richey, President and Chief Executive Officer, ACIPCO

John Walburg, Manager, Marketing and Sales Administration, CSI

John Clark, Chief Commercial Office, Stupp Corporation

Jim Cassada, Vice President of Sales, Tex-Tube Company

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

Holy Hart, Legislative Director, USW

Roger B. Schagrin and Paul W. Jameson - Of Counsel

-- continued --

APPEARANCES (Continued):

Skadden, Arps, Slate, Meagher & Flom LLP, Washington, DC on behalf of:

United States Steel Corporation

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

Robert Y. Kopf, General Manager - Revenue Management, United States Steel Corporation

Stephen P. Vaughn - Of Counsel

Wiley Rein LLP, Washington, DC on behalf of:

Maverick Tube Corporation

German Cura, President, Tenaris North America

Brad Lowe, President, Tenaris Global Services (USA)

Alan H. Price and Robert E. DeFrancesco, III - Of Counsel

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

Arent Fox, LLP, Washington, DC on behalf of:

Turkish Exporters and Producers

Matthew M. Nolan - Of Counsel

-- continued --

APPEARANCES (Continued):

Rebuttal/Closing Remarks:

Petitioners (Roger B. Schagrin, Schagrin Associates and Alan Price, Wiley Rein LLP)

Respondents (Matthew M. Nolan, Arent Fox, LLP)

I N D E X

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I N D E X

P R O C E E D I N G S

9:37 a.m

CHAIRMAN BROADBENT: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on investigations number 701-524 and 731-1260 and 1261 involving certain welded line pipe from Korea and Turkey. Documents concerning this hearing are available at the public distribution table. Please give all prepared testimony to the Secretary and do not place it on the public distribution table.

All witnesses have been sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations but if you have any questions about time, please ask the Secretary. Speakers are reminded not to business proprietary information in their remarks or in answers to questions. If you will be submitting documents that contain information you wish to be classified as business confidential, your request should comply with commission rule 201.6.

Finally, I would like to request that all witnesses and counsel state your name for the record before delivering testimony and responding to Commissioner questions. This helps the court reporter to know who is speaking at any given point. Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No Madam Chairman.

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

MR. BISHOP: The Honorable Peter J. Visclosky, United States Representative, First District, Indiana.

CHAIRMAN BROADBENT: Welcome, Mr. Visclosky.

STATEMENT OF U.S. REPRESENTATIVE PETER J. VISCLOSKY

CONGRESSMAN VISCLOSKY: Madam Chair, Commissioners, it's good to be back and I do appreciate the opportunity to again testify before you. As always, I do appreciate your thoughtful consideration of all the testimony and evidence brought before you.

For today's proceedings, I do urge that the Commission make an affirmative injury determination on the illegal importation of welded line pipe from Korea and Turkey. I am deeply concerned about the unrelenting efforts of foreign producers to violate our trade laws. Specific to today's case, I would point out that the welded line pipe sector is critical to the overall success of the impacted domestic economy and the American Steel Industry.

However, none of the petitioning companies in this case are located in my district, but flat rolled steel, which is used in the production of welded line pipe is a major product manufacturer in the district. I do think that evidence of the interrelationship of all of these economic connections within our economy. You have trucking companies involved, you have companies servicing and processing items in these various mills. You have people working at these local diners, all are impacted.

And it does, again, show the interconnection and breadth of the communities and workers that will be harmed with we continue to allow illegal imports of the products under review today. You have a copy of my statement in its entirety and in summation I would again urge the Commission to make an affirmative injury determination in this case.

CHAIRMAN BROADBENT: Thank you very much. Any questions for the Congressman? Thank you very much, Mr. Visclosky.

MR. BISHOP: Madam Chairman, that concludes congressional testimony at this time.

CHAIRMAN BROADBENT: Let us now proceed with opening remarks.

MR. BISHOP: Opening remarks on behalf...

CHAIRMAN BROADBENT: Mr. Secretary, Chairman Johanson just had a few things to say.

CHAIRMAN JOHANSON: Before we begin with the opening remarks, I want to recognize two guests here today. Two of my sisters are here, Susan Johanson-Johnson of San Antonio and Barbara Johanson-Clitch of Austin, Texas. They are here to see what I do and to see what you all do so I would like to welcome them here today.

CHAIRMAN BROADBENT: Thanks, it's great to have you here.

MR. BISHOP: Opening remarks on behalf of the Petitioners will be by Paul W. Jameson, Schagrin and Associates.

OPENING REMARKS OF PAUL W. JAMESON

MR. JAMESON: Good morning Chairman Broadbent and members of the Commission. I am Paul Jameson of Schagrin Associates. The Commission Staff has done an excellent job of preparing a thorough report. We have good coverage from domestic producers, importers and purchasers. Thankfully a large portion of the aggregated data was presented in the public version of the staff report so that we can talk about the data at this hearing in an open fashion.

The information before the Commission strongly supports an affirmative determination of present material injury by reason of unfairly traded imports of welded line pipe from Turkey and Korea. Subject Imports have captured an increasing share of U.S. Line Pipe Market in every year of the period of investigation. In the first half of this year, Subject Imports for the first time had a greater share of apparent consumption than the U.S. Industry did.

Subject Imports captured this additional market share by consistently underselling the Domestic Industry.

In the case of Korea, in every single comparison for all products for every quarter of the period of investigation, the Korean Product undersold the Domestic Industry product by double digit margins. The Commission does not often encounter such a strong case of underselling. In the case of Turkey underselling took place in the overwhelming majority of comparisons.

The Domestic Industry tried to hold its prices and it tried to hold its market share but in the end it had to follow the Subject Imports down in price in order to try to maintain some market share. As a result, the profits that the industry enjoyed during a period of strong demand were ground down into nothing and by the end of the period the industry was experiencing significant operating and net losses.

Now, this afternoon, the Respondents will come before you and say "well, perhaps the Domestic Industry is experiencing material injury but Subject Imports are absolutely positively not responsible for a single bit of that injury, not a single bit." You will note that rig counts are down between 2012 and 2014, the first half of 2015 and you'll note that apparent consumption in 2014 and the first half of 2015 was less than apparent consumption in 2012.

And they'll claim the decline in demand is the reason for the material injury to the Domestic Industry and none of the injury is due to Subject Imports. The Respondents have to make such an extreme claim because if Subject Imports are responsible for even a small part of the injury, as long as that part of the cause of injury is nontrivial, under the law the Commission must make an affirmative injury determination.

But the data before the Commission point to Subject Imports being responsible for most of the undeniable injury experienced by the Domestic Industry. For one thing, it is not the case that apparent consumption fell steadily throughout the period of investigation. Instead, it fell between 2012 and 2013 and then it was remarkably steady between 2013 and 2014, even increasing somewhat and then fell only one percent for the first half of 2014 to the first half of 2015. So the actual demand for line pipe itself was stable for most of the period of investigation.

So what happened in 2013-2014 and the first half of 2015 during this period of stable demand? The prices of Subject Imports continued to fall, averaging at value falling from eight hundred and thirty dollars per ton in 2013 to seven hundred and eighty-five dollars per ton in 2014. These prices were well below Domestic Industry prices which also fell between 2013 and 2014.

Subject Imports gained market share between 2013 and 2014. As a consequence, the Domestic Industry experienced a plunge in operating losses. From twenty-six million in 2013 to only three hundred and seventeen thousand dollars in 2014, for the entire Domestic Industry. Net income fell from eight million in 2013 to a loss of almost fifteen million in 2014.

Then in the first half of this year as mentioned, Subject Imports increased and took the largest share of the U.S. Market, surpassing the U.S. Industry for the first time. Prices continued to fall much more than raw material costs fell so the Domestic Industry had operating losses of nearly fourteen million dollars and net losses of over twenty million dollars in just the first half of this year. There are thirty percent few production workers at the end of the period of investigation than there were at the beginning.

As our witnesses this morning will testify, these trends are unsustainable. The huge loss in volume has forced many domestic mills to be idle. The domestic line pipe industry needs relief from this Commission if it is to survive. We therefore respectfully request that he Commission make an affirmative injury determination. Thank you.

CHAIRMAN BROADBENT: Thank you.

MR. BISHOP: Opening remarks on behalf of respondents will be by Matthew M. Nolan, Arent Fox.

OPENING REMARKS OF MATTHEW M. NOLAN

MR. NOLAN: Good morning Madam Chair, Members of the Commission. I'm not going to bother with this because there's only me today so I don't think you're going to confuse me with anybody else on the panel for the Respondents. I am here on behalf of the Turkish Respondents and it's always a pleasure to appear before the Commission even though it looks a little bit like Butch Cassidy and the Sundance Kid and the Bolivian Army is on the other side there.

But let's talk a little bit about this case at hand. Yet again, U.S. Line Pipe Producers have filed an antidumping case. Okay, China is done, Korea this is the third redux for it and now Turkey is involved in the case. U.S. Producers have again excluded their affiliated production in other countries. This is like d j vu for OCTG in a lot of ways because line pipe is made on the same material equipment or on the same lines, same factories as OCTG is. So those two products are intertwined with each other in terms of production.

Petitioners are hoping that this is going to be as good as OCTG was and we'll have to see about that. But I want to talk to you about a few issues that we would like you to focus on today as you deliberate. First and foremost, this case was and is all about domestic demand, the business cycle in oil and gas prices. It is not about surging imports, especially from Turkey.

In 2011 and 2012 the good times were a-rolling for the U.S. Industry. Oil prices were riding high at over one hundred dollars per barrel. The shale play was in full bloom. Sales of line pipe were way up along with rig counts. In this environment, profits were fat, mills embarked on capacity expansion programs and everyone seemed to want to share in a recently robust market including Imports, to be honest.

Even then, even with Imports, the U.S. market share in profits increased during 2011 and 2012 to quite high levels. But the party came to an abrupt end in mid 2013. A precipitous decline in market demand and consumption which is recorded in the staff report quite notably began in 2013 and has now matured in 2015 into an even steeper decline in the U.S. Market for welded line pipe.

Following the drop in oil and gas prices, rig counts had plummeted to their lowest levels in a decade. Energy pipeline projects and investments have been put on hold, which directly affects line pipe and as a result consumption for line pipe has been severely affected. Subject Imports did not play a role in the collapse of oil prices or in rig counts. This case is about following demand, not increasing imports.

The market environment for the U.S. has been made worse by an even more precipitous decline in OCTG demand, which is made on the same lines as line pipe. With line pipe demand depressed and OCTG demand depressed, there is simply no alternative product to make in the factories. As a result, U.S. Industry has been affected. We are not denying that. This has affected overall capacity utilization in the line pipe and OCTG mills and has impacted Domestic Producers in revenues and costs.

Unfortunately, it is not a terribly pretty picture, but Subject Imports are simply not the cause. As total imports decline during the POI and Subject Imports merely replaced non-Subject Imports during the POI. The relative strong performance of the Domestic Industry early in the POI while Subject Imports increased belies the notion that somehow imports contributed to any decline in Domestic Industry's fortunes.

Further, U.S. prices did not decline during the critical period in 2012 when imports were increasing and operating income dropped in 2012 and 2013, imports were going down. There is no correlation between imports and the performance of the U.S. Industry. In 2014 when imports increased again more modestly, there does not seem to be a direct correlation between those imports and what's going on with the Domestic Industry.

What you do see is a tremendous drop in demand and a reduction in production across the board. This indicates that price declines are not an issue in this case. It is a simple demand issue. In early 2015, even more strepitous demand has been occurring, which they really caught everyone in the industry by surprise and you can see it in my main presentation.

Based on the data, there is simply no correlation between Subject Imports and Domestic Industry performance, rather extant market conditions are the relative cause. The picture is even more stark when considering Turkish Producers alone, which accounted for a very small relative share of subject to total imports throughout the POI and produced only a limited range of line pipe during this period for importation. Some of it was not even sold in the energy market and who charged relatively higher prices when compared to Korean Imports.

These Turkish Producers are not on approved AML list and they pulled back in 2015 is when any potential issue that the Commission might want to look at occurred. Korea is one question, Turkey actually pulled back in this year. Finally, we note in the preliminary conference that the Petitioner's Counsel stated that the industry's pricing is based on market conditions and hot-rolled coil prices and yet we had a thirty-percent decline on hot-rolled coil prices. Didn't affect their cost to get sold. Why? I will preserve my time for the main presentation.

CHAIRMAN BROADBENT: Thank you, Mr. Nolan.

MR. BISHOP: Would the first panel, those in support of the imposition of antidumping and countervailing duty orders, please come forward and be seated. Madam Chairman, all witness on this panel have been sworn in.

CHAIRMAN BROADBENT: Thank you, Mr. Secretary. I want to welcome the panel to the ITC Meeting. You may being when you're ready.

MR. SCHAGRIN: Good morning Chairman Broadbent and Members of the Commission. For the record, my name is Roger Schagrin and you'll be pleased to know I'm not going to make any statement nor even present a PowerPoint. I am just going to very joyously introduce our incredible industry panel. You have a group of executives today that represent the vast majority of the Industry producing welded line pipe in the United States. Our first speaker this morning will be Van Richey, the President and CEO of ACIPCO. Mr. Richey.

STATEMENT OF VAN RICHEY

MR. RICHEY: Good morning Chairman Broadbent and members of the Commission. For the record, my name is Van

Richey and I'm the President and CEO of ACIPCO. Our American Steel Line Pipe. I have been in my position for twenty-six years and have been with the company for thirty-nine years. ACIPCO is based in Birmingham Alabama and we started business in 1905. ACIPCO became one of the country's first major employee-owned corporations in 1924. The Steel Pipe Division was started in 1963.

The Steel Pipe Division was started with two electric resistance mills in Birmingham, one of which has a capacity from ten inches to twenty inches and the other from 16 to twenty-four inches. We are first and foremost a line pipe producer. No other pipe and tool products have been a significant part of our product mix. Pittsburgh-based L.B. Foster Company operates a facility on our property where our pipes can receive an epoxy coating prior to delivery to a pipeline company.

We have over two hundred employees dedicated to the production of steel line pipe. We sell on a nationwide basis, both to distributors and pipeline projects. In the past, imported Korean and Turkish pipe were found alone exclusively in the distributor market. But now, over the past few years we have seen the Koreans in particular, directly or in conjunction with distributors bidding on large pipeline projects.

Over the past two years, we have lost significant project business and our customers repeatedly told us that our prices weren't even close. We reported a number of those lost sales. It is much easier to document information on lost sales for project bids than it is for distributor bids. In fact, given the size and breadth of major distributors of line pipe, it is almost impossible to determine how much business or share we are losing to imports through distributors and the prices that the foreign producers and trading companies are selling to those distributors.

Early in 2014, a major pipeline customer told us that if we lowered our bid by a million dollars to narrow our margins to the Koreans, we could have the business. Because we were on the verge of shutting down one of the two mills, we were desperate for the business and lowered our bid to get this volume. Unfortunately, U.S. Steel's Fairfield Alabama Plant, which is just a stone's throw from our pipe plant, will cease making flat rolled steel. This has serious negative repercussions on our local Birmingham Alabama economy.

However, we are fortunate to have other Alabama hot rolled steel producers for line pipe including the SSAB plant in Mobile, the ArcelorMittal plant in Calvert, the NuCor plant in Tuscaloosa and Decatur as well as the nearby SDI plant in Columbus Mississippi. Import prices have severely pushed down market price and our profits have dropped precipitously over the past two years to nearly nothing.

In late 2012, we decided to invest eighty million dollars to increase finishing throughput and upgrade mill equipment. This is the 2nd largest investment in our history. This investment increases productivity, removes bottlenecks, increases capacity and reduces cost. The new equipment was brought on in the first half of 2015 and we desperately need to get a return on this investment.

The ACIPCO way is to invest in the future for the next generation of ACIPCO family employees. We are confident that these investments will make us the most competitive API line pipe producer in the United States but our company and our employee owners cannot compete with unfairly traded imports. Thank you.

STATEMENT OF JOHN CLARK

MR. CLARK: Good morning, Chairman Broadbent and members of the Commissioners. For the record, my name is John Clark and I'm the Chief Commercial Officer for Stupp Corporation, a Division of Stupp Brothers. Stupp Brothers is a diverse, family-owned business that is 159 years old with its fifth generation of family leadership. Stupp Corporation is a line pipe manufacturer based in Baton Rouge, Louisiana founded in the 1950s. I'm based in Stupp's

Houston, Texas location which is also where many energy companies and pipeline companies have their headquarters and I've been with the company for four and a half years.

I thank you for recently sending your staff to visit our Baton Rouge campus to see where we produce API line pipe. While there, your team saw two pipe mills and one coating facility. The first mill manufacturers ERW pipe from 10 and three quarters to 24 inches in diameter. It is a large capacity mill with one of the largest steel accumulators in the world. The newer mill commissioned in 2009 is an HSAW facility capable of producing line pipe from 24 to 60 inches in diameter. Although it is technically achievable to roll 24-inch pipe on our HSAW mill, Stupp has never produced any for sale because the ERW mill makes 24-inch pipe more economically.

We have traditionally sold through both distributors and directly to end-users who own and operate pipelines. The majority of pipe we sell is used domestically, but export has been an important part of Stupp's business for decades.

Unfortunately exports of line pipe 24 inches and below have all but disappeared in recent years. There are two primary reasons for the decline.

First, the strong domestic energy market created higher demand than most international markets.

Second, the Latin American markets that we have traditionally exported to have become dominated by Korean and Chinese pipes sold at low prices that are simply unachievable by free-market producers. Often the price per ton for their pipe cleared and delivered to the final destination has been lower than our landed cost to buy the raw steel in coil form. The U.S. market has experienced significant price deterioration over the last two years because of import pressures. Just as we experienced internationally, I have seen imports from Korea and Turkey being sold at prices in Texas and Oklahoma that are below our cost of steel. The import related price deterioration obviously has had a significant negative impact on our profits.

The Commission should be aware that market pricing is transparent in the line pipe industry. Customers issuing a request for proposal frequently provide feedback after they place their order to let the bidders know how their proposal rated against the field of competition. The feedback is often broken into two general categories, foreign mills and domestic mills.

The reason those categories have become commonplace is because they are usually two tightly clustered groups. The domestic competitors are typically within a few percent of each other in one group and the

Korean and Turkish mills are in another cluster 20 to 30 percent below the prices of domestic mills.

I provided similar testimony in November of 2014. At that time the delta between foreign and domestic prices was 15 to 20 percent. Unfortunately the spread continues to widen.

In the years between 2007 and 2013 Stupp added people every year increasing by a total of 441 jobs over six years. Our peak employment in 2013 exceeded 600 people.

In 2014 Stupp management made a decision not to supply market demand at prices below our total cost. As a result we had to lay off a shift of production workers. In 2014 Stupp went through another round of layoffs. In total we've eliminated 25 percent of our staff impacting personnel in manufacturing, management, engineering, accounting, sales, logistics, human resources, and maintenance. Today Stupp employs well below 500 people. The reduction is obviously most difficult for the families that have been impacted by unemployment, however, the company also shared difficult challenges managing our way through these reductions with United Steel Workers Union officials.

At Stupp we were fortunate to secure two large 20-inch line pipe orders earlier this year which have kept us busy and profitable throughout 2015. However, we finished that work in November. We have no visibility for work that will keep our mill running into 2016. I can tell from the public financial data in your prehearing staff report that Stupp is somewhat of an outlier by doing better this year than last year. However, our profits on pipeline projects are about one-quarter the levels they were in 2012. The reason for the decline is because of import pricing pressure particularly from Korea.

Additionally, we are almost completely eliminated from the distributor market where pricing is now far below our cost. And we won't sell at those prices. We can't sell at those prices and remain in business.

You just heard from Mr. Richey that ACIPCO recently executed $80 million of upgrades that they planned three years ago in 2012. Pipe manufacturing is a capital intensive business. Stupp's forecast includes the need for over $100 million of upgrades over the next five years. Those upgrades should keep us competitive for the next 20 years. However, we simply cannot risk that level of investment without some confidence that the line pipe market in the United States will remain available to the domestic producers.

Domestic pipe producers will be squeezed out of the collapsing market if unfairly imported pipe continues to flood into our ports. Therefore to save our company for the present and the future, we ask you to make an affirmative determination.

Thank you.

STATEMENT OF JOHN WALBURG

MR. WALBURG: Good morning, Chairman Broadbent and members of the Commission. My name is John Walburg. I am the Manager of Marketing and Sales Administration at California Steel Industries located in Fontana, California. I have worked for CSI in various capacities for 18 years.

CSI was founded 31 years ago in 1984 on the footprint of the former Kaiser Steel Company. CSI has a hot rolling mill and we process slabs into hot rolled coil to utilize in our line pipe mills. We are very well aware of the fact that we pay more for slabs to make API line pipe than we do for common commercial quality slabs. Our raw material costs to produce line pipe are higher than for standard hot rolled, much of which we sell to producers of two products in Los Angeles area.

We have had a line pipe mill since 1986 that produces six to 16-inch line pipe. Line pipe is our only tubular product. Secondary pipe products are sold as structural or piling pipe.

In 2012 we announced an investment of over $100 million to construct a new ERW line pipe mill that has a size range of eight to 24 inches. This is the biggest single investment in our company's 31-year history. It was a decision that took over two years to make. The new mill started operations in late 2014.

Unfortunately, our new mill startup coincided with a massive surge in line pipe imports. These volumes are bad enough, but the pricing of these imports from Korea and Turkey into the western and southwestern markets that we participate in have had an even worse impact.

Even with the new mill producing line pipe in larger sizes in addition to our older mill, we have seen production halved and seen profits disappear completely. Thus, we are not going to achieve the return on investment that we projected when we decided to make the investment in the new mill. I would put the blame squarely on the unfairly traded imports for the dismal pricing in the ERW line pipe market.

CSI has bet a good portion of the future of our company on this new line pipe mill. Steel and pipe are competitive businesses, but the unfairly traded imports are having a profoundly negative impact on more than 1,050 CSI employees. All CSI employees are asking for from the Commission and the Department of Commerce is to restore fair trade to the market for line pipe in the United States.

Thank you.

CHAIRMAN BROADBENT: Mr. Walburg, I'm going to suspend this panel just for a minute. Senator Jeff Sessions will be testifying in just a moment.

MR. BISHOP: Madam Chairman, our next Congressional appearance is by the Honorable Jeff Sessions, United States Senator, Alabama.

CHAIRMAN BROADBENT: Welcome to the Commission, Senator Sessions.

STATEMENT OF UNITED STATES SENATOR JEFF SESSIONS

SENATOR SESSIONS: (Off microphone.) Thank you. It's an honor for me to be with you again -- appreciate so much the work --

Chairwoman Broadbent and members of the Commission, I'm here to respectfully urge an affirmative decision in the current antidumping and countervailing duty investigation on certain welded line pipe imports from Korea and Turkey. Over the last 150 years the United States has thrived because of a strong manufacturing base. This industry is especially important because domestic production is critical for our economy, energy profile, and national security.

Alabama is home to some of the nation's leading manufacturers of steel products. In fact, two of the petitioners in this investigation are located in my state, American Steel Pipe Division of ACIPCO of Birmingham and they are a long-term great civic leader group in Alabama. And Van Richey, it's great to see you. And JMC Steel in

Thomasville.

Thomasville is near my hometown in Southwest Alabama that supports part of the state, truth be known, and they were so excited that JMC came and the mayor and all just a few years ago just excited about it all. And I visited that plant as I have ACIPCO in years past.

Both of these companies and their workers that they employ operate state-of-the-art facilities. Given a level playing field, they can compete against any producer. I believe that this Commission has the responsibility to ensure that this industry is protected from unfair market actions and currency manipulation from overseas governments. But the current market is not fair in my view. As the global economy struggles to deal with crisis after crisis, foreign nations are further incentivized to provide industry subsidies in an attempt to in effect, export their unemployment.

The Commerce Department's own affirmative final antidumping and countervailing duty determinations show that American producers are up against foreign companies determined not to compete fairly but to undercut American workers who do not receive this kind of government assistance.

They're not able to continue to pay workers if they can't make any money off of it and produce a product that other nations seem to be able to produce even at a loss and keep their people employed. So today's testimony certainly confirms that the domestic petitioners alleged when the cases were filed in October that Korean and Turkish line pipe producers were dumping and subsidizing their imports into the United States.

I often hear from employees that in many cases the final product price of imports is around the cost of the raw materials that the American and JMC Steel use to produce their pipe.

Today you will hear from companies who have made substantial investments in their domestic operations. American Steel Pipe recently spent 80 million to upgrade its Alabama facility and it is a first-rate facility. A necessary expenditure they had to make to remain competitive. However, without support from this Commission American Steel Pipe will put off future capital investment, plan improvement and job creation as they continue to lose revenue to dumped foreign imports. These losses have created a less-than-favorable economic climate for sure.

JMC's new Inerject facility in Thomasville manufactures pipe for the energy sector at its plant in Thomasville. We know the energy sector is in decline and hurting today. Last year I visited the Thomasville plant and had an opportunity to discuss these issues with the workers there. Unfortunately since my visit production at this plant which has declined significantly ceased at the end of September. The plant is now idle and all employees have been laid off.

Our country relies on a strong and stable manufacturing base. And I believe that we have to make sure that it has -- it is properly defended in the world market. It is true that some resist United States actions to defend its own markets, but I think we misread the circumstances. In my opinion, having given a lot of thought to this and somewhat changed my view over the years, I think that our trading competitors are anxious, committed, voracious in achieving access to the American market and we allow that to happen. However, they need to comply with the rules. We have every right and it's good for America to say if you're going to access our market, the greatest market in the world, you have to play by the rules that are fair and just.

Thank you all for allowing me to have these comments today.

CHAIRMAN BROADBENT: Thank you, Senator Sessions. Do my colleagues have any questions for the Senator?

(No response.)

CHAIRMAN BROADBENT: Thank you very much. We appreciate your contribution.

SENATOR SESSIONS: Thank you again for the good work that you do.

CHAIRMAN BROADBENT: Mr. Shagrin, your panel can resume when you're ready.

MR. SHAGRIN: Thank you very much. We'll resume with Scott Barnes, the Chief Commercial Officer of TMK IPSCO.

STATEMENT OF SCOTT BARNES

MR. BARNES: Good morning, Chairman Broadbent and members of the Commission. As Roger said, for the record my name is Scott Barnes and I'm Senior Vice President and Chief Commercial Officer for TMK IPSCO. And we can produce welded line pipe at mills in Wilder, Kentucky, Blytheville, Arkansas, and Commanche, Iowa. I have more than 35 years of experience in the pipe industry.

We also produce OCTG at all three of these plants, however, while OCTG is a higher value product, it also requires significant finishing in the form of heat treating, testing, threading and coupling. Line pipe does not require this finishing and therefore to achieve optimum utilization of our mills, we target a balance between OCTG and line pipe production.

In addition to this production balance, TMK IPSCO and its predecessor company IPSCO Tubulars have a long history of commitment to the line pipe market. Most of our line pipe distributors do not distribute OCTG. They depend on us for steady supplies of line pipe that they can stock for their customers. And we are committed to this supply chain and these customers know that they can depend on us. Unfortunately because these distributors have to be competitive in the marketplace, they will sometimes be less committed to us than we are to them when there are large volumes of low-priced imports in the market. This has certainly been the case in the last couple of years as we have seen major distributors of our products increase their purchases of Korean and Turkish line pipe at the expense of our line pipe sales.

Now the Commission should be careful not to confuse demand for line pipe with the rig count. Demand for line pipe is drive by the total production, usage, and transportation of hydrocarbon products in the U.S. market including oil, gas, non-gas liquids and petroleum products.

Notwithstanding the continued strong line pipe demand, TMK IPSCO reached a point in 2014 where we could no longer compete on pricing with imports. We were essentially losing money on every ton of line pipe we made. Instead we decided to scale back production and employment at our three ARW mills. With the massive post-case filing surge of imports, we had to make the difficult decision in late

August 2015 to completely idle our mill in Commanche, Iowa. We had previously idled our small diameter mill in Wilder, Kentucky in 2014 due to dumped OCTG and line pipe from Korea. Altogether, we had to lay off almost three-quarters of our line pipe workforce.

Now, I know there's been a lot of discussion in the OCTG case about program sales. Unlike OCTG, our company, and I believe this to be true of most of the industry, does not participate in end-user programs with distributors for line pipe. However, line pipe distributors are increasingly doing alliance programs with the midstream pipeline companies that do include line pipe needs in addition to other pipe valves and fittings.

Due to the project nature of the business it is more difficult for line pipe distributors to forecast their midstream company needs for line pipe than it is for OCTG distributors with oil exploration programs. Therefore, while line pipe distributors have not partnered with pipe mills for the alliance programs that they have with these midstream companies, instead distributors stock all the sizes and grades that may be required based on sales history and they will either buy from domestic mills or imports to stock these inventories.

Given the massive amounts of speculative import line pipe inventory in Houston, these distributors can buy imported line pipe which is dominated by Korean and Turkish line pipe at the moment, on shorter lead times from import stock than they can hand from domestic mills quoting normal rolling schedules. Unfortunately before we shut down some of our mills, we too produced eight items of inventory to shorten our lead times as well. And I am now faced with bloated inventories trying to compete against super cheap inventories of dumped product.

Even though at TMK IPSCO we try hard to build relationships based on service as well as product quality, the simple fact is that API line pipe meeting the same specifications is sold on the basis of price and distributors have been buying increasing amounts of line pipe from Korea and Turkey because their prices are lower and your staff report confirms these facts.

On behalf of our employees at three welded pipe mills, we ask that you make an affirmative determination. Import relief is necessary for us to have a chance of reopening these shuttered plants.

Thank you.

STATEMENT OF JIM CASSADA

MR. CASSADA: Good morning, Chairman Broadbent and members of the Commission. For the record, my name is Jim Cassada and I am the Vice President of Sales of Tex-Tube Company in Houston, Texas. I have spent 13 and a half years at Tex-Tube.

Tex-Tube has been a part of the Houston community for over 70 years. Tex-Tube has been making line pipe since the 1950s. We have two pipe mills with an OD range of two and a half to eight inches. Under normal circumstances we would employ approximately 150 people.

As a small-diameter, welded, line pipe producer, Tex-Tube is really suffering. 2014 and 2015 have been the worst two years in our company's 70-year history. During this period of investigation we have laid off one-third of our total workforce. In February of this year we idled one of our two mills. We lost more money in the first half of this year than we did in all of last year.

I can tell you the Tex-Tube has weathered many ups and downs in the cyclical energy business. However, our present problems are much less about demand, rather they are about the tsunami of unfairly traded imports from Korea and turkey.

As a mill located in Houston, Texas we have easy access to the market with the largest demand for line pipe in the United States. There is still more oil and gas drilling in Texas than anywhere else in the U.S. However, we are also located at ground zero for imports.

Korea and Turkey are mass selling in the Houston market at prices that are about the same as our delivered raw coiled steel. This is before conversion. This makes it impossible for us to compete. You have heard today about many companies that have shut down their production facilities. Be it the U.S. Steel's McKeesport plant, TMK's Iowa plant, Maverick's Tennessee, Interject's Alabama plant, and the list could go on. Unlike many of these other companies Tex-Tube has only one plant.

I am very saddened to share with this Commission a simple fact that without relief and something being done about the volume and pricing of Korean and Turkish imports in the U.S. market that our owners cannot continue to stomach the financial losses that they are incurring. Tex-Tube is in real jeopardy of being shut down. If our plant in Houston is shut down, then this means Tex-Tube is gone as a business after 70 years.

If you ask any line pipe distributor in the U.S. who their most reliable supplier over the last 70 years has been, I am sure that Tex-Tube would be the name that they would mention. Our customers like us, they just won't pay $300 or more for a ton of line pipe than they could pay for Korean and Turkish line pipe.

If we and the rest of the members of the domestic industry shut down our plants, then the distributors will be dependent on Korea and Turkey. They may regret that some day, but that will be too late for us.

On behalf of the employees at Tex-Tube, we ask that you provide relief in the form of an affirmative injury determination.

Thank you.

STATEMENT OF HOLLY HART

MS. HART: Good morning, Chairman Broadbent and Members of the Commission. For the record, my name is Holly Hart. I am Assistant to the President and Legislative Director of the United Steel Paper, and Forestry Rubber Manufacturing, Energy, Allied Industrial, and Service Workers International Union, otherwise known as the Steelworkers of the U.S., or the USW.

Our Union represents workers at many of the facilities in the United States producing these products, including facilities at U.S. Steel, TMK IPSCO, the Energex Division of JMC Steel, and it's Stupp Corporation.

In addition to workers at these welded pipe mills, the Steelworkers has tens of thousands of members at facilities that produce the hot-rolled sheet that is the principal raw material for welded line pipe, as well as the remaining workers at the mines that supply iron ore for integrated producers like U.S. Steel to make the hot-rolled sheet.

Imports from Korea and Turkey increased between 2012 and 2014, even though demand was declining, and imports increased again by 37 percent in the first half of this year, although demand remained stable.

Their share of the market went from 24 to 44 percent. In fact, it is greater than the entire U.S. industry's market share in 2015.

As you have heard from the industry witnesses, there have been many mill closures. From 2012 to the end of the first half of 2015, 690 workers, or 30 percent of the workforce in the line pipe industry lost their jobs. It has worsened in the third quarter.

U.S. Steel shut down its pipe mill in McKeesport, Pennsylvania, in Mid-August of 2014. That was a loss of 265 family-supportive jobs. And this plant is located just 15 miles from our Union's headquarters in Pittsburgh, Pennsylvania, and pretty much in the heart of one of the most active energy areas in recent years.

These workers and their families' lives are being shattered. As you have heard, McKeesport was a line pipe mill making line pipe up to 20 inches in outside diameter. TMK IPSCO idled or effectively shut down from the workers' perspective its mill in Comanche, Iowa, and reduced operations in Wilder, Kentucky, and Blytheville, Arkansas.

Northwest pipe idled a mill in Atchison, Kansas. Maverick Tube shut its mill in Counce, Tennessee. Energex shut down mills in September of 2015 in Thomasville, Alabama, and Blytheville, Arkansas, and reduced operations in Warren, Ohio.

Simply put, this is a disaster and repercussions are being felt by countless families all across the country. On behalf of the workers in the U.S. line pipe industry and the U.S. line pipe industry we ask that you make an affirmative determination of injury.

Thank you, very much.

STATEMENT OF BRAD LOWE

MR. LOWE: Good morning. I am Brad Lowe, President of Tenaris Global Services USA, Inc., and a Director of Maverick Tube Corporation, a U.S. producer of welded-line pipe.

I have over 29 years of experience in the energy tubular industry. As Commercial Director, I manage Maverick's U.S. sales and commercial operations.

I would like to begin by thanking the Commission and the staff for your hard work throughout the investigation. We understand that this has been an incredibly busy time for all of you, and we greatly appreciate the time and attention that you have devoted to our industry and to the devastating effects of unfairly traded imports.

I was here a little more than a year ago to discuss our experience with dumped and subsidized OCTG, including those from Korea and Turkey. Unfortunately, we are getting battered again in line pipe where imports have continued to flood the market, driving prices ever lower.

The U.S. line pipe industry is emerging from what should have been an era of prosperity. Despite some fluctuations in rig counts, apparent consumption, and other indicators, U.S. demand for welded line pipe was at or near all-time highs for most of the period. In this type of environment, we expected to see rising prices and increased sales which would have allowed us to restart our line pipe facility in Counce, Tennessee, and ramp up production at our Hickman, Arkansas, line.

Instead, prices have plummeted, as have our line pipe shipments. The Counce facility remains idled, and the Hickman line continues to run only sporadically to fill specific orders if and when we are able to get them.

Despite historically strong demand in the last few years, we are struggling to maintain what is left of our line pipe operations, and we simply cannot the type of investments necessary to remain viable in this sector.

From what I have seen in the Commission's public data, it looks like our situation is hardly unique. The industry's net income changed to a loss in 2014, and has fallen even farther in 2015. There is no doubt in my mind that the Subject Imports have put us in this situation. The last time the commission looked at this product it was because unfair Chinese and Korean imports were flooding the market.

The Korean producers claimed to be stable and responsible participants who only wanted to maintain long-term relationships. But after duties were imposed against the Chinese imports, we quickly learned that this was not the case. From around 180,000 tons in 2007 line pipe imports from Korea are on pace to reach more than 1 million tons this year.

The Turkish producers have also entered the market in force, and neither country shows any signs of pulling back, regardless of how low prices fall or what happens with U.S. demand.

As these import flooded in, we tried to lower prices to keep making sales but we couldn't go far enough. Prices have been in a death spiral beginning when demand was at historic highs in 2012 through 2014. With demand beginning to soften in 2015, things have only gotten worse.

The volumes of the Subject Imports have actually accelerated and prices have continued to collapse. We have recently seen Subject Imports being sold for less than $500 per ton delivered. This equals a hot-rolled steel cost of well under $300 per ton. Even with declining hot-rolled prices in the United States, this is absurd.

We would have to get hot-rolled at $50 above the current spot price of industrial scrap just to cover our costs at that price, let alone to generate enough of a profit to sustain our line pipe operations. Neither of these is possible.

Price is the key factor for purchasing decisions in this market, regardless of source. We sell to some of the largest distributors in the country, and they buy imports from both Subject countries.

You may hear today that approved manufacturers' lists allow us to sell at higher prices, but this is not true. Distributors are looking for the lowest price, and they use the lowest offer they get as leverage in negotiations. We don't know whether that price was from an AML producer or not, and they certainly don't tell us. Besides, I would estimate the vast majority of purchases are made without reference to AMLs at all.

As long as the product meets standard API 5L specifications, it qualifies for most projects. Even when they are used, it is not difficult to get approved. We regularly see AMLs that include both Korean and Turkish producers, and we will give you some examples with our post-hearing brief.

It has always been our goal to produce and supply a fully product line to utilize our range of production capabilities. In this environment, though, our bottom line is hurt with every ton of line pipe that we make.

It simply does not make sense to produce when prices are often below our marginal cost. Our customers used to at least give us a chance to meet or beat import offers, but now they don't even call us. They know that the import price is too low for us.

These market conditions will not improve without relief. As the Commission is well aware, the subject countries are export platforms with very little oil and gas exploration and production of their own. Their industries were built specifically to export to the United States and other high-demand energy markets using excess steel production, and they will continue to devastate the U.S. market without Orders in place to level the playing field.

On behalf of Maverick and its workers, I urge the Commission to make an affirmative Final Determination in this investigation. Thank you.

STATEMENT OF JEFF JOHNSON

MR. JOHNSON: Good morning. My name is Jeff Johnson. I am the Director of Commercial North America Line and Standard Pipe for United States Steel Tubular Products.

During the last few years, I have been actively engaged in our efforts to sell welded line pipe, efforts that have been seriously harmed by the unfairly traded imports at issue. In my opinion, there can be no doubt that subject imports have hurt U.S. Steel and other domestic producers.

Traditionally, welded line pipe has been a significant product for U.S. Steel, and we wanted it to stay that way. In 2007, for instance, U.S. Steel spent $2.1 billion to buy Lone Star's Welded Tubular facilities in Texas. This state-of-the-art mills make welded line pipe and, to this day, we have ample available capacity to increase our production and sales at our Lone Star facilities.

In 2011, we assumed operation of a tubular mill in McKeesport, Pennsylvania that had been operated by Camp Hill Corporation. For U.S. Steel this represented a major commitment to the production of welded line pipe. In fact, that facility focused almost exclusively on this product.

We believe that increased levels of fracking particularly in the Marcellus Shale that runs through western Pennsylvania, would provide us a great opportunity to grow our welded line pipe business at McKeesport, and as recently as 2012 we sold hundreds of thousands of tons of this product.

Since U.S. Steel's initial investment in McKeesport, we have made further expenditures to maintain and upgrade this facility. U.S. Steel continually strives to invest in its future, but these efforts have been undermined by the absence of a fair marketplace for welded line pipe.

Indeed, unfairly traded imports have deprived us to a fair market. Your data shows that in 2012 domestic producers have 47.8 percent of this market, while Subject Imports had 24.8 percent.

During the first half of 2015, however, domestic producers had only 34.8 percent of the U.S. market, while Subject Imports had 44.6 percent. How can foreign producers who must ship their products across the ocean to get here take so much market share so quickly? By under selling.

Your staff report shows that in 63 out of 65 comparisons Subject Imports under-sold domestic Like Product. What happens when Subject Imports use unfairly low prices to take market share? They drive prices downward.

Your data show that in both 2013 and 2014 the United States consumed just over 2.5 million tons of welded line pipe. In other words, demand was stable. But the average price of U.S. shipments of welded line pipe fell by almost $70 a ton, and the domestic industry's operating income fell by almost 99 percent.

During the first half of 2015, as the market share of unfairly traded imports continued to grow, the domestic industry suffered a net loss of more than $20 million. That is devastating injury.

It was certainly devastating for U.S. Steel. As I said, we very much wanted to increase production and grow our sales of welded line pipe, but we could not afford to keep selling this product at such low prices.

Accordingly, in August 2014 we made the painful decision to close our McKeesport plant indefinitely. During this year, continued low pricing and an excess of supply has made it virtually impossible for us to find customers for our welded line pipe.

As I previously indicated, we used to sell hundreds of thousands of tons of welded line pipe each year. In the first six months of this year, however, we have sold less than 2,000 tons. To present further injury, it is vital for the Commission to provide trade relief to the domestic industry. I urge you to do so.

Thank you, very much.

STATEMENT OF ROBERT Y. KOPF

MR. KOPF: Good morning. I am Robert Kopf, the General Manager of Revenue Management for United States Steel Corporation. In that role, I am actively involved in our efforts to sell hot-rolled steel, the primary input in welded line pipe.

In fact, we have sold steel to all the domestic producers before you today, which means that part of my job requires me to monitor developments in the welded line pipe market.

Unfortunately, I have also had personal experience with the effects of unfair trade. Only a few weeks ago I was here testifying on the harm caused by dumped and subsidized imports of hot-rolled steel. I thank you for your serious consideration of that case and, to avoid any confusion, I want to be very clear on one point.

The harm suffered by U.S. producers of welded line pipe in no way excuses the separate and additional harm we are suffering by reason of unfairly traded hot-rolled steel. We have already presented extensive evidence of how dumped and subsidized imports of hot-rolled steel have hurt the domestic industry, and will continue to do so as those cases go forward.

Furthermore, as you have already hard from the witnesses here, domestic producers of welded line pipe are also being hurt by unfair trade. U.S. Steel's USA facilities are particularly well suited to supply hot-rolled steel for welded line pipe, and we are in regular contact with the major domestic players in this industry.

For a long time now they have complained to us about the harm that they have been and continue to suffer as a result of unfairly traded imports. Prices for all hot-rolled steel have fallen significantly in recent years, due in large part to dumped and subsidized imports of that product.

It is no coincidence that two of the countries named in the hot-rolled case are sitting here today as defendants in this case as well. To these defendants, selling dumped and subsidized line pipe into this market has become common business practice which has forced our domestic customers to adopt untenable and unsustainable business practices just to continue operating.

Given these facts, I have no doubt that Subject Imports have hurt U.S. producers of welded line pipe.

Thank you for the chance to testify.

MR. SCHAGRIN: And thank you, Mr. Kopf, and Chairman Broadbent and Members of the Commission, that completes the industry's direct presentation. We will welcome Mr. Richey back to the front table and we will be happy to answer all of your questions.

CHAIRMAN BROADBENT: Great. I want to thank all the witnesses for coming today and taking time out of their work schedule.

This morning we are going to begin our questioning with Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Madam Chairman. I want to express appreciation for all of the witnesses who came today to testify. I also want to express our appreciation to Stupp for hosting a large number of Commission staff when they visited the facility in Baton Rouge and found it very, very useful.

So our interim period data, the January to June, show larger volumes of certain welded line pipe in inventory compared to full-year data. Are inventories typically lower at the end of the year?

MR. BARNES: Scott Barnes, TMK IPSCO. Yeah, Chairman, generally speaking as far as distributor stocking inventories, it is common practice particularly in the State of Texas where a majority of these line pipe inventories are held to drive down overall value and quantity of inventories by year end to avoid--or I should not use the word "avoid"--to reduce ad valorem taxes.

(Laugher.)

COMMISSIONER WILLIAMSON: You have the right to do that.

MR. SCHAGRIN: Commissioner Williamson--this is Roger Schagrin--is right. However, while that's the norm and you should see somewhat lower inventories at the end of the year than the middle of the year, it is striking that in your staff report it shows that from the end of 2012 until the mid-point of 2015 that domestic inventories, or inventories held by the domestic producers, triple as a share of their shipments.

And I think as you heard in some of the testimonies today, given the warn notices that these companies send out to their workers giving them 60 days' notice, that they're producing product using those workers before they're laid off, and putting them into inventory. And so I think the fact that we had so many mill idlings in the first half of this year contributed to that extra inventory you see for the domestic industry.

And of course it is not something that members of the industry would want to see, is inventories, you know, ballooning from 6 or 7 percent of their shipments up to, you know, 16, 17 percent of their shipments. So I think it is another indicia of the injury caused to this industry that their inventories have ballooned so much in 2015 as imports surged so much that they were forced to idle mills and then often just produce for inventory before they let their workers go on layoff.

COMMISSIONER WILLIAMSON: Okay. Thank you for the explanation.

So the prehearing report provides details on the line pipe dimensions used for gas and oil distribution. Has the average diameter of the line pipe used for such applications increased in recent years? And if so, what size pipe is typically used for gas and oil distribution?

MR. BARNES: Scott Barnes with TMK IPSCO. It's been our experience, and I think other members of the panel will agree, that the diameter of the line pipe used for gathering lines in particular has grown from what was commonly 8, 10, 12 inch, now we've seen more in the 16, 20, and 24 inch range. And that is a direct relation to the way the drilling has changed in the industry.

Rather than drilling one well on a single location, the industry has turned into a manufacturing type process where they are what's called pad-drilling, in essence drilling multiple wells on the same location.

They do this for environmental reasons---there's less roads, less traffic in and out of the locations, and so on. But it's also more efficient. Again, going back to the shift from drilling at a single location to a manufacturing process where all the equipment and the rig and so on stays in the same general path and they just walk the rig to the next 5 feet, or 10 feet, or whatever, and drill down horizontally in different directions and cover the same acreage.

So if you think about it, what's happened is a lot of the smaller diameter gathering lines that used to be used when there was one well on one location, those are now all underground and they're called "casings" instead of "line pipe" now.

So when you have all the hydrocarbons coming up from, it could be as many as 20, 25 wells on one location into one central point, the volumes that need to be transported from that location have increased quite dramatically and therefore the volume that could be carried away has to be done so in a larger diameter pipe.

So as I said, the shift over the years has gone from gathering lines that are generally you're taking the hydrocarbons from the producing spot to another location have grown from 8, 10, 12 inch lines to 16, 20, and 24 inch lines.

COMMISSIONER WILLIAMSON: Now are those casing lines that you talked about, are those line pipe, too? Or is that--

MR. BARNES: OCTG.

COMMISSIONER WILLIAMSON: Okay. So what, more demand for OCTG relative to line pipe?

MR. BARNES: Well not to confuse it to market to markets, but because of horizontal drilling, as we testified in the OCTG case, there is a higher density of OCTG being used because you need heavier wall pipe, higher grade, and so on, and there is also on a number-of-tonnage basis the average tons per wellhead has gone up because of this.

COMMISSIONER WILLIAMSON: Okay, thank you.

Let's see, the number of production workers decreased by only 3.8 percent during 2012 to '14, despite a

23 percent drop in apparent consumption and a 20 percent drop in production. Respondents argue that this relatively modest decrease in employment indicates a lack of material injury. How do you respond to this assertion?

MS. HART: Commissioner Williamson, this is Holly Hart. Frankly, I don't think thirty--you know, from my perspective and from the Union's perspective, 690 workers, or 30 percent of the workforce, certainly to us is significant.

MR. SCHAGRIN: And, Commissioner Williamson, this is Roger Schagrin. You know, I would just point out that it's just really a little bit of a timing issue. As you heard from the domestic industry, they tried to hold on to their workers. They tried to delay plant idlings. And so the fact that the vast majority of the layoffs happened in the first half of 2015 instead of in 2014, and unfortunately there's been another several hundred layoffs since the end of your POI on June 30th, as there's been additional mill idlings. And that is directly related to the renewed and massive import surge in the first half of 2015 where, based on stable demand, we had a 35 percent increase in Subject Imports at ridiculous prices that vastly undersold the U.S. industry. And members of the industry faced with increasing losses, many of them have just plain thrown in the towel.

And you heard the testimony today about all the recent mill idlings. So I just think the Respondents trying to point out that the industry didn't lay off its workforce in 2014 but waited until the first half of 2015 in no way undercuts the injury to the workforce in this investigation.

MR. JAMESON: And this is Paul Jameson, too. I would also point out that Table 3.9 indicates that the amount of wages paid to these workers dropped by about $26 million between 2012 and 2014. So you held onto some workers, but you paid them less and they worked fewer hours by far in 2014 compared to 2012.

So the number of workers is one thing, but the amount of money that they were paid is another whole matter. And they were seriously injured by losing $26 million of wages.

MR. PRICE: Alan Price. I would just say the Respondents' argument is basically heartless.

COMMISSIONER WILLIAMSON: Okay. Usually the assertion is the opposite, that workers get laid off first before anything else happened. And I was also going to note, the percentage of--the number of hours worked also took a significant decrease, too.

MR. WALBURG: This is John Walburg from California Steel. I would like to comment on your question. We at California Steel have maintained a no-layoff policy for the past 31 years. Even through 2009 we ended up donating people's time to the local community, to the parks and recreation to build restrooms and paint and do work because we value our employees.

During this past year, we are fortunate that we were starting a new mill which gave our people something to do and work that needed to be done. But had we not been doing that, it would have been very difficult to maintain the policy that we have maintained for the past 31 years.

Thank you.

MR. CURA: Commissioner Williamson, this is German Cura. I am the president for Tenaris North America and the CEO of Maverick Tubulars, and if I may--

COMMISSIONER WILLIAMSON: Yes, my time is running out so--

MR. CURA: I would like to very briefly address the point I think is critically important. You know, we as companies manufacturing companies try to retain our workers as much as we can for a variety of reasons.

You know, this is an industrial operation, and if we seriously want to talk about safety and safety preservation, level of training, level of knowledge, this is something that is also so important that we try to preserve this as much as we can.

Now usually we start cutting down hours, the reason why somebody mentioned the amount of money that was ultimately drastically reduced, but I tell you when it gets to laying people off, typically the people like ourselves will look at this as the last resort. And this is when we start to see, frankly, more options available. Thank you.

COMMISSIONER WILLIAMSON: Good. Thank you for those answers.

CHAIRMAN BROADBENT: Commissioner Johansen.

COMMISSIONER JOHANSEN: Thank you, Chairman Broadbent, and I would like to thank all of you for being here today.

I'm going to start off with kind of a hard question. I believe that all the witnesses here today have spoken about how your firms have recently laid off workers or, in the case of Mr. Walburg, how you are trying to avoid doing that. And I'm very sorry to hear about this and about the impact of these layoffs on your workers and their families in the surrounding communities.

That being said, your industry is dependent on the health of the U.S. oil and gas sector and, as we all know, the state of the oil and gas sector in the United States is bad. I assume that other firms associated with the oil and gas sector, and these firms are not necessarily in the pipe industry, that those firms are also laying off people or in the prospect of seeing whether or not that has to be done.

Could not the response have a point when they state that the overall health of the line pipe industry is directly linked to that of the oil and gas sector? And that this factor, and not subject imports, is the cause of the current state of the line pipe industry?

MR. BARNES: Commissioner Johansen, Scott Barnes with TMK IPSCO, I'd like to take a crack at answering your question about direct linkage between line pipe demand and the oil and gas industry. They are in the same industry, I won't deny that, but their linkage is not as correlated as tightly as one might think because of a lot of things are different than what they used to be.

Rig count cannot be as tightly correlated with the OCTG business anymore either for that matter, because technology has entered the arena and has dramatically changed what happens.

There are drilling efficiencies that they can place and when I mean drilling efficiencies, I'm talking about new drill bits and other techniques that have increased the speed of which you can drill a well, so instead of taking thirty days for one rig to drill a well and make cases, today, that same rig, or a similar rig, the number of the rig, can drill that well in five to seven days.

So the number of wells per rig have greatly increased, as well as there are well efficiencies. And well efficiencies in the form of the type of fracks that go on, we're now at multiple stage fracks. Some companies are doing routinely fifty plus fracks per well, which increases the production that comes from those wells. The initial, they call it the IP of the initial production rates, have gone up quite dramatically.

So, to think about the rig count as it was a few years ago, when it used to drill, you know, one well every thirty days and now it's drilling, you know, five to seven wells and, likewise, the production from those wells comes up, it's much bigger than that. And much more efficient so the correlation between rig count and the line pipe demand has dropped because production has increased quite a bit.

There's also a large backlog of projects to be made for line pipe and here again, the timing or the planning that's involved between drilling a well or multiple wells on one pad and being able to build and construct the pipeline is quite different.

When you're going to secure a lease to drill a well, you're usually dealing primarily with one landowner, the farmer that you go have cup of coffee with, you know, on the front porch and you talk about, you know, I need this lease and ease of access.

But if you're gonna drill just a hundred mile, excuse me, if you're gonna build just a hundred mile pipeline to go, take that farmer's, you know, production, marry it up with another farmer's and on down the road, you're dealing with multiple landowners, major right-of-way issues, road crossings, you know, undergoing rivers and streams. You've got the environmental impact statements and a whole host of different things that happen.

I mean, look at Keystone Pipeline, how long it's taken that project to get approved. That's just, you know, the poster child for how the approval process has gone on and gone on.

There are multiple pipeline projects that are on the books, that are in various stages of being approved and completely going forward. And that's gonna happen. And we see that happening because, as I said, these well efficiencies are producing more natural gas, more natural gas liquids, more crude, and there's an infrastructure need in this country, just like there is an infrastructure need for roads and bridges.

The pipeline grid is aged over the years, and one of the government's own agencies, the pipeline safety group, has talked about the age of the existing pipelines, and that there needs to be a replacement of those lines. So just the replacement aspect of the lifetime grid is a demand factor going forward, as well as the movement of getting the market, or getting the new production of these hydrocarbons from these new areas to new markets, underserved markets.

There was an article in the Wall Street Journal just on Saturday about the northeastern part of the United States is the move underserved market in the U.S. for natural gas. They pay the highest natural gas prices in the country during the last winter. Why? Because there's no pipelines going there.

There's an economic incentive, and many of these pipeline companies have got projects to go forward with that. You know, from an environmental standpoint, we've got the switch from coal-burning power plants to natural gas power plants. That's generating more line pipe or pipeline demand.

And the crude oil lines, you read about them and the fact that there haven't been a lot of crude pipelines built yet because we're looking for that critical mass to build and direct where those markets are, but as you see, more railroad car accidents where they spill cars into the different rivers and you have contamination and so on, the pressure from safety and the environment are creating more demand for pipeline.

So, just a short summary, it's a lengthy answer, but I firmly believe that they're not directly linked and that there is a nice backlog of orders and demand for line pipe has been and will be steady for several more years to come.

MR. CURA: Commissioner Johansen, if I may. This is German Cura with Tenaris. I would like to echo very briefly Mr. Barnes' comments, by reminding everybody that, you know, the U.S. has reached oil production levels, which are absolutely a record 9.5 million barrels a day of oil. Gas production records, 70 billion, give or take, a day.

Now line pipe is about conduction of fluids or gas products' derivatives. And we are, in fact, dealing with absolute production records that the country has not seen in decades. And this I think cuts a very, in my opinion, a clear differentiation between what is happening with welded line pipe relative to recounts and OCTGs.

MR. DEFRANCESCO: Commissioner Johansen, Robert DeFrancesco on behalf of Maverick Tube. Just some quick data points from your staff report to point out that I think undercut the respondents' claim.

One, from 2012 to 2014, regardless of correlation, the rig counts are very strong and you're in a period of historic drilling. From '12 to '14 the rig counts don't change much. You ought to, in that type of demand environment, you should be seeing at least stable prices to increasing prices and what you have in your data is exactly the opposite.

As soon as subject imports began surging in, you see prices declining and I would direct you to your pricing product data in the confidential staff report that we'll discuss more in the post conference brief, but especially in products 1 and 3 where the subject imports are concentrated in those ODs, along with the domestic industry.

What you see is prices declining on an annual basis, rapidly, both for subject and domestic and an almost one-to-one swap in volume between subject product and domestic product. And, to me, that is where your correlation lies, and even in product 4 which is a large OD where you tend to see more project-based drilling in operations and project work, even there you see price suppression and depression by the subject imports. So I think the Commission's own data undercuts that argument. Thank you.

COMMISSIONER JOHANSEN: Yes, Mr. Vaughn?

MR. VAUGHN: Thank you, Commissioner Johansen. I just wanted to put in a few data points as well. The staff report shows that from first half to first half, U.S., first half '14 to first half '15, U.S. apparent consumption was basically stable. It was down only 0.9%.

But during that same period, U.S. product was down over 30% while subject imports went up over 37%. So I think again, what you're seeing here is, is that the shift in the marketplace is a relative shift between subject imports and domestic production and not the result of shifts in apparent consumption.

COMMISSIONER JOHANSEN: All right. Thank you for your responses. My time is about to expire, but once again, in the pre-hearing briefs, I would appreciate it if you all could address this even further. I know you have in your briefs and also the staff report mentions this as well. But the entire oil and gas sector and all industries associated with it are doing poorly right now.

And I understand you state that Turkish and Korean imports are the cause of this, but we have to try to figure out exactly what is happening in the industry and you all are associated with an industry which is tanking over all. Any clarification here would be appreciated. Thank you.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you. Thank you very much. I'd like to also thank the witnesses for being here. I'm going to follow up on what Commissioner Johansen was just asking about, and because, as he was explaining, I'd also like to understand exactly what your position is with regard to, how did the decline in oil prices and natural gas prices eventually affect line pipe?

And specifically, if you could respond to, and you can do it now if you can, on Page II-l6 of the staff report, the report says that nine of fourteen purchasers indicated changes in the condition of competition since 2012, mostly noting that the collapse in oil prices has greatly affected line pipe demand as projects have been put on hold or cancelled.

Could you respond to -- would someone like to respond to that? And just further explain -- is it your position that the collapse in oil prices has had no effect on the price of line pipe or no effect on the demand for line pipe. And if it has had some effect, how do we determine what that effect is?

MR. BARNES: Scott Barnes with TMK IPSCO. I think if you would look at the price of oil, it stayed relatively high throughout the whole period of the investigation and did not start to make a decline, really, until June of 2014, where it vacillated a little bit, but the significant decline did not occur until after November of 2014.

So throughout the majority of the period of investigation, the price of oil was a nonfactor --

COMMISSIONER SCHMIDTLEIN: I mean, could you take a look at Figure II-2, it's on Page 2-15 in the staff report? I mean this, you know, and I understand this is not -- these are two specific measures here.

MR. DEFRANCESCO: Commissioner Schmidtlein, this is Robert DeFrancesco on behalf of Maverick Tube. Looking at those tables that you direct us to, if you notice, the prices remain fairly high all the way through most of 2014 and again the table below that where the rig count is, again, the rig count stays fairly stable at very high levels, all the way through 2014 and doesn't begin declining until the end of 2014.

COMMISSIONER SCHMIDTLEIN: Well, we'll get to rig counts in a moment, but the chart I'm looking at shows a decline that starts, maybe it starts in June of 2014. It looks to me like it starts a little bit before that? But to say that that line that's dropping down is staying constant, is that what you're saying?

MR. SCHAGRIN: They both will -- Commissioner Schmidtlein --

COMMISSIONER SCHMIDTLEIN: I'm looking at the West Texas intermediate crude oil spot price.

MR. SCHAGRIN: Commissioner Schmidtlein, this is Roger Schagrin. It definitely started falling about September of last year, and when it fell, it fell just as you see in your chart. It fell quite dramatically. It went from a hundred to sixty dollars a barrel within, I think, about a three or four week period.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. SCHAGRIN: What that does -- and the rig count started -- you can just see below, the rig counts started falling quickly -- they have to react to it, however, and I don't think there's a chart in the staff report that reflects U.S. production. And I think even the commentators on the market have been stunned and, I guess it can only be explained by the virtues of fracking production that it took almost seven or eight months before there was any decline in U.S. oil production.

Production went up all the way from the beginning of the price fall and the rig count fall, all the way through July of this year, is the first time that production of oil started to fall in the United States. And you have to realize that, all that oil being produced, which is right now is only gone down from about 9.5 million barrels a day to 9.4 million barrels a day. It's got to be moved, and it's moved in line pipes.

And I think that explains why, in your staff report, demand actually increased for this line pipe between '13 and '14 and was stable between '14 and '15. And that's because all that oil production, as well as all the natural gas production that is now needed to go and, in this way, low natural gas prices actually encourage more consumption because it's what's driving the shift in this country that's almost been ten points in just the last five years, and will be another ten in the next five years, from using coal for electricity to using natural gas.

And there's only one way that natural gas can move from the gas fields to these new electrical gas generated utilities, and that's through pipelines. So when these --

COMMISSIONER SCHMIDTLEIN: I'm famil-- you know that my father spent fifty years laying natural gas pipelines.

MR. SCHAGRIN: So I think you know --

COMMISSIONER SCHMIDTLEIN: I am familiar.

MR. SCHAGRIN: I mean, it's a little bit counterintuitive and goes to Commissioner Johansen's question. The market factors for line pipe demand are actually shaping up really well. I mean these folks --

COMMISSIONER SCHMIDTLEIN: So do you agree -- you disagree with the statement in the staff report then?

MR. SCHAGRIN: Well, the staff report is just likely what the purchasers say, and depending on --

COMMISSIONER SCHMIDTLEIN: Wait, wait, wait.

MR. SCHAGRIN: -- where the purchasers are located, they may have their own point of view, but I mean the beauty of an overall staff report is you get the data on apparent consumption.

You know, all imports, all domestic production and these folks who are in the industry know that. There are just so many small feeder pipelines being built. There's so many new pad drilling areas that need more gas and oil moved to larger pipelines.

If the Congress approves oil exports, there's going to be a need to move oil from some of these oil fields to areas to where it would be loaded on ships. Not gonna want to move it from trains or individual tanker trucks to put it on a ship to export it, so line pipe demand has very often, in the past, moved differently from OCTG demand, and just the particular factors going on in this economy, you can't overestimate the change from generating electricity with coal to natural gas. How important it is to driving line pipe demand.

COMMISSIONER SCHMIDTLEIN: So, my take-away from this is that you don't believe that this, the drop, the collapse in oil prices and so forth, has had any effect on the demand for line pipe so far?

MR. CURA: If I may, this is German Cura with Tenaris. I'd like to perhaps go back to my prior statement, which is, we've seen, perhaps like never before, clearly disconnect between drilling and the way prices are affecting the industry relative to line pipe.

Again, two things are true. One, we as industry need to move nine and a half million barrels a day of oil.

And more importantly, from areas which are relatively speaking, new. The development of Eagle Ford, the development of Utica, the development of oil and gas in the Permian. These are areas where the infrastructure was not there, so it had to be done.

Now, gas and the massive replacement of natural gas in electricity generation also require new lines, new gas lines, pipe lines, and we are confronting 70 billion cubic feet of gas, natural gas production in the country with only a fraction of the rigs devoted to gas drilling that we used to have in the past.

This picks up with what Mr. Barnes was saying, the high productivity of the gas fields, the high efficiencies of drilling. But we are dealing with a product with the line pipe that deals almost exclusively with a conduction of fluids and I tell you, we are conducting today more fluids than we ever did in the past.

COMMISSIONER SCHMIDTLEIN: Mr. Clark.

MR. CLARK: Yes, thank you. Just to answer your question directly, you're saying, do we believe that the price of oil has had no impact?

And no, I don't believe that. The price of oil does have an impact; however, if you look, the real driving force behind the demand is the level of production. Throughout the period, the production continued to increase throughout that period of time.

And there's actually a bit of a counterintuitive piece that many producers, while the prices were very high, were taking short term measures to move the oil out of locations that they can't afford to do anymore. So they were moving oil by trucks and by railcars which is much more expensive than by pipeline.

With the drop in oil prices, they've actually started looking at building infrastructure for pipeline to move that oil out more cost-effectively. So, yes, it does have an impact and it slowed down some of the outlook future projects. However, demand has been stable because production has continued to increase throughout the period.

COMMISSIONER SCHMIDTLEIN: That was my next question. So do you forecast that demand for line pipe is going to remain stable, or do you think this is going to catch up with it, the --

MR. CLARK: Personally, our forecast is that demand will remain stable, just slightly growing throughout 2020.

COMMISSIONER SCHMIDTLEIN: For the next five years. Okay. And would anyone else like to comment on that?

MR. BARNES: Scott Barnes with TMK IPSCO. In answering Mr. Johansen's question, yes, I think demand for line pipe's going to continue to be stable and grow and a big part of that is because of a lot of the manufacturing reshoring is coming back on this country because of the low natural gas prices.

The petrochemical business, the fertilizer business and so on, are returning here because the gas prices are so low. The other reason, as I mentioned, is the age of the infrastructure of the existing pipelines has to be upgraded and replaced, if only because of the age, but also because population densities have been crowded along those right-of-ways and they have to upgrade, so, yes. The answer is yes.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. WALBURG: This is John Walburg with California Steel. All the fundamentals are very strong. Had I -- when we put the -- made the decision to invest in the line pipe mill several years ago -- if we had seen what we see today, we would still invest in it. Not foregoing the amount of imports, that's what we didn't count on. And what is affecting the market. There's lots of jobs happening, it's just we're not participating in, and that's what's distressing.

COMMISSIONER SCHMIDTLEIN: All right, thank you. My time is up.

CHAIRMAN BROADBENT: I was looking at Table

III-1 of the staff report. This might be for Mr. Barnes. I noticed there's a lot of differences in the column concerning each U.S. producers' share of production in 2014 compared to what we looked at in the preliminary record, which focused on 2013 production.

To me, this indicates there's been a lot of intra-industry shifting and dominance in position within the industry. Can you comment on the extent to which you've faced tough competition between your firm and competing firms in the U.S. among domestic producers?

MR. BARNES: Scott Barnes, TMK IPSCO. Looking at the table, of course, I recognize many of these names that are on here as being competitors, and generally speaking, you know, they compete on the same basis that TMK IPSCO does.

We buy our own hot-rolled coil from a lot of the same domestic goods suppliers. Our cost basis is similar from a raw material standpoint. But I see here that also are a few mills that are, you know, struggling quite a bit, as we have been in trying to compete with these amount of imports from Korea and Turkey that are taking place.

I think, you know, if in your staff report, you know, TMK IPSCO is not one of the major domestic producers of line pipe. Part of that is because of, we've had to reduce our competition -- excuse me, reduce our sales because we can't compete against these imports from Korea and Turkey that are entering such a low marketplace.

On our questionnaire staff report, you know, I answered that we compete across the whole United States, because we do. And we go out and look for business across the United States, and in the earlier years we were successful in 2012 and 2013 and gained business, you know, in various parts of the country. But as the prices from Korea and Turkey continued to go down, we couldn't compete where most of that material comes in through the port of Houston.

I heard one of my -- kind of like the thing called "Ground Zero", which is what it is. And so we can't compete down there in that marketplace, so we kind of backed away, and therefore our sales have, not by choice, but by necessity, we've had to withdraw from those marketplaces and we're looking at sales, you know, up more closer to our mills that are in Kentucky and in Arkansas.

But some of these mills that are mentioned here, you know, have had to go through closures and have been sold. Northwest Pipe and Casing, they're currently, you know, running sporadically at best and trying to find a buyer. I know that for a fact. And I'm not sure I answered your question, but --

MR. SCHAGRIN: You did, Scott, but Chairman

Broadbent, this is Roger Schagrin. One of the things that has occurred over this POI and I'll talk about it a little bit during the closing arguments today in terms of issues that respondents have raised on cost of raw materials, is that among these U.S. producers, a number of them are focused on what is certainly the largest part of the U.S. market, which is sales through distributors.

Your staff report shows that, you know, for subject imports between 80 and 100% are sold through distributors. For the domestic industry it's normally been two-thirds. So, even with the projects going on, the vast majority of the shipments in this industry go through distribution.

The imports from Korea and Turkey have forced every U.S. mill that depended on selling through distribution, almost completely out of the market. I mean these distributors are selling stock items of generally the lower grades, X-42, X-52, X-60, now the X-70, that's not a distributor product. That's a project product. And they've literally chased the industry.

When you look at the mill closures and idlings, it's the mills that made product for distributors that are being forced to shut down by the massive surge of low-priced imports. The mills that have been able to survive are those that are focused on projects, which are largely the X-70 and have more of the bells and whistles, and you see that in your staff report which talks about who are the largest producers in the industry? They are Stupp, Citgo and CSI.

These are the mills who are somewhat more focused on projects and less on distribution. I think that explains the shift within the industry that you're seeing over the POI.

MR. PRICE: Alan Price, Wiley Rein. I actually want to point out something on Table C-4, and we'll maintain that injury actually occurred starting in 2013 as profitability collapsed. But looking from 2013 to --

CHAIRMAN BROADBENT: Where are you looking again?

MR. PRICE: Table C-4, the basic C table.

CHAIRMAN BROADBENT: Uh-huh.

MR. PRICE: If you look at the subject producers' quantity of imports from '13 to '14, they increased, same thing for Turkey, they increased. Domestic production and shipments both declined from '13 to '14, and the industry's operating profits moved from a small profit to breakeven, and net goes from a very small net profit to a loss.

So you're seeing shifting and impacts going on in these numbers and injury from '13 to '14. So the Respondent Turkish brief likes to pull, you know, data points in different directions. But there's injury throughout this period, and you can see very directly import-related injury from '13 to '14, before essentially a wholesale, you know, collapse of oil prices.

Whether or not that's relevant in this discussion is an issue out there. But these imports have been competing through the POI with the domestic industry. They've been under-selling through the POI. They've been having negative price and volume effects, and you can see those negative price and volume effects just by isolating '13 to '14 periods, for example.

CHAIRMAN BROADBENT: Mr. Cura, could you talk to me a little bit about intra-industry competition and what's going on here from your perspective. I mean there's been a lot of curtailments, bankruptcies, closures. Are these all due to imports or is there a lot of adjustment going on in the industry based on competition among the domestic producers?

MR. CURA: No. I think our experience is that this has historically been an open environment. We, the domestic industry, participate. We compete. We leverage our geographic location. We typically leverage our access, capabilities, ability to optimize a variety of issues.

Sometimes you win, sometimes you lose. But when it came, comes down to competing in a space where a distributor would say look, we know your company. You've been a regular supplier to us. We know the quality of our products and etcetera, etcetera.

But we have an existing offer at a level of 25-30 percent, $300 per ton below, you're just talking about a different world, and at that point, everything collapsed. So we're not here to simply ask for any favor but other than, you know, enforcing the trade laws. We accept competition as, you know, a fact of life. This is what we confront every day.

CHAIRMAN BROADBENT: So you were really experiencing $300 a ton offers from your competition, I mean from the imports?

MR. CURA: Yes ma'am. We've seen distributors simply say look, you know, we know your company. We know the products that you do, etcetera, etcetera, etcetera. But I have here a valid offer of these we call it standard line pipe. The grades have been discussed, described, X-42, X-52, etcetera, at prices that are lower than $500 a ton, and we'd be very happy to include some of these details in post-hearing notes.

CHAIRMAN BROADBENT: Okay, thank you. Let's see. I just have one more question. Mr. Walburg, you provided detailed testimony regarding CSI's new pipe mill, in particular noting the importance of the investment for your company. What is the status of your older mill, and how do you see that changing as you ramp up your new pipe mill?

COMMISSIONER WILLIAMSON: Our older mill is down to one shift. It was at three shifts earlier. We've moved crews over to the number two mill, to learn how to run that product and make product on that mill. The number one mill is still more efficient than the number two mill at this time, and as far as future, we -- as we get orders, we will run it. But at this point, there's not many orders out there that we're able to get.

CHAIRMAN BROADBENT: Okay, thanks. Vice Chairman Pinkert.

VICE CHAIRMAN PINKERT: Thank you, Madam Chairman, and I join my colleagues in thanking all of you for being here today, to help us to understand these issues. I want to preface my first question by saying that I certainly haven't resolved this issue in my own mind.

But I want to get your response to the notion that the surge in subject import market share occurred in the first part of 2015. So that doesn't look to me at first blush like injury throughout the Period of Investigation, and I'm hoping that you can help me to understand, to put that period, the first part of 2015 into some kind of context.

MR. DeFRANCESCO: Commissioner Pinkert, Robert DeFrancesco on behalf of Maverick Tube. I think as I mentioned earlier, again if you go back to the pricing products and Products 1 through 3, again where the domestic industry, the size ranges that they're concentrated in, the size ranges that the subject imports are concentrated in, and if you measure the volumes on an annual basis, you will see a one to one exchange of subject import volumes for domestic volumes, as the subject imports undersell and force domestic prices lower.

And as Mr. Price just pointed out, you can see that in the overall data from '12 to '13, substantial decline in domestic profitability as subject imports increase and cause that pricing spiral, that surge forcing prices down, and then you see it again in '14. Then ultimately in '15, by the time you get to '15, the prices are so low the domestic industry just can't compete for those sales anymore and just stop producing. That's where you see the substantial increase in share.

But from '12 to '13 to '14, as they're competing to maintain share and prices begin declining, what you really see in those pricing products, that's where you see the impacts from '13 and '14.

MR. SCHAGRIN: Vice Chairman Pinkert, this is Robert Schagrin. So you know, Respondents try to make a big deal out of saying that oh, you know, everything that happened in this industry was because of decline in demand between '12 and '14.

It's kind of very difficult for them to escape the fact that even the Turks, in the period of what appears to be declining apparent consumption, imports increased from 66 to 78 thousand tons, whereas you know the domestic shipment quantities declined by 300,000 tons.

So I mean it's a little -- it's a little kind of disingenuous to say oh look, it's all a problem of declining demand hitting the U.S. industry, when in a period of declining demand, absolute imports from both Korea and Turkey in your C tables are increasing.

Now they're even -- they have even more impact on the U.S. industry, because if you really dissect the market beyond just the simple apparent consumption tables, a lot of the decline in apparent demand between '12 and '14 is a decrease in non-subject imports, and those non-subject imports were largely from Japan and from Europe. They were very much concentrated in extremely heavy-walled specialized products. There were some pipeline activity going on in the Gulf of Mexico when drilling started again.

Those products are preferred over the domestic industry's products because those mills can make heavier walls and hit some extra sharpy things for Alaska and things that are kind of niche products. But sometimes there's a lot of demand for them.

But that's not where, you know, when the -- once again, and I understand Mr. Nolan doesn't understand this industry like some of us have been doing it for 35 years and look. I don't mean to, you know, knock down his experience. He's a great lawyer. Maybe he's lucky he hasn't had to do ths for 35 years like some of us.

But you know, to say that the Koreans and Turks were replacing non-subject, that they were selling instead of Japanese and German product, that's just baloney. What they were doing was they were selling to distributors the products that Mr. DeFrancesco said, these stock products, and they're taking volume away from the domestic industry in stock products at distributors.

They weren't replacing the Japanese and the Germans in offshore Gulf of Mexico. Then as you say, and obviously it's still part of the record, man in 2015, you know, Katy bar the door. These people just said we'll just put the U.S. industry out of business. Here's our chance. We'll just put them out of business, and they're pretty close to doing that. That's very, very sad and that's why this industry needs relief.

VICE CHAIRMAN PINKERT: Mr. Price.

MR. PRICE: So I'm always interested in Mr.

Nolan's brief, because there's 100 causes and imports can never play any factor in any way, shape and form, and that's not the way essentially markets really work. As Mr. DeFrancesco went through the pricing products, on the exact pricing products you focus on and have more detailed information on, you see a 1 for 1 tradeoff between domestic and subject import volumes going on.

These products are absolutely directly competitive. The harm that occurs occurs throughout the POI, from '12 forward. You've obviously heard Mr. Schagrin's more detailed statement. But when you look at this particular industry, you see a series of financial collapse going on, which should be a record period of performance, because by historic levels, this is still a strong period throughout, a strong consumption throughout the period.

Subject imports had incredibly low prices. There was incredible price competition, and it harmed the domestic industry pricing in '13, it harmed the domestic industry pricing in '14. You see tremendous collapses in price. So you see enormous price impacts throughout the POI in '13 and in '14. You see volume impacts and profit impacts in '14.

So you can say let's focus out over here. In fact, the imports have been competing throughout the period.

Going to Commissioner Broadbent's question about intra-industry competition for a while in Mr. Nolan's brief, yeah, there's some capacity expansions going on. There are a variety of different things going on.

Of course, if the industry doesn't expand capacity, the next argument is oh, we have to -- from Mr. Nolan would make this exactly the reverse. Well, we had to come in because there wasn't, you know, domestic industry wasn't responding. The domestic industry responds with competition, with capacity at certain points, oh well it's intra-industry competition.

Forgetting the fact that the dumped imports are lowering prices to maintain their market share, which they have no guarantee and entitlement for. There isn't a separate market. It is one integrated market. They were dumping. They maintained and grew production from '13 to '14. That was harm. It was harm and it was material injury, and it was material injury earlier in the Period of Investigation and continued throughout and into '15.

VICE CHAIRMAN PINKERT: Well Mr. Price, perhaps you can explain to me specifically why the volume impact that you're talking about in 2014 doesn't show up in the market share data for the domestic industry. Now Mr. Schagrin talked about substitution effects between subject and non-subject. But why doesn't it show up if there's that big volume impact that you're talking about in 2014?

MR. PRICE: In 2014, there's some volume impact. Subject imports increased. They take the increasing volume, the increasing share and domestic production and shipments decline in '14. They're not huge shifts, but there are shifts in there, and those shifts are enough to drive the industry from profit to loss at the net level.

VICE CHAIRMAN PINKERT: So when I talked about market share, I'm looking specifically at the line where we're talking about the domestic industry market share. Now I understand that you could look at subject import market share, but then you also have to look at non-subject import market share.

The result is that for the producers' share for the U.S. industry, it seems pretty steady if you look at volume and value.

MR. PRICE: There's a price war that's going on throughout the industry. The non-subjects are getting out. The subject producers and the domestic industry has nowhere to go, and it's fighting it out on price to try to continue to produce. It's producing less, its shipments are less, it's a decline in production. It is losing market share and the subject imports are gaining market share in this very competitive pricing environment that is going on.

So you see a financial and performance impact that is more than inconsequential, insignificant and unimportant. So the injury that is occurring is occurring throughout the POI and starting much earlier during the POI. It's not just a '15 story.

VICE CHAIRMAN PINKERT: Mr. Schagrin, last word this round.

MR. SCHAGRIN: Vice Chairman Pinkert, even accepting your argument, I don't know what the Commission would do with the 15 point drop in U.S. market share in the first half of '15, which is not a quarter; it's half a year.

VICE CHAIRMAN PINKERT: And I mentioned that.

MR. SCHAGRIN: And it was almost all lost to the subject imports.

VICE CHAIRMAN PINKERT: I mentioned that, and I was just trying to focus on some of the statements that were made about 2014. Thank you.

CHAIRMAN BROADBENT: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Following up on point, the first case, I think, in which I have not seen anything called petition effect. Anybody want to address why that is?

MR. SCHAGRIN: Okay. This is Mr. Schagrin. Yeah, this is something that we --

COMMISSIONER WILLIAMSON: Explain it to me briefly.

MR. SCHAGRIN: So yeah, very briefly. So we actually do think you see petition effect against Turkey, because our preliminary margins were substantial, roughly 15 percent overall. So there was a decline in imports from Turkey after the preliminary. To be honest, and it's something I personally struggle with deeply, you know, we had a negative CVD prelim and only 2-1/2 percent against Korea, and that doesn't provide us with any meaningful enough relief to have an effect of slowing down Korean imports.

We are extremely hopeful, I will pray a lot during the lunch break, that the Commerce Department does the right thing and that the margins go up significantly, and that we have much more of an effect after today's final than we did after the prelim.

COMMISSIONER WILLIAMSON: Okay. So you would say it's not -- this doesn't show that it's not the imports that are causing problems, but just it's really the margins.

MR. SCHAGRIN: No these -- yeah, yeah. It's more. We'll see where we are this afternoon. I mean the other point I would make is the fact that the Koreans aren't at this hearing. To me, it's an admission. I mean once again, 35 years, my very first case in 1982 was against Korea. Don Cameron was here screaming and yelling at the top of his lungs. I miss him dearly.

I mean I don't even feel like this is a real hearing, no offense to any Commissioners. But it just doesn't feel right to me.

COMMISSIONER WILLIAMSON: We miss you two talking to each other.

MR. SCHAGRIN: But, but, you know, why isn't he here? Because I think he looks at this record and he says could I really make any injury arguments? I mean Mr. Nolan was super-creative. I give him A for creativity.

But you look at this record and you say could I really argue there isn't injury, and then can I look at this record and say the massive increase in Korean imports weren't a cause of the injury, and I think even Don sometimes says hey, I'm not going to show up and argue a loser. I'm sorry he's not here. I love when Don shows up and argues losers, but anyway --

COMMISSIONER WILLIAMSON: I won't go further on that one. Mr. Barnes, you mentioned the significant effect of pipeline projects on pipe demand. We generally associate pipeline projects with oil and gas transmission projects that rely on larger diameter line pipe. That is pipe greater than 24 inches. What share of total sales of welded line pipe with a diameter of 24 inches or less is sold for pipeline projects?

MR. BARNES: Commissioner, I may not be the best

person on this panel to answer that question.
COMMISSIONER WILLIAMSON: The others can also chime in too.
MR. BARNES: Okay. Pipeline projects, you know, a lot of times you're talking about, as Commissioner Schmidtlein probably knows from her father, or trunkline projects are usually 30 inches and above. What we're seeing a lot of now are midstream projects, which are in the 24 and oversize range.
TMK IPSCO only produces up through 16 inch. So we see only a small segment of that, of business. But that is a lot of the work that we hear about and we see, the midstreams, and then our part, participation in that new project work is in the laterals that come from those lines, which fall more in the 10, 12, 16 inch range.
COMMISSIONER WILLIAMSON: Okay, thank you. Someone else? Mr. Richey.
MR. RICHEY: Commissioner yes. Van Richey, American Steel Pipe. Luckily we make through 24 inch, and most of the projects, not all of them, but most of the 24 inch would be for project lines.
To the Commissioner's question about natural gas, it's hard to understand, but as the natural gas prices decrease, we saw the demand for our line pipe increase, because it all of the sudden became more economical for

power plants to switch from coal to natural gas, as has been mentioned already.

We're seeing other projects where natural gas is becoming more and more the chosen hydrocarbon, and it increases the sale for especially 24 inch steel pipe.

COMMISSIONER WILLIAMSON: Okay. So right on the margin here, what's covered here.

MR. CLARK: This is John Clark with Stupp. You asked about the percentage of projects, the percentage of welded pipeline that was projects. For our facility, it's more than 90 percent of what we make is for projects. When you look at long transmission lines for natural gas, a lot of times they do tend to be larger.

But when you're looking at the expansion in oil production and the natural gas liquids that have come out of some of the gas fields, we're seeing many projects that we're producing that are several hundred miles in length, that are 16, 20 and 24 inches for crude oil and NGLs, as well as some natural gas.

COMMISSIONER WILLIAMSON: NGLs?

MR. CLARK: Natural gas liquids.

COMMISSIONER WILLIAMSON: Oh sorry, excuse me, okay.

MR. CLARK: So we are making a lot of projects for the liquid side of that business as well, in that size range.

COMMISSIONER WILLIAMSON: Oh, and those are the regular line pipe?

MR. CLARK: Yes sir.

COMMISSIONER WILLIAMSON: Oh, okay. That was very high pressure, special piping.

MR. SCHAGRIN: This is Roger Schagrin, Commissioner Williamson. And I would say probably the best answer industry-wide to your question would be in Table 2-1 at page 2-3 of the staff report, which gives the breakdown between distributor shipments and end user shipments. For the domestic industry, over the POI it's between 30 and 40 percent end users, and I would say that everything that is quote-unquote "direct from mill to end user," that's all project pipelines.

The exploration companies that use line pipe don't buy from the mills. They buy through distributors. So whenever you have shipments from domestic mills to end users, they're basically for pipeline projects.

So you can see they're very significant in the 24 inch and under-sized range, for the reasons that Mr. Clark and Mr. Richey said, is that they're now moving a lot of gas and NGLs and even oil from the new shale fields in 16, 20 or 24 inch pipelines, you know, 100 miles or 200 miles, not the thousand mile pipelines like the Keystone.

That's all 36 or 42 inch product.

COMMISSIONER WILLIAMSON: What about -- what share of total sales involve replacement pipe?

MR. SCHAGRIN: This is Roger Schagrin. I'll just answer for the industry. Everything that is replacement, that would all go through distributors. So it's very substantial, but they're the utility companies, the natural gas utility companies and/or the pipeline companies, where they're replacing a mile, five miles, ten miles in a line. They'll go to one or more distributors.

That not enough in the replacement market. They never replace an entire pipeline. It's always parts that have worn out. So that all goes through distribution, and it's a substantial part. In fact, many of these -- I think it was in Mr. Barnes' testimony. Many of these distribution companies have formed alliances with both pipeline companies and utility companies, specifically to be ready to supply all of their replacement needs. So that's a big role of the distributor.

The problem for the U.S. industry is the distributor makes the alliance with the pipeline company or the utility to supply certain sizes for all the replacement, and then they just have to supply the grade and OD. They turn around and buy Korean or Turkish, not domestic, because then they make a bigger markup as they're servicing their alliance partner, and that's been a big problem for the U.S. industry.

COMMISSIONER WILLIAMSON: Okay, thank you. Talking about replacement, Mr. Barnes I was very struck by your testimony about what are a real need, particularly in the Northeast, for additional capacity, you know, and then you mentioned the regulatory issues. It makes you wonder whether we're ever going to get it.

But to the extent that replacement and upgraded pipelines, that doesn't -- does that face the same kind of regulatory challenges?

MR. BARNES: Yes, it does. They have -- when they go back in, a lot of times the replacement line has to meet a higher specification than approval because of the, as I mentioned, population density crowding in on the line has changed the need, and you know, just similar with other construction projects, you want the pipelines to be to the most recent and highest standards.

COMMISSIONER WILLIAMSON: Okay, thank you. Turkish Respondents have argued that a very large share of subject imports from Turkey are not eligible for use in the oil and gas sector. I was wondering what evidence you can provide post-hearing that most of these imports do compete directly with domestic product.

MR. SCHAGRIN: We'll do that in the

post-hearing, Commissioner Williamson, because it's really a matter of -- I think the basis of their claim is they're not AMLs, and we just don't think that's a reality in the marketplace. To the best of our knowledge, they meet API specifications and distributors buy products.

Once again if you just see, distributors will buy product based on API specification. But we'll address it further in the post-hearing.

COMMISSIONER WILLIAMSON: Okay yeah, because I was going to ask that question about it, because they also argue that they're on the approved AML list, and there's shortage over times, and I was wondering what you thought about that allegation.

MR. DeFRANCESCO: Commissioner Williamson, this is Robert DeFrancesco from Maverick Tube. Just quickly, as Mr. Lowe had testified, they are on AMLs. We will provide those in our post-conference brief, both Korean and Turkish producers, and I would also note that at Table 2-9 of the staff report, when it asks about interchangeability, it clearly indicates both importers and purchasers agree that Turkish product is both interchangeable, always or frequently interchangeable with the domestic product and the Korean product.

COMMISSIONER WILLIAMSON: Okay. Thank you for those answers.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent. The Turkish Respondents, and I believe that this is on pages two to three of the brief, report a decline in hot-rolled steel prices of more than 30 percent. But they note that the domestic industry's unit raw material cost declined by only two percent. Why wasn't the domestic industry better able to avail itself of lower priced hot-rolled steel?

MR. SCHAGRIN: Commissioner Johanson, any of these companies can answer as to their own costs of steel, or maybe we should do that in our post-hearing, because I don't think they want to talk about their costs in public.

But there is one very simple explanation, which takes a market knowledge to reply to this allegation, and that is over the period from '14 to '15, which is what Mr. Johanson is talking about, you have in a period in which domestic shipments fall from 650,000 tons to I think about 420,000 tons, yeah 638 to 443. That's from the C tables. You just have so much higher share of the remaining domestic shipments shifted over to the work that some of these companies were doing for pipeline projects.

So the pipeline projects, now that they're such a bigger share, because the U.S. industry has been forced out of the distributor market, those generally, and Mr.

Clark and Mr. Richey can discuss this, those are almost always for X-70 product. That's a low alloy steel which, and Mr. Kopf can maybe talk about this, that sells for much, much more than a basic carbon grade make X-42.

So it's not like -- I mean when Mr. Johanson, is there a rational economic explanation for this seemingly incongruous reverse correlation between hot-rolled coil prices and domestic price/COGS? The rational economic explanation is that the Koreans and Turks in the first half of '15 chased almost the entire domestic industry out of the distributor stock market for X-42 line pipe, and what remained for the U.S. industry, we're once again going back to that Table 2 where, you know, we're up to a higher share going to end users, is more of its X-70.

You just have a larger share of a smaller pie requiring much more expensive steel, and that's the explanation. I can tell you and your staff has worked hard on this, it's not like the domestic industry falsified their records on their coil costs.

I suspect, because coil costs also include scrap rates, it's really not good for these mills, and it's one of the reasons they've been shut down. You wind up with a lot more scrap when you're running intermittently than when you're running flat-out and that probably contributes a little bit. But it's mostly the difference in steel grades and the huge difference in steel costs.

COMMISSIONER JOHANSON: All right. Thank you, Mr. Schagrin. Mr. Cura, did you want to say anything?

MR. CURA: Well thank you. Very briefly, I think the observation from the Respondents is completely inaccurate. I'd like to bring some specific data. We've seen CRU public open index of coil prices coming down from say 650 or so at the end of '14, all the way to about 450 in the last few weeks. So there's been an adjustment, and we naturally are profiting from that.

Now two points. Why CRU is at 450? We are confronting offers from Korea at less than 500. The second comment is perhaps aligned with what Mr. Schagrin was trying to explain. We as a company had no option but trying to concentrate our efforts on X-70 material, and consequently X-70 relative to the normal X-42 grades carry extras, even the alloy component are now at the higher weights.

Ultimately, it then shows a hot-rolled coil at a unit price at higher than not. But you're not talking about the same type of hot-rolled coil, and this is why I think the clarification was appropriate. This is clear mixed issue that we'll be happy to address during the post-hearing notes.

COMMISSIONER JOHANSON: Yeah. I look forward to seeing that, and thank you for your comments. I'm looking at pages six and seven of the Respondent's brief and in the brief, the Respondents mention the amount of capacity and capacity expansions that have been brought on line in recent years by the U.S. industry. Did the increase in capacity cause the U.S. industry to hurt itself? It's understandable why capacity increased, because of course the oil and gas sector was expanding.

I know there's some -- there's been discussion here today as to how much this has actually impacted this industry, the expansion of the oil and gas sector. But with all this capacity to come online, and then all of the sudden the price of oil drops, couldn't we expect this to cause harm to the U.S. industry?

MR. SCHAGRIN: Commissioner Johanson, this is Roger Schagrin. You could if the capacity expansions hadn't been coupled with capacity reduction. So if you look at the data gathered by the staff in the staff report for capacity in the industry, you actually see throughout the POI a reduction in U.S. capacity.

And so I just think that while some companies were adding mills, other companies were reducing mills, so you really have a balance. In a normal marketplace, you would expect to see, you know, what I learned in basic economics, that as industries make investments in new equipment that give them better throughput, higher quality, lower cost of production, the return on that is supposed to be higher profits by using new equipment and not older equipment.

But you see in this industry just the opposite. The industry is making significant investments and bringing on new equipment, and you see the industry's profits disappearing and turning into losses. Pretty soon, you just won't see anyone invest in new equipment if this industry doesn't get relief, and you'll see no investment in refurbishing older equipment, and this industry is just going to die without relief.

But I don't think that the Turks' attempt to blame the problems of this industry on some capacity expansion holds water, and I would also tell you that both the Turks and the Koreans, when they were here on OCTG, did the same thing in the OCTG case and tried to blame all of the industry's problems in OCTG on the OCTG expansions, and this Commission rejected that and voted unanimously to find injury, because imports were increasing so significantly in OCTG, and they're increasing even more in line pipe than they were in OCTG.

MR. PRICE: Alan Price, Wiley Rein. So let's take, for example, Mr. Nolan obviously missed the facts that capacity was actually declining during this period. But even domestic capacity was increasing to respond to perceived need, the question is why do dumped imports and the subject imports think they have a right to undersell, and why are those not injurious in the context of a marketplace?

Just because you had a share in a given year and if you're an importer, domestic industry responds to needs and installs capacity. That doesn't mean that the imports can say oh, I'm entitled to sit on my share, as if it has no injurious impact on the industry. Of course, if they continue to import, if they continue to undersell in order to sell product, it's having an injurious impact by now preventing improvements in domestic production, which that capacity also would anticipate.

So the fundamental premise of Mr. Nolan's argument I just disagree with as a core issue here.

COMMISSIONER JOHANSON: All right. Thank you for your responses on that. The Turkish Respondents assert that they do not produce line pipe over 16 inches in diameter, and that about 40 percent of the domestic industry's production is of a larger line pipe between 16 and 24 inches in diameter. Isn't this is a fairly good argument for attenuation of competition with Turkey?

MR. SCHAGRIN: Commissioner Johanson, Roger Schagrin. No, because you just said that they admitted that 60 percent of their production overlaps with the domestic industry. If you look on the Korean side, the numbers may be confidential, you can compare it and see how great the overlap is between the Turks and Koreans.

So when you look at your factors for accumulation and say did the Turks and Koreans, you know, are they simultaneously present? Do they go through the same channels of distribution? Do they overlap with each other and with the domestic industry, I think a 60 percent overlap. You know, it would be one thing if it was ten percent or 20. I think 60 percent overlap is certainly enough to satisfy the cumulation criteria, and don't attenuate the competition with the U.S. industry.

MR. DeFRANCESCO: And Commissioner Johanson, just quickly. Robert DeFrancesco from Maverick Tube. I'd just like to point out that you are missing a fair amount of import data, of pricing product data from one of the Turkish producers and importers. Now you do have coverage from one of them, and it does show price suppression and depression.

But obviously if you had the data from the other one, we think it would show similar effects, and also show the overlap of competition.

COMMISSIONER JOHANSON: All right, thank you. Mr. Cura, if you could keep it a little short, since Commissioner Schmidtlein's waiting. Thank you.

MR. CURA: Oh very short. There is a very high correlation between the pricing that we see across the entire product range. So when you dump and, you know, underprice 16 inches, 14 inches, it is unreasonable to assume that 18, 20 inches are going to stay out of the problem.

COMMISSIONER JOHANSON: All right. Thank you for your responses. I appreciate it. Commissioner Schmidtlein is up next.

COMMISSIONER SCHMIDTLEIN: Thank you. So I just want to make sure I understand the response to the argument about the raw material cost, and I was going to ask you about this but David beat me to it. If you look at page 23 of the Respondent's brief, 22 to 23, they make the point that -- well they say okay, maybe you use a different type of hot-rolled coil that's not -- that's not -- that is not the price that's quoted in the staff report.

But surely, the price of that raw material was dropping following the same trend as what we see quoted in the staff report. Do you -- how do you respond to that? Do you agree with that? Do you disagree?

MR. SCHAGRIN: This is Roger Schagrin. So, you know, as in Mr. Walburg's testimony, the Respondents are right. Hot-rolled for line pipe costs more than regular hot-rolled. However, you're right as to the trends. Hot-rolled for line pipe is falling along with other hot-rolled. You just had a vote in a hot-rolled case and you saw much hot-rolled.

However, there are significant cost differences, and we'll provide information on this in the post-hearing brief, and I'm sure that U.S. Steel will be able to as well. There are very, very significant cost differences between hot-rolled coil for X-70 and hot-rolled coil for X-42.

So when the product mix for the industry changes dramatically over the two periods that the Turks are talking about, because they're basically comparing '14, the first half of '15. When the remaining, very reduced production of the domestic production is much more of a product mix utilizing X-70 and not X-42, that is certainly what accounts for lack of observed changes in costs for the industry.

It's a change in product mix between the periods. Probably somewhat higher scrap problems for certain domestic producers. But it's most attributable to the change in price points, and we'll elucidate on that in the post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, okay.

MR. DeFRANCESCO: Commissioner Schmidtlein, this is Robert DeFrancesco from Maverick Tube. Just quickly to follow on what Mr. Schagrin just said, Table Roman VI-2 in the staff report, which is confidential and we'll go into in the post-conference brief. But that does identify average raw material costs per mill.

If you correlate those with the product offerings of the particular mills, especially again going back to pricing products 1 through 3, the 16 inch and under mills who are focusing on those product sizes, those hot-rolled coil costs are reflected generally of your overall CRU pricing, and those mills that are in the larger ODs like Mr. Schagrin was saying, that tend to have -- are going to be using X-70, while their coil costs generally follow overall market prices, those coil costs are on average going to be larger or more expensive.

But you see that in that breakout, and we'll explain that more in the post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, and then of course the next question is well then how, you know, we're trying to determine how much to attribute to a price decline that's a result of falling raw material cost versus subject imports. So --

MR. DeFRANCESCO: Well again, in pricing Products 1 and 3 for those mills that are in those 16 inch and under, the subject imports are underselling them on annual basis, from 12 to 14 significantly. The domestic prices you see a decline, and you see subject imports substantially increasing the volume in those products.

So despite the fact that you have some

hot-rolled cost declines, that the subject -- the domestic producers can't keep up and can't maintain those sales, and they're losing a substantial share of the market there.

COMMISSIONER SCHMIDTLEIN: All right.

MR. SCHAGRIN: And Commissioner, this is Roger Schagrin. I think the answer to is the decline in domestic pricing more related to falling raw material costs or to price depression, I think when you see in a period of flat demand between '13 and '15, operating profits going from, you know, 1.8 percent to negative 3.2, the answer is prices are falling more than costs, regardless of product mix.

I mean for the industry, prices are falling more than costs. That's why you have a five percent decline in operating margins and that's injury, and there's no reason when there's flat demand for that decline in prices more than a decline in costs other than the increase in imports that are underselling the U.S. industry and causing that price depression.

COMMISSIONER SCHMIDTLEIN: Thank you. That's a good segue to the next question I wanted to ask you to respond to is also from the Respondent's brief, and it has to do with the pricing products and the underselling margins, and specifically the Respondents, you know, along the lines that there were many arguments about why subject imports are not causing any injury.

One of them is this correlation argument, that it has to do with correlating where you see the greatest underselling margins. If you look at page 24, and I'll just read you the question or the statement and see if you can respond now or in the post-hearing.

"In 2012, the year in which the greatest underselling margin was observed for three of the four pricing products, when examined individually or combined to create a weighted average, the year in which the greatest differential between U.S. producers' AUVs and subject import AUVs was observed, the domestic industry's profits were extremely robust, showing that it is not underselling which determines their profitability, but rather market dynamics, especially demand trends."

Have you looked at this question about, you know, where you see the greatest margins, and how that correlates with the performance of the domestic industry?

MR. SCHAGRIN: Commissioner Schmidtlein, Roger Schagrin. We'll address this further in post-hearing. But of course, you can't just look at a percentage of underselling and make all of your comments on correlation based just on that.

Volume of the imports that undersell is extremely important and you see, as the domestic industry's profits disappear, that the volumes of the Korean and

Turkish or the subject imports increased dramatically in those pricing products.

And you know, you have good coverage there for the Koreans. As Mr. DeFrancesco pointed out, you know, one of the largest importers of product from Turkey just stiffed the Commission on pricing data. We don't think Mr. Nolan ought to benefit from working with importers of his clients' products who don't cooperate with the Commission and then say oh, well you don't see a lot of Turkish volume in those pricing products causing any problems.

Yeah. Well, if you're not going to reply to the questionnaire request for information, you're not going to see it. But we'll comment further in the post-hearing, and I think the answer to your question is it's not just the percentage of underselling that matters; it's the volume of product that is underselling. You'll see in our post-hearing that there's increased volume of imports in those pricing products over the POI.

MR. PRICE: Alan Price.

COMMISSIONER SCHMIDTLEIN: Mr. Price.

MR. PRICE: As you see, the increased volume of imports in those pricing products and the decline in the domestic volumes, you also see a decline and a collapse, and as the domestic industry cuts prices to close that gap, you've seen a collapse between '12 and '13 already of profitability. That's not all demand-related.

That's because the domestic industry, being so undersold, it's forced to start lowering and starting to lose volumes year by year. It's forced to start cutting prices in order to try to maintain volume. So you're seeing price effects and volume effects in the pricing products from '12 to '13, going through into '14.

MR. VAUGHN: And Commissioner Schmidtlein, this is Stephen Vaughn. My reaction to that statement on page 24 was that that's pretty much what I would expect to see happen. In other words, you would expect to see the biggest gap in the underselling at the time when the domestic industry is doing relatively well.

And then, as Mr. Price was just saying, if you look at their chart on page 25, for example, on the Turkish brief, you see that big gap between Korea AUVs and U.S. producers' AUVs in 2012. It's $372 a ton. Then as Mr. Price properly testified, what you would expect to see next would be you'd see the domestic industry cutting its own prices in an effort to respond to that big gap in underselling.

That is in fact what you see happened in 2013. But they're not able to get all the way down. The Korean AUVs fall even further. I'm obviously using the public numbers. The same trend sort of happens in 2014. Now by the time you get to 2014, the domestic industry's operating margin is now down to 0.02 percent.

Now what you would expect to see at that point is well, we can't really cut prices that much further, and now we're going to have to start conceding more volume. It's exactly -- again, it's exactly what you see from first half of '14 into first half '15, is the domestic industries have argued they've been forced into different product mixes just to keep any business, and as that's happened, you see the huge drop off in market share.

So I think that that explanation that you're hearing matches up exactly with all the testimony that you've heard here, explains, you know, basically what happened, both on the market share side and on the pricing side, and makes clear that while there were multiple things going on in this market obviously, the subject imports were clearly having a deleterious effect on the domestic industry.

MR. CURA: Commissioner, it's Mr. Cura.

COMMISSIONER SCHMIDTLEIN: Well, my time is up. Yes, okay. We'll come back to that. Thank you.

CHAIRMAN BROADBENT: Okay. Ms. Hart, do you -- do the Steelworkers attribute the closure of mills and lower employment to conditions in the line pipe market or conditions in the greater tubular market overall, given that these mills frequently produce many other products as well as line pipe?

MS. HART: Holly Hart from the Steelworkers. It's our contention and belief that it's subject -- it's due to the volume of imports that we're seeing, not only in this subject --

CHAIRMAN BROADBENT: The line pipe, yeah.

MS. HART: On pipe, but also on the other products that are the sources for the domestic pipe production.

CHAIRMAN BROADBENT: Okay.

MR. SCHAGRIN: Chairman Broadbent, this is Roger Schagrin. I'd also point out if you look in your staff report, the summaries by producer, you see a lot of employment losses at companies like you heard John Clark testify at Stupp. Stupp produces no OCTG. They have no OCTG license. CSI hasn't had employment losses; they have had hour loss, etcetera. They don't have an OCTG license.

ACIPCO, which has had hours reduced, has no OCTG license. U.S. Steel can augment this. My understanding was at McKeesport, which they shut down, they did not produce OCTG. Northwest Pipe exited the OCTG business and sold it completely. The Atchison mill has no OCTG license and that shut down. Welspun, I don't believe, makes any OCTG, and you can ask Mr. Cassada. I don't believe that Tex-Tube makes any OCTG. They do not, and they've had massive employment losses.

So these employment losses are primarily at mills that produce only line pipe and not OCTG. So blaming it on the OCTG industry is not appropriate.

CHAIRMAN BROADBENT: Mr. Cura, I had a question for you. Could you discuss the record on high levels of oil production in the United States? Similarly, Mr. DeFrancesco, discuss stable rig counts. Unless there's a strong replacement market, however, this does not seem to signify new development, which I assume is critical for demand for new welded line pipe.

Can you explain why stable rig counts stocks and stable production translates to stable demand for line pipe?

MR. CURA: A few comments. Number one, in the last few years, shales development and in particular, and I think Mr. Barnes spoke about it at the beginning of the hearing, the efficiency levels introduced by the industry while developing the regular shale spaces in the country, have translated on drilling efficiency gains, which in some instances are north of 30 percent.

In other words, that means that our industry has been able to drill with fewer rigs, almost 30 percent more of what they used to drill years past. Now with that, we've seen industry production overall almost exploding, almost doubling. When we were here years past, we talked about a U.S. domestic production of five, five and a half million barrels per day. It has reached nine and a half despite the so-called nominal rig count reduction.

It's October already. We've seen rig count coming down in the last so many months at a fairly steep pace, and still oil production continues to be steady at nine, nine and a half million barrels per day. Now what I tried to say at the beginning is that welded line pipe, it's a tool that is simply used to conduct fluids from new production spaces.

So for once, we've seen record levels of production. The industry has seen to move this record levels of productions from new places to the existing gathering points, and that has ultimately translated on stable levels of welded line pipe, which going forward we continue to see, despite the generic view that the energy sector is confronting, you know, issues as a result of oil price reduction. Hopefully that answers your question.

MR. DeFRANCESCO: And Commissioner Broadbent, Robert DeFrancesco, just a point of clarification. When Baker Hughes goes out and measures the rigs that are operating, so in 2012, if you had 1,900 rigs operating, those aren't the same rigs that are operating in 2014. They're measuring the rigs operating in a given time period, and the rigs usually operate, and the industry experts can answer this better than I can, for a few months at a time, and then they go out and measure again.

So you're not talking about the identical number of rigs that are operating over that period of time. These are different rigs that come online.

MR. CURA: I think a follow-up which could describe this in a good way is today we're producing 70 billion cubic feet of gas a day, with barely over 200 rigs devoted to gas. This is give or take 15 percent more the production that we saw four or five years, where rig count there was almost three times as high. This is how the industry has evolved in terms of efficiency, in terms of well productivity and the like.

MR. BARNES: Scott Barnes. I think what Mr. DeFRANCESCO was referring to is that the rig fleet has actually had a turnover with replacement of older rigs with newer rigs that have the higher technology, top drive, rigs that can walk, as I mentioned, on pads and so on.

So therefore these rigs are not your father's Oldsmobile. They're the new rigs that are much more efficient and drive these drilling efficiencies that Mr. Cura and Mr. DeFrancesco have talked about.

CHAIRMAN BROADBENT: Let's see. John Clark, I wanted to first of all thank you for hosting our staff. I'm late in making this thanks, but they appreciate it and the Commissioners couldn't make it. We were deep in the sugar case at that point. But thank you for your hospitality in that regard.

Let's see, more from the Turkish brief. Purchasers stated that U.S. and Turkish merchandise was comparable across a variety of factors. Although they stated that U.S. product was superior with respect to availability, delivery times, delivery terms, delivery time, product consistency, quality meeting and exceeding industry standards, reliability of supply, and whether the supplier was on an approved manufacturer list.

Does the superiority of U.S. merchandise with respect to these factors help the U.S. industry to continue to compete against subject imports from Turkey despite a Turkish advantage on price?

MR. CLARK: At the end of the day it really comes down to most of the purchases are made on, you know, API specifications and as to the AML's, you know, we're out there every day on with the -- competing with the same customers on the same projects for the same orders and as long as the pipe meets the specifications and is available in the timeframe that the project needs it, there's not a high degree of differentiation that enables us to succeed. So we're competing against -- for Stupp in particular, most of the pipe that we make doesn't overlap the diameter of the Turkish mills, but certainly for the Korean mills we compete every day on every order against the Koreans.

CHAIRMAN BROADBENT: Okay.

MR. WALBURG: This is John Walburg, California Steel. The buyers of the pipe feel a fiduciary responsibility to their companies to buy as best that they can and buy the best price for the products for the companies that they represent. They are doing their job vetting and evaluating quality at Stupp and overlooking other issues like you just pointed out seeking out the best price. And a lot of times they use that leverage to try and push us down in price to get those advantages you just spoke of. But sometimes in the end of the day, they decide to go with the lower price because they feel that they have to do that for their company.

CHAIRMAN BROADBENT: Okay. Let's see, this may be BPI, so you can probably answer this in the post-hearing brief. I'm not sure. But, I guess I would give this to Mr. Shagrin. There's a table on page 19 of the Turkish prehearing brief which expresses some skepticism for why a certain U.S. producer shut down capacity during the POI. I think they make a lot of other products in those facilities. But if you could give your perspective on why they shut down, that would be helpful.

MR. SHAGRIN: Since I've only ever looked at the Turkish public brief and the public staff report which is what I usually do before these hearings, I will comment on that in the post-hearing brief because all I'm seeing is blank so why don't I do it in the post-hearing brief?

CHAIRMAN BROADBENT: Sounds sensible. Thank you.

Vice Chairman Pinkert?

VICE CHAIRMAN PINKERT: Thank you.

In my first round I focused on the domestic industry market share as it moved throughout the period, and I would encourage you to follow up in the post-hearing and talk more about that pattern. But I want to talk now about the pricing data and I was very much interested in your answers about the argument made by the respondent regarding the gap in the pricing product information. And what you talked about was how early in the period you see that gap narrowing as the subject imports are leaking the prices down for the domestic industry.

Now, I don't want to characterize the pricing data beyond a very general characterization, but it seems to me that we see that pattern that you described, Mr. Vaughn and Mr. Price, that you described, we see that pattern at the beginning of the period and we see it at the very end of the period. And I want you to help me to understand why that would be the case.

MR. PRICE: So we will respond more fully in the post-hearing brief because it would probably make sense to look at the details here in that regard. But in general, you're seeing the U.S. industry first try to close the gap between 12 and 13 as they start losing volume. And as they lose more -- as they lose essentially more volume in 15 or a little more market share in 15 and just can't, you know, they try, you know, closing the gap even more up to the point where they just can't do it. And so you're seeing, you know, the industry literally shut down before you right now. The imports have been overwhelming this market and have had harmful effects for some period of time.

I think Mr. Cura was going to jump in before and say something else, I'll let him say it now.

MR. CURA: I tell you, we hear all the legal details, let me just share with you a practical experience what we see every day and what happened during this period. We saw this coming back in 2012-13. We were here when the Koreans said, we have these 100,000 tons, we intend to keep them. We knew that was not going to be the case.

Now, at the beginning of the period, we tried to defend ourselves by being more competitive, by in fact playing, you know, our commercial places -- defend ourselves. At the middle, give or take, we were moving away preserving volume, preserving employment, cutting down the hours and the like, but preserving the infrastructure by moving away, quote/unquote from the X42s, X52s, say lower grades, and try to the extent that was possible more into the X65, X70 grades. And this is having a direct correlation with the cost of raw material issue that we have discussed.

Now, at one point it was just impossible. Now, there's a question that I was hoping to get, but even given that I didn't I'll supply it. Why is it, why is it that the Koreans and Turkish are coming to the States and not go somewhere else? And we Tenaris have a global footprint. We operate globally. We see them all over the world, but we have never seen them at the scale that we see in the States.

Now, the States is by far the welded line pipe space market is by far the biggest market in the world and it is serviced, quote/unquote by a very established network of distributors. So all you need to do is bring your pipes, nominate a master distributor and make it available. Unlike other geographies where you need to deploy what I call a commercial effort, in the States you simply rely on a distribution network that is unique in the world. This is the reason why they are attacking the States, and this is the reason why we are here today.

VICE CHAIRMAN PINKERT: Thank you. I saw you moving your head, Mr. Vaughn in response to my question. So

I'm going to ask you if you have a response.

MR. VAUGHN: Well, I just think that, you know, I obviously agree with the points that Alan was making. I mean, I think that one of the things that the Commission has to really think about just as a general matter, when you look at this situation is, is that there does come a point at which domestic producers simply can't afford to cut their prices anymore. I mean, there does come a point at which, you know, if you've had 65 pricing comparisons in this record, and 63 times the subject imports undersold the domestic industry and at some point prices get to the point where it really is unsustainable. But I think the testimony here and the record here is very consistent with what you see that these guys tried and tried and tried and then from 2014 to 2015 you do not see much of a change in apparent domestic consumption. It's almost exactly the same from the first half of '14 to the first half of '15, but what you do see is a giant drop off in U.S. production. And I think that makes sense when you look that in 2014 they weren't able to sell this at a profit anymore. And so what happens is people come to the realization, we can't sell this at a profit, we're not going to sell as much of it, but maybe we're only going to be able to focus on certain parts of the market now. And what you also see, and again, it's not because of any change in demand, there's a big change in imports because that's -- once the domestic industry can't keep going down anymore, they just gobble up that volume.

So, I mean, you see different patterns in these trade cases. I've seen cases where, you know, people concede volume for a long time and then compete on price. And I've seen cases where people compete on price and then, you know, have to concede volume. But, you know, in either of those scenarios, that's material injury by reason of unfair trade.

MR. PRICE: Alan Price, Wiley Rein. Two more points. One, I thought Mr. Cura was actually going to hit one other point which was that they were begging for us to bring this case earlier because from their perspective, they saw this freight train coming at them for a long period of time and having negative effects back in '12, back in '13 and as they start seeing the massive underselling occurring and, you know, I think Congress changed the law to actually have a bit more open look at injury and you don't have to be dead. This industry is in death throes and imports are a cause of it and despite all the attempts to say not, you know, there are various other things going on, and, yeah, there are various other things going on, the issue is, are imports having an impact? And you can see it right in the pricing product where you see a pricing, you see a volume trade off going on and underselling going on, I think that explains exactly the, you know, the type of farm you would expect to see when imports and the domestic industry are interacting enough to interact perfectly. The bottom line is, is there an import effect? Of course, there's an import effect. And, of course they're having impact. You're talking about standard X product like X-42, it's hard to imagine that you can't have -- that these things are competing in some type of parallel universe. They're not. They're competing against each other. They're having impacts against each other.

The second point I would make, and I find that this whole set of pricing series arguments put forward by counsel from the Turkish particularly egregious. This is the largest portion of Turkish pricing data that you should have is not before you because the importer did not provide you that data. And so to the extent they're trying to make arguments off the pricing series, benefitting from their own lack of response with their lack of data I find particularly outrageous in a case like this.

MR. DeFRANCESCO: And just to quickly follow up on the pricing product data. From quarter to quarter you may see some noise that prices may increase slightly or decrease slightly. But if you annualize the pricing product data, what you see is a gradual step down. Prices are higher in '12, lower in '13, and lower again in '14, and we'll provide that in the post-hearing brief because it is confidential.

VICE CHAIRMAN PINKERT: I suppose that what you just said is the source of a little bit of confusion on my part because I look at 2014 and I'm not seeing what you just testified to. Now, you know, it doesn't mean that that is an issue that disposes of the case, but it's just a question that I have. What's going on in 2014? Are you seeing the kind of price injury that you're talking about? Are you seeing the kind of domestic industry market share injury that you're talking about, or is there some third thing that I'm missing?

MR. SHAGRIN: Commissioner Pinkert, this is Roger Shagrin. You're seeing everything. You're seeing volume and price because you have to realize that in the first half of '14 to the extent you're not seeing domestic prices fall, but you're seeing the volume of the pricing products go down. Steel prices were increasing in the first half of '14. So the ability of a U.S. producer competing for a sale to a distributor to lower their price in response to Korean and Turkish price offers while their steel costs are increasing is impossible. And that's why I think you start seeing the shut downs in the industry in the latter part of '14 because as was mentioned before, this industry and you heard in the testimony today, this industry is largely in the position where it's now throwing in the towel. And I just don't know. I mean, we do all kinds of analysis with, you know, every data point and staff reports, but let's be real. When the industry is throwing in the towel, they're shutting down their mills, I mean, what are we doing? What are we talking about? You know, I mean, it is bad. I mean, these are people who have been in business for 40, 50, 60 years because of imports, not because of a drop in demand, not because of energy cycles, they're throwing in the towel.

I just had another producer in a different industry, 58 years, it was started when I was born. The leader, they just threw in the towel. They said, we're not going to do it anymore. People can't keep losing money and the job of yours is they're losing money for every other reason but imports, they don't deserve relief. But they're losing money and shutting down their mills because imports are the cause of it, then they deserve relief.

VICE CHAIRMAN PINKERT: Mr. Price, if you have a brief comment?

All right. Thank you. Thank you, Madam Chairman.

CHAIRMAN BROADBENT: Commission Williamson?

COMMISSIONER WILLIAMSON: Thank you. Just a few questions. We've talked about the limits of using that and

I was wondering, are there other indicators that we should be looking at in terms of demand?

MR. CLARK: I think the strongest indicator, as you've said a couple of times in different ways is to look at production. Because the rig count is there is a correlation, but it's not nearly as tight as the production of hydrocarbon. So if you look at the production curve and what's happened over recent years and what is expected to happen in the future, that's probably a much better indicator to give you some insight as to where line pipe demand has been and will be, something that you should follow.

COMMISSIONER WILLIAMSON: Good. Okay. Thank you.

Do you agree with respondent's argument that the increase in subject import volume and market share is attributable to orders placed before the decline in demand in late 2014? Mr. Shagrin, you're shaking your head. Do you want to articulate that?

MR. SHAGRIN: Well, I mean, this is Roger Shagrin. No. And, you know, their lead times are somewhat longer than the domestic industry's. The fact is that their sales were made because they undersold the industry by such amounts. And the other, you know, supposition there of Mr. Nolan's brief is that, hey, the only reason imports went up by so much in '15 is because we have long lead times. But, you know, I mean, he keeps taking this position, you know, don't forget demand is plummeting. But demand is not plummeting. I mean, you're hearing from people in the industry. Demand is steady. And that's because production of oil and natural gas in this country has increased rapidly and then stayed at these extremely high levels and now there's a real need to move that oil, gas, non-gas liquids, refined products from the places where they're brought up to the places where they're consumed. And so the good news for this industry is they're not facing a demand problem. Unlike OCDG, unlike the people working in Texas on rigs, they're facing a demand for their services problem. The line pipe industry is not facing that demand problem. But they're facing a massive import and loss of market share and price pressure problem.

MR. CLARK: This is John Clark. I'd like to add to Mr. Shagrin's comments on the lead time. Because it's an interesting point to bring up, but if you think about it, lead time is really irrelevant in the imported line pipe. And unfortunately, I wish we would have brought you on your tour to go look at the port and see the acres and acres and acres of line pipe sitting on the ground. So there's so much line pipe that's being imported they're not waiting for an end user or a distributor to place an order. They're making inventory and shipping it to the ports. It's available at the ports today. So the lead time is tomorrow. It may take them more weeks to get their pipe from their production mill to our ports, but there is just incredible amounts sitting at the ports today waiting for a buyer.

COMMISSIONER WILLIAMSON: Okay. So kind of the inventory level is kind of the indicator?

MR. VAUGHN: Commissioner?

COMMISSIONER WILLIAMSON: Mr. Vaughn.

MR. VAUGHN: Yeah, I'm sorry. I just wanted to -- this is Stephen Vaughn. I just wanted to make a general point. It follows up on a point that Mr. Price made before. I mean, their theory there is that you're supposed to -- we're supposed to sort of figure out about the judgments about the timing of Korean imports based on various speculations that are in their brief. The problem is, as Mr. Price pointed out, the Koreans aren't participating. They're not here. You can't ask them. They didn't submit a brief. And it's important for the Commission, I think, to understand that any time this sort of thing happens it really distorts the process in ways it hurts the domestic side. We do the best we can to try to give you the best information we can come up with, with respect to all of these questions. But I think the Commission wants to be very careful that you're not creating an incentive for people not to cooperate and not to show up because if they have information that would work against them, if they know, for example, what happened with those orders, it's better for them to not come here and give sworn testimony and answer your questions and to just say nothing and let the Commission try to figure it out for itself. I think the Commission wants to be very careful about creating further incentives for subject producers not to cooperate with these investigations and not to appear at that hearings.

MR. WALBURG: This is John Walburg from California Steel. Touching back on this question and the one you asked before about there not being a petition effect. They are still offering today, where the Koreans are right now is visiting all our customers. They are assuring customers that they will continue to bring product no matter what happens going forward. They have targeted this market and they plan to continue to support it. And the Meyers when they look at weigh all of those various aspects feel they have a fiduciary responsibility to take half to buy the Korean product because they will not keep their company competitive against their competitors. Thank you.

COMMISSIONER WILLIAMSON: Okay. And I guess you say the product is sitting in inventory? At least that's what Mr. Clark mentioned.

Just one last question. What is the typical time period between the purchase of hot rolled steel and the shipment/sale to the customer?

MR. BARNES: This is Scott Barnes with TMK IPSCO. It depends somewhat on how you catch the production schedule of your raw material supplier. But if you happen to catch it well, you can order the hot-rolled steel and it be delivered within 30 days and then again, you know, another 30 days for our welding schedule. So it can be anywhere from 60 to 90 days in kind of what you would call a normal market. And we tell you and I'm sure Holly Hart can confirm this that the hot-rolled people are looking for orders and we wanted to order steel, you know, we could have it probably in two weeks time today.

MR. WALBURG: This is John Walburg from California Steel. I happen to be one of those hot-rolled people. And we have available time at our mill where we can put orders on and get material within a week or two. That's not normal and not good for our operations by any stretch of the imagination, but that's pretty much were we are today. I know, I did that pushing orders in before I came with two weeks. But that's not normal.

COMMISSIONER WILLIAMSON: Good. Thank you for those answers and I have no further questions.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you very much. I have no further questions.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent. I have just one more question. When comparing the number of production workers and hours worked between the interim periods, how much of this resulted from the shutdown of the McKesson, McKeesport plant in August 2014?

MR. VAUGHN: Commissioner Johanson, this is Stephen Vaughn from U.S. Steel. We'll address that in the post-hearing.

COMMISSIONER JOHANSON: Thank you. And Ms. Hart, did you want to say anything?

MS. HART: Holly Hart, Steel Workers. I would say the same.

COMMISSIONER JOHANSON: Okay. Thank you. I look forward to reading that.

CHAIRMAN BROADBENT: Any further questions?

VICE CHAIRMAN PINKERT: I have nothing further for this panel. I appreciate the testimony. And I look forward to the post-hearing.

CHAIRMAN BROADBENT: Thank you. Okay. If Commissioners have no further questions, does the staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of

Investigations. Thank you, Madam Chairman. Staff have no additional questions.

CHAIRMAN BROADBENT: Do respondents have any questions for this panel?

MR. NOLAN: (Shaking head, no.)

CHAIRMAN BROADBENT: Got it. Okay.

In that case, I think it's time for our lunch break. We will resume at 1:40. The hearing room is not secure, so please don't leave confidential business information out. And I want to thank again all the witnesses for coming today.

(Whereupon, at 1:00 p.m., the hearing was recessed to reconvene this same day at 1:40 p.m.)

AFTERNOON SESSION

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

CHAIRMAN BROADBENT: Mr. Secretary, are there any preliminary matters for the afternoon session?

MR. BISHOP: Madam Chairman, the Panel In Opposition to The Imposition of Antidumping and Countervailing Duty Orders have been seated. The witness has been sworn.

CHAIRMAN BROADBENT: Thank you, Mr. Secretary. I want to welcome the afternoon, welcome Mr. Nolan to the ITC this afternoon. I would like to again remind the witness to speak clearly into the microphone and state your name for the record for the benefit of the Court Reporter.

I just want to express, I have a personal goal of trying to get out of here at about three o'clock. So if we could all channel that goal, that would be excellent.

(Laughter.)

MR. NOLAN: I'm totally with you, Madam Chairman.

CHAIRMAN BROADBENT: Thank you very much. You may begin.

STATEMENT OF MATTHEW NOLAN

MR. NOLAN: Alright. Good afternoon, Madam Chair, Members of the Commission, my name is Matt Nolan with Arent Fox and we represent the Turkish Steel Exporters Association and its members. On behalf of the members of the

Association, thank you for the opportunity to appear today on behalf of Turkish Importers--Exporters.

I don't know that I need to say my name every time because it is only me talking, and you all can just keep peppering me with questions. It's best to remember, I can't read and research at the same time as talking to you, so I may be a little challenged here but that's okay. I'm up for it. So we're ready to rock.

So the Association regrets that it was unable to send a representative to testify today, so they asked me to speak for them. The distances are long. There are a number of cases that Turkey faces right now, and they have limited resources. And so basically you get me today.

I am by far not the world's greatest expert in oil and line pipe industry. I will freely admit to Mr. Schagrin and others around the panel that I am not a specific expert in it. I do know a little bit about the oil and gas industry, though, because my family has been in that business for about 40 years.

Now I learned the business from my Dad, and if I wasn't a lawyer I would probably be out in Wichita, Kansas, right now looking at wells being drilled, which we have a lot of and I get monthly production reports. I've seen more than my fair share of seismic survey reports, trying to figure out whether or not we should drill at a certain formation or not. So I'm not completely a novice at this. And so I'm speaking from a bit of experience as well as the lawyer for the industry on the foreign side.

`I want to go right into the presentation because this morning the panel--all I can do is characterize it as a version of the Texas Two-step on energy prices and its correlation to rig counts and its correlation to the line pipe industry.

It is fascinating to me that the U.S. industry seems to want to avoid what is one of the most obvious truths in this industry in that energy prices dictate the use of drilling. It also dictates the use of just about anything else in the energy exploration and production industry. If you are not drilling, then you are not using OCTG. It you are not drilling, you are not laying down pipe to gather from those wells to bring it to the market. Therefore, you're not using line pipe.

If you are in poor condition, you are not investing in new industries or new gathering lines and transmission lines except if you are a local municipality building gas pipelines, or going into the energy industry to make gas turbine power plants which uses the wrong kind of pipe. It uses large diameter pipe. We are going up to 24 inch. We're not going over 24-inch here. You are looking at a different segment of the industry than the Subject

Product.

So without further ado, let's go right into the presentation. To me, this is the core of what the Petitioners are saying. In the preliminary phase of this investigation--this is right out of the Staff Report, by the way--Petitioners asserted that the U.S. oil and gas demand for certain welded pipe had experienced historic highs since 2011 which had created a high demand for certain welded pipe in the U.S., higher demand than in certain other countries--i.e., the U.S. wasn't attracted to foreign-produced line pipe from the Subject Countries.

I do not dispute the fact that U.S. pipes was in a very high rate of consumption and production during 2011 and 2012. We don't dispute that. I don't think anyone does. We don't dispute the fact that those prices were so high that, yes, imports wanted to come in and participate in that market.

However, let's take a look at what happened with that market. This is the current situation with crude oil prices (indicating a slide). This is from the Energy Information Administration.

If you look at it, between 2004 and 2005 we were looking at barrels in the $40 to $60 range. In 2011 and 2012, we are at near-historic highs from a sustained standpoint, over $100 a barrel on average, right? That's

2011 and 2012, the period of time that the U.S. industry was doing really, really well.

Conversely, if you go back to where we are now at $40 to $50 a barrel, you have to go back to 2004 to see that phenomenon. The shale revolution stimulated tremendous production of oil and natural gas in the United States. Everybody who reads the newspaper knows that little factoid, and this chart just illustrates the amount of oil production that's been going up since 2012.

(Slides are being shown.)

I didn't bother to put the gas graph in, but the same thing is going on and there's a later graph that shows that, but it clearly shows an incredible production boom in the United States starting around 2011 to 2012.

Precisely coinciding with guess what, the hot time in the line pipe industry. Interesting. Apparent consumption went up to historic highs. In 2012 they cracked over 3 million short tons a year in consumption, we did. Shipments went over 2-1/2 million tons of short tons a year. The market share for the U.S. industry was 55 percent in 2011, a little less in 2012 because, why? Imports, non-subject and subject, came into the market.

Market share remained high. Capacity utilization goes up. Gross profit margins looking very strong right now. Operating income, again, very strong for the U.S.

industry. Why? We're going back. Energy prices are dictating what's going on in the market.

While this is going on, import volumes did go up. I am not going to try to dance around that. The fact of the matter is, between 2011 and 2012 they did go up. And you can see, quite a bit. However, all imports went up, including Subject, and in that very same period of time the U.S. industry was running 14 percent operating income levels.

That doesn't suggest that increasing imports had anything to do with their financial state at the time. What it does indicate is they were doing really well and there was room in the market for both.

In 2013, imports actually declined. Subject Imports actually declined somewhat. Overall imports also declined somewhat. So what we're seeing here is in 2013 when the market turned south, import volumes go south.

And then we have 2014 where the market, the imports go back up again. And I'm going to explain why that happened.

During the boom times, guess what happens? Everybody gets giddy and says, well, you know, we should expand capacity because we're making good money. We're making great profits. We should expand production. It is a completely natural phenomena. I don't doubt the U.S.

industry. That's what they were thinking. I would probably think the same thing at that period of time.

So look what they were doing in 2011. U.S. Steel takes back McKeesport and shifts it from a structural to a line pipe production. In 2012, Welspun starts a line pipe facility. American Steel Pipe, 2013, startup 350,000 ton welded line pipe facility. These facilities were planned out when things were hot and put in place, some of it too late, but were planned out and thought out during the period of time when the market was hot.

The problem with that, obviously, is this: If the market turns while you're in the middle of this expansion process, what do you get stuck with? Too much capacity chasing too little demand. It's very simple. I don't think it's too hard for anybody to, to discern that type of a link.

Now apparent consumption in 2013 fell 23 percent. I'm going to repeat that. Consumption fell 23 percent in one year. Think about that. That's not a minor blip. That is a huge drop in a very short period of time.

Total imports dropped 24 percent during the same period, while subject imports dropped a lot less at 3 percent, but there was an overall drop in imports. And U.S. shipments fell 22 percent while this new capacity, by the way, is coming on line. So you have--it's almost the perfect storm. It's the Noreaster. You've got the storm coming in, demand going down. You've got production increasing. You've got capacity increasing. This is a recipe for a big problem in the industry. It's not an import problem. It's fundamentally a market dynamic problem.

Apparent consumption, if you look at 2012 on this chart, it goes way up. It's a huge spike. Naturally, from 2011 to 2012 everyone's thinking that it's going to keep going up. Unfortunately, in 2013 it fell back to 2011 levels. And then I've estimated out 2015, just extrapolating the data that we have from the Staff Report so far. I'm probably over-estimating it. I actually think the demand level is going to be much lower than that for 2015 to the end of the year.

In my experience, what is going on in the industry since the beginning of the year is people are not buying. I will tell you from my own experience, our family company has capped wells since January. We are not building out any more wells. We are not drilling. We are taking care of existing wells. But if you ask me to invest in buying line pipe at gathering lines to put into the market, no, not worth it right now.

Prices are not there for it. That behavior has got to be replicated on everybody else in the industry, which means you've got a huge inventory of line pipe with nowhere to go. You couldn't sell it for any price right now, as far as I'm concerned. It's just there's no market for it.

So line pipe demand is tied to the energy industry, and oil and gas drilling specifically. The U.S. industry took great pains today to try to break the linkage between those two; that rig count isn 't really correlated to it that much; there's drilling efficiencies in place. You know, you lose less rigs, et cetera, et cetera. So let me test this theory for just a minute with you.

If there are greater efficiencies in well drilling, then you drill less wells, correct? That means you use less OCTG because you need less to drill the wells. However, you need more gathering lines because you're producing more gas from an existing well, which you're either going to use a larger diameter pipe for--which is out of Subject--or you're going to use a medium-diameter pipe, not 8 to 10 but 12 to 16, or 12 to 24, inside Subject.

So you would think that the fact that you are more efficient would actually lead to either (a) a decline in overall in production because you need less of everything; or (2) your line pipe demand would actually increase because you're using fewer wells to produce more material, and you've got to gather and move that material, you've got to transmit it, which is what line pipe is for.

Neither of those explanations jives with what they told us this morning. So between 2012 and 2013, the number of rigs in operation for drilling of natural gas fell precipitously from 811 rigs in 2012 to 375 rigs in December 2013.

I am only talking about the gas market right now. We will get to the oil market in a minute. But then in 2014, things got worse. Here is a chart of rigs drilling for natural gas. And this illustrates pretty easily what is going on.

`You see the fracking boom coming up on the screen. Then the financial crisis causes a dampening in energy demand, clearly. Natural gas drilling goes down. Everything went down during that period of time.

But then it comes back when the economy starts to come back. And then the fracking boom really hits and we have too much gas chasing too few customers. And then the rig counts go way down.

So this next chart illustrates this in a more gradualized fashion. If you look at the red line at the bottom, those are oil and gas rigs. And if you take a look at what is going on here, between January 2012 and November 2011, over to the middle of 2014, we go from 800, 900 rigs down to 400 rigs. This is the first traunch in your demand depression in the industry, because those rigs are much fewer, but it's modified somewhat because oil production is still high.

It is stable, but it is going down. So there is a warning sign that's been exhibited in the market sat this point that suggests that rig demand is down, and demand for line pipe is probably going to be going down, or is going down.

This is probably the busiest chart I'm going to show you today, but this is the only way I could illustrate to you everything that was going on in the market at once. If you look carefully at this chart, you will see that the line in--hang on, let me catch up with you--the line in red are drilling rigs for natural gas. And you can see the collapse in the natural gas drilling rig position starting in 2013-2014, 2013.

If you look at crude prices, the grey chart, and that goes up, up until early 2014, and then it starts to fall precipitously as we know because oil prices dropped like a stone at the end of last year.

At the same time, you have the drilling rig counts which also indicate--that's the blue line--went up, and when oil prices dropped in 2014, they went down like a stone.

So all I'm trying to illustrate with this graph is that there is a very tight correlation between energy prices and drilling and the demand for products related to drilling. Line pipe is related to drilling and transmission.

Once you drill the well, you've got to get the product out of the well and to another location. That's what line pipe is for. If you don't need more of that pipe, you stop buying it. And we stopped buying it because we don't need it right now, unfortunately. I mean, I feel bad. It's a bad situation for the industry, and I am very sympathetic to that. But it's not the reason we're having a problem. Imports are not the problem. The problem is this dynamic right here between energy prices and a decline in the number of rig counts out there.

Here is another chart that illustrates this in a different way. The yellow line is the production of oil per day. And that number has been going up steadily. When you start in 2011 and you go all the way up to January of 2015, that chart is unabated. It is still going up, although it's going up less now than it used to.

But look what happens when you get to a certain point in 2015 in January. The blue line are active oil rigs in operation. So as production is going up, all of a sudden in January drilling rigs drop like a stone in the oil industry. Why? Because you don't--because oil prices collapsed and there isn't the money there to keep on drilling.

Those that have the ability to drill wells and don't borrow money conserve resources. When oil prices go down, you stop drilling because you don't have the funds, unless you borrow it, which is generally a bad idea in the oil industry because you have boom/bust cycles and you can survive a bust cycle if you don't borrow too much.

And we've been through this before. I actually am a student--and don't hold it against me--this is a 1999 Economist from, what is this, March 6th. I collect these silly things, like a lot of this stuff. "Drowning in Oil." At this point in 1999, oil prices hit $10 a barrel.

Ten years later, we're at $140. Now we're down to $45. It's going to go up. It's going to go down. But it's going to go up and down in severe cycles. And when you're in a down cycle, you have a problem. And that's where the U.S. industry is right now.

Again, looking back at this same chart again, if you look at it it shows that apparent consumption dropped precipitously right in line with what happened on the second traunch. So the first traunch of decline in consumption was here (indicating slide), when these rigs when down.

The second part is a 2015 Interim here (indicating), which is much more pronounced than this traunch, which tells me fairly obviously that the effect on the U.S. industry is far more stark here (indicating) than it was here (indicating). Which is reflected, by the way, in their finance statistics.

Their losses that have been accumulating in 2015 are due to this phenomenon right here (indicating). It also has another phenomenon impact which I'd like to just mention. We talked a little bit about reduced hours for workers and things like that. The reduced hours for workers were occurring during this (indicating) period. When we hit this period, this is when layoffs occur. This is when plants shut down, right?

And as bad as that chart looks, and as unfortunate as it is for the industry, it is absolutely true that we have had a complete collapse in demand for line pipe and products related to that in the energy services industry. If you look at what's happened in the numbers with Slomberget, Weatherford, National Oil, Welvarco, all the big names, they've laid off thousands and thousands of people in their industry down in Texas.

Houston is not a pretty place to be right now. Two years ago, it was boom times down there. Boom/bust cycle. We're in a bust cycle. Very simple. Another way to illustrate this point:

This data is excerpted from Preston Line Pipe.

If you look at the demand characteristics here, they sort of dip a little bit in 2013 when we saw the first evidence of a weakness in the U.S. industry. And then look here. They're falling off a cliff.

The Petitioners' witnesses this morning said line pipe demand is stable to going up. This does not suggest that. This suggests the exact opposite is going on. We have demand characteristics that haven't been this bad in over a decade.

This just doesn't fit with the explanation that they gave. Another way to look at it: Index rig counts. Again, way down. I'm belaboring the point. I'm sorry, I can't help it.

Now I wanted to talk about this correlation because they sort of said, well, there isn't a big, you know, there's totally different products, OCTG and line pipe. There's only one problem. A lot of pipe factories that make OCTG also make line pipe on the same factory. And they can switch back and forth between products, but fundamentally the same mill that makes line pipe often makes OCTG. And I think the witnesses this morning accepted that fact.

So here's the worst part about it. OCTG is in worse shape than line pipe right now. The decline in demand in OCTG is over 40 percent relative to line pipe, which is a lesser number than that.

So here's your conundrum if you are a U.S. producer. And again, unfortunately this is why you're having mill closures right now. On the one hand, you can't make more line pipe because the demand is stuck. It's in the doldrums--it's not even in the doldrums, it's in a funk. On the same token, you can't switch capacity over to OCTG. In fact, you may have just switched capacity from OCTG over to line pipe to try to rebalance your mill, but you can't do that anymore.

So you're stuck with a lot of unused capacity all of a sudden because both products you make on the same mill are in the same toilet tank. It's a very unfortunate situation.

So what do you end up having? High, under-utilized capacity utilization rates, mill idlings, layoffs, you know, it's all of these bad things that you're seeing in this case. But have I said anything about imports in this so far?

No. Do I acknowledge that imports went up? Yeah, they definitely went up. Did the Korean imports go up more than Turkish imports? Yep, they did go up more than Turkish imports.

Can we say that this phenomenon isn't really what's causing and driving the entire industry problem right now, as opposed to imports? Yep, this is what's driving the problem: Demand. It;'s all about demand.

So discussing the performance of the U.S. industry which peaked in 2012 and then had a collapse in demand triggering the current industry issue. U.S. average U.S. capacity increased going into 2013, then dropped. Again, why? Demand.

Production peaked in 2012 and then retreated in 2013, and decreased close to 2011 levels. Why? We go back to the demand slide, the consumption slide that shows the drop back to 2011 levels. Producers could not shift production because OCTG was in even worse shape than line pipe.

There's no ability to shift production or capacity. You don't have an alternative way to put it. And you have no ability to have other product lines absorb your fixed costs. In other words, you have a certain number of fixed costs associated with running a mill. If it's 50/50 line pipe and OCTG, you're running those costs between the two.

If OCTG is in worse shape than line pipe, where are you going to feed those costs off? There's no place to put them. That's called loss. And of course there is an anomaly in the data which we still haven't figured out, which is why did SG&A expenses just about double between 2013 and 2015? I still haven't gotten an answer to that question. I don't understand it. That has nothing to do with sales prices in the United States, or imports. It has to do with your cost structure.

And of course the last point that the Commission is focused on, which I don't think we got a satisfactory answer from the U.S. industry from, is falling raw material prices. I don't care which grade of coil you're using, all coil at different levels decreased in price relative to each other during this period of time, particularly in 2014.

Coil prices dropped 30 percent. You can't tell me there wasn't an impact on the U.S. market and their cost structure as a result. I can't get into the specifics of it because it's APO, it's BPR materials so we can't talk about the specifics, but it just seems incredulous to me that your cost of goods sold would not go down at all, and that your prices really didn't go down as a result, either, in 2014 to 2015.

If you look at it, their AUVs, they're pretty stable. Something's got to be--something's driving that, or something is changing in that. And I don't know which it is, but the fact of the matter is I don't see how you can explain a cost of goods sold that doesn't drop at least proportionately with a drop in the raw material cost in the open market. It just doesn't make sense to me.

So what's the impact of Subject Imports? The U.S. market share actually increased between 2012 and 2014 despite the drop in demand and despite the presence of subject imports.

U.S. unit values did fall in 2013, but, i.e., that was during the precise period when demand went from the spike and dropped significantly by 29 percentage points.

At the same time, imports were flat during that period. So unit values are falling not because imports are increasing--they're here and stable, and in fact decreasing to some extent--but something else was triggering it at that point. The total increase in Subject Imports between 2012 and 2013 was only 37,000 short tons. That's not a lot of tonnage.

It's hard to explain how that drives a million and a half. It's tiny in comparison to consumption in U.S. shipments. Now I will concede to the Commission that in 2015 we have a spike in imports. We have a spike in Korean imports, not Turkish imports, but I just want to make that distinction. And, you know, that to me is a feature of again the precipitous drop in demand.

If you go back to this chart here (indicating), this number has risen so fast--this is January 2015; this is May 2015. In three months, we have an incredible drop in demand for the product, the rig counts, which then drives the demand for the product.

No one, I think, foresaw this happening. Certainly the U.S. industry didn't foresee it happening because they thought they'd just gotten over the hump. And certainly imports didn't see it happening, either.

So, you know, given the fact that you've got to make an order for imports three or four months ahead of time, you're making a decision in December for a product that's getting here in March or in April. I'm not saying that's all that you can explain it by, but that's a pretty big part of the explanation, and certainly something worth considering.

So at the end of the day, we have a U.S. market increasing and we have consumption going up slowly in 2012 and 2014, and then Turkey, which I will say at the end, with Turkey I can't speak for the Koreans. I'm not representing the Koreans. They're not here today. I called Don and said, what are you doing leaving me out here to hang and to dry? I need a wing man here, and Don kind of shrugged his shoulders and didn't say much. I can surmise that the Koreans aren't here today because they think the margins are going to be so low that they just don't care. I'm sorry, Commissioners, that's not a good way to put it to you, but I have a feeling that they think they can either live with whatever low margins produced by the Commerce Department, or they just don't see the merit to coming in today. And that's unfortunate because the Commission should have complete data in front of it, and you're being deprived of it.

I would urge you to consider carefully--not to penalize Turkey because of the Koreans' behavior. It may or may not make a difference, but Turkey is here. We have put a brief in. We are going to file a post-hearing brief. I am here today to answer your questions, and hopefully try the best I can to answer questions for an industry that I have limited knowledge of.

And the only other things I can say about it are, you know, Turkey doesn't compete in a large section of the market. They don't compete in the over-16-inch segment, which also happens to be the segment that is all direct to end-users by the U.S. industry. And those markets are probably far better off than the under-16-inch industry, but we don't have the data to show that necessarily.

I would also say that Turkish producers are so small a unit in this market. None of them are on the AML lists. So there's a certain percentage of the pipe that they can't sell into the U.S. market. They are basically in the low end of the market. There's only one way to put that. They are in the standard, regulars, zero to 16 inch welded line pipe industry, nothing special about it.

That doesn't mean it doesn't compete with U.S. product, but it doesn't compete on the same level or to the same degree that Korean product does in the U.S. market.

And I would also say that for the Turks there isn't a single lost-sale allegation that's been proven against the Turks. And if you look at their under-selling margins, they've actually been narrowing. And in fact they've been overselling the market in 2015, which would suggest to you that maybe there's a difference in the way they're approaching the markets.

Finally, I would also--I can't help this--I know that capacity utilization is a big bug with the Commissioners. You all look at that. You look at the foreign capacity utilization, particularly with threat, to decide whether this is an issue. I can't get away, there's an elephant in the room on that. Capacity utilization in Turkey is low. No question about it. However, I keep asking myself the same question: Well, if the industry capacity utilization is low in Turkey, why aren't they selling more into the U.S.? They're either exercising restraint, or there's no market here for it.

Thank you. I will answer any questions you have, hopefully.

CHAIRMAN BROADBENT: We will begin our

questioning with Commissioner Johansen.

COMMISSIONER JOHANSEN: Thank you, Chairman Broadbent, and also, thank you, Mr. Nolan for being here today. I know you're the only one at the table. This is a rare situation for the Commission, but I do appreciate you appearing here today. I do wish the Koreans were here. I think that that would help add more color to what's happening here, more light on what is happening here in the market, but they're not here and that's just the way it is.

Getting back to the whole situation of the state of the U.S. industry, the vis- -vis, the drop, the major drop in oil prices. Some of the witnesses this morning stated that the issue is not recounts, but basic transmission of the product, which remains high. Consumption in the United States of oil and gas is high. In fact, it's probably getting higher right now, because the economy's picking up and oil prices are going down, which means people are driving more. Could you please discuss that issue?

MR. NOLAN: Sure. There's no doubt that some sectors of the economy are continuing to have demand for the product. Those were there before the rate counts dropped, so think of it this way. You got one section of the industry that's kinda gone steady state, but going up a little bit because the transmission is still going up, there's still construction going on, there are new houses being built, there's some demand for that line pipe with the aspect of that part of the industry.

But at the same token, you have this exogenous shock to the system that occurs in a very short period of time. Right? And, what impact does that exogenous shock have on the whole dynamic of the market at that point? And my point to you is, you can have that modest increase in line pipe usage in these other industries, but if you hit a drop at that magnitude in that short a period of time, it's disruptive. It's absolutely disruptive to the U.S. market and to the U.S. production industry, because there's no way you can recover from that quickly.

You just took a big chunk of the market out. And the other market was there before, so when things were going hot in 2011, 2012, the construction market was there then. The same construction market is here in 2015, the one thing that's changed is that fact. The rig counts. And the rig counts, I'm sorry, if you drill a rig and you hit oil or hit gas, your next question is, do we cap the well or do we put transmission lines in to get it to market?

And if oil and gas prices are too low, guess what we do? You cap the well and you wait. You wait until prices get to the point where the economics makes sense to put the lines down to get it to the distribution point to market. To me, that's a big part of what's going on right now. People just aren't doing that.

COMMISSIONER JOHANSON: Thank you for your response on that. Now I'd like to talk about the issue of underselling, which is a major point which is brought up by the petitioners. Are there any trends in the data on underselling on the price in products that would allow the Commission to distinguish Turkey from Korea?

Just by raw count of quarterly comparisons, there don't appear to be any significant differences, while imports from Korea undersold the domestic product 100% of the time, imports from Turkey undersold 80% of the time. Is there any way you could make a -- point to a distinguishing factor between the two subject countries that we take into consideration?

MR. NOLAN: I would give you a couple of responses. That, first, the level of underselling was pretty stable by subject imports during the POI. So they were underselling when things were hot, they were underselling the same amount when things were not.

So that sort of suggests that, what's the correlation between the underselling and the actual price suppression depression that you're looking for here? But I don't think it shows any. I would say that, with respect to Turkey, the trend started diverging in 2015.

If you look at the underselling analysis and you look at the lost sales, if you look at, you know, sort of the trend line, I think you're starting to see Turkey change direction relative specifically to Korea. They're showing divergent patterns in terms of pricing.

I can address that more specifically in the post conference. I'm just afraid of saying something that'll be BPI in the room.

COMMISSIONER JOHANSEN: All right, yeah, I look forward to seeing that. And now I'd like to talk about the whole issue of the AML, the AML list and you write in your brief that Korean producers are not on the AML list.

MR. NOLAN: Actually, they are.

COMMISSIONER JOHANSEN: Okay.

MR. NOLAN: The Turks are not.

COMMISSIONER JOHANSEN: I'm sorry.

MR. NOLAN: Yeah.

COMMISSIONER JOHANSEN: The Turks are not. Okay. They are not on the AML list. Correct?

MR. NOLAN: Not as far as I know.

COMMISSIONER JOHANSEN: Okay. Do you know if they have applied to be in the AML list and what it entails to get on that list?

MR. NOLAN: As far as I know and obviously it would be better if they were here to talk to you --

COMMISSIONER JOHANSEN: Right.

MR. NOLAN: -- directly about this. I'm not aware of them trying to get on the AML list. You know, some of the producers that would have, have now set up operations in the United States so that they don't care so much about this anymore.

COMMISSIONER JOHANSEN: Mm-hmm.

MR. NOLAN: And that answers a bunch of questions I think that were brought up this morning, without getting specific.

It's not, you know, it was a market which, I'm gonna be blunt with you, the market was going like this in 2011 and 2012 and I think a lot of people said, 'Oh, let's get on this train a little bit, 'cuz it's great,' and then the market went choom, like that, and people got caught flat-footed.

I think the imports reacted to it relatively swiftly, but then things seemed to stabilize and then all of a sudden, more imports come back in and then the market does another one of those dives, because of demands and considerations.

Again, you know, it keeps coming back to demand. Would we be in a very different place if Turkish imports hadn't come in at all? No. We would've been in exactly the same position we are now. That's driving it.

COMMISSIONER JOHANSEN: Thanks. On Pages 8 to 10 of your brief, you argue that Turkish companies are not on the AML lists, and that purchasers have a preference for domestic supply of line pipe. But I'm a bit puzzled by the implication that Turkish producers are at such a distinct disadvantage in U.S. market, when it's clear that Turkish steel producers have long had a significant presence in the U.S. market. We've had a number of cases with Turkey here before.

MR. NOLAN: Yes, and those have been standard pipe and OCTG, but not line pipe, if you actually go back to 2010, Turkish line pipe production or exports to the U.S. were pretty small. Maybe like 10,000 maybe? I have to go back and look for sure, but I think it was a fairly small number. So they kind of came out of, you know, into this production cycle with the U.S. late.

Most Turkish production has historically gone to the Middle East, which makes perfect sense because Turkey's right here and the Middle East is right there. So most of their production has gone to the Middle East. And still a sizeable production. They don't drill for oil in Turkey. Right? Other than transmission lines for natural gas, like the rust on a pipeline that they're building, which admittedly is large diameter, not this product is, you know, the big pipeline that's going from Zurbano all the way across Turkey to Europe to transmit gas across the continent.

But Turkey isn't in the same position as other long-term producers. This is not like, I hate to say it, like Korea, which has been in the market a lot longer. The Turkeys are relatively new entrants to this market.

COMMISSIONER JOHANSEN: They're new entry, but they already have a large presence in the U.S. market in other products.

MR. NOLAN: In other products, standard pipe yes, OCTG, which again, kinda grew quickly, but yes. But not in this particular product. It hasn't been a historic large producer or function of the Turkish steel industry.

COMMISSIONER JOHANSEN: Right.

MR. NOLAN: I mean historically, if you really want to go back, it's rebar. Right? I've been here in front of the Commission more than once on rebar.

COMMISSIONER JOHANSEN: Right. Okay. In the first half of 2015, the presence of subject imports in terms of market share exceeded that of the entire U.S. industry, domestic industry. At what point does threat of material injury become more than that?

MR. NOLAN: Wow. That's a really hard question.

COMMISSIONER JOHANSON: Because, once again, subject imports are very strong in the market right now.

MR. NOLAN: Yes, and imports came in and I guess the evaluation I would put into that from the Commission standpoint is that, you know, do they remain inundated or at what point do you have to make the decision that this isn't a -- how do you put it? -- A time phenomenon.

So, in other words, if you have a bunch of pipe that's sitting on the water that was ordered in December and it's on its way here, you can't turn the ship around. It's still coming. It may end up going into inventory, but it's already been sold. It's coming here. So that pipe you can't really stop.

What you can stop is the orders that come in after that. So if the monthly numbers keep going high, then I would take a look at that honestly, if I were you. It might be against my own interest right now, but I'd look at the monthly numbers and see which way they're trending right now. Are they continuing to go up? Or does it look, like, oh, well, the exogenous shock happened in December and January and, as of March, things are going tschew --

COMMISSIONER JOHANSEN: Then again, as you mentioned, there is significant unused capacity in Korea.

MR. NOLAN: There is unused capacity in Korea, I don't think it's anything like what Turkey has.

COMMISSIONER JOHANSEN: Okay.

MR. NOLAN: But I don't, I'm not a specialist in

Korea, unfortunately --

COMMISSIONER JOHANSEN: Okay.

MR. NOLAN: -- or fortunately.

COMMISSIONER JOHANSEN: All right, thank you for your responses. My time is about to expire.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: All right, thank you. Thank you, Mr. Nolan, for being here. We do appreciate it. So, I wanted to look at some of the slides that you had put up. And, you know, you heard the argument this morning, obviously what you all were just discussing part of them about the demand for line pipe isn't correlated to energy prices, but more to the production of oil and gas.

And here's my question, so when you look at the slides that you presented and, for instance, Slide 9 which shows apparent consumption. You know, this is what was actually purchased, I guess, over the POI --

MR. NOLAN: Yeah.

COMMISSIONER SCHMIDTLEIN: -- and how it drops substantially between '12 and '13, and that shows up in the C table. Right?

MR. NOLAN: Mm-hmm. Yeah. Should all be considered.

COMMISSIONER SCHMIDTLEIN: Not confidential.

MR. NOLAN: Should all be considered. Yeah, no it's not. Don't help if I got that wrong.

COMMISSIONER SCHMIDTLEIN: 23%. Right. So, so here's my question. So you see this drop in the demand of line pipe, right in '12 to '13. But the price of oil and natural gas doesn't take its big drop until sometime in the middle of '14.

So doesn't this support the argument that, yeah, you know, line pipe is more tied to the production quantities that are going on, and not necessarily what the price of gas and oil is doing.

MR. NOLAN: Right. So I think there's a couple of pieces to that. I think you have to take apart a little bit the price of natural gas and the price of oil, because they were not exactly in synonymous trends during that period of time. I think gas prices dropped faster than oil prices, or earlier.

I'd take a look at that. I would say also there is, or if it's not, you know, the reaction is, with the storm is coming. You know it's coming because all of a sudden, you know, we got a bunch of oil in pipelines, we got a bunch of gas coming out of the ground and things are getting softer.

And maybe the trend line hasn't become apparent in the statistical analysis, but if you're out in the field, you're seeing all of a sudden there's too much product and too few customers out there, and you're starting to see that occur as it's happening, which causes you to reconsider what you're doing with recounts.

I do think that there was an anomaly here. 2012 was a strange year. If you look at 2011, 2011 was a strong year for the U.S. industry, right? They were making 14% profit margins, operating margins. That 2011 is a lot less than 2012, so everybody went crazy in 2012, and I think, personally I believe that's the shale play. I think everybody was rushing into North Dakota, into Pennsylvania, all the places where the shale gas was going and these rigs are going up like crazy.

And I remember having a meeting about this, saying we're not getting into shale because it's nuts. There's some strange stuff going on there, people are drilling without thinking of the economics of how this would work long-term.

But there was a huge spike in it in 2012 and that's the line pipe going at the same time shale is going. Well, then production goes up and then all of a sudden, energy prices start to get soft, first in gas, then in oil.

And as a result of that, 2013 drops. And it gets worse in late 2014, 2015, because that's when the oil prices really started manifesting themselves in, you know, I'm thinking the first real drops were like in November

2014, I remember. I remember going down to Houston to give a talk and people in the National Association of Steel Distributors were all, like, oh, this is not good. It's not good. Something's going bad with the market.

I talked to one OCTG provider that was a foreign producer or importer and he said, at one point in December, we couldn't sell anything the whole month. We just couldn't find a customer for it.

COMMISSIONER SCHMIDTLEIN: So is there some kind of lag or something? I guess if it were tightly correlated, then wouldn't we see, you know, even in the interim numbers you see, they're pretty stable. Right? I mean I'm looking at apparent consumption of line pipe.

MR. NOLAN: Right.

COMMISSIONER SCHMIDTLEIN: But yet, you know, the price of oil and gas at that point is steeply declining. So if there is this correlation, I mean is it because there's some kind of lag in that? Why are we seeing, you know, everybody's shutting down their wells.

MR. NOLAN: Yeah, but --

COMMISSIONER SCHMIDTLEIN: Why aren't we seeing the -- why isn't it showing up in this data?

MR. NOLAN: Well, it does show up. I guess the answer is, there is a bit of a lag involved in here, but the correlation seems to be pretty clear when you look at, for example, oil prices here and then drilling rigs going down a little bit further out with the oil prices going down. The correlation gets much more stark as the curve gets steeper.

COMMISSIONER SCHMIDTLEIN: Yeah, but we're not, this isn't a case about oil rigs. It's about line pipe, so --

MR. NOLAN: It's about line pipe and I guess this is the issue that we have with the U.S. industry, at least my way of looking at it. The way they look at it, because these are two completely distinct industries, rig counts are not correlated to line pipe. Line pipe is a totally separate market.

There, to me, they're all inextricably intertwined with the price of energy. If energy prices go down sooner or later, and I think sooner rather than later, than rig counts decline and that's just an indicator of demand overall in the energy tubular sector is going down.

So you follow energy prices down, and if you follow them up, you see the exact correlation going the other way. I can always tell when energy prices are going up, uh-oh, our rig costs are going to go up in about three or four months, because it's just like that. It's almost you can track it.

And so you look at that lag occurring in any part of this industry and, you know, rig counts aren't a perfect correlation to line pipe, but if you don't have rigs being drilled, you don't need the line pipe, because there's no need to plug it in and move the -- ship the stuff out once you've drilled your well.

COMMISSIONER SCHMIDTLEIN: All right.

MR. NOLAN: I can will to address that in the post conference.

COMMISSIONER SCHMIDTLEIN: Okay, that would be great, yeah. One other argument that they've -- well, one other issue that's been discussed I guess I should say, is the capacity issue, and you included a slide on that as well, on Page 7, talking about the amount of capacity that the U.S. industry is added, and that this was because they didn't anticipate this collapse in oil and gas prices and so forth.

Wouldn't another way to look at this be that, no they're looking at the production of oil and gas and if that is tied to the demand for line pipe, then their decisions in this regard make sense, right.

I mean, in other words, isn't this consistent with their story that, yeah, we're not looking at energy prices. We're looking at the production, and if we're gonna need to move a lot of oil and gas, then yeah, this is a good business decision to go ahead and invest in this type of capacity.

MR. NOLAN: Then I guess the question is, how far back do we go in the chain of reasoning on economics with that, because why is the production high at that point? Yes, the production is high, which leads you to the point of, well, it's irrational businessman who says when production is high, we should produce more, and get more capacity. Totally with you, it makes perfect sense to me. But go back a step, why is production so high? Why is everybody buying so much line pipe?

COMMISSIONER SCHMIDTLEIN: I'm talking about production of oil.

MR. NOLAN: Production of oil?

COMMISSIONER SCHMIDTLEIN: Production of oil, yeah. It's so high --

MR. NOLAN: Right, the production of oil is so high, it is running at $100 a barrel.

COMMISSIONER SCHMIDTLEIN: I know, but it's still going up. I mean look at your own chart on Page 14 --

MR. NOLAN: Oh, yeah, it's still going up because --

COMMISSIONER SCHMIDTLEIN: Right? It's a --

MR. NOLAN: Right, I gotcha, I'm with you.

COMMISSIONER SCHMIDTLEIN: So if you're them, and you're looking at the production of oil, right?

MR. NOLAN: Right.
COMMISSIONER SCHMIDTLEIN: Like, wow, this is all this oil coming out of the ground.
MR. NOLAN: Right. We need to --
COMMISSIONER SCHMIDTLEIN: It's got to move through these pipes, so yeah, I think there's gonna be people buying pipes, let's invest.
MR. NOLAN: Let's invest. So, okay, so we take out --
COMMISSIONER SCHMIDTLEIN: Isn't it --
MR. NOLAN: Going on that logic trail --
COMMISSIONER SCHMIDTLEIN: Right.
MR. NOLAN: So what happens if --
COMMISSION SCHMIDTLEIN: How do you respond?
MR. NOLAN: -- so in 2014 and 2015, we're still producing more oil. Why don't we use more line pipe? There's something that breaks in the logic chain at that point, because if it's completely tied to oil production and oil production is continuing to go up on that graph, you would expect line pipe demand to continue to follow that trend. Right?
Because you need more transmission lines to keep moving that oil. But we're not seeing that. What we're seeing is overall consumption retreating and, in fact, in 2015, it goes down again. So why is it from 2012, 2013,

2014's flat, and 2015 is going down. How do you square that with oil production that's going like this at a 45 degree angle?

COMMISSIONER SCHMIDTLEIN: I mean it's a good question. I would invite and I would invite the petitioners to also respond to that, the question of, it's the petitioners' argument is that this is tied, the demand for line pipe is tied to production of oil and gas, and so if you look at this oil and gas production -- or oil, let's say oil, right, continues to track upward, pretty solidly. I mean I see there's a few dips in there.

So if that's the case, why aren't we seeing an increase, a more substantial increase in demand for line pipe, right? So you understand?

MR. NOLAN: I guess part of it is, once you put the oil --

COMMISSIONER SCHMIDTLEIN: I mean I invite you both to address that --

MR. NOLAN: My final comment was, once you drill the well and you establish the gathering lines and you're actually producing the well, the cost to keep the well going is not very much. Right? So once you're producing you tend to keep producing, whether it's $70 a barrel, whether it's $40 a barrel. You tend to keep producing.

What you don't do is make new wells. You don't drill more. You don't add new gathering line, so all the stuff that you're seeing here, those lines got set up and they're producing out of them, and they're producing wildly well out of them, which is great. Which is one of the reasons why energy prices went down to $45 a barrel for oil, and natural gas went down to $2 per MCF or whatever it is now. So it went down quite a bit, and we're still producing that, but the law of economic, you know, dynamics of this market are, if prices are low you will stop investing in new production and new exploration until the price goes back up, because it's not worth the trouble of doing it.

What does that portend for anybody that's in the energy industry right now, including line pipe? It means demand is depressed.

COMMISSIONER SCHMIDTLEIN: All right, thank you. My time is up.

CHAIRMAN BROADBENT: Okay. Mr. Nolan, do you agree with petitioners' assessment that non-subject imports compete in different markets than subject imports and domestic product?

MR. NOLAN: No, I do not agree with that. They sort of make, sort of general assertions about heavy-walled pipe and specialty pipe and all these other things, but you know, there was a lot of tonnage that was coming in, subject and non-subject.

And if we go back and look at this, all imports, so you look at all imports, they went up to 1.7 million in 2012, Korea was a big chunk of that, Turkey was a much smaller number of less than a tenth of that, but still there. But there's a lot of other imports, and you know, is it all specialty? Is it really credible to suggest that half of the imports coming into this country are all specialty products?

I don't think so. This is not a particularly -- there are some specific applications in some areas for sourgas and things like that, but the predominant stuff that comes in, 0 to 16" which is what Turkey makes, is standard line pipe, nothing unusual. Most people produce standard line pipe.

CHAIRMAN BROADBENT: Okay. It has been alluded to this afternoon that there's a gap in import pricing data discussed in Footnote 6 of Chapter 5 on Page 5-6. Would you be able to help us track down any of this missing data?

MR. NOLAN: I will try. I know what you're talking about. All I can do is say I'll do my best to go back and see if I can get you some information.

CHAIRMAN BROADBENT: Okay. We appreciate that. How do you respond to domestic producers' argument that increasing subject market share was not a replacement of non-subject imports' market share?

MR. NOLAN: I think you just have to take a look at the numbers up on the board. I mean, you know, subject imports in 2011 and 2012 are not that far off, but in all imports, non-subjects were reduced when subjects came in. I think there was a clear replacement with a lot of that going on. If you just look at the data on the staff report, it pretty clearly indicates that a lot of non-subjects got replaced with subject. Of course, most of that was Korean.

CHAIRMAN BROADBENT: Okay. How do you account for the increase in the industry's COGS to net sales ratio over the POI?

MR. NOLAN: I don't. I don't have an explanation for that, and honestly, it doesn't make sense to me. When you are faced with the single raw material that is the principal element of the product which is 60, 70% of the cost of the product is one material, hot-rolled coil.

And hot-rolled coils go down 30% in a year, and your cost of goods sold don't go down at all? That's some pretty artful dodgery accounting as far as I'm concerned. I don't know how you can do that. It doesn't make sense to me.

CHAIRMAN BROADBENT: I mean, what do you think -- I mean, can you speculate a little bit further?

MR. NOLAN: Well, there are ways of looking at this. So, you know, if you have and I'm just gonna put on my account hat for a minute here. If you have raw material inventory and you bought it on Day 1, and that material drops by 20% in Day 3, you just got stuck with some high-cost raw material inventory, but then you have to process manufacturing to the product, and of course, that squeezes your margins, because you got a high-cost raw material with a declining price environment on your hands.

However, this is a sustained issue here. This is not some temporal phenomenon. It just seems like it's been there for a while and the drop in hot-rolled coil prices took place over the space of a year. So at some point you would think it would bottom out and I can't see how it accounts for 30% of the difference.

This is an inventory cost adjustment. However, if it is some kind of an inventory cost adjustment, that's a cost issue based on demand and getting stuck with material, not imports. It's a different issue. It's them having higher cost inventory on their hands, which they cannot easily get rid of because of demand declining.

CHAIRMAN BROADBENT: Okay. How do you respond to the argument raised this morning that the low prices of natural gas actually led to a rise in consumption of natural gas, as opposed to coal and other products leading to more demand for line pipe in transmission and distribution?

MR. NOLAN: I have no doubt that the conversion from coal to natural gas has fueled an increase in the need for line pipe as being used in the natural gas power sector. What size of pipe are we talking about? This case is 0 to 24" pipe. If it's above 24" pipe, it's not subject to this investigation. If the pipe we're talking about, which I think is over 24", then we're talking apples and oranges in this room. Because it's not subject.

CHAIRMAN BROADBENT: Okay, all right. I appreciate your answers. I'm getting to the end of my questions, so I will yield at this point to Vice Chairman Pinkert.

VICE CHAIRMAN PINKERT: Thank you Madam Chairman, and I thank you for being here today, and your willingness to answer our questions. I'm trying to understand your explanation for the jump in subject imports between the interim periods, and I understand your point that well maybe the shipments for early 2015 were set up before 2015, but I don't understand the increase in the absolute quantity between interim 2014 and interim 2015.

Why -- what is the underlying phenomenon that would have boosted not just the market share in 2015 of the subject imports, but the absolute amount of them?

MR. NOLAN: Good question. So let me go back to these charts here for a second. This is speculation on my part, because we really don't have as good an answer for this, and I wish the Koreans were here to answer that question, because obviously it's much more pertinent to them than it is for Turkey. Just get that one in there.

The characteristic that caused the initial depression in my mind in demand occurred here with the gas rigs. When they went from here down to here, this is all 2012, 2013, 2014. It's when the oil rigs where we get the real big exogenous shock here, right, that really kicks it. My surmise, based on just market dynamics are, well this correction has taken place. It stabilized down here so, you know, things are going to get better, and the U.S. industry kept saying this morning well, the line pipe industry is getting better. The demand is there; it's getting better, it's getting better.

Well, if that rational or irrational exuberance existed in other markets, they might think well yeah, things ^^^^ we're over the hump, so let's jump back in and make some more imports, except for one problem. You start bringing them in, this is March of 2015, right in the middle of the collapse.

So we're talking January, March, May. All during that period, things are dropping like a stone. I don't think anybody predicted that happening. I didn't. I'm not the world's expert. I'm not a brilliant economist, but I can tell you not many people in the industry projected. I was at an API conference last year, middle of the year. People weren't predicting this phenomenon happening.

They said oh yeah, there's a little softness in the market and, you know, we've got to get past this, but it will get back to normal, and then the bottom fell out and we hit $40 a barrel oil.

VICE CHAIRMAN PINKERT: Thank you. Now you heard the discussion on the earlier panel about the phenomenon of subject import pricing leading down the domestic prices during various parts of the Period of Investigation, and I want to direct your attention to the early part of the period and the very latest part of the period.

In other words, the 2013 time frame and the 2015 time frame, and tell me whether in your view, the subject import prices are leading down the domestic prices.

MR. NOLAN: No, I do not believe they are leading down domestic prices. I think the U.S. industry was in charge of the pricing patterns occurring at that point in time, and I think the U.S. industry was coming to the grips with the realizing that demand is dropping quickly and the market's just drying up, and that's going to affect prices.

Because it happened both in 2013. So in 2012, we have the spike, then we have the drop, immediate drop, which causes the U.S. producers to go uh-oh, demand's dropping, we're going to have to adjust. Then you have 2015, again drop, right. I honestly think the statistics that the Commission has right now do not reflect properly what has gone on in the demand collapse in 2015.

That trend is far more stark than the one we had in 2013, and yet the data isn't here yet to tell us what really is going on. I can tell you what's going on in the field is it's bad. It's really bad out there, and I feel -- I can feel for the U.S. industry on this, because it is not a pleasant place to be right now. It is not an easy thing to deal with. We have a very bad recession in the energy industry that we're dealing with, particularly on the services side, and that affects line pipe, it affects OCTG, it affects all the guys that drill the wells, you know, people getting laid off.

It's a truism, and that's the part where we're having to deal with, and line pipe's just part of that problem, part of the equation, and they're suffering with everybody else in the energy industry.

VICE CHAIRMAN PINKERT: What I'd ask you to do for the post-hearing is look at the pricing product information in the staff report, and look at that gap between the subject import pricing and the domestic pricing, and help me to understand what's happening early in the period, when it seems that subject import pricing is leading down U.S. prices, and then at the end of the period, where again it seems that subject import pricing is leading down U.S. prices.

Then I have the follow-up, which is if in fact it is the case that during those two time frames, subject import pricing is leading down U.S. pricing, what am I to do with 2014?

MR. NOLAN: I'll take that up in the post-hearing. You asked a multi-part question and it's very challenging, yes.

VICE CHAIRMAN PINKERT: Thank you. I appreciate your willingness to address that during the post-hearing. Now another question, and you've already touched on this in your answers to questions. But just as a general matter, when raw material pricing is declining, it is reasonable to expect a one to one pass-through from raw material prices to the prices charged for the finished product?

MR. NOLAN: It depends a little bit about the market, where the market is, right? I mean there will be instances where an industry is able to actually increase its margins some, because it can keep the prices a little higher and the spread gets wider. I think what's more normally the case is the spread tends to narrow more in an industry, and as it narrows, it definitely squeezes the profit margin because, you know, customers are not stupid in the industry.

They're looking at this thing, well you know, coil prices just went down ten percent. Why don't you give me a ten percent discount on that? Well, we can't do that. Maybe we'll give you a five percent discount. But something's going to have to give, because the market is watching all of this activity and market knows, the consumption part of the market knows that your principal raw material just when down in price.

And you could say well, we're stuck with some high cost inventory raw material for some period of time. Okay. That works for maybe a month. But after that, it's got to give, and my question is why hasn't it? I don't -- I'm perplexed honestly by it, because it should have happened. Economically, from an accounting standpoint, from a demand-supply standpoint, it should have made an adjustment of some size, a lot more than what we've got.

VICE CHAIRMAN PINKERT: Well, help me with the economics on that. If the market is declining, there's declining demand in the market, and you tell me what your assumptions are regarding demand elasticity, but whatever they are, you may have relatively inelastic demand and declining demand in the market. So what is the result from the point of view of the pricing of the finished product?

MR. NOLAN: Okay. So there's two points to that. One, if you look at the staff report data, it suggests that, particularly in 2014-2015, the AUVs for the U.S. industry did not change all that much, didn't go down very much. So they stayed relatively stable.

During that same period of time, we got a huge drop in raw material costs, and yet the reported cost of goods sold doesn't go down. If the price remains relatively stable and your cost of goods sold doesn't change, I can see you've gotten squeezed. But the economics of this would dictate at some point the cost of goods sold should be going down, unless something else is causing it not to go down.

It's not because hot-rolled coil prices haven't gone down, because you could see it in the market. They were dropping. So what else is causing that to happen? Unless you can explain to me that, you know, we have a high cost inventory or there's some other exogenous factor that hasn't been accounted for or hasn't been discussed today at all, as far as I've heard, then logic would dictate your hot-rolled coil prices should have gone down somewhere between 1 and 29 percent.

I don't care. Maybe make it ten percent, make it a third. We didn't see any of that happen. We're still dealing with a cost of goods sold that's as high as it was a year earlier almost, if not higher, and with prices that on net haven't changed very much. Doesn't suggest the pricing is the issue; it suggests that nobody's buying in the price side, and on the cost side, there's no adjustment for cost of goods sold taking place.

You know, I mean you're looking perplexed at me. I'm looking perplexed back at you, because I can't explain this phenomenon. It should go down, cost of goods sold. It's not a price issue; it's a cost issue.

VICE CHAIRMAN PINKERT: Well thank you. I would invite you and the Petitioners to address the economics of this issue further in the post-hearing. I appreciate your answers.

CHAIRMAN BROADBENT: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Mr. Nolan. Thank you for coming this afternoon. I'm going to go back to the same thing my colleagues have done, but maybe in a slightly different -- track slightly differently. This morning, Petitioners gave us several reasons why the rig count is not a reliable indicator of demand.

They mentioned, for example, changing efficiencies, the replacement market, gas and oil transmission projects, and they did say, I think, that it wasn't -- when you're talking about transmission projects, you're not just talking about 24 inches and above, that there's a sizeable amount below 24. I think that was correct. I was wondering do you agree with them on any of these points?

MR. NOLAN: I disagree with them, that they're trying to divorce the rig counts from it. If you go to any survey on demand patterns in the industry, rig counts is going to come up. Everybody uses that as an indicator of health of the industry. We all do. It's always been that way.

I'm not sure why everybody thinks that's so relevant, and then all of the sudden it's not relevant in this one proceeding, because it clearly is viewed that way. I go back to my original statement, you know. If you use production as the --

COMMISSIONER WILLIAMSON: I understand, you've repeated it. So you don't need to repeat it again. Here's the point.

(Simultaneous speaking.)

MR. NOLAN: But the rig counts is an indicator of activity in the energy sector. It is the primary activity --

COMMISSIONER WILLIAMSON: I understand that. We've had innumerable OCTG hearings and all that.

MR. NOLAN: Right.

COMMISSIONER WILLIAMSON: But your chart showing the production of oil kept going up?

MR. NOLAN: Yep, kept going up.

COMMISSIONER WILLIAMSON: You didn't -- you never talked about production of natural gas, and I was wondering what's the relationship of that to the production of oil, I mean in terms of volume, you know.

MR. NOLAN: I'd have to get a chart for that, but I think it's pretty similar. I think gas has gone up quite a bit too in terms of supply. Again --

COMMISSIONER WILLIAMSON: So doesn't that suggest that maybe the arguments that it's not just the rig count have some merit?

MR. NOLAN: But okay. So let's take that and spin it back out a little bit. So if in fact production is the driver and production of oil is going up and gas is going up, line pipe demand is flat to going down during the same period of time, this correlation --

COMMISSIONER WILLIAMSON: But it's not going down as fast as your monthly chart shows it going down. But I'm not sure. Is it going down as fast as the rig count went down?

MR. NOLAN: I think the rig count has gone down so fast, so quickly in the second -- particularly in 2015, that people haven't really gestated how bad that's going to be yet.

COMMISSIONER WILLIAMSON: But you haven't -- I mentioned those things of the efficiencies, the changing efficiencies, the replacement market for transmission products, export of natural gas.

MR. NOLAN: Right, and I look at that and I go so if -- and I know, you know. Directional drilling has changed the industry a lot. You can drill in eight different directions from one well now. Before, you could just drill straight down. Now we go this way, this way, this way, all over the place. It's wonderful.

You use a lot more OCTG that way, but you might have one well and one line pipe coming out of that well instead of 20 wells with 20 line pipes coming out of them, right? Okay. Well, if that's the case, then why did we have a spike in demand with the shale oil play? Why did 2012 go up? Why is this anomaly in the data exist that demand was so hot going into 2011 and 2012, when by the way oil prices were at $100 a barrel, when by the way rig counts were at the highest level they've been in 10 or 15 years.

Why are these things all happening together if there isn't a correlation between them? And the answer is there is a correlation between them. It's unmistakable.

COMMISSIONER WILLIAMSON: But is the correlation as dramatic as you're suggesting, and this goes to the question of the demand for line pipe?

MR. NOLAN: Line pipe, and I think that's up to the Commission to make that kind of a judgment call. In my opinion, it's directly and inextricably correlated. I don't think you can divorce them.

COMMISSIONER WILLIAMSON: But you might give us a little bit more explanation of how we are to take these other factors into account. Basically, you ignored them, and that raises questions -- at least in my mind, that raises questions about, you know, your assertions.

(Simultaneous speaking.)

MR. NOLAN: And I guess my point is is to me, I'm not ignoring them. I'm treating them as a steady state. The construction sector is there. The natural gas for converting coal fire to gas fired plants is there. It's been there in 2011; it's been there since the Obama administration come in, right? We've been moving away from coal and into natural gas.

That trend has been there the whole time. To me, that's not an exogenous shock to the system. That is there. What is the exogenous shock that causes all this bloodletting we're going through now? That's the shock, not the natural progression for demand in other parts of this sector.

There's only one explanation that causes the great trough that we're into, and this is it. Otherwise, you know, we're saying that well, those factors overwhelm this one. But those factors haven't changed. Again, what's the delta and what's the constant? The constant is construction industry, conversion to natural gas plants. What's not constant? That, rig counts, energy supply, energy prices.

So I'm not -- I guess my only quibble I have with you is I'm not ignoring it. I'm just -- like because it's steady state, and maybe I need to address this in the post-hearing. But I mean to me, because those elements of the economy are in steady state, that's not where the shock is in the system. That's not where the problem is.

COMMISSIONER WILLIAMSON: Okay. Yeah, I think you do need to address that post-hearing, and also think about the role of imports on this. It's how they've responded to it. In particular, I guess looking at I guess it's Table 7-13 or maybe on page -- on inventory levels of -- yeah. It's page 7-22, Table 7-13, looking at inventory levels and what -- how should we take that into account in thinking about what is happening in 2015.

MR. NOLAN: Well obviously it's -- I've got a public version, so we can't talk about any specifics. That's how I keep myself from doing something stupid in front of the Commission, by not bringing the confidential brief.

COMMISSIONER WILLIAMSON: Okay. I think they're the same. But anyway, post-hearing, if you could take a look at that.

(Simultaneous speaking.)

MR. NOLAN: The answer is to the extent inventories are affected, to me it becomes a function of when the market goes down so fast, so quickly, you can't sell it. So you're going to have an inventory build up somewhere. It just -- that's normal behavior. I mean production --

COMMISSIONER WILLIAMSON: You might want to take a look at those inventory build-ups and relate them to your chart here.

MR. NOLAN: Okay, got it.

COMMISSIONER WILLIAMSON: Because I'm not sure they are related there.

MR. NOLAN: Okay.

COMMISSIONER WILLIAMSON: Okay. In your brief, you note the impact of collateral damage from declining demand for OCTG. Now a number of the producers this morning say they don't make OCTG, and I wasn't -- doesn't that undercut your argument?

MR. NOLAN: Some of them don't, but a lot of them do. So I would suggest that you go through and sort of parse through who has a mill that has both OCTG and line pipe and who doesn't, and how much capacity is devoted from one to the other.

I agree with you. Some of them do, some of them don't. But it does have an impact for those that do, a significant impact. But if they don't, if all you produce is line pipe, then you've got a unitary product. So when the market's down, you're in trouble. If you have a mill that takes two products and one's doing well and one's not, well you can shift over and make the stuff that's making more money for you, except if the other one's in worse shape than the first one.

So either way you look at this, you're either in line pipe, which is in a demand, depression or recession, and you're in OCTG and line pipe, which is both in the same boat, which is just as bad if not worse.

COMMISSIONER WILLIAMSON: Okay. So either way, you would -- is it reasonable to conclude that the domestic industry is vulnerable to material injury, as a result of the declining ability to respond to import competition?

MR. NOLAN: I would say that the U.S. industry has had its share of suffering to deal with. I guess the question is, you know, does that rise to a level of vulnerability that you need to take legal cognizance of in this proceeding and in this investigation?

You know to me, the injury, if any, that has occurred here is a result of a demand collapse, as opposed to -- and you've heard me; I've gone -- bored you to tears with what I've been saying this afternoon. So you know where I'm coming from.

I think that's the cause of it, and I don't think this industry is going to come out of where it is right now until we come out of that demand situation we're in right now. I don't think -- you can't give relief for what they have a problem with right now.

COMMISSIONER WILLIAMSON: Okay. That's enough questions for now. Thank you.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent, and Mr. Nolan, thank you again for appearing here today. I know this is -- you're keeping busy.

MR. NOLAN: Daniel in the lion's den.

COMMISSIONER JOHANSON: Okay. Well, maybe not quite that.

MR. NOLAN: Nice lions.

COMMISSIONER JOHANSON: Okay. We're nice lions. Do you dispute the implication made by Mr. Schagrin on page two of his brief that recent OCTG orders have imperiled Korean and Turkish industries to shift to line pipe exports?

MR. NOLAN: No, I don't believe that's correct. But I would have to address more specifically in the post-conference. These are -- they're different, and you know that the big OCTG producer, which was in the OCTG case, Borison, has now got a mill in the United States in Texas. So they're basically here now. They have elected to move here to produce, which probably wasn't the smartest decision given where the market is right now.

But I will say this, and I don't know. I think I put in -- I may or may not have put an exhibit on this. If you read about what's going on with that mill in Texas, it's got a six month backlog of orders. That's pretty strange, given where the industry is in general, that that mill is doing so well. The question is why is that mill, and this is not line pipe; this is OCTG.

But why is that one mill that the Turks opened in the United States doing so much better than the other mills, and it could be because they're more competitive, both on price and on service. My only end point with that is this is what Turkey is known for. Turkey, on the energy area, is an exporter. I'm not going to try to tell you that they're not. That's what they do.

But they're really good at it, and they're really good at supplying a large number of markets. That means they take great care in what they're producing for their customers, and try to do a good job. Their restriction in the U.S. market is they're just not qualified the way U.S. producers are, and maybe they should be but they're not.

COMMISSIONER JOHANSON: Are you referring to the AMLs?

MR. NOLAN: Yeah, yeah.

COMMISSIONER JOHANSON: Okay.

MR. NOLAN: Because they're just not on those lists, and I wish I could tell you why they're not. They should get on them. Maybe that it's not big enough for them to invest the time in yet, and given the way this, you know, where the market here has been operating and all the cases that are coming out, you've got to ask yourself how much time do they want to invest here, because we could be under order in the not-too-distant future. I hope not, but knock on wood, I know it's an uphill fight.

COMMISSIONER JOHANSON: Okay, and now I have just one more question for you. On page 11 of your brief, you state that some imports of Turkish line pipe are not eligible for use in oil and gas pipelines.

MR. NOLAN: Yes.

COMMISSIONER JOHANSON: If you're able to elaborate on the details of these imports here in the hearing, what type of pipe are these imports competing with?

MR. NOLAN: Well, without broaching any BPI, this came up in the staff report actually. I'd have to look at what page. I think I refer to it in the brief, what page of the staff report it comes up. What we're talking about is pipe that is API stenciled but isn't monogrammed, and it doesn't have the API monogram on it, which means you're not supposed to use it in oil and gas.

Which means it's relegated to other types of applications like construction or less demanding applications for line pipe. If you take that out of the energy industry, then to me it sort of attenuates competition in that sector. I didn't spend a lot of time on it in the brief, but just a small paragraph because I noticed it, and I thought it was worth noting.

I think the Commission should just consider what it wants to with that. I mean it was an anomaly to me. If you're not eligible to compete in the energy sector, these guys are all competing in the energy sector.

COMMISSIONER JOHANSON: All right. Well thank you for appearing here again today.

MR. NOLAN: Thank you.

COMMISSIONER JOHANSON: That concludes my questions.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Thank you. I just had two quick questions that I thought I'd invite you to address them in the post-hearing brief, just because it is a bit grueling to be the only one taking all of these questions. So we appreciate it.

MR. NOLAN: I'm happy to do it.

COMMISSIONER SCHMIDTLEIN: We do appreciate the Turkish parties, you know, being represented.

MR. NOLAN: Channeling through me.

COMMISSIONER SCHMIDTLEIN: So yeah, being represented here. So my question has to do with cumulation, and I would just invite you to address whether in your opinion this record, the record that we have here in the final, is different from the record that we had in the prelim, such that it would lead the Commission to a different decision on cumulation, for present purposes, in the present case.

MR. NOLAN: Right, okay. We'll do that.

COMMISSIONER SCHMIDTLEIN: And then the other question I have was really more for the Petitioners, because I did also mean to ask this earlier, and that is why did the SG&A expenses go up? If you could address that in the post-hearing brief. Okay, and with that, thank you very much.

MR. NOLAN: Thank you. I would just note with the SG&A expenses went so -- up so much in a short period of time, it pretty much wiped out any profit chains that would have occurred. I mean it's pretty material. So yes, I would like to hear that answer too.

COMMISSIONER SCHMIDTLEIN: Okay, thank you.

CHAIRMAN BROADBENT: Vice Chairman Pinkert?

VICE CHAIRMAN PINKERT: I have no further questions.

CHAIRMAN BROADBENT: Okay. I think I see them coming. You have more questions. Commissioner Williamson.

(Pause.)

CHAIRMAN BROADBENT: So you're done? Oh, excuse me. All right, and then Commissioner Pinkert has one thing for the post-hearing.

VICE CHAIRMAN PINKERT: I'd just like the Petitioners to address the arguments about cumulation for purposes of a threat analysis.

CHAIRMAN BROADBENT: If the Commissioners have no further question, does the staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Madam Chairman. Staff has no additional questions.

CHAIRMAN BROADBENT: Do Petitioners have any questions for this panel?

MR. PRICE: I have no questions, but I'd love if they leave his slide show up for a minute, so I can address it on close.

CHAIRMAN BROADBENT: Okay.

MR. PRICE: Is that possible Matt?

CHAIRMAN BROADBENT: Yeah, it's up.

MR. NOLAN: Fair play.

CHAIRMAN BROADBENT: Thank you. In that case, I want to thank the panel for -- or thank you, Mr. Nolan. What is that?

MR. NOLAN: 1974. It says "Out of Gas."

CHAIRMAN BROADBENT: Okay.

MR. NOLAN: That's me right now.

CHAIRMAN BROADBENT: Okay, Mr. Nolan. I'll dismiss you now, and with that, we'll come to closing statements. Those in support of the petition have 23 minutes from direct and five for closing for a total of 28 minutes, and those in opposition have 31 minutes from direct and five for closing, for a total of 36 minutes. As is our custom, we'll combine that. We will start with those in support of the petition.

CLOSING REMARKS BY ALAN PRICE

MR. PRICE: I want thank -- thank you Chairman Broadbent and members of the Commission. I'm Alan Price, counsel on behalf of Maverick Tube Corporation, and I also want to thank Mr. Nolan for actually introducing 2011 into this record, because it explains a lot which we -- which Mr. Nolan forgot to address.

I'll take a slide right here. Apparent

consumption rose and as a result 2011 and 2012 were good years for the welded line pipe industry. In fact, your record from the prelim shows 2011 was a very good year for the line pipe industry, and let's just go over to this chart.

You can see that demand conditions in 2013 and 2014 were essentially the same as 2011. So he said 2011's a good year from demand condition perspective. In fact, 2013 and 2014 consumption increased compared to 2011 by small amounts, but they were actually up. It's hard to tell from that, but '13 and '14 are actually up from '11.

In 2011, the industry earned over $250 million in operating profits, and in 2013 and 2014, profits collapsed to $26 million in 2013 and to break even in 2014. It is the significant increase in subject imports at the expense of the domestic industry market share, which declined from 55 percent in 2011 to 48 percent in 2013 and 2014, explain the immense collapse in profitability.

So there are some other types of projects that Mr. Schagrin talked about occurring in 2012 that drive those consumption numbers. But this injury actually happened, as I said, in 2013. These underselling imports had effects on the market as they increased from 573,000 tons in 2011 to 851,000 tons at the -- at the end of 2013, roughly a 50 percent increase in the subject imports from 2011 to 2014.

That's the condition we brought the case in. These imports were having an effect throughout this time period. But there's no question that the imports which undersold the domestic industry, and as we talked about, suppressed prices and narrowed the margins from 2012 to 2013, as the imports and the domestic industry fought it out for share in this distribution market, were incredibly injurious to the domestic industry.

The domestic industry, according to Mr. Nolan's type of analysis, should have seen stable and increasing prices and profitability in 2011, 2013 and 2014. 2013-2014 profit margins should have been the same. What's the delta? What's the difference? It's actually the subject imports increasing volume and market share.

So all this happened well before the collapse in OCTG demand, which is not line pipe demand that Mr. Nolan is talking about. So I want to thank him for introducing this information into the record.

Now let's go to my prepared close here for a minute. So this is a case that is as straightforward as it comes. It really shouldn't surprise you that neither of the industries here provided any actual industry witnesses, and the Korean and Turkish respondents, by the way, filed 35,000 pages of information at the Commerce Department.

The Koreans flew in several officials and counsel all the way from Korea in the countervailing duty hearing. But when you come here, you can't find one actual industry representative who has any actual knowledge as to the line pipe industry, to give you information on behalf of the Turkish or Korean industry. That should tell you something about the record.

Contrary to what you heard from the Turkish respondents' counsel, demand was historically strong over the period, but the domestic industry is in a death throes, because the subject imports flooded the market with devastating price effects. Underselling was essentially universal.

It probably would have been even worse if a major Turkish line pipe producer provided the Commission with a complete questionnaire response. U.S. producers chased subject import market prices downwards for as long as it could, to try to maintain market share. Prices fell faster than costs, and the domestic industry's financial performance suffered starting in 2013.

By 2014, net income was already negative, and in 2015 subject imports kept growing and the industry lost substantial market share and financial performance kept plummeting. This won't stop without relief and the survival of many domestic producers are at stake. How can they keep flooding the market with products below cost and still find a way to push prices lower?

I ask that question, because all they're really doing is dumping hot-rolled in the form of pipe. How much oil and gas was produced in Korea last year? Zero. In Turkey, Mr. Nolan concedes it was essentially zero. These industries exist to move hot-rolled steel in the form of pipe by exporting to countries like the U.S., where energy production has been thriving.

The pipe and tube industry is just the tip of the iceberg, and the line pipe industry is in its death throes. In 2014, Korea was the 13th largest economy but the fifth largest steel exporter in the world. Turkey was the 18th largest economy but the eighth largest steel producer.

Unsurprisingly, both countries are top ten steel exporters. Both of these countries have massive amounts of excess capacity throughout the production chain, targeted solely to export to open markets like the United States in any form they can. Because they can sell at dumped and subsidized prices, they pummeled the U.S. industry. Without relief, this is only going to get worse.

Now let me turn to cumulation. This is a standardized product. It is sold mainly on the basis of price and dumped and subsidized Turkish imports injure the domestic industry, just like dumped -- or excuse me, dumped and subsidized Turkish imports injured the domestic industry just like and no differently from dumped and subsidized Korean imports.

Each of the Commission's factors call for cumulation. Turkish producers sell, largely sell 16 inch and under line pipe, the same sizes where most of the Korean industry's production and most of the U.S. industry sales were. So there is overlap in size and there are more overlap than you've seen in other cases, where the court has said, has rejected arguments of attenuation. I refer you to -- I refer to Diamond Sawblades.

They both produce API standard, both Korea and the Turks. Both countries produce imports that enter primarily through Houston. From there they go anywhere a truck or train will take them, just like the Korean producers. The Turkish producers are no different.

Turkish line pipe was present in 40 out of 43 months over the POI. It is not a small episodic entry into the market. Finally, all three sources, U.S., Turkey and Korea, sell mainly through distributors. This should be the end of cumulation discussions in this case, whether for injury or threat.

What about AMLs? Mr. Lowe told you that he ran a quick search and came up with multiple, and we'll provide them in our post-hearing brief, multiple AMLs that include all three, Turkish, Korean and U.S. producers. Mr. Nolan is factually wrong when he says Turkish producers are not on AMLs. We will demonstrate this in our post-hearing brief.

We also heard that most purchasers in the U.S. market don't even rely on AMLs. So this wouldn't be a ground for decumulating anyway. Korea and Turkish producers compete in a very similar manner in the U.S. market. First of all, you're still missing critical pricing data from a key Turkish producer and importer. So any arguments based upon a pricing series made by Turkish respondents' counsel is simply an attempt to obtain a benefit from non-cooperation.

Anyway, looking back into the data collected in the preliminary phase, Turkish producers have significantly ramped up shipments in the U.S. market. Again, I thank him for introducing 2011. From 2011 to 2014, Turkish volumes grew by 245 percent, just like the Korean volumes. They undersold in the overwhelming majority of price comparisons, as Commissioner Johanson noted.

And just like the Korean industry, they have nowhere else to go. Neither country has a meaningful oil -- has meaningful oil and gas production. Both countries are massive steel producers and exporters. Every factor you consider for present injury and for threat supports cumulation.

Now let me turn to causation. The timing story that the Turkish industry's counsel has tried to tell you today just isn't supported with the facts. Even when demand was at or near all-time highs throughout 2012 to 2014, and we know '13 and '14 were good demand years, according to Mr. Nolan, the industry's performance was plummeting.

The plummet started in 2013 when net income collapsed by 97 percent, all but disappearing, but oil and gas prices didn't fall below $80 a barrel until the very end of 2014. Subject imports' underselling drove down prices in 2013 and in 2014, displaced domestic production, regardless of any change in demand in 2015.

Turkish respondents' counsel attempts to distinguish Turkey from Korea underselling must fail because again, you are missing critical pricing data, and in 2015 the subject imports, in combination, went up and domestic production went down, demonstrating further material injury.

Similarly, deteriorating financial performance for line pipe operations cannot be explained by an accounting technicality stemming from lower OCTG demand. In our post-hearing brief, we will show that this is not true and it's particularly not true for my client. You can see that in its own questionnaire response.

This is not a case about inter-industry competition. As Mr. Schagrin pointed out earlier today, domestic capacity, by the way, actually declined over the

POI. So it's not increases in capacity from the domestic industry that caused this harm. In the end, the subject imports do not compete in a parallel universe. There isn't this somehow or other this different land that they're in.

They compete for the same sales that the domestic industry has. They suppress and depress prices, reduce domestic volume and have serious negative impact. They are a cause of material injury. I want to say thank you for all your time and effort, and now Mr. Schagrin will speak.

CLOSING REMARKS OF ROGER B. SCHAGRIN

MR. SCHAGRIN: Thank you Allen and I am going to be extremely brief. You should be overjoyed with that. I'm just going to make two points. First, you can either believe Mr. Nolan. I'm glad his family is in the oil and gas industry. I hope they are very wealthy. Mine was not in the oil and gas industry, nor were they wealthy. But you can either believe him or you can believe the witnesses who have two hundred years experience in the Industry today who testified before you this morning.

Line pipe demand is not driven just by the rig count. It is not OCTG. All of the oil increases he talked about, all of the natural gas production increase he talked about, that drives demand for line pipe. Natural gas has to move through pipelines. You can't put it on trucks, you can't put it on trains. All these new areas producing gas, all this gas that's going to be utilized to replace coal and electric utilities has got to move through pipelines.

It's actually going to move through twenty-four inch and below. Utilities don't use like forty inches' worth of gas and as we start doing NGL exports, there is going to be more need to move that gas to coast and the NGL facilities to move it offshore. Oil does have numerous choices to move it. A lot of it's been moving by train, particularly out of the Bakken and by truck and that's real expensive. With the price of oil falling as much as it has, the oil producers are saying we can't afford twenty bucks to put it on the train. Let's find some pipeline ways to move it and move it for five bucks to refineries so it's going to drive more demand.

Finally, I don't know if they produce NGLs in Kansas but at least in places like the Eagle Ford Shale, the production out of these drilling areas of things like methane and benzene is just tremendous. The only way to move that is through pipeline so right now they are building pipelines like crazy out of the Eagle Ford to move them to these new petrochemical facilities being put into use in ship channel. It's a great demand driver.

So, there really is a difference and this case is not about OCDG. I'm glad he had a magazine from 1999. I did a safeguard case on the line pipe industry before this Commission in 1999 and the opponents of that case, "of course the line pipe industry is not doing well -- look at the price of oil. Look at the rig count." This Commission found that in fact there hadn't been drops in demand.

The line pipe industry's problem was imports and President Clinton gave the industry a safeguard relief. So it's kind of like d j vu all over again. Whenever there is a line pipe case the respondents always say "oh, this is really the OCDG Industry" and it's not. We talked about that this morning, if you look in your staff report, you are going to find a vast majority of the industry producing line pipe in the United States does not produce OCDG.

There is some overlap but the vast majority producing line pipe, the three largest producers cited in the staff report don't produce OCDG. So as Allen said strong, strong case for cumulation for present injury. Overwhelming case for current material injury by reason of imports which is putting a lot of mills out of business. The industry doesn't have a demand problem. It has too much supply from unfairly traded import problem. I thank you very much.

CHAIRMAN BROADBENT: Thank you.

CLOSING REMARKS OF MATTHEW NOLAN

MR. NOLAN: I promise to get you out of here by

3:30. I'll be very quick because you just heard me droning on for a long period of time. So there's no need to belabor this, however, Mr. Price did remind me of one thing that I forgot to say in my presentation which I think is worth saying, do you see this chart we were just talking about and he was making the point about consumption and how it dropped and how imports must be the cause of that.

Go back to here. In 2011, we have three hundred and fifteen thousand additional tons of capacity online. In 2012, we have five hundred and seventy five thousand tons of capacity coming online. Now, my calculation is three hundred and fifteen thousand went online here. Another five hundred and fifty went online between here and here. A total amount of eight hundred and ninety thousand short tons of line pipe capacity comes online right when the market demand is going down.

Guess what happens when you do that? You create expanded capacity and yet the market is contracting. That causes disruption. Imports didn't cause that disruption building all that capacity when the market turned down caused that disruption. I submit to you, it's not imports fault. Subject Imports by the way were far less than the total eight hundred and ninety thousand short tons that were put in play between 2011 and 2013.

The total of Subject Imports in 2013 are below that capacity expansion number. Just for line pipe. So what's the reason that they are having a problem? Is it because of subject imports or is it because they overbuilt capacity when the market turned on them. I submit it's the latter. Not Subject Imports. There has been a great deal of talk about the role of non-Subjects and that non-Subjects compete in different markets. It's designed to suggest that non-Subjects were taken out of consideration before any relative gains were made by Subject Imports however this is an implausible argument contradicted by the brief by Wiley Rein. Mr. Price specifically said Subjects replaced non-Subjects. So which side is it? Which part of the Petitioners are correct in their analysis? Non-Subjects are different and don't have any role and the other is saying non-Subjects replaced or Subjects replaced non-Subjects because they're fungible.

You tell me which one of these guys is correct. The fact of the matter is, the U.S. Industry up until 2015 maintained market share. Price changes were correlated to me more to the drop in demand than anything else. Imports did go up but the question for the Commission is: Are the Imports the cause of material injury or not or were other factors the causes of material injury to this industry?

Obviously as representative for the Respondents, my position is it's not imports that's doing this but these other factors. What's going on in the demand side of the equation coupled with the oversupply that occurred in the market at the exact same time. Again, I go back to my first comment, the perfect storm. You have good times leading to increased production, increased capacity development, expansion at the very moment when the market starts to turn.

That's the reason why we're in the current pickle we're in and I'm afraid that first shock has been reinforced with a much more serious shock in 2015 with oil prices declining. I don't know how to put this but I think the industry is in for a rough road no matter what you do and I feel bad for them for that because I don't think there's a good way out of that problem. Not unless oil prices go back up again. Thank you.

CHAIRMAN BROADBENT: Again, I want to express the Commission's appreciation to everyone who participated in today's hearing, your closing statement, post-hearing brief, statements responsive to the questions and requests to the Commission and corrections to the transcript must be filed by October 13, 2015. Closing of the record and final release of data to the parties will be on October 30, 2015. Final comments are due on November 3, 2015 and with that this meeting is adjourned.

(Whereupon the meeting was adjourned at 3:24

p.m.)

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

HEARING DATE: 10-6-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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

DATE: 10-6-2015

SIGNED: Mark A. Jagan
Signature of the Contractor or the Authorized Contractor's Representative

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

SIGNED: Gregory Johnson
Signature of Proofreader

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

SIGNED: Gaynell Catherine
Signature of Court Reporter