

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
COLD-DRAWN MECHANICAL TUBING FROM CHINA,) 701-TA-576-577 AND
GERMANY, INDIA, ITALY, KOREA, AND SWITZERLAND) 731-TA-1362-1367
) (FINAL)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
COLD-DRAWN MECHANICAL TUBING FROM) 701-TA-576-577 AND
CHINA, GERMANY, INDIA, ITALY,) 731-TA-1362-1367
KOREA, AND SWITZERLAND) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, December 6, 2017

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Vice Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Vice Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7

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11 Staff:

12 William R. Bishop, Supervisory Hearings and Information
13 Officer

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15 Yasmyne Hilliard, Student Intern

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17 Keysha Martinez, Investigator

18 Karen Taylor, International Trade Analyst

19 Lauren Gamache, International Economist

20 Jennifer Brinckhaus, Accountant/Auditor

21 Brian Soiset, Attorney/Advisor

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1 APPEARANCES:

2 Opening Remarks:

3 Petitioners (R. Alan Luberda, Kelley Drye & Warren LLP)

4 Respondents (William E. Perry, Harris Bricken; and Gregory

5 J. Spak, White & Case LLP)

6

7 In Support of the Imposition of Antidumping and

8 Countervailing Duty Orders:

9 Kelley Drye & Warren LLP

10 Washington, DC

11 on behalf of

12 ArcelorMittal Tubular Products

13 Michigan Seamless Tube LLC

14 Plymouth Tube Co. USA

15 PTC Alliance Corp.

16 Webco Industries, Inc.

17 Sharon Tube Company (a division of Zekelman Industries,

18 Inc.)

19 Edward S. Vore, Chief Executive Officer, ArcelorMittal

20 Tubular Products

21 Mike Caporini, Chief Commercial Officer, Mechanical-

22 Automotive North America, ArcelorMittal Tubular Products

23 Ted Fairley, Vice President, Michigan Seamless Tube,

24 LLC

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1 APPEARANCES (Continued):

2 Donald Van Pelt, President, CEO and Chairman, Plymouth
3 Tube Co. USA

4 Ed Goettl, National Sales Manager, Plymouth Tube Co.
5 USA

6 Cary Hart, President and Chief Executive Officer, PTC
7 Alliance Corp.

8 David Boyer, Chief Operating Officer, Senior Vice
9 President - Tubing Operations, Webco Industries, Inc.

10 Ken Pursel, President, Sharon Tube Company, a division
11 of Zekelman Industries, Inc.

12 Roy Houseman, Legislative Representative, United
13 Steelworkers Union

14 Michael T. Kerwin, Director, Georgetown Economic
15 Services

16 R. Alan Lubberda, Paul C. Rosenthal, Kathleen W. Cannon
17 and Grace W. Kim - Of Counsel

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1 APPEARANCES (Continued):

2 In Opposition to the Imposition of Antidumping and

3 Countervailing Duty Orders:

4 deKieffer & Horgan, PLLC

5 Washington, DC

6 on behalf of

7 Mannesmann Precision Tubes GmbH

8 (formerly Salzgitter Mannesmann Precision GmbH)

9 Salzgitter Mannesmann International (USA) Inc.

10 Bob Moore, Vice President, Salzgitter Mannesmann

11 International (USA), Inc.

12 Joerg Tilly, Manager, OCTG, Salzgitter Mannesmann

13 International (USA) Inc.

14 Kevin Horgan and Judith L. Holdsworth - Of Counsel

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16 Alston & Bird

17 Washington, DC

18 on behalf of

19 Autoliv ASP, Inc. ("Autoliv")

20 Gary Hadfield, Autoliv Global Purchasing, Commodity

21 Manager - Metals, Global Tubes Segment Leader, Autoliv ASP,

22 Inc.

23 Kenneth G. Weigel and Chunlian (Lain) Yang - Of Counsel

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1 APPEARANCES (Continued):

2 Harris Bricken

3 Seattle, WA

4 on behalf of

5 Salem Steel NA, LLC

6 Tube Fabrication Industries, Inc.

7 voestalpine Rotec Inc.

8 Sidd Saran, President and CEO, Salem Steel NA, LLC

9 Julie Ellis, President, Tube Fabrication Industries,

10 Inc.

11 Andrew Ball, President, voestalpine Rotec Inc.

12 Paul Scheuer, North American Products Manager, Borghi

13 USA

14 Kenneth John "Casey" Caplea, Vice President, Supply

15 Chain Management BV, Vibracoustic Chassis USA Inc.

16 William E. Perry - Of Counsel

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18 Brinks Gilson & Lione

19 Washington, DC

20 on behalf of

21 Dana Incorporated

22 Brandon DeGrendel, Senior Buyer, Dana International

23 Lyle Vander Schaaf - Of Counsel

24

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1 APPEARANCES (Continued):

2 White & Case LLP

3 Washington, DC

4 on behalf of

5 Benteler Steel/Tube GmbH

6 Benteler Rothrist AG

7 Gregory J. Spak and Jessica E. Lynd - Of Counsel

8

9 Rebuttal/Closing Remarks:

10 Petitioners (R. Alan Lubberda and Paul C. Rosenthal, Kelley

11 Drye & Warren LLP)

12 Respondents (William E. Perry)

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9:30 a.m.

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

VICE CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on the final phase of Investigation Nos. 701-TA-576 and 577 and 731-TA-1362 and 1367 involving Cold-Drawn Mechanical Tubing from China, Germany, India, Italy, Korea and Switzerland. The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of cold-drawn mechanical tubing from China, Germany, India, Italy, Korea and Switzerland.

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers

1 are reminded not to refer in their remarks or answers to
2 questions business proprietary information. Please speak
3 clearly into the microphones and state your name for the
4 record for the benefit of the court reporter. If you will
5 be submitting documents that contain information you wish
6 classified as business confidential your request should
7 comply with commission rule 201.6.

8 Mr. Secretary, are there any preliminary matters?

9 MR. BISHOP: No Mr. Chairman.

10 VICE CHAIRMAN JOHANSON: Very well. Let's begin
11 with opening statements.

12 MR. BISHOP: Opening remarks on behalf of
13 Petitioners will be given by Alan Luberda, Kelley, Drye and
14 Warren. Mr. Luberda, you have five minutes.

15 OPENING STATEMENT OF R. ALAN LUBERDA

16 MR. LUBERDA: Good morning, Members of the Commission.
17 I'm Alan Luberda of the Law Firm of Kelley, Drye and Warren
18 here today representing the Domestic Industry producing
19 cold-drawn mechanical tubing in support of an affirmative
20 determination against the unfairly traded Subject Imports
21 from China, Germany, India, Italy, Korea and Switzerland.

22 The record facts of this case depict a Domestic
23 Industry injured by unfairly traded imports. Dumped and
24 subsidized imports took significant sales volume and market
25 share from the Domestic Industry and increased their market

1 share over the Period of Investigation. Market share came
2 directly at the expense of the U.S. Producers.

3 Subject Imports took those sales and increased
4 their market share in a declining market due to pervasive
5 underselling. That pervasive underselling caused price
6 depression as prices fell by more than cost. As a result
7 the Domestic Industry suffered significant declines in all
8 trade indicators with production, shipments, capacity
9 utilization, employment, net sales volume and value, all
10 declining by significant double digits.

11 The industry also suffered a devastating crash in
12 all financial indicators from 2014 to 2016 driven by the
13 lost volume and price depression caused by the Subject
14 Imports. The somewhat unusual aspect of this case is that
15 the respondents don't challenge the strong evidence of
16 underselling on the record and it's impossible to argue from
17 the day that the Domestic Industry is not suffering material
18 injury.

19 Respondents are left to argue that the decline in
20 Domestic Industry market share, the falling prices and the
21 horrendous financial conditions are all caused by a host of
22 other issues, from raw material cost, to falling demand, to
23 an alleged inability or refusal of U.S. Producers to supply
24 the market.

25 The virtue of Petitioners' explanation of events

1 is that it matches the data and the narrative that the
2 purchasers gave you about their purchases of domestic and
3 subject mechanical tubing. The problem for the Respondents
4 story is that it is inconsistent with the purchasers
5 explanation of the market.

6 As you hear both sides present their arguments
7 today, evaluate them against the data that you collected
8 from purchasers who chose to buy either Domestic or Subject
9 Imports. What did the purchasers say? Purchasers are
10 counting for a large majority of reported purchases from
11 both the domestic and subject import sources said that one,
12 they purchase a significant volume of Subject Imports
13 instead of the competing Domestic Product.

14 Two, when they purchase the Subject Imports those
15 imports were overwhelmingly underselling the Domestic
16 Industry. Three, underselling occurred for every country.
17 Four, their decision to purchase Subject Imports instead of
18 Domestic Producers was primarily due to the lower prices
19 that were offered by the imports. Five, the Domestic
20 Producers were often forced to lower their prices by up to
21 40 percent to be competitive with unfairly traded imports.

22 Purchasers therefore confirm a strong causal
23 nexus between the Subject Imports and the undeniable
24 material injury that the Domestic Industry has been caused.
25 Their responses also largely refute the Respondents' claim

1 that the Domestic Industry's condition is related to
2 non-price factors.

3 So please remember the Purchasers' data as you
4 evaluate both sides' testimony today. Finally, please keep
5 in mind that the Foreign Producers accounting for the
6 majority of Subject Imports, the Chinese, the Indian,
7 Italian and Korean Industries have all chosen not to file
8 prehearing briefs or to testify before you here today.

9 They do not contest that they are a cause of
10 material injury to the Domestic Industry. Only the German
11 and Swiss Industries are participating in the final
12 investigation and only the German Industry is contesting
13 cumulation of the Subject Imports. The record evidence
14 however supports a finding of a reasonable overlap in
15 competition necessary for cumulation as you found in the
16 preliminary determination.

17 The other parties participating here today are
18 importers whose purpose of their testimony is to show that
19 their decision was largely based on price. They are asking
20 you to do something in the statute that tells you you cannot
21 do and that is to weigh the interests of purchasers against
22 those of the Domestic Industry.

23 Thus the record overwhelmingly supports an
24 affirmative finding of material injury by reason of the
25 Subject Imports and we ask on their behalf that you make an

1 affirmative determination in this case. Thank you very
2 much.

3 MR. BISHOP: Opening remarks on behalf of
4 Respondents E.J. Spak of White & Case. Gentlemen, you have
5 five minutes.

6 OPENING STATEMENT OF WILLIAM E. PERRY

7 MR. PERRY: Good morning. My name is William Perry
8 from the Law Firm of Harris Bricken and I represent tube
9 fabrications, Voestalpine Rotec and Salem Steel, along with
10 Borghi USA and Vibracoustic -- a downstream customer.

11 You may ask why there are not more Foreign
12 Producers at this hearing or automobile companies.
13 Petitioners have chosen not to align the countervailing duty
14 case with the antidumping case and therefore there is less
15 time to investigate the issues in this case. Foreign
16 Producers are at verification with the Commerce Department.

17 I've been working in the international trade area
18 since 1980, first at the International Trade Commission and
19 this is not another steel case. In over 30 years in this
20 area, the long-term ramifications of this case are the
21 largest I have ever seen.

22 When I joined the ITC in 1980, my first case was
23 a section 201 on automobiles, but this case on mechanical
24 tubing will have more impact on the auto parts and
25 automobile industries in the United States because these

1 orders will stay in place for 5 to 30 years, probably
2 pushing auto parts companies out of the U.S. to set up
3 production in foreign countries.

4 This is the first case I have ever been involved
5 in where the Petitioners literally cannot make over 200
6 different types of the scoped product. In this case,
7 mechanical tubing destined for the automotive industries.
8 As Vibracoustic, the U.S. auto parts producer will testify,
9 because of customer demands by automobile producers when
10 auto parts companies cannot get raw materials they will move
11 their entire production to another country and source the
12 entire auto part from the other country.

13 As Tube Fabrication stated in the prehearing
14 brief, they were forced to import from China during the
15 critical circumstances period because Petitioners could not
16 supply the tubes in question, risking shutdown at U.S. auto
17 production plants.

18 Throughout this hearing, witnesses will mention
19 the PPAP process, which is the Production Part Approval
20 Process. in the automotive and heavy equipment area
21 suppliers cannot simply change mechanical tubing suppliers
22 without approval of the customers themselves. The PPAP
23 Process itself can take six months to two years.

24 In Rotec's case, because of customer demands they
25 have already moved export production out of a U.S. facility

1 to a new factory in Mexico reducing substantially jobs in
2 the U.S. U.S. Petitioners will argue that they are losing
3 sales because of low import prices, but in many cases the
4 Petitioners cannot meet the prices of other Domestic
5 Producers that supply the automobile industry, Metal-Matic
6 and Seymour.

7 We firmly believe that these U.S. Producers are
8 in much better shape than the Petitioners and adverse
9 inference should be taken if any producer does not respond
10 to the producers' questionnaire. In fact, any injury to the
11 Petitioners is caused by the fact that the energy,
12 agriculture, construction, mining industries are down.

13 Metal-Matic and Seymour are doing better because
14 they supply the more steady automotive industry. The reason
15 for any injury to the U.S. Petitioners is that they bet on
16 the wrong customers. Finding imports from China during the
17 critical circumstances period will not undermine the
18 remedial effect of the orders.

19 TFI, Rotec and Salem noted that their imports
20 represent a substantial percentage of the imports from China
21 during the critical circumstances period. TFI's imports
22 were made because the U.S. Industry could not supply the
23 specific tubes in question potentially leading to shut down
24 in auto production lines.

25 Rotec's increased imports have been re-exported

1 to Mexico for their New Mexican plant. Salem's inventories
2 now are lower than in January 2017 before the case was
3 filed. Finding lead times out to months does not show an
4 Industry that has been injured, materially injured or
5 threatened by material injury by imports. Thank you very
6 much.

7 OPENING STATEMENT OF GREGORY J. SPAK

8 MR. SPAK: Good morning. For the record I'm
9 Gregory Spak of White and Case. I would like to briefly
10 address the issue of scope, its affect on the definition of
11 the Domestic Industry and how these issues affect the
12 Commission's analysis of conditions of competition in this
13 case.

14 The treatment of ERW mechanical tube produced to
15 European specification and E103-5-3 is a good example.
16 Everyone agrees that this product is not cold drawn yet the
17 Petitioners have pushed for its inclusion since the
18 beginning of this investigation. The Commission noted the
19 issue in this preliminary determination but in its
20 preliminary scope decision in Mid-November the Department of
21 Commerce preliminarily decided at Petitioners' urging, that
22 the product is within scope.

23 The Department went so far as to add this
24 specification to the scope language as an example of the
25 cold-sized tube that is included in the scope. This was

1 roughly twenty days ago. On Monday of this week two days
2 before the hearing in this Final Investigation the
3 Petitioners filed a letter indicating that they no longer
4 considered EN103-5-3 to be within the scope and asked the
5 Department to remove the reference, this reference from the
6 specification to the final scope language.

7 Presumably, the Department will do what the
8 Petitioners now asked and modify the scope again, possibly
9 today, and I understand that may have happened just a few
10 minutes ago with the uploading on access of the final
11 determinations of the CVD cases.

12 We raise this issue to highlight a theme that you
13 will hear repeatedly from the U.S. Companies on the
14 Respondents Panel supporting the negative determination.
15 There are many products caught up in this case that do not
16 compete with the U.S. Product or compete only on the
17 margins. This case is filled with niche products, maybe not
18 in the conventional sense, but in the commercial sense, of
19 made to order products that take years to develop and which
20 serve a particular function.

21 Once qualified, the producers and the consumers
22 co-invest in a production program to maintain a reliable
23 supply so that downstream producers can plan production
24 cycles. These products are not easily substitutable and
25 price often is not the main consideration for the purchaser.

1 We will hear this story again with respect to
2 tubing for the air bag pressure vessel in all of our cars.
3 It takes years to qualify producers on products like these
4 and I suspect that I'm not alone in hoping that the
5 Commission's decision --

6 VICE CHAIRMAN JOHANSON: Mr. Spak, you've gone
7 over about a minute.

8 MR. SPAK: Alright, thank you Commissioner.
9 Certainly.

10 VICE CHAIRMAN JOHANSON: Thank you for your
11 comment.

12 MR. BISHOP: Would the Panel in support of the
13 imposition of the Antidumping and Countervailing Duty Orders
14 please come forward and be seated? Mr. Chairman, all
15 witnesses on this Panel have been sworn in. This Panel has
16 sixty minutes for their direct testimony.

17 MR. LUBERDA: Good morning to the Commission. We
18 will begin with the testimony of Mr. Vore.

19 STATEMENT OF EDWARD S. VORE

20 MR. VORE: good morning. My name is Ed Vore and I'm
21 the Chief Executive Officer of ArcelorMittal Tubing Products
22 North America. I've been in the tubular products industry
23 since 1983 beginning at one of the legacy companies that
24 became ArcelorMittal Tubular. I've had a variety of
25 technical and commercial positions within the company before

1 assuming my current position in mid-2013.

2 ArcelorMittal is the largest producer of
3 cold-drawn mechanical tubing in the United States. Our
4 cold-drawing facility located in Shelby, Ohio has the
5 broadest size range of any Domestic Producer with the
6 ability to cold-draw mechanical tubing from less than one
7 inch in outside diameter, up to 12 and a quarter inches
8 outside diameter and a wide variety of long thicknesses.

9 We make a full range of carbon and alloy steel
10 cold-drawn mechanical tubing for automotive including for
11 prop shafts, heavy machinery, industrial, agricultural and
12 oil and gas applications. All cold-drawn mechanical tubing
13 is produced using the same process on the same drawing
14 equipment.

15 Cold drawing imparts to the tubing, the essential
16 physical and mechanical properties that our customers
17 require. It allows for the production of an infinite number
18 of wall thicknesses and diameter combinations to meet the
19 customers' specific needs.

20 Mechanical tubing that is drawn from welded or
21 seamless feed stock is interchangeable when made to the same
22 steel chemistry, wall thickness and diameter. Customers may
23 choose cold-drawn tubing made from either welded or seamless
24 feed stock for the same applications.

25 All cold-drawn tubing is sold through similar

1 channels of distribution to OEMs and service centers. The
2 prices for cold-drawn tubing follow along a continuum based
3 on the diameter and wall-thickness combinations, steel
4 chemistries, number of draw passes and thermal treatment.

5 My company can make the full complement of
6 cold-drawn tubing products including small diameter tubing.
7 We are recognized in the industry for our product range,
8 quality and service. What we have not been able to do is
9 compete with the extremely low prices of unfairly-traded
10 imports.

11 Respondents argue that our sales declines were
12 due to declines in certain end-use applications to which we
13 sell mechanical tubing and not due to Subject Imports. That
14 is not correct. We sell cold-drawn tubing to the same
15 end-use applications to which Subject Imports are sold.

16 The automotive sector, which certain Respondents
17 stated were a target of their imports, is an important
18 market for us as well. It is not as if we are selling to
19 one end use sector and they are selling to another. Further
20 we suffered declines in sales to every end use sector over
21 the past three years. As Subject Imports increased we lost
22 sales across the board including sales for automotive
23 applications.

24 It was not fluctuation in demand in any
25 particular area, but increasing volumes in Subject Imports

1 that caused our sales to fall. Our decline in sales has
2 nothing to do with a lack in capacity to supply the market.
3 We had significant excess capacity throughout the period and
4 our capacity utilization fell. What prevented us from
5 selling adequate volumes has been the extremely low prices
6 of the subject merchandise.

7 Over the last several years, imports from the
8 Subject Countries have made significant inroads into our
9 market using extremely low prices. Our lost volume has
10 nothing to do with inability of ArcelorMittal to supply the
11 quality or product range our customers require. We do that
12 well. We simply cannot match the low prices of these
13 imports.

14 In the U.S. Market we compete for sales
15 head-to-head every day against unfairly traded imports. We
16 have had to lower our prices consistently over the past
17 three years as the import volumes increased and their prices
18 decreased. Our customers are very sophisticated buyers who
19 are aware of the low import prices being offered. The
20 customers use the low prices to leverage down
21 ArcelorMittal's prices if we want to keep the sales.

22 When demand for cold-drawn tubing is down, as it
23 was over the three year period, maintaining as much volume
24 as we can with our customer base is critical. When we lose
25 volume, our unit fix cost goes up for each ton we produce,

1 cutting into our margins. Once we lose the volume to
2 lower-priced imports it becomes extremely difficult to get
3 it back again.

4 For example, if a customer gets offered a much
5 lower price this quarter they may simply order from the same
6 source the next quarter without even inquiring
7 ArcelorMittal. Or the customer may decide to place an order
8 for the lowest priced imports for six months or longer
9 rather than just a quarter. We have lost multiple
10 opportunities for business with the loss of an initial order
11 due to low import prices.

12 This puts intense pressure on us to try to match
13 the Subject Imports pricing. The prices we see from these
14 countries have often been at levels that are below our cost
15 to manufacture. That means to make the sale we would have
16 to sell tubing at a price that does not even cover all of
17 our variable costs. This is a no-win situation.

18 Let me give you an example of this low-priced
19 competition. I mentioned earlier that cold-drawn tubing is
20 interchangeable whether drawn from seamless or welded feed
21 stock although the use of seamless feed stock is more
22 costly. Last year we were bidding on a sale for cold-drawn
23 tubing product but lost the sale to a lower-priced German
24 competitor. The German supplier who won the sale was
25 offering a seamless cold-drawn product of the same

1 dimensions as our welded product.

2 That seamless product would have been more
3 expensive to produce than a welded product of the same size
4 yet the German supplier still managed to significantly
5 underbid ArcelorMittal. The results of this sort of unfair
6 competition have been predictably bad for our bottom line.
7 We have suffered declines in production, capacity
8 utilization, shipments, prices, net sales and
9 profitability.

10 We had a series of temporary layoffs in 2015 and
11 2016 due to falling orders so these imports are hurting our
12 workers as well. We have been unable to get a return on a
13 capital product we initiated in 2014 and completed in 2016
14 as low-priced Subject Imports took increasing market share
15 in a shrinking market.

16 Since filing the trade case we have seen
17 customers who were buying unfairly traded imports coming
18 back to ArcelorMittal. That improvement however will
19 quickly reverse itself absent relief in the trade case. If
20 that happens we can expect additional erosion of our market
21 share and a decline in prices and profits that will not be
22 sustainable for us as a business. Thank you for your
23 attention.

24 STATEMENT OF DONALD VAN PELT

25 MR. VAN PELT: Okay. Good morning, members of

1 the Commission. My name is Donald Van Pelt and I am
2 president, CEO, and chairman of Plymouth Tube Company.
3 Plymouth Tube is a major manufacturer of cold-drawn
4 mechanical tubing, serving a variety of industries,
5 including aerospace, oil and gas, power generation, heavy
6 equipment, and automotive industries nationally and
7 throughout North America.

8 Plymouth Tube is a family business founded in
9 1924. I have been with the company for over 40 years as
10 part of the fourth generation and the fifth generation as
11 active in the business as well. This is the first time that
12 my company has felt the need to become a petitioner in a
13 trade case.

14 Plymouth Tube produces cold-drawn tubing at
15 three locations in Winamac, Indiana; Streator, Illinois; and
16 Eupora, Mississippi. We produce cold-drawn tubing from
17 one-eighth of an inch to six inches in diameter from both
18 seamless and welded hollows and in a variety of carbon and
19 alloy grades. In fact, we make many of the products that
20 the foreign producers have claimed are not made in the
21 United States.

22 For example, we make J-524 and J-525 hydraulic
23 line tubing in a variety of proprietary specifications for
24 specific customers. We are very experienced with working
25 with customers to make difficult products that match their

1 particular needs. I understand that there is a claim that
2 no domestic producer can manufacturer airbag tubing. I am
3 here to tell you that Plymouth Tube can make airbag tubing.
4 We produce this product from our Streator, Illinois plant up
5 to 2012, but lost it to imports.

6 Producing difficult cold-drawn tubing products
7 such as airbag tubing, however, requires a serious
8 commitment from both the producer and the customer to work
9 together. Unfortunately, the market pricing for airbag
10 tubing has been incredibly low because it has been dominated
11 by unfairly traded imports. Purchasers of airbag tubing and
12 other difficult products simply have no incentive to work
13 with Plymouth Tube when then have unfettered access to low
14 priced imports.

15 Plymouth is committed to quality and service. I
16 wish I could tell you that customers make their purchasing
17 decisions solely on the basis of quality and customer
18 service. If they did, I would not need to testify here
19 today. While quality, availability, and service all matter,
20 the bottom line for every transaction is price. If a
21 purchaser can get the same product for significantly less
22 from an import source than from Plymouth Tube, they will do
23 so unless Plymouth is prepared to lower its price to be
24 competitive with the import offering.

25 When you lose the business at a customer enough

1 times, sometimes they just quit calling you. Pricing for
2 the subject imports has been very aggressive over the last
3 several years. By 2015, the low import pricing was well
4 below Plymouth Tube's prices. The import pricing became
5 even more aggressive in 2016. We experienced that
6 competition and resulting price erosion across our entire
7 product line. That had a substantial negative financial
8 impact on our company.

9 We have had to consolidate production from our
10 Streator, Illinois plant to our Eupora, Mississippi plant in
11 an effort to reduce costs through greater economies of
12 scale. We have had periodic shutdowns and reduced operating
13 hours over the period of investigation and we shrank our
14 workforce significantly. Capital expenditures were also cut
15 as revenues fell.

16 The import competition seemed to be getting
17 worse in early 2017 from both a volume and a price
18 standpoint. However, once the case was filed in April, we
19 saw an almost immediate impact on our order book. Customers
20 anticipated that the trade case would lead to higher prices.
21 That gave us the opportunity to book some orders we probably
22 would not have received otherwise.

23 We have captured more business since these cases
24 were filed. However, more than anything, we have seen an
25 increase in inquiries and requests for quotes. Many of

1 those purchasers have not yet placed orders following their
2 inquiries. They are waiting to see how the trade case will
3 turn out before committing. They don't want to commit to
4 higher domestic prices until they are sure that they won't
5 be able to continue purchasing the subject imports at much
6 lower prices than Plymouth Tube can offer.

7 It is extremely important, therefore, that
8 relief be granted to the cold-drawn tubing industry in this
9 case. Any gains we made this year and any promise of future
10 gains will be lost very quickly if relief is not granted.
11 Thank you very much.

12 STATEMENT OF CARY HART

13 MR. HART: Good morning, members of the
14 Commission. I am Cary Hart, president and CEO of PTC
15 Alliance Corporation. I joined the -- I joined PTC nearly
16 20 years ago, starting out in sales. Over my career, I've
17 served in nearly every operating role in the company in
18 sales before taking my current role as president in 2009 and
19 CEO in 2015.

20 PTC Alliance is a leading global manufacturer of
21 cold-drawn mechanical tubing. PTC is headquartered in
22 Wexford, Pennsylvania and we produce cold-drawn tubing at
23 our five production facilities in Illinois, Ohio, and
24 Pennsylvania.

25 Nearly 100 percent of PTC's sales are for

1 made-to-order, just-in-time, custom made, and unique
2 customer requirements. At our modern unionized facilities,
3 we produce cold-drawn tubing from both welded and seamless
4 tube hollows. Our products are used to make critical
5 components in a wide variety of high and industrial
6 applications in the automotive, heavy equipment,
7 agriculture, and energy industries. Contrary to the
8 respondent's claims, PTC produces tubing for proxy activity
9 or for proxy applications.

10 Our capacity for specialization of products and
11 services and our dedication to customers and continuous
12 improvement have enabled PTC to maintain a competitive
13 position both in the U.S. and around the world.

14 In recent years, however, we have been unable to
15 operate our production lines at anywhere near their capacity
16 due to the increases of unfairly traded imports.
17 Competition with subject imports have significantly
18 intensified since 2014 across all of our cold-drawn tubing
19 products. These unfair imports have made it extremely
20 difficult for our company to compete in our market and we
21 have lost substantial sales and revenue as a result.

22 PTC competes with these imports everyday across
23 the full range of cold-drawn products. Our quality is
24 second to none and we sell our products throughout the
25 entire United States. Both U.S. and foreign producers

1 manufacture cold-drawn tubing to the same industry standards
2 and specification. Thus, the domestic and imported products
3 are highly interchangeable. The only real difference is
4 price.

5 Selling subject imports have gained market share
6 by significantly underselling my company. The lower prices
7 offered by these countries have been very attractive to our
8 customers, because price is critical to their purchasing
9 decision. Our customers frequently use these offers for
10 lower price to drive down our prices. If we try to keep
11 prices at a reasonable level, we lose sales and market
12 share. If we cut our prices to capture a sale, our bottom
13 line suffers.

14 In many cases, however, the prices we have had
15 to meet are just too much -- too low to match. For the last
16 couple of years, we have faced the worst of both worlds,
17 losing significant volume and getting lower prices based on
18 the pressure created from these unfairly traded imports.

19 We have made every effort to remain cost
20 competitive with imports, but we have struggled to compete
21 with their ridiculously low prices. For example, I have
22 seen a PTC customer offered cold-drawn seamless tubing at a
23 price that is lower than my raw material cost.

24 Due to the substantially lower sales volume
25 we've experienced over the past few years, we've had to run

1 our mills at dramatically reduced levels, operating fewer
2 shifts and for fewer months at a time. In 2014, we were
3 forced to idle part of our Chicago Heights mill in Illinois
4 and produced -- and now we are only producing the upstream.

5 From -- by 2016, we were only operating these
6 finishing lines at the location only and at a reduced
7 capacity. Also in 2016, we temporarily idled our finishing
8 facility in Beaver Falls, Pennsylvania.

9 Because we are often one of the largest and
10 highest paid employers in the company where we are located,
11 these shutdowns have had a significant human toll. The poor
12 financial performance of our operations has also prevented
13 us from making the necessary capital investment. In fact,
14 our capital expenditures during the past three years have
15 been a fraction of what they were several years ago and we
16 have been down to the bare bones, just repairs and
17 maintenance, to allow us to continue our operations.

18 When I testified at the preliminary conference
19 earlier this year, I said that I was confident that if
20 import relief was granted, PTC could effectively compete
21 with the subject imports. We are now beginning to see some
22 evidence of that.

23 As the case was filed, we received inquiries and
24 requests for quotes from customers who we knew were buying
25 subject imports. Subsequently, we did receive orders from

1 these customers they hadn't heard from in many years.

2 My fear is that if the case is unsuccessful,
3 though, these customers will likely go right back to the
4 lower price subject imports. We urge the Commission to not
5 let this happen and reach affirmative determinations in
6 these investigations. Thank you for attention. That
7 concludes my remarks.

8 STATEMENT OF DAVID BOYER

9 MR. BOYER: Good morning, my name is David
10 Boyer. I am chief operating officer and the senior vice
11 president of tubing operations for Webco Industries, Inc.
12 Webco was founded in 1969 and is a leading producer of
13 cold-drawn mechanical tubing. I have been with the company
14 for over 33 years and have held a wide variety of technical,
15 operations, sales and marketing positions before becoming
16 chief operating officer in 2011.

17 Webco produces virtually all cold-drawn
18 mechanical tubing product demanded by the market within our
19 size range at our Sand Springs, Oklahoma and Oil City, and
20 Reno, Pennsylvania facilities. Our cold-drawn tubing
21 products are used in a number of applications to produce
22 various components of the automotive, heavy duty truck,
23 agricultural machinery, hydraulic, and pneumatic cylinder
24 industry, among others.

25 We also produce prop shaft tubing, as well as

1 intermediate drive shaft tubing. We ship nationwide to all
2 regions of the country.

3 We compete with products that are being imported
4 in our size range, including both seamless and welded
5 cold-drawn mechanical tubing. Our problem has been that we
6 compete with these imports from these countries across our
7 entire product line and those imports have not been fairly
8 priced.

9 Over the last several years, Webco's cold-drawn
10 -- cold-drawing tubing business has faced a significant
11 challenge from the growing market share of the unfairly
12 traded imports at incredibly low prices that are often below
13 our costs.

14 Imports from these six countries are -- were
15 already high in 2014 and we were being hurt by them. In
16 2015 and 2016, things got worse as their market share
17 increased and we found ourselves being forced to compete
18 against unfair prices that were 30 percent or more below our
19 prices.

20 We have been undersold by subject imports across
21 our entire cold-drawn product line. As a result, we saw our
22 domestic shipments fall as customers reacted to these lower
23 prices of the subject imports.

24 Faced with customers being offered these
25 unfairly low prices for cold-drawn tubing, we had no choice

1 but to significantly lower our prices in 2016 to much lower
2 levels to try to keep the business and maintain production.

3 The negative effects of the unfairly priced
4 foreign imports have been devastating to our company's
5 bottom line. Pricing has been at low levels that undermine
6 our long-term viability as a producer of cold-drawn tubing.
7 We have had significant excess capacity.

8 The unfair imports are also harming our
9 employees. Webco has been forced to lay off a significant
10 number of employees, decrease hours and cut pay of the
11 remaining employees in response to the lost volume, and
12 lower prices caused by unfairly traded imports.

13 I'd add that management even took larger pay
14 cuts when all employees were required to do so. Until the
15 domestic industry filed these cases, I feared that
16 additional layoffs and further reductions would become
17 necessary in the future.

18 After filing these cases, we finally began to
19 see some welcome changes. The inquiries for new business
20 went up almost immediately and we have been able to increase
21 our production and shipments. We have even received
22 inquiries from purchasers that have never before considered
23 buying from Webco.

24 In a -- in our most recent quarter, this new
25 business has been showing up as a significant improvement to

1 our bottom line. I attribute much of this improvement to
2 the effects of this trade case.

3 Many of the new inquiries are from purchasers
4 that are still sourcing from one or more of the subject
5 countries. They are making contingency plans for the
6 domestic supply while they wait to see how this case will
7 turn out.

8 Recently, we heard from one import source that
9 as of December, their prices will be going up 40 percent.
10 This kind of price jump as duties are being put in place
11 tells you that it was extremely low prices that drove
12 purchasers to buy import -- subject imports.

13 It's also strong evidence that Webco and others
14 in the domestic industry are likely to get additional volume
15 at higher prices if the case is successful. Without an
16 affirmative decision, those new inquiries will not turn into
17 orders. Moreover, the new orders we receive likely will not
18 be repeated and pricing will not improve.

19 On behalf of Webco and its employees, I ask the
20 Commission to reach an affirmative decision in this case.
21 Thank you.

22 STATEMENT OF TED FAIRLEY

23 MR. FAIRLEY: Good morning, I am Ted Fairley,
24 vice president of Michigan Seamless Tube. I have been in my
25 current position since 2007 and I've been in the pipe and

1 tube industry since 1978.

2 Michigan Seamless is a producer of cold-drawn
3 seamless mechanical tubing located in South Lyon, Michigan,
4 which is about 25 miles west of Detroit and was established
5 in 1927. We have a large and entirely modernized production
6 facility which provides us the flexibility to produce
7 everything from large volume orders for service centers and
8 end users to small orders based on specialized applications
9 of particular customers.

10 We produce cold-drawn tubing from carbon and
11 alloy steels for a wide variety of applications, including
12 the automotive, aerospace, mining, construction, oil and
13 gas, and agricultural industries.

14 Despite our outstanding product offering and
15 superior customer service, Michigan Seamless has been hit
16 very hard by unfair imports from the six subject company --
17 countries over the last several years. Our production,
18 shipments, employment, and operating income all showed
19 substantial declines over the 2014 to 2016 period.

20 We service customers in all end use applications
21 for cold-drawn tubing and we saw declines in our sales and
22 shipments across all of the major categories of end use due
23 to unfairly-traded imports.

24 Competition with the unfairly-priced imports has
25 caused our prices for cold-drawn tubing to fall

1 significantly over the last few years. The prices for the
2 unfairly-traded imports are well below Michigan Seamless
3 Tube's prices, and just don't make any sense.

4 In order to produce cold-finished seamless
5 tubing, we must start with steel bar or billet that is made
6 into a hot finished seamless tube and then cold-drawn. The
7 prices our customers are reporting for cold-drawn seamless
8 tubing are almost the same price per pound as my yielded
9 cost for the steel bar input material. There is simply no
10 way for us to meet unfairly traded, low priced imports that
11 are barely above our raw material cost.

12 Of course, when we are unable to meet those
13 prices, we lose sales. Many of our long-standing customers
14 continue to ask us to quote for business over the last
15 several years, but then the orders would simply not
16 materialize.

17 They were able to get it from unfairly traded
18 offshore sources instead at prices that were well below
19 ours. The downturn in sales that we have suffered has had a
20 major impact on our workforce. As our sales began to
21 decline in the early part of the period of investigation, we
22 tried to hold on to as many employees as possible. We feel
23 a serious responsibility to our employees. So initially, we
24 cut hours, work by our production workers to deal with the
25 downturn in our sales and production.

1 That did not work over the longer term, however,
2 as we continue to lose sales to subject imports. We
3 ultimately had to take the painful step of laying off a
4 number of our production workers.

5 Michigan Seamless is the largest manufacturing
6 employer in our hometown and county. The impact of these
7 layoffs has been significant. The decline in the financial
8 condition of Michigan Seamless had a broader impact than
9 just our firm. Our parent company declared Chapter 11
10 bankruptcy in December 2015 because it was unable to
11 refinance its existing debt. It only recently emerged from
12 bankruptcy last month. The 2015 bankruptcy was in part
13 attributable to the poor sales at Michigan Seamless because
14 of the expansion of subject imports in the U.S. market.

15 We have seen some improvement in market
16 conditions since the filing of these cases. While we
17 continue to encounter import volumes in the market place, we
18 have started to regain sales accounts that have switched to
19 subject imports, companies that would inquire and then not
20 order last year have begun ordering again. Our sales
21 volumes have improved, but pricing pressure remain.

22 We are hopeful that market conditions will
23 continue to improve, but unless unfair trade orders are put
24 into place, the subject imports were returned to the U.S.
25 market in force. If this happens, our industry will be in

1 extremely precarious position. An affirmative finding in
2 this case is crucial to the continued existence of my
3 company and our industry. Thank you.

4 STATEMENT OF KEN PURSEL

5 MR. PURSEL: Good morning, I am Ken Pursel,
6 president of Sharon Tube, which is a wholly-owned subsidiary
7 of Zekelman Industries. My tenure at Sharon Tube began in
8 1990 as a laborer on the shop floor. I've had a variety of
9 operations, sales, and marketing positions within the
10 organization over the years. Ultimately, obtaining my
11 current position in 2016.

12 We are a union facility and take great pride in
13 maintaining a close relationship with our employees. In
14 fact, I still know the workers on the shop floor well and
15 they know me.

16 Sharon Tube produces cold-drawn mechanical
17 tubing in our manufacturing facilities in Farrell,
18 Pennsylvania and Niles, Ohio. Our mechanical tubing is
19 employed in a variety of applications, such as automotive,
20 mining, construction, and agricultural equipment, ATDs and
21 other fluid power applications. Sharon Tube is the most
22 efficient producer of cold-drawn mechanical tubing in North
23 America and we believe the world.

24 This efficiency reflects a large capital
25 investment of \$45 million in 2011 and 2012, which upgraded

1 our production capabilities. Our cold-drawing facilities
2 employs state-of-the-art industrial design that allows
3 greater efficiency. We produce a broad range of high
4 quality product in various sizes and will serve the entire
5 U.S. market.

6 Despite our large investment and our efficient
7 production process, unfair competition from imports from the
8 subject countries has undermined the performance of Sharon
9 Tube.

10 While we envision being able to increase our
11 sales through our capital investment, we have in fact lost
12 volume and market share to unfairly-traded imports since our
13 new investment came on stream.

14 In addition to have -- in addition to having
15 customers move their business to unfairly-traded imports at
16 lower prices, we saw subject imports entering the market on
17 a speculative basis. That means the product is landed here
18 and remains an importer of inventories until a buyer can be
19 found. That puts added pricing pressure on the market as
20 the importer tries to move that inventory with very low
21 prices to avoid the carrying costs.

22 It also mean that Sharon Tube may be competing
23 against today's low prices well into the future. Because
24 the subject imports are interchangeable with our products,
25 we compete on the basis of price. I have never once had a

1 customer tell me that he purchased import of cold-drawn
2 tubing because it was of better quality than the product
3 with Sharon Tube.

4 Rather, customers tell us that they prefer to
5 buy our product, but must buy the lower-priced imports. Let
6 me give you an example. Early this year, we met with a
7 significant customer of many years who buys from us through
8 a distributor who holds stock for him. This purchaser told
9 us that he had instructed the distributor to purchase and
10 stock import subject -- I'm sorry -- to stock subject
11 imports of cold-drawn mechanical tubing because they are
12 priced significantly below ours. He also stated that his
13 company had no choice but to purchase the lower-priced
14 imports because his competitors were buying them.

15 We did not lose those sales due to changes in
16 demand, an inability to supply, or quality concerns. We
17 lost those sales due to unfairly-priced subject imports.

18 Our customers have frequently used offers for
19 lower-priced imports to force us to lower our prices to
20 uneconomic levels if we want to win or retain business. In
21 the last couple of years, the unfairly-traded imports of
22 finished tubing have often been priced lower than Sharon
23 Tube's welded redraw hollow.

24 As an efficient producer of cold-drawn
25 mechanical tubing, I can tell you that there's no way the

1 prices being offered on these imports are justified. We
2 need only look at our financial results to see the injury
3 Sharon Tube has experienced due to the rapid deterioration
4 and pricing led by the unfairly-traded imports over the past
5 three years.

6 We suffered declines in production, sales, and
7 profits and we were forced to lay off employees. Our
8 production cuts due to subject imports have been dramatic.
9 Prior to filing the trade case, we have reduced a number of
10 shifts at our Farrell facility. And just in the first
11 quarter of this year, we were forced to idle our number two
12 mill at our Niles facility.

13 This has resulted in a layoff of both
14 steelworkers and salaried employees. These reductions have
15 been extremely hard on our workers, their families, and our
16 communities. The filing of the trade cases allowed us to
17 begin winning back business over the last few months at more
18 realistic prices, but the unfairly-traded imports will eat
19 in our market share again quickly if anti-dumping and
20 countervailing duties are not imposed against the six
21 subject countries.

22 Without relief from this case, there is no doubt
23 that subject imports will once again flood the U.S. market
24 at extremely low prices and the modest improvements we have
25 seen in the last few months will be reversed. We have

1 plenty of capacity to serve the U.S. market. I would like
2 to be able to hire back the workers we have been forced to
3 lay off. We believe this action can achieve that result.

4 On behalf of Sharon Tube and our employees, I
5 urge the Commission to reach an affirmative determination in
6 this case. Thank you.

7 STATEMENT OF ROY HOUSEMAN

8 MR. HOUSEMAN: Good morning. My name is Roy
9 Houseman. I'm a legislative representative for the United
10 Steel Workers or USW. The USW is the largest industrial
11 union in North America, with 1.2 million active and retired
12 members, and we are proud to represent the men and women in
13 nearly every manufacturing sector.

14 The USW has consistently fought against the
15 unfair trade practices of foreign companies and governments
16 that violate U.S. and international trade rules, and
17 devastate American manufacturers and their workers. In
18 recent years, the USW has testified before the Commission
19 numerous times on behalf of U.S. workers and industry being
20 injured by the effects of unfairly traded imports.

21 I'm here today on behalf of our members in the
22 cold-drawn mechanical tubing industry, who are just the
23 latest victims of the foreign steel industries that are
24 suffering from these challenging conditions. The USW
25 represents steel workers at a number of cold-drawn

1 mechanical tubing production facilities in the United
2 States, including those at ArcelorMittal Tubular Products,
3 PTC Alliance Corp, Sharon Tube and Michigan Seamless.

4 For those steelworkers in their families, I
5 ask the Commission to level the playing field for the U.S.
6 cold-drawn mechanical tubing industry and its workers.
7 During the past three years, American cold-drawn mechanical
8 tubing producers have faced unfair and increasing
9 competition from the six subject countries. The depressed
10 market conditions caused by the low-priced imports have had
11 far-reaching effects.

12 For example, PTC Alliance idled its welding
13 mill in Chicago Heights, Illinois in 2014, and was forced to
14 temporarily idle its finishing plant in Beaver Falls,
15 Pennsylvania in 2016. Similarly, Zeckelman idled one of its
16 three production lines at its Niles, Ohio facility, and our
17 members have faced dozens of layoffs since 2014.

18 ArcelorMittal Tubular has also experienced
19 layoffs during 2014 to 2016 period, as subject imports
20 flooded into the U.S. market. The consequences of unfairly
21 priced imports have placed domestic industry and our
22 membership in a dire situation. Workers at other cold-drawn
23 mechanical tubing facilities have suffered as well in lost
24 jobs and reduced pay as subject imports surged.

25 Those lost jobs and wages hurt not only hard

1 working high-skilled American steelworkers, but also their
2 families, retirees and the entire communities that depend on
3 the success of the workers in their local mill. For the
4 U.S. cold-drawn mechanical tubing industry and for those
5 that still exist, trade relief is critical.

6 There is no question that American
7 steelworkers and the products we make can compete with
8 imports from any country in the world. Our modern
9 facilities and product quality are second to none. Yet
10 despite the domestic producer potential to be highly
11 competitive, they are suffering. We need to help in
12 stopping the injury being caused by the over-capacity,
13 government subsidies and unfair pricing coming from the six
14 subject countries.

15 We cannot stop the injury being caused by the
16 massive over-capacity, government subsidies and unfair
17 pricing from the subject countries, but the Commission can.
18 On behalf of the U.S. Steel Worker members, retirees and
19 their families all over the country, I hope you will do the
20 right thing and determine that the unfair imports are
21 injuring the industry and its workers. Thank you.

22 STATEMENT OF ALAN LUBERDA

23 MR. LUBERDA: Good morning. I'm Alan Luberda
24 from the law firm Kelley, Drye and Warren, and I will
25 conclude our presentation this morning with an outline of

1 the main points of our case.

2 The scope of this case covers cold-drawn
3 mechanical tubing and the domestic like product mirrors that
4 scope. Contrary to the claims made by the German
5 respondents, neither the scope nor the like product has ever
6 included as welded products. The final scope issue by
7 Commerce yesterday does not include the reference to EN
8 10305-3, that the Respondents did not want referenced, and
9 which forms the basis for much of the German respondents'
10 brief, was removed to ensure that there would not be
11 confusion about whether as-welded ERW product should be
12 within the scope.

13 All parties were instructed to raise like
14 product questions and comments on the draft questionnaires,
15 and no timely like product challenges were properly raised
16 for any of the products now being discussed by the
17 Respondents. Korean producers provided no new evidence for
18 creating a separate like product for hydraulic line tubing
19 in their questionnaire comments, and they failed even to
20 file a prehearing brief.

21 The -- brief requesting a separate like
22 product for airbag tubing starts from a faulty legal
23 premise, that because there is currently no production of
24 airbag tubing in the United States, the Commission must find
25 a separate like product. This Commission is legally

1 precluded from defining a domestic like product if that
2 product is not domestically produced.

3 Based on defining the domestic like product to
4 mirror the scope, the domestic industry includes all
5 domestic producers of cold-drawn mechanical tubing. You now
6 have before you the correct database for the correct
7 industry. Neither Petitioners nor the Commerce Department
8 ever defined the scope to include the as-welded pipe and
9 tube products that the Respondents have argued you should
10 now throw in, and the domestic producers of as-welded
11 mechanical tubing listed by the Respondents are not the
12 producers of the like product as defined.

13 In the preliminary determination, the
14 Commission cumulated imports from all six countries, finding
15 a reasonable overlap in competition, the record of the final
16 investigation continues to support such a finding. Only the
17 Salzgitter brief even challenges cumulation, and then only
18 for Germany. As shown in the staff report purchasers found
19 German mechanical tubing comparable with domestic and other
20 subject import mechanical tubing on the majority of factors
21 that drive purchasing.

22 Purchasers also reported German, domestic and
23 other subject imports to be always or frequently
24 interchangeable. The staff report also shows that the
25 domestic and other sources of subject mechanical tubing also

1 supply the automotive market and ship alloy tubing, two of
2 the factors cited by the German brief.

3 All German, domestic and other subject
4 producers sell the subject mechanical tubing in the same
5 channels of distribution and they compete head to head. In
6 fact, purchasers reported substituting imported German for
7 domestic mechanical tubing over the period of the
8 investigation. The volume of subject imports was
9 significant by any measure. Subject imports remained at a
10 high level between 2014 and 2016 while demand was declining
11 significantly.

12 Subject imports also account for the great
13 majority of the total mechanical tubing imports shipped into
14 the United States between 2014 and 2016, and their share of
15 total imports actually increased into the first half of
16 2017. Confidential Slide 7 shows that while consumption
17 declined significantly over the three year period, subject
18 import market shares steadily rose in both 2015 and 2016.
19 As shown on Slide 8, all of that subject import market share
20 growth came at the direct expense of the domestic industry.

21 Confidential Slide 9 shows that the subject
22 import volume also increased between the first half of 2016
23 and the first half of 2017, as the subject imports continued
24 to take market opportunities. How did the subject imports
25 grow their market share? Through significant underselling.

1 Price data in the staff report show underselling in 57
2 percent of comparison based on quarterly pricing data and on
3 88 percent of the volume. The Respondents do not challenge
4 these data in their briefs.

5 In fact, as discussed in Confidential Slide
6 11, the underselling in the staff report is somewhat
7 understated. An importer that provided data for the
8 preliminary investigation so far has failed to provide it
9 for the final investigation, despite the staff's best
10 efforts. If those data are not forthcoming, we believe the
11 Commission should use the preliminary investigation data for
12 that importer in the final analysis.

13 In addition, there are some direct imports
14 where report of pricing at the same level of trade as the
15 domestic industry's data. Those also show underselling and
16 if the two sources are included in the underselling data as
17 they should be, then the instance of underselling increases
18 on both a quarterly comparison basis and on a volume basis.
19 Slide 12 reproduces Table 5-14 of the staff report, which
20 shows the strong record evidence of underselling is
21 confirmed by the purchasers' experience.

22 Purchasers confirm head to head competition
23 between the subject imports and the domestic product, as 17
24 of 28 responding purchasers reported buying subject imports
25 rather than the domestic product. Remember the slide where

1 Respondents tell you there is no direct competition between
2 subject imports and the domestic industry.

3 Purchasers also confirm significant
4 underselling. 14 of those 17 reported that the subject
5 imports undersold the domestic like product consistent with
6 your quarterly pricing data. Importantly, 13 of those 14
7 purchasers admitted they shifted to direct imports primarily
8 because of the lower prices, demonstrating the negative
9 price effects of the underselling.

10 Slide 13 reproduces data from Table 5-14 in
11 the staff report, and it shows that the purchasers reported
12 underselling by every subject country. Notably, these 13
13 purchasers accounted for a significant majority of both the
14 domestic tonnage and the subject import tonnage purchased by
15 all reporting purchasers, adding to its probity as a measure
16 of the negative price effects of the subject imports.

17 As summarized on Slide 14, purchasers
18 accounting for a significant percentage of reported domestic
19 purchases also told you that domestic producers were forced
20 to reduce their pricing by up 40 percent, at a range of
21 10-40. That's up to 40 percent in order to gain those
22 prices or those sales rather. Purchasers thereby confirm
23 the price-depressing effects of the subject imports that are
24 also evident from the declines in the pricing products
25 collected by the Commission.

1 Confidential Slide 15 provides some of the
2 quotes from the purchasers, demonstrating that domestic
3 producers had to aggressively lower prices to compete with
4 subject imports. They also show that the domestic producers
5 tried to resist the price depression being caused by the
6 imports, but over time they were not successful in doing so.

7 Despite this strong evidence of underselling
8 and price depression, Respondents would have you believe
9 that falling prices are explained by falling costs over the
10 period. Because raw material costs fluctuated over the
11 period and welded and seamless-based products start with
12 different inputs, it's more appropriate to compare that
13 average unit net sales value to the average unit cost of
14 goods sold. Confidential Slide 16 shows that the net sales
15 value fell by significantly more than the cost of goods
16 sold, meaning that something other than raw material prices
17 was driving down domestic pricing.

18 According to the purchasers, that something
19 was the low prices of the subject imports. The result of
20 the subject import-driven lost volume and price depression
21 was massive injury to the domestic industry. Respondents
22 don't seriously contest that the domestic industry is in an
23 injured state, given the drastic declines in all trade and
24 financial indicators.

25 Production, domestic shipments, employees,

1 capacity utilization were all down by significant
2 percentages, as the domestic industry prices and market
3 share dropped. As summarized on Slide 18, domestic
4 industrial financial indicators cratered. There's no other
5 word for it. The decline in net sales value, gross profits,
6 operating income and net income were absolutely
7 catastrophic, as you can see on your slide.

8 Summarizing Confidential Slide 19, the
9 financial performance of the domestic industry declined from
10 a position of modest profitability to one of losses.
11 Domestic industry profitability declined while subject
12 imports grew their market share in a declining market
13 through underselling, taking domestic sales and depressing
14 domestic industry prices. If not for this case, things are
15 only going to get worse. The subject producers have
16 sufficient capacity to increase significantly their exports
17 of the subject merchandise through the United States, and
18 this is a serious threat.

19 Not only did the subject imports not decline
20 in 2017, for at least three countries they ramped up, which
21 led the domestic industry to file critical circumstances
22 allegations. Commerce reached an affirmative critical
23 circumstances determination as to producers in China, Italy
24 and Korea, and we believe the Commission should do so as
25 well.

1 Because Respondents cannot really challenge
2 the volume pricing and injury data collected by the
3 Commission, they resort to a series of excuses to claim that
4 despite data to the contrary, subject imports were not the
5 cause of material injury. The record evidence does not
6 support those claims. Respondents want to blame declining
7 demand for the crash in the financial condition of the
8 domestic industry.

9 But domestic shipments fell by much more than
10 demand, so demand can't explain the huge crash in the
11 domestic industry's welfare. Explanation from the
12 purchaser's response is that it was underselling by the
13 subject imports, and not demand that was the culprit. The
14 staff report further indicates that demand for the subject
15 mechanical tubing for the 28 responding purchasers fell by
16 a relatively small amount, while those same purchasers
17 reduced their purchases from the domestic producers to a
18 much greater degree. If the problem here was demand, those
19 numbers would be a lot closer together.

20 Moreover, the purchasers shifted the volume
21 that was used to fill actual demand occurring during the
22 period, from the domestic producers to subject foreign
23 producers. So none of that shift can be blamed on demand.
24 By the way, if you wish to extrapolate the experience of the
25 28 responding producers, or purchasers rather to all

1 purchasers and its impact on the domestic industry, we have
2 provided a methodology for you to do that in Exhibit 18 of
3 our prehearing brief, and I encourage you to look at that.

4 As we've already established, declining unit
5 costs also do not explain the much larger drop in prices
6 shown on Confidential Slide 25. Summarized on Slide 26, not
7 only do purchasers confirm head to head competition in
8 market price, but the record shows domestic producers are
9 competing in all of the areas in which Respondents claim
10 they are not competing.

11 Thus the producers compete for automotive
12 customers, for alloy subject mechanical tubing. You heard
13 testimony this morning the domestic industry makes hydraulic
14 tubing and prop shaft tubing and other products Respondents
15 want you to believe this industry cannot make. Petitioners
16 -- or do not make. Petitioners manufacture highly technical
17 products across the mechanical tubing spectrum, with the
18 vast majority being produced to order.

19 In fact, domestic producers can supply the
20 market with virtually all the products the purchasers
21 demand, just not at the unfairly low prices that they
22 demand. There was a certain -- there was certainly plenty
23 of excess capacity to do so as you can see from the data.
24 As for the claims that domestic producers are unable or
25 unwilling to supply certain customers since this case was

1 filed, much of that will have to be addressed confidentially
2 in the briefs.

3 Such claims by Respondents are overblown, and
4 we would ask the Commission to consider these claims in
5 context. Until the case was filed, one particular purchaser
6 making such claims brought low-priced unfairly traded
7 imports at prices that undercut the domestic industry. That
8 purchaser then sent out comprehensive requests to be
9 supplied with a number of different products in a
10 significant quantity and with very short lead time that will
11 put them ahead of those customers already on the existing
12 rolling schedule for domestic producers.

13 This scenario is not a reasonable measure of
14 whether the domestic industry can supply the market. Nor do
15 the Respondents acknowledge that the industry had to lay off
16 production workers who are no longer there to produce those
17 products, because the purchasers prefer dumped import prices
18 to domestic prices. When a purchaser announces to the world
19 that the domestic industry will never see another foot or
20 pound of their business because they would instead offshore
21 it for lower prices, or import cheap downstream products at
22 dumped prices before buying anything from the domestic
23 industry, that statement simply confirms that the import
24 decision is all about prices.

25 Respondents have provided no reasonable

1 alternative explanation for the plight of the domestic
2 industry, other than the injurious impact of unfairly traded
3 imports. The record data you collect show that subject
4 imports are the cause of material injury to the domestic
5 industry, and that they threaten to cause further injury if
6 an order is not put in place.

7 You should heed these data, listen to what the
8 purchasers have told you in no uncertain terms in the staff
9 report, and reach an affirmative determination. Thank you.
10 That concludes our presentation for this morning, and we're
11 happy to take questions from the Commission at this time.

12 VICE CHAIRMAN JOHANSON: Thank you Mr. Luberda
13 and others. We will now begin with the Commissioner
14 questions, starting with Commissioner Broadbent.

15 COMMISSIONER BROADBENT: This is for counsel,
16 I guess. I'm sorry. I don't understand. I can't figure
17 out what happened on scope. You asked for more data and
18 then you withdrew your request. Can you explain?

19 MR. LUBERDA: I'd be happy to explain that.
20 We've not changed the scope of this case. This case has
21 always covered cold-drawn or otherwise cold finished
22 mechanical tubing. It never covered as-welded tubing.
23 There was a dispute about whether the EN 10305-3 welded
24 tubing was being processed, further processed, cold-sized
25 enough to change it from being as-welded tubing.

1 The Respondents were making confusing
2 statements about it, so but in the end, they wanted it out.
3 We never intended to cover the ERW tubing and so rather than
4 there be any confusion, that reference was removed. But we
5 have never covered that product. The scope did not change.
6 It was just how they were referencing products to make sure
7 people understood what the scope was.

8 COMMISSIONER BROADBENT: Okay, I'm sorry. I'm
9 just -- the -- no one wanted to cover this product,
10 Petitioners or Respondents?

11 MR. LUBERDA: Nobody wanted to cover as-welded
12 products, that's correct.

13 COMMISSIONER BROADBENT: And there was
14 confusion going in early on that it was covered, and you
15 asked for something?

16 MR. LUBERDA: There was confusion as to
17 whether -- the Respondents were kind of coy about exactly
18 how much cold finishing they were doing on those products,
19 because you --

20 COMMISSIONER BROADBENT: Right. But I just
21 want to know what your request was to the Commerce
22 Department.

23 MR. LUBERDA: Our request to the Commerce
24 Department was to include cold-sized products that amounted
25 to more than the light rolling necessary to create

1 concentricity and straightness in the product. That was it.

2 COMMISSIONER BROADBENT: Do you think you're
3 being clear with me? I can't --

4 MR. LUBERDA: I'm trying to be. I'm trying to
5 be, Commissioner Broadbent.

6 COMMISSIONER BROADBENT: Does the -- can you
7 just talk to me in broad-brush terms. There was one product
8 here that was in dispute. You didn't know if it was covered.
9 You asked Commerce to do what?

10 MR. LUBERDA: We asked Commerce. So we were
11 afraid that the Respondents would use that particular EN
12 10305-3, they'd use that spec and say we can -- that
13 anything in that spec is automatically out, no matter how
14 much we cold-size it, right.

15 COMMISSIONER BROADBENT: Uh-huh.

16 MR. LUBERDA: So the dispute that Commerce --
17 we asked Commerce this as well, if they're going to say just
18 because it's EN 10305 it's out, maybe you should go ahead
19 and reference it. Not to say that everything produced under
20 that product was in; it depended on how much they cold-sized
21 it. In the end, it was definitely creating some confusion
22 to include it, because they were arguing to you oh look, all
23 of the ERW products that are made in the United States are
24 suddenly in.

25 That's never been our position, and so we

1 asked the Department to say it's clearly creating confusion.
2 We've never and we've said throughout we've never intended
3 to include products that aren't either cold-drawn or
4 cold-finished in a manner that would make them as cold -- as
5 if they were cold-drawn. So we asked them not to include
6 that reference.

7 COMMISSIONER BROADBENT: So you asked for it
8 in and then you asked for it out?

9 MR. LUBERDA: We didn't ask for the product
10 in. We asked for the reference, so that it would be clear
11 that there could not be circumvention of a cold-drawn order
12 by having somebody otherwise cold finish it to substitute it
13 for cold-drawn tubing.

14 COMMISSIONER BROADBENT: Okay thanks. I
15 appreciate it. I'm not very up to speed on how Commerce
16 does these scope determinations. Let's see. For the
17 Petitioners, Autoliv argues that airbag tubing is a separate
18 domestic like product. They make their arguments primarily
19 based on imported merchandise, and the Commission normally
20 conducts its like product analysis based on what's
21 domestically produced.

22 Is there U.S. production of this product, and
23 how would you consider the six factors relative to our
24 product analysis based on domestic production?

25 MR. LUBERDA: There isn't domestic production

1 of that product. There wasn't during the Period and there
2 isn't now. I mean nobody on this panel is producing that
3 product, right. We don't know of any other producer of the
4 product.

5 COMMISSIONER BROADBENT: Right.

6 MR. LUBERDA: So legally there isn't a basis
7 to create a separate like product without domestic
8 production. The domestic like product is the product most
9 like that product, and that is cold-drawn mechanical tubing
10 at large.

11 COMMISSIONER BROADBENT: Okay. How prevalent
12 is cold-sizing in the production of welded tubes?

13 MR. LUBERDA: I'll let the producers answer
14 that question about what they do. But all welded tube when
15 it comes off the line is going to undergo some
16 straightening. It's going to go through some rollers to
17 make sure it's straight, to make you just hit the tolerance,
18 to make sure you've got shape, concentricity, which is the
19 distance between the center and the outside of the tube.

20 So there's always some. So I'm assuming I've
21 got to that right. I'll go to the panel and maybe Mr. Vore
22 or Dave

23 MR. BOYER: In the production -- excuse me.
24 My name is David Boyer with Webco Industries. In the
25 production of as-welded mechanical tubing or any other

1 as-welded tubing, there's some like sizing that goes on, to
2 make sure the tube is round and concentric. You know, it's
3 a few percent of a diameter reduction. That's nowhere near
4 the percentage reductions that occur when you're talking
5 about cold-drawn mechanical tubing, which is more in the
6 area of, you know, 15, 20, 30, 35, 40 percent
7 cross-sectional area reductions.

8 COMMISSIONER BROADBENT: Okay, thanks. Mr.
9 Luberda, can you talk to me about demand in this market?
10 Are you -- do you agree that the agricultural sector demand
11 has declined, and what's been driving that decline?

12 MR. LUBERDA: I think it would be better for
13 the industry to just -- to discuss demand, since they're
14 actually living that. We saw, as our conversations why the
15 demand was down across all sectors. But I'll let the
16 industry discuss what they saw in demand.

17 MR. VORE: This is Ed Vore with ArcelorMittal
18 Tubular Products. As to specifically in the agricultural
19 sector, the primary driver for that was the decline in net
20 farm incomes that we experienced with the concurrent
21 increase in the strength of the dollar and the decline in
22 commodity prices per bushel per unit produced. So as the
23 farm community experienced lower net incomes, they chose to
24 use existing equipment for additional years.

25 There were also some other special financing

1 things that were done by the major OEMs such as Deere and
2 Company through their lease programs, and expiration of
3 accelerated depreciation also influenced equipment purchases
4 by the farming community.

5 COMMISSIONER BROADBENT: So overall demand in
6 the ag sector fell during the POI?

7 MR. VORE: It did.

8 COMMISSIONER BROADBENT: Period of
9 Investigation, okay. Figure 2-3 on page 219 of the staff
10 report shows a net increase in U.S. crude oil and natural
11 gas production. Is it your experience that there's been an
12 increase in demand within this sector since 2014, Mr. Vore.

13 MR. VORE: Thank you again. Ed Vore with
14 ArcelorMittal. We have seen a recent improvement in that
15 market, meaning in 2017. There was actually a decline in
16 our demand for those products from 2014 through 2016. As
17 you can see as the oil prices declined from 70 or 80 dollars
18 a barrel down to 45, there was a commensurate decline in our
19 business there.

20 The mechanical tubing products that we make
21 generally go into tools that are part of a drill string or a
22 production well, as opposed to what you would be more
23 familiar with as far as OCTG type products. So as we see
24 that, as the rig count begins to improve as it has over the
25 last 10 or 12 months, we're seeing more activity now. But

1 during the period, they did decline due to the lower
2 commodity prices.

3 COMMISSIONER BROADBENT: Okay, and I have a
4 question for I think Mr. Kerwin, but maybe somebody at the
5 table could answer. I'm not -- you guys over sit over there
6 and I want to ask you questions. What is a better indicator
7 for automotive demand for cold-drawn mechanical tubing,
8 total vehicles sales or domestic auto unit production? I'm
9 looking at page 2-20 of the prehearing report.

10 MR. KERWIN: Yeah. This is Michael Kerwin
11 from Georgetown Economics. It would definitely be
12 preferable to use auto production statistics. The
13 Respondents have cited to auto sales within the United
14 States, but unfortunately auto sales figures would include
15 both imports and domestically produced product.

16 So we would definitely advise looking at the
17 auto production numbers, which actually declined over this
18 period within the United States, and showed a fairly
19 substantial decline in 2017. The other thing I would point
20 out is that the data that are available on the record in the
21 aggregate that was gleaned from the importers' and the
22 producers' questionnaires does show that there was a decline
23 in actual sales shipments to the auto sector by the
24 cold-drawn mechanical tubing industry and the import for the
25 market as a whole. It did decline during the 2014 to '16

1 period.

2 COMMISSIONER BROADBENT: Okay. Thank you very
3 much, Mr. Kerwin.

4 VICE CHAIRMAN JOHANSON: I would like to begin
5 by thanking all of you for appearing here today.

6 Our first question is this: On pages 6 to 7 of
7 Salem and TFI's brief, they state, in bold capital letters,
8 that the domestic industry refused to sell to them and that
9 this caused them to seek import sources.

10 First, is this true? And second, can you comment
11 on the documentation that they provide to support these
12 claims and this documentation at their Exhibit 2?

13 MR. LUBERDA: As I said in my presentation, a lot
14 of that has to be dealt with because it was provided in
15 confidence. So a lot of that will have to be dealt with in
16 the brief. But I think we can give some general comments.

17 Just keep in mind, as I said, for context the
18 requests were made--I don't think you have all the
19 information. And when you get all the information it will
20 look a little different. But these requests were made in
21 asking for a pretty short turnaround by people who never
22 bought domestically, and said we need emergency right now.
23 But I'll let the industry tell you how it actually works in
24 the industry when you order.

25 MR. HART: This is Cary Hart with PTC Alliance.

1 We provide products across all the ranges that the--
2 particularly the two that you're talking about, we provide
3 many people with those types of products.

4 We haven't received--we have not received any
5 inquiries from those people that I can find anywhere in our
6 system. We did used to sell to fabricators back when it was
7 called Nelson Tube. They were probably one of our larger
8 customers.

9 We had a very difficult breakup due to some
10 financial issues, and at that point they exited business
11 with us and went to Flaunders. We have not sold them any
12 product since then. There's no reason why we wouldn't sell
13 them, other than whether or not they pay their bills and
14 treat us fairly in an equal basis as they do with the
15 imports. Thank you.

16 MR. LUBERDA: The Commission might look at the--
17 Commissioner Johanson, you might look at the dates on the
18 documents that were provided in the brief as to some of the
19 refusals to sell. They were substantially before this
20 period.

21 MR. HART: I would clarify that that was in
22 2004-2005 time period when they went through bankruptcy and
23 we lost a substantial amount of money in that transaction.

24 MR. PURSEL: This is Ken Pursel, Sharon Tube. We
25 did in fact receive a request for quote from two

1 fabricators. We were able to quote most of the items and
2 did not in fact refuse to sell.

3 VICE CHAIRMAN JOHANSON: Thank you, Mr. Pursel
4 and Mr. Hart. Anybody else?

5 MR. BOYER: Commissioner Johanson--excuse me.
6 This is David Boyer. Commissioner Johanson, is your
7 question concerning whether or not the industry refused to
8 sell these two companies, and that's what took them off to
9 foreign products? Or is it a more recent inquiry?

10 VICE CHAIRMAN JOHANSON: They just state that the
11 domestic industry refused to sell to them.

12 MR. BOYER: Okay. Well from our
13 vantage point--

14 VICE CHAIRMAN JOHANSON: And they seemed quite
15 upset about it.

16 MR. BOYER: Okay, I read that. We don't make a
17 habit of not selling to customers. We're always looking for
18 good customers. We're looking for reasons to say 'yes.'

19 I believe from at least one of the companies we
20 might have received an inquiry. I don't know the
21 particulars of exactly how we responded. If we did regret n
22 an item or two, I'm sure it had something to do with our
23 supply chain.

24 But what I want to make sure you know is we
25 produce thousands of different sizes of tube. We need to

1 make sure that we have a supply chain of raw materials lined
2 up to support those different sizes.

3 If the size hasn't been in our normal recent
4 offering because we didn't have recent demand, we might not
5 have that raw material in place. So again, I will go back
6 and research what our position was on these quotations, but,
7 trust me, we need all the customers that we can get.

8 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
9 Boyer and others. And following up on my first question, on
10 page 2 of Salem's brief Respondents assert that the domestic
11 industry did not, quote, "do the work needed to penetrate
12 the market for specialized automotive components," end
13 quote.

14 Can you all address here your company's
15 involvement in the U.S. automotive sector? I know you just
16 spoke on this, but this is such a major feature of what the
17 Respondents wrote, I'd like a bit more discussion, please.

18 MR. VORE: Sure. This is Ed Vore with
19 ArcelorMittal Tubular Products. We have a wide range of
20 involvement in the automotive industry, a number of
21 different products. A number of different OEM
22 manufacturers, both the Detroit domestics as well as the
23 foreign name-plate transplants in this country.

24 And the process is really very, very similar
25 between all those companies. There is a functional demand

1 for their product design. They develop tubing
2 specifications that require the products that we all
3 manufacture. There is a lot of engineering collaboration
4 that goes on during that process to determine how we can
5 best manufacture the product to deliver the performance that
6 the auto companies require out of that part and that
7 assembly.

8 Then there is an approving period where samples
9 are produced. The properties and the performance of our
10 products are validated by the customer in their vehicles.
11 Sometimes, depending on the application, it can require
12 destructive crash tests and those sorts of things; make up
13 the safety ratings that the companies desire and advertise
14 in their products.

15 And then, once we are proven to be capable, the
16 process is capable and proven at a production rate, then
17 production awards are given. So that process can take
18 anywhere from a very expedited six months to probably a
19 couple of years for that process to play out, depending on
20 the nature of the specific application.

21 MR. HART: This is Cary Hart with PTC Alliance.
22 PTC Alliance started in 1924. We were called Pittsburgh
23 Tube Company originally. I was--originally started with
24 that company. We are a much larger company now and we cover
25 a much broader range of products, but our original basis for

1 the company was almost entirely an automotive parts
2 supplying company.

3 I know the Respondents continue to say that we do
4 not produce these products. The only products that we're
5 not producing in automotive are things that have been taken
6 away from us over years due to lower cost imports. We can
7 produce all of the subject products they're talking about in
8 drive shafts, in bushing tubes, in steering systems, in
9 shock absorbers, linkage components, most anything that
10 occurs in an automobile. We do not produce airbag tubing
11 today. We had produced it in the past.

12 The only difference is, some of the specifics
13 that they're working in have been switched over to almost
14 entirely foreign imported goods. We do produce today for,
15 as Mr. Vore said, we compete with ArcelorMittal. We're
16 selling products all over the world. Some of our products
17 are for German products that are going outside the country
18 today. Volkswagen is a substantial customer for us
19 overseas. So it might be surprising for people to
20 understand that we're making goods in America and shipping
21 them all the way over to Europe.

22 The difference is, when we produce a product in
23 the United States we take our full costs and our normal
24 margins. We add the cost of transport and freight, and any
25 other costs, and that is what we sell the product for in

1 Europe.

2 The difference that we're seeing is goods coming
3 in from Europe are being sold in our country at below
4 sometimes our raw material costs. We are competing with
5 them on a technical basis. We have the know-how and the
6 capabilities, but we cannot compete on the price level.

7 Thank you.

8 MR. BOYER: This is David Boyer with Webco
9 Industries. I read with interest some of the Respondents'
10 briefs that talked about the U.S. industry not being
11 involved in the automotive industry.

12 Our company certainly is in a very, very
13 significant way. In fact, we are a leading producer of
14 precision cold-drawn tubing in that market.

15 A bit of personal history. In 1986 I moved to
16 Detroit, myself personally, the Lonchar Company, into that
17 business precisely, and we've been going every since. It's
18 a significance piece of our business. We like being in the
19 automotive industry. We have done a lot in the past and we
20 plan to do more in the future.

21 Parts that we produce--we talked about like
22 drive-line tubing. We've done a lot of that kind of
23 product, a lot of vibration control kinds of things, ride
24 control kinds of applications.

25 We also, our products end up in more than U.S.

1 automobiles. You know, they go into BMW, Nissan, Honda, to
2 name a few. I think Lexus. I think we have parts going
3 there. So we're a very, very significant player. We like
4 that business and plan to do more.

5 MR. FAIRLEY: Ted Fairley with Michigan Seamless
6 Tube. At Michigan, the automotive part of our business is
7 always our second, third, fourth largest market. It does
8 change year to year as other markets rise and fall, and I
9 think it is also fair to say that all the companies
10 represented here today have that over-arching quality
11 standard certification that the automotive companies require
12 for you to be a player in that game. We all have that
13 certification.

14 MR. KERWIN: Commissioner, if I could add, the
15 data from the Producers Questionnaires, when aggregated, do
16 show that for the end-use sector data that the automotive
17 market is a very substantial part of the overall shipments
18 of the domestic industry. We would be happy to provide some
19 summary data for the posthearing brief on that.

20 VICE CHAIRMAN JOHANSON: That would be helpful,
21 because once again as you all know the Respondents wrote on
22 this at some length. So I would like further clarification
23 in the posthearing.

24 My time has concluded. Next up is Commissioner
25 Williamson.

1 COMMISSIONER WILLIAMSON: Thank you, Mr. Vice
2 Chairman.

3 I too want to express my appreciation to all the
4 witnesses who came today to present their testimony. I just
5 want to follow up on something Mr. Hart said that really
6 struck me.

7 You said that you basically are able--you have
8 products with which you're competing with the Europeans in
9 Europe, but yet they're undercutting you in the U.S. Why
10 aren't they undercutting you in Europe, too? It just really
11 struck me.

12 MR. HART: Yes, it's an interesting dynamic that
13 we've been able to accomplish. We produce a very technical
14 product. In many cases we can produce tolerances that allow
15 the product to be lower-cost than what the foreign producers
16 can do. So when they tell us that they can do things we
17 can't do, it's somewhat laughable for us.

18 So we produce products that drive our company to
19 be outstanding in our continuous improvement. So we come up
20 with ways to solve engineering and technical problems. It's
21 not a huge part of our business because more of the product
22 is more commoditized, but we do find applications and niches
23 where we can export the product overseas and sell at a
24 price, a domestic price-plus.

25 COMMISSIONER WILLIAMSON: When you say tolerances

1 that I guess make the product more cost efficient, I was
2 just wondering, could you explain that?

3 MR. HART: I don't want to get into the exact
4 details of the specific products--

5 COMMISSIONER WILLIAMSON: That's fair.

6 MR. HART: --but there are things we can do. We
7 have some unique manufacturing capabilities that many people
8 in the world do not have. And we have nearly 100 years of
9 know-how. We have a broad base of technical centers where
10 we're producing specialized products for very, very niche
11 applications.

12 It's a very small industry. The whole--you see
13 the entire market for cold-drawn mechanical tubing in the
14 U.S., it's a small market. So if you're not specialized, if
15 you can't do very unique niche products, there's just not
16 much business out there.

17 So you have to sometimes find ways to capture new
18 areas, and that's what we've been able to do.

19 COMMISSIONER WILLIAMSON: Thank you. Does anyone
20 else have examples like that?

21 (No response.)

22 COMMISSIONER WILLIAMSON: Okay, thank you. Let
23 me go back to this scope question again. Does it make a
24 difference when the cold sizing occurs, it could be either
25 during the tube formation or after that, and would that

1 difference determine if a product is within or outside the
2 Commerce scope?

3 MR. LUBERDA: Commissioner Williamson, no, that's
4 not what the determination is here. So all cold sizing is
5 going to occur after tube formation. Tube formation occurs
6 at welding. So once the welded tube is formed, any kind of
7 rolling process is going to occur after that. So that's not
8 what the issue is here.

9 The issue is how much are they actually cold
10 sizing it. So if it's the kind of light rolling that's
11 consistent with just hitting your tolerances, that's one
12 thing. That's not--that's an as-welded product. If it is
13 more substantial, then that could be akin to cold drawing.

14 COMMISSIONER WILLIAMSON: Is there any kind of
15 either industry standard? What percentage is too much--you
16 know, gets in and what percentage doesn't?

17 MR. LUBERDA: There isn't a specific industry
18 standard. And that was part of the confusion. And we were
19 arguing at the Commerce Department about where it should be.
20 And so, you know, at this point it wasn't worth the
21 confusion so we made it clear. And we did, by the way,
22 exactly what the Respondents wanted us to do.

23 There was never an intent. We have never said we
24 wanted the ERW product within the scope. It's never been
25 included within the scope. None of these producers reported

1 ERW product, nor are dumping margins being calculated based
2 on ERW products.

3 We certainly didn't want to end up with the
4 situation of the aluminum extrusions where you're looking at
5 one record, and then there's all these other downstream
6 products. That's not going on here.

7 COMMISSIONER WILLIAMSON: Okay, thank you. This
8 is one time I'm sorry I didn't go on the factory tour.
9 Please respond to Respondents' argument that there are
10 additional companies producing as-welded mechanical tubes
11 that are not in the Commission's domestic industry.

12 MR. LUBERDA: They're not reporting them? They
13 shouldn't be reporting them because as-welded tubes are not
14 within the scope for the like-product of this case. So none
15 of those folks are reporting it, nor do we think they should
16 be reporting it. They weren't reported at the prelim data;
17 they haven't been reported with the final data, because
18 those as-welded products are not within scope.

19 COMMISSIONER WILLIAMSON: Okay. Thank you. This
20 is for each of the domestic producers, and if you want to do
21 it posthearing that's fine. What share of your production
22 consists of cold-size tubing that meets the product scope of
23 these investigations?

24 MR. LUBERDA: We'll do that post-hearing. I
25 think it will just be easier to put it in writing than to--

1 particularly since every one of these producers is going to
2 have slightly different production facilities, and they have
3 their own trade secrets about how they do things.

4 So to avoid putting anybody on the spot, we will
5 give you that in post-hearing.

6 COMMISSIONER WILLIAMSON: That's fine. Thank
7 you.

8 Given the relatively low price data coverage, how
9 representative of the market are the purchasers' responses
10 to the lost sales and revenue questions? And how should we
11 interpret the absence of price comparisons for Germany,
12 Korea, and Switzerland?

13 MR. LUBERDA: So as you heard in the testimony
14 today, this is a product--cold-drawn mechanical tubing is a
15 product where you have literally thousands of different
16 individual products. So every--because everything is
17 ordered with an outside diameter, inside diameter, grade,
18 heat treatment. Coming up with pricing products is a little
19 bit difficult, you know, to one that's going to cover a
20 wide--this is not a commoditized product. This is a--you
21 know, these are all very highly specialized products. So at
22 the prelim, there was--you know, we saw what the responses
23 were.

24 We, the domestic industry, we tried very hard to
25 broaden and see if we could do some size ranges, things like

1 that, so try to broaden it out. It didn't garner more.
2 Then we saw that, hey, since you guys noted that--since the
3 Commission noted that there was not as many responses as you
4 would have liked on these pricing products, obviously
5 certain importers took note of that and decided well, then,
6 they wouldn't send theirs for the final either.

7 The Germans were the only other parties to make
8 any suggestions, and they suggested only products that they
9 knew that were very, very specifically defined, very
10 precisely, that they knew they were giving to some customer
11 that we would probably not be.

12 So everything is so specifically defined that
13 it's hard to come up with specific price band. That said,
14 all of the data that you collected shows significant
15 under-selling. There's direct import data which captures
16 one of the countries. There's some--if you use the
17 preliminary, as I said in my remarks, if you use the
18 preliminary data for another country, you broaden that out.
19 But all of that data is exactly parallel to the data you got
20 from purchasers, which is a significant amount of the
21 imports and of the domestic purchasers, and they said the
22 foreign product was under-selling the domestic industry.
23 They made their decision to buy on that basis, and that
24 there was price depression.

25 So you have a lot of data on the record, not

1 challenged by the Respondents, that shows that there was
2 significant under-selling. And I think when you put those
3 two pieces of information together, you can rely on the data
4 on the record as showing significant under-selling.

5 MS. CANNON: Commissioner Williamson?

6 COMMISSIONER WILLIAMSON: Yes, go ahead.

7 MS. CANNON: --say the same thing. If you could
8 pull up chart 13, Mike? I just wanted to call your
9 attention to the specific chart by country. So for
10 specifically Germany, Switzerland, and Korea, you do have
11 information on the record from the purchasers that report
12 the under-selling. So it's not a void in the record at all.
13 It is very specific to these countries, as well.

14 COMMISSIONER WILLIAMSON: Okay.

15 MR. KERWIN: Commissioner, I was just going to
16 add that the benefit of using the purchaser's information is
17 that they're not responding to a specific product as is
18 required in the pricing products. It's not an individual
19 specification. It's more of an overall impression in the
20 many products that they may be purchasing from domestic or
21 imported sources to say, well, which one was lower?

22 Was the subject import lower? And as the data
23 show, you know, in a significant majority of instances, the
24 purchasers said, yes, the subject imports were priced lower
25 than the domestic product.

1 So it's a broader scope to what they're
2 considering, and I think it's a very beneficial means of
3 supplementing the pricing data.

4 MR. LUBERDA: Thank you, Commissioner Williamson.
5 I agree with what Mr. Kerwin said, except I would just
6 clarify it one bit to say it's not just an impression. This
7 is when purchasers are responding to you when they say we
8 considered domestic or foreign. We bought foreign and the
9 price was lower for the foreign.

10 So that's saying: When I looked at a head-to-head
11 match-up, we chose foreign because it was lower priced. So
12 that specifically supports that this is reliable data for
13 you to use in evaluating under-selling.

14 COMMISSIONER WILLIAMSON: Okay, thank you. My
15 time has expired, but just one additional question. Is
16 there any reason to think that the Korean, Swiss, and German
17 firms are more likely to be more specialized than--more
18 specialty products or niche products than what's coming from
19 India or China? If not, that's okay. I'm just always
20 wondering about that.

21 MR. LUBERDA: Well at the prelim I know that the
22 folks who were importing Indian were arguing that they could
23 provide all these very specific products just-in-time, et
24 cetera. The marketplace, even though some of this goes to
25 distribution, the marketplace is oriented toward specific--

1 these technical products getting very specific sizes for
2 specific purchasers.

3 So overall in the marketplace, all of these
4 products are competing with one another for the same
5 business.

6 COMMISSIONER WILLIAMSON: Okay, thank you for
7 those answers.

8 VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

9 COMMISSIONER BROADBENT: Thank you, Vice
10 Chairman.

11 Mr. Hart, I know you spoke to this already, but
12 can you just discuss a little bit more the types of exports
13 that are shipped from the United States?

14 MR. HART: This is Terry Hart from PTC Alliance.
15 For my company, outside of NAFTA, we do ship products to
16 Canada and Mexico, automotive parts in both cases,
17 automotive components, steering components, linkage
18 components, noise, vibration, and hardness components,
19 steering linkages, engine shafts, axle housings. And then
20 hydraulic components. We make hydraulic cylinder rams, the
21 outer and the inner, out of tubing.

22 Those same products are also sold into Europe,
23 Australia, Brazil, other countries around the world. So if
24 you have anything specifically, I can address that--

25 COMMISSIONER BROADBENT: No, that's enough. I

1 just wanted to get a sense.

2 MR. HART: We pretty much sell a lot of
3 telescopic hydraulics. There's just a lot of specialized
4 products that we have some unique capabilities or some
5 knowhow that drives customers.

6 The customers that we're selling around the world
7 are not American companies overseas. That's one of the
8 misnomers, that we're only selling companies that are
9 American and they have--that's not the case at all. In many
10 cases, most of the stuff we're selling overseas is overseas
11 companies buying our products from America.

12 COMMISSIONER BROADBENT: Okay. Mr. Vore?

13 MR. VORE: Yes, thank you. Ed Vore,
14 ArcelorMittal Tubular. I would concur with Mr. Hart's
15 comments. We sell our products to the same export countries
16 as they do.

17 We're not quite as automotive-focused, but on the
18 other cold-drawn mechanical products that we would sell into
19 South American countries, Australia, Scandinavia, and
20 Europe, as well. So--and sometimes I think we're probably
21 each other's biggest competitor in some of those foreign
22 countries, as opposed to more localized supply, because of
23 the product characteristics that we can deliver.

24 So we too have a similar export experience as
25 they have, and we've been a consistent exporter since

1 probably the mid- or late 1970s.

2 COMMISSIONER BROADBENT: Okay, great. Thank you.

3 Mr. Boyer and Mr. Luberda, you stated that there
4 were certain instances where U.S. producers have been
5 unwilling to sell to purchasers in effect because they were
6 not ready. Supply chains were not set up for certain
7 products, for example.

8 Also I heard testimony this morning that airbag
9 tubing is not produced here. So why would you seek an order
10 on these products that you are unwilling to produce?

11 MR. ROSENTHAL: Commissioner Broadbent, this is
12 Paul Rosenthal. If I might just interject for a second, I
13 don't believe the testimony earlier was that they were
14 unwilling to produce it. I want to be clear about that.
15 What was stated earlier was that sometimes someone will come
16 in with an order who has not come with them for an order
17 before because they've been buying imported product and ask
18 for this product on a quick lead-time, and it cannot be
19 produced quickly. They need to actually work with the
20 customer to have the product on hand, sometimes to specific
21 raw materials.

22 And I would add, we've seen this in other cases
23 and I think we're seeing it here, too, there are a number of
24 instances after a case is filed, or in anticipation of a
25 case, a foreign--an importer, or a distributor will go to a

1 U.S. company and, in my way of thinking, set them up to not
2 be able to quote on a product where they'll say we want this
3 product in six weeks at a certain amount of tonnage, which
4 they know is an impossible thing to do because this company
5 has other obligations to existing customers, and it takes
6 time to put them in the queue, if you will, to get the
7 product.

8 So what they want to do is come to the Commission
9 and say, oh, we asked them for this and they couldn't do it.
10 And the answer is: They could do it, but they need more of a
11 lead time because they're working with other companies over
12 time.

13 You heard a lot of testimony earlier today about
14 how these companies are making very specialized products and
15 they work with their customers to develop the specs and the
16 products over time.

17 So if you just show up--by the way, if you show
18 up to Kelley Drye tomorrow and say we want to file a dumping
19 case in six weeks, we can't do it. We need a little bit
20 more time than that. And I think the same thing happens.

21 So we'll give you a "no quote" on that. I'll
22 tell you right now, we can't do that. But if you say to us,
23 you know, we want to put together a dumping case; we need a
24 little bit more lead time, we'll work with anybody. I think
25 that's what you're hearing from these folks, and I don't

1 think the characterization of "refused to quote" or "won't
2 do business" with someone is accurate. They will do
3 business with anyone who gives them a fair lead time and a
4 fair price.

5 MR. LUBERDA: Thank you, Commissioner Broadbent.
6 I just wanted to add to what Paul said.

7 And that is, that we define the like product
8 based on the factors that the Commission uses for like
9 product. And that's "all cold-drawn mechanical tubing."
10 Cold-drawn mechanical tubing is one of those continuum
11 spectrum products that encompasses many, many different
12 things.

13 As we have done in other cases where there's a--
14 if it turns out that nobody can or will produce products, we
15 talk about exclusions. We talk about those. In the
16 cold-rolled steel cases, for example, we had a company come
17 and say they couldn't buy a product that was used to make
18 whiteboards. We said, fine. Go to the industry. Make sure
19 everybody can't produce it. They went to the industry and
20 what happened?

21 Well, the industry said, well, we think we'd like
22 to try. They tried. They were able to produce about half.
23 And so the other part was excluded. So exclusions happen.

24 We don't legally have to produce everything
25 within scope, but we have no desire to prevent somebody from

1 getting access to something that nobody can or is willing to
2 make.

3 So I mean we follow the logical and legal
4 requirements for like product, and that's what we did in
5 this case.

6 COMMISSIONER BROADBENT: Okay. I don't know,
7 the statute says one thing and I'm aware of that. But, you
8 know, we do have some -- there's some just practical
9 concerns here that we have. And it's kind of a "he said-she
10 said", you know, whether this stuff really is produced and
11 whether it's a different product coming in that no one is
12 producing or will likely produce in the future. So it's
13 just hard to sort it all out, because we don't really have a
14 definitive way of deciding.

15 MR. LUBERDA: Well, we seem to agree with the
16 respondents. Nobody's producing that product here.

17 COMMISSIONER BROADBENT: So why don't we exclude
18 it?

19 MR. LUBERDA: Well, exclusion is a part of the
20 like product. Exclusion from the scope is something that we
21 do at Commerce.

22 COMMISSIONER BROADBENT: Right. So why don't
23 you just exclude it at Commerce?

24 MR. LUBERDA: It may come to that. I don't
25 know. But I can't sit here today and say what's gonna

1 happen a few months from now, once hopefully, orders are in
2 place. But as I said, at least my firm as a practice, has
3 been willing to discuss and encourage clients to agree to
4 exclusions where they're appropriate.

5 Whether somebody in this industry will decide
6 once there is an opportunity to compete fairly to produce
7 that product, I can't tell you right now. But I can tell
8 you that we have used the -- as you said, we used a
9 statutory like product -- and if the issue of what will be
10 in scope if the scope changes for some exclusion, that's
11 something that we will deal with products as we're
12 approached for it, once orders are in place, if orders are
13 in place.

14 COMMISSIONER BROADBENT: So you're saying they
15 haven't approached you for this exclusion?

16 MR. LUBERDA: Oh, no. They --

17 COMMISSIONER BROADBENT: You're saying no right
18 now?

19 MR. LUBERDA: They come in the middle and say,
20 can we do this, and we're not changing the database for
21 anything right now. And I'm not gonna preclude sitting here
22 now, what somebody might decide in the domestic industry to
23 do later. They will individually make that decision about
24 what parts of the market they will or decide not to be in.
25 And that'll happen once there's an order in place.

1 MR. ROSENTHAL: Commissioner Broadbent, let me
2 just add, just to be very practical here. One of the issues
3 we get in this case--and I know you've seen in other cases,
4 too--is if you grant an exclusion, it means that that
5 product will never be subject to duties and therefore, this
6 industry will never have the opportunity, practically
7 speaking, to produce that product again.

8 Because as long as the importers can get access
9 to a lower-priced product, they're not gonna turn to the
10 domestic industry to buy it. We've seen that in some other
11 products, and we mentioned, in a recent case, when
12 exclusions have been granted, we realize that we've never
13 been able to get that product back again.

14 So that's why we tend to look at the exclusions
15 after the fact to see whether there's an interest in
16 actually being able to produce that or supply that product
17 again. In the case of the airbag tubing, that product was
18 produced in the U.S. up until 2012 and I don't know if the
19 domestic producers ever can be competitive in that product
20 again, absent duties, or if they'll be competitive with
21 duties.

22 But there's a reason why it's not done during
23 the course of an ITC proceeding to say we'll grant this
24 exclusion or that exclusion. I think a lot of times the
25 companies want to see what's the effect of the duties. And

1 are the duties on the countries that they're competing with
2 going to be such that they can maybe compete in that product
3 again, and maybe work with the customers to produce their
4 product or not.

5 But as Mr. Luberda said, our clients, and I
6 think our law firm, try to be practical. We don't want to
7 hurt any downstream customer. If they're not going to be
8 able to get their product, it doesn't do us any good to
9 impose duties or have them imposed. On the other hand, they
10 also don't want to preclude the possibility of producing
11 that product and working with the customers going forward.
12 And the time during the ITC proceeding is usually not the
13 best time to have that kind of understanding. That's why
14 it's done at Commerce.

15 COMMISSIONER BROADBENT: Right. But it looks
16 like you're being fairly broad in your demand here. And I'm
17 just making an observation that we have a real problem as a
18 practical effect on folks that are selling something here
19 that's not produced here.

20 And you can ask for a lot of this stuff, but I
21 think it behooves you to try to work it out at Commerce if
22 you can, so we don't have such a big, difficult situation to
23 look at here, but thank you.

24 VICE CHAIRMAN JOHANSON: Could you all please
25 address the contention of the respondents that the domestic

1 industry made a bad bet by focusing on the agricultural,
2 mining and oil and gas sectors, which are now in
3 down-cycles? And by not focusing on the automotive sector,
4 which has been in an up-cycle during much of the period of
5 investigation?

6 MR. LUBERDA: I'm gonna let the industry answer,
7 but just with the preface that you heard in their testimony,
8 and you'll hear more now, that none of these folks bet
9 against the auto industry. The auto industry's a huge part
10 of what everybody does here. And they've already talked a
11 lot about it, but I'll let them talk about where they put
12 their bets in the market.

13 MR. VORE: This is Ed Vore with ArcelorMittal
14 Tubular. We supply all the consuming markets for these
15 products, absent some specific size range implications that
16 are commensurate with our capabilities. Automotive is 30%
17 or 40% of our business, and the other products that the
18 segments that we do, do sometimes cycle different than
19 automotive does. As do all the industries that we supply.

20 Our industry supplies the capital goods
21 industry. So our customers use our product to manufacturer
22 components and subsystems that become part of equipment that
23 lifts, pushes, digs, hauls, dumps, something. It's used to
24 replicate human motion in a mechanical way. And so we cover
25 all sorts of things from dump trucks and garbage trucks to

1 industrial equipment. The internal components of steel
2 rolling mills or aluminum foil plants and those kind of
3 things all consume the products that these companies
4 manufacture.

5 So we haven't made a bet on just a couple of
6 selective segments. We've bet on all of them, and there are
7 times when they don't cycle simultaneously, and quite
8 honestly for the financial health of our companies, it's
9 kind of nice that, if a couple segments are down, something
10 else is up.

11 MR. FAIRLEY: Ted Fairley, Michigan Seamless
12 Tube. As I testified and as I mentioned previously, we do
13 participate in automotive. Automotive is typically in our
14 top three or four markets. As Mr. Vore said, you know,
15 different markets cycle differently.

16 The one issue that we've had recently with
17 automotive is we have worked very closely with them on
18 several projects, provided the technical expertise that Mr.
19 Hart was speaking of to develop products, supplied samples,
20 and in some cases, multiple groupings of samples, had
21 testing done, had product approved, and then the automotive
22 companies put it out for a global bid, and we lost business
23 to these unfairly traded imports. So we've been trying to
24 grow our automotive business. It's just been very
25 difficult.

1 MR. HART: This is Cary Hart with PTC Alliance.
2 We don't bet on any one segment. We find opportunities to
3 grow. We are in cyclical markets, as you mentioned,
4 agricultural cycles, as Mr. Vore was saying, it goes up and
5 down. Energy markets go up and down and automotive goes up
6 and down. If we were sitting here in 2004, '05, '06 and
7 maybe even '07, we'd all be wondering, you know --

8 I don't think the conversation about the
9 automotive would be nearly the intensity that the
10 respondents are saying. If we were not in the automotive
11 industry, we would have to shut and lay off maybe 2- to 300
12 people inside our company. We have at least two factories
13 that are more than 75% automotive, so I'm not sure what
14 they're talking about, where we're betting on one industry
15 or another. Just like Mr. Vore said, if we don't service
16 all the industries, we would be a much, much smaller company
17 than we are today. Thank you.

18 MR. BOYER: This is David Boyer with Webco
19 Industries. Similar to Mr. Hart's comments about his
20 company, Webco has two facilities, our Oil City,
21 Pennsylvania and Reno, Pennsylvania facilities that, quite
22 frankly, wouldn't exist without our automotive business. I
23 mean that's -- we made big bets there -- when that business
24 -- and if we weren't involved in that market, those
25 facilities wouldn't be there.

1 MR. LUBERDA: Vice Chairman Johanson, I just
2 wanted to add that -- the notion that they were betting one
3 way or the other, look at the industry's capacity
4 utilization level. This industry had lots of capacity
5 throughout the period to supply automotive, oil and gas,
6 etcetera. They could've had a lot more capacity. They were
7 not ignoring, as you've heard from these witnesses, the
8 automotive industry.

9 MR. KERWIN: If I could address a couple of the
10 points made by the respondents. There's a couple of
11 inaccuracies in what they're claiming here. First of all,
12 the end-use data that we've compiled shows that all sectors
13 of cold-drawn mechanical tubing within the U.S. market
14 declined over this period, including the automotive sector.

15 Secondly, the composition of the subject imports
16 in relation to end-use sectors is not as characterized, it
17 is not predominantly in the automotive sector. It's much
18 more broadly distributed across all the end-use sectors.
19 And we would be very happy to supply some information on the
20 end-use sector relative composition in our post-hearing
21 brief.

22 MR. LUBERDA: Just one other thing --

23 VICE CHAIRMAN JOHANSON: That would be helpful,
24 Mr. Kerwin. Mr. Luberda?

25 MR. LUBERDA: Just wanna add -- you shouldn't

1 get the impression that the import competition, the face of
2 that competition is just the German and Swiss folks who
3 decided to show up today. This industry is competing
4 cumulatively against all of those subject countries. There
5 are many of the other ones who also participate in
6 automotive, and the Germans and the Swiss participate in
7 things other than automotive as well.

8 So don't get the impression that this is all
9 about what they do in Germany and Switzerland. There are
10 six countries here. And four of them chose not to show up
11 and challenge the petitioners', or our contentions.

12 VICE CHAIRMAN JOHANSON: Thank you, Mr. Lubberda
13 and others. And Mr. Lubberda, you brought up the issue of
14 capacity, so I wanted to come back to that. On Page 47 of
15 the petitioners' brief, you all point out that capacity has
16 increased for the reporting firms in subject countries. Yet
17 on Page 15 of the same brief, you state that U.S. production
18 capacity also increased over the period of investigation,
19 which I find a little surprising.

20 Can you explain why the domestic industry
21 increased capacity at the same time that demand was
22 declining? Was this a case of the domestic industry
23 over-relying on one sector such as oil and gas, when that
24 sector was collapsing, as alleged by Salem on Page 28 of its
25 brief?

1 MR. VORE: Well, this is Ed Vore with
2 ArcelorMittal Tubular Products. And I guess to air a little
3 bit of our own dirty laundry, we're guilty of investing at
4 the peak of the cycle, and understand that the capital
5 approval process within our company takes a bit of time.

6 We did invest in equipment that expanded our
7 capacity. That was driven off of our forecast and our
8 experience that we had in 2011, 2012. And then what we
9 didn't accurately forecast in that was the rising strength
10 of the U.S. dollar and the collapse of commodity prices.
11 Whether you're talking about the price of oil, natural gas,
12 corn, soybeans, nickel, copper, everything changed with that
13 as the U.S. dollar got stronger, all those commodities
14 crashed in prices.

15 And because our tubing is used to manufacture
16 capital equipment that's used to develop, exploit, transport
17 those sorts of products, if you will, the demand reduced for
18 us. If you looked at any of the big mining companies
19 through that time, their whole thing was capital
20 preservation. They cut -- budgets by billions of dollars.
21 So did the big oil companies. We saw reduction in demand
22 for our products that may not make a direct connection for
23 you, but as an example, there are a lot of hydraulic
24 cylinders on an offshore oil platform.

25 We manufacture the tubing -- each of these

1 companies manufacture tubing that are used in hydraulic
2 cylinders -- but we don't necessarily understand when we're
3 making that tube, how a customer may use that hydraulic
4 cylinder. So whether it's an oil platform that's offshore,
5 whether it's how many garbage trucks New York City decides
6 to buy, or whether my local landscaping company decides to
7 buy a new Bobcat skid loader.

8 All of those purchase decisions influence
9 whether there's a demand for our tubing or not. So as you
10 go through and say, did we bet at the wrong time? We did.
11 We made our investment just as the demand was peaking. And
12 what happens is, is our investment sat idle for quite some
13 time, until the market demand started to improve again as we
14 come through the trough of the cycle. Thank you.

15 MS. CANNON: Commissioner Johanson, this is
16 Kathy Cannon. I just would call your attention to the
17 C-Table and if you look at the relative change in U.S.
18 capacity over the period, it was relatively small. It
19 really doesn't explain the plunge in capacity utilization
20 that the industry experienced. In other words, it wasn't
21 that they were betting too much that there was going to be a
22 demand growth.

23 What really happened was that their sales
24 cratered as they lost sales to subject imports and that
25 drove their market share down and it drove their capacity

1 utilization rate down, which would have happened
2 irrespective of any change in capacity over the period.

3 MR. VORE: I'd just like to add to my remarks
4 that some of the equipment that we purchased and installed
5 as part of our capital expenditure was the state of the art
6 technology that allows us to one, make sure that we maintain
7 pace at the leading edge from a product capability
8 standpoint. So we did that, we need to be able to compete
9 and sustain our business so that it's there for the next
10 generation.

11 I know I did mention it in my remarks, but our
12 company's existed in Shelby, Ohio, since 1890, and so we
13 have a large emotional investment in the longevity of our
14 company and it's been -- I don't want that to be part of my
15 legacy, the fact that it fell apart.

16 MR. FAIRLEY: Just to add quickly to Mr. Vore's
17 comments. Capital expansion in our industry is a very
18 long-term project. So one could easily say we bet at the
19 wrong time. To put a little context on that, at Michigan,
20 we put together a five-year, fifty million capital program
21 back in 2009. That program ended up being approved in 2010,
22 and we started down that road of this five-year, fifty
23 million.

24 So that program came together in '15. A large
25 part of that was a Pilgrim Mill. It was about a twenty

1 million dollar investment that our intention was targeting
2 the automotive products with that equipment, with the
3 unfairly traded imports here today, we are making plain
4 carbon pipe on that equipment today, and we would love to
5 make automotive tubing on that.

6 VICE CHAIRMAN JOHANSON: Thank you. Mr.
7 Rosenthal, you wanna add something briefly?

8 MR. ROSENTHAL: Real briefly. One of the
9 ironies we see in a lot of these cases is that if you don't
10 invest and you don't have capacity to meet demand, the
11 importers come in and say, "They didn't invest," you know,
12 "they can't supply the market." When you do invest, they
13 complain that you're the reason why your capacity
14 utilization is low.

15 If you actually look at this record though, you
16 can see, no matter how much investment they've done to
17 increase their efficiency and their ability to meet the
18 market, the problem has been the imports who've taken market
19 share in a declining market. That's been the problem.

20 VICE CHAIRMAN JOHANSON: Thank you, Mr.
21 Rosenthal and others. Commissioner Williamson.

22 COMMISSIONER WILLIAMSON: Thank you. Several
23 purchasers indicated that lead times have been extended for
24 both domestic and subject imports. What accounts for this
25 and how does this affect end users?

1 MR. VORE: I'll take a shot at that. We have
2 experienced some extended lead times on certain products.
3 The biggest issue that we have has been being able to find
4 qualified, skilled labor. From the people that we've laid
5 off over the last two or three years, to re-attract those
6 employees back to our facility, get them trained, have them
7 capable on the equipment that's used to manufacture the
8 products that we do, and in order to actually operate on
9 additional shifts.

10 So we had plenty of equipment capacity
11 available, but we didn't have the human capital in place to
12 do that. And this condition really didn't emerge until
13 after the case was filed. So we've seen a dramatic change
14 in that since the end of Q2 of 2017. But it's a matter of
15 being able to put the human capital in place to fully staff
16 our operations to run 24/7. And even today, we're not quite
17 there yet, as we're finding it -- you know, we have the new
18 demographics of worker today, they don't always enjoy the
19 work that we provide, even if they go through the process
20 and meet all of our selection criteria. Thanks.

21 MR. PURSEL: This is Ken Pursel from Sharon
22 Tubular. If I could add just a little more color to that.
23 We have people ready and willing to work who were laid off.
24 They've been laid off for a period of time of over two
25 years. We're very hesitant to recall them, because they've

1 gone out and found other employment.

2 We want to make sure that we have a permanent
3 solution to these unfairly imports before we recall them and
4 upset their life again. So we're ready and willing to add
5 capacity. We can shrink our lead time. But we need a
6 permanent solution, sir. Thank you.

7 MR. BOYER: This is David Boyer with Webco
8 Industries. Our lead times really vary by industry. Let me
9 give you an example. In the automotive world, those
10 customers who've asked us to develop a supply line and
11 support them on a certain program or a part, you know, they
12 give us orders today and we ship them, you know, in a day or
13 two. So that's the kind of lead time we're working with
14 there.

15 The lead times that have changed for us in the
16 last six months have been more on spot transactions. And
17 probably that lead time's generally in the area of ten to
18 twelve weeks of lead time. And those are the folks that
19 call up -- it's a very transactional business -- they wanna
20 quote a price and a lead time, and then we go from there.

21 We may or may not have a supply line lined up
22 with all the materials necessary to produce those products.
23 So that one is more of our availability at the time. Rest
24 assured though, if we have a customer that's wanting to work
25 a long-term supply situation with us, we'll develop a supply

1 line to make that happen and grow with them.

2 COMMISSIONER WILLIAMSON: Okay. Mr. Hart.

3 MR. HART: This is Cary Hart from PTC Alliance.
4 I concur with Mr. Boyer. I think that, really there are no
5 lead times for repeat customers that we have an ongoing
6 business with. So when people talk about a lead time
7 changing, that's really for spot transactional business for
8 new customers coming in.

9 So if you come in today and I don't have your
10 supply chain in place, I may or may not have all the
11 resources in place, yes, it will take a few weeks for us to
12 get up and going. If you are an existing customer like
13 capital goods customer, automotive customer, someone who's
14 buying from us every day, they have no experience -- there's
15 no conversation about lead time. They simply give you the
16 releases, and you fill the orders every single day.

17 More than half of our products are just in time,
18 delivered on a weekly basis. There's no lead times to
19 existing customers. There's on lead times to new customers
20 to get started in the process.

21 COMMISSIONER WILLIAMSON: Okay. The purchasers
22 noted, I guess, that the lead times were also being extended
23 for subject imports. Do you think there's a similar
24 explanation for that?

25 MR. HART: Yes, I think what people are starting

1 to do is, there's been some hesitation very quickly after
2 the case was filed, we were told by many of the customers
3 who buy from both imports and from the domestic market, that
4 they had stopped procuring spot business. Mr. Pursel, I
5 believe, was talking about the point where there was a
6 significant amount of traders.

7 They're importers and they bring business into
8 the country. They put it on the ground and they sell it as
9 a spot transaction. They're betting on a customer to come.
10 If they think that there's gonna be a duty or some sort of a
11 tariff applied to it, they stop bringing those products in,
12 they cease that flow into the market, because there's a risk
13 that they're gonna have a duty. Therefore, there's no
14 availability for that unpredictable transactional type sale.
15 That's the way I would interpret that. Thank you.

16 COMMISSIONER WILLIAMSON: Okay. Thank you. Mr.
17 Houseman, we've talked a lot about the -- tight tolerances,
18 technical capacity that goes into making this product. And
19 so I raise the question about what the union's experiences
20 in terms of the -- seeing that workers are trained, seeing
21 they're kept competitive.

22 And I think it particularly becomes relevant
23 when we talk about bringing people back, and whether or not
24 companies are reluctant to do that. So I was wondering if
25 you wanted to comment on that?

1 MR. HOUSEMAN: Yeah, I mean -- Roy Houseman with
2 United Steelworkers. We work hand-in-hand with the
3 companies in every situation to try and develop workforce
4 and create policy that allows them to have the ability to
5 train the workforce. We don't have the same -- we're not in
6 the same kind of vein as building trades that have an
7 apprenticeship program it kind of works through.

8 But we have worked with ArcelorMittal in the
9 past, and the Steelworkers of the Future program where they
10 go through a two-year training program that helps guide them
11 into the larger steel facilities. So we work hand-in-hand
12 as best we can to try and have that. And that's why we also
13 have set up recall rights, and when there is layoffs, so
14 that there is a trained workforce that is out there, that we
15 encourage the company to rehire.

16 COMMISSIONER WILLIAMSON: Thank you.

17 MR. VORE: Ed Vore, ArcelorMittal. Mr.
18 Williamson, I'd like to add to Mr. Houseman's comments
19 there, just a couple of things. One is, we've made some
20 financial investment. We have a local technical college in
21 our town where we manufacture, and we actually have
22 established an apprenticeship program for steel trades for
23 our United Steelworkers, electricians and millwrights and
24 pipe fitters to go through there.

25 And the other comment I would add is -- I had a

1 meeting with our local union membership here in the last
2 couple of weeks. It was on a different topic, but the
3 conversation moved and they were talking about the fact, our
4 retirees that have, you know, we have a lot of forty-year
5 employees that are retiring and the institutional knowledge
6 that we lose whenever those folks leave, and how we can
7 improve the learning curve of the new employees.

8 So the union executive committee was talking
9 about, "Hey, we need to sit down and talk about the
10 practical things we need to do to get new employees
11 onboarded, trained, competent, safe, as quickly as
12 possible," because they say, they don't feel like our
13 business is as secure with these inexperienced employees
14 running around as they were used to when the fact that
15 everybody was there had between fifteen and thirty years'
16 experience.

17 Now the guys are starting to retire and we're
18 losing a lot of institutional knowledge. And there's a
19 concern. And we have a time table laid out in order to
20 collaborate with them in order to improve that training
21 onboarding of new employees so they get acclimated sooner.
22 Thank you.

23 COMMISSIONER WILLIAMSON: Thank you.

24 MR. FAIRLEY: As Mr. Pursel said, and as I had
25 testified, and I believe all the companies sitting here

1 today, we feel a very strong relationship with our
2 employees. We all make the same types of products using the
3 same types of equipment, so it's really the employees that
4 make the company. To get these folks in and properly
5 trained is a long time, a big investment.

6 And as Mr. Pursel said, we can upset their
7 lives. Folks today have found other jobs, so we don't wanna
8 bring them back, upset their life again, and in a month or
9 two, have to lay them off again. So we're looking for
10 long-term relief here.

11 COMMISSIONER WILLIAMSON: Okay. Thank you. How
12 has the mechanical tubing business changed during the period
13 of investigation? From a marketing standpoint? Are there
14 certain channels which have become more or less important to
15 U.S. producers in general?

16 MR. HART: I'd say the channels really haven't
17 changed a great deal. There have been certain products that
18 have gone significantly towards the imports, but that
19 doesn't mean that the channel's any different. That doesn't
20 mean the end markets are any different. That doesn't mean
21 that requirements at the end user are different.

22 So, no, I would say, during the time that, you
23 know, we still see a lot of the same manufacturers looking
24 for the same products that we've been producing for a number
25 of years. Yes, they challenge us to be technically more

1 competent. They do challenge us to improve the efficiency
2 of the products we produce for them. But that's nothing
3 new. It's not become any more intense than it has at any
4 point in the past.

5 MR. ROSENTHAL: Commission Williamson? I'd like
6 Mr. Pursel to mention one thing that's different now. Not
7 in terms of channels of distribution or competition there --
8 but it struck us in conversation yesterday about how the
9 demand decline that's taken place over this period of
10 investigation compares to the demand decline that took place
11 during 2009, during the Great Recession. I was surprised to
12 hear what they view as the differences. So Mr. Pursel?

13 MR. PURSEL: Ken Pursel from Sharon Tube. The
14 problem we've experienced over the period of investigation
15 is not necessarily a demand-driven problem. We all monitor
16 -- we may call it different things -- but we all monitor
17 sale price over raw material cost. Some call it spread,
18 some call it margin over metal, but the amount of erosion
19 we've seen in the last several years, in our sale price
20 versus our raw material cost, is dramatically different and
21 worse than in the Great Recession.

22 And our market cratered more significantly on a
23 volume standpoint, or at demand standpoint, in 2009, than
24 what we've seen over the last several years. It's a market
25 difference, but again, the spread, or the margin over metal

1 number for all of us--because we all sell into a market
2 that's a market-based price--was significantly better in
3 2009 than it has been over the last several years.

4 COMMISSIONER WILLIAMSON: Okay. And you would
5 attribute that change to what?

6 MR. PURSEL: Excuse me. I would attribute that
7 largely to the influx of unfairly traded imports. And the
8 low pricing that they've brought to our shores.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. VORE: I'd agree with Mr. Pursel's comments.
11 I've been in this industry, starting in the early 1980s. I
12 was here whenever, you know, it was Japan, Inc., was the big
13 threat and the end was 250 to the dollar. I went through
14 the Asian currency crisis in the 1990s and the collapse of
15 the Russian Ruble, the Mexican Peso, through 9/11, Section
16 201, we were owned by LTV, it went through Chapter 11
17 bankruptcy as a product of their ownership of our company of
18 time.

19 So I've seen a lot of things. And through this
20 history, since at least that time, there've been a lot of
21 trade cases filed in the steel industry, but never in this
22 end of the business. And we always counted ourselves very
23 lucky. One, we have a very small, relative-sized footprint
24 in the steel industry. And the imports have never been as
25 problematic as they've been over the last three years.

1 So in all those times in the 1980s and the 1990s
2 and the early 2000s, when everybody else was filing hundreds
3 of cases on various products, we didn't have the requisite
4 data to demonstrate the need for relief. And that's been
5 the significant change from the period that we have from '14
6 to '16 that's different, is that we are being injured by the
7 subject imports and this is the first time that we've been
8 forced to do this.

9 So these companies--and we're of various sizes--
10 and this is a significant investment in a significant
11 commitment on our parts in order to pursue this, because
12 this process isn't easy for us. It takes time, it's
13 expensive, it's--for people who aren't experienced--it's
14 complicated.

15 So this is something that we didn't enter into
16 lightly because we thought it was frivolous or that it
17 wasn't warranted. So that's been the biggest change and
18 that's what has initiated us to action in this period.
19 Because we have never been damaged in our business before.
20 And we always, every one of us, and we all come from similar
21 companies or maybe have worked with each other over the
22 years, and we all have a pretty good can-do attitude. And
23 we try to think that we're impervious to those things, and
24 this is the one time that we said, no. This is too much.
25 This isn't fair. We gotta do something.

1 COMMISSIONER WILLIAMSON: Thank you.

2 VICE CHAIRMAN JOHANSON: Yes, Commissioner
3 Broadbent?

4 COMMISSIONER BROADBENT: Mr. Boyer, if you
5 wanted to go continue, that's fine.

6 MR. BOYER: Yeah, David Boyer with Webco
7 Industries. Just very, very briefly. I don't want to
8 reiterate everything that Mr. Vore talked about, but I
9 certainly concur with it.

10 I've been in this industry since 1984 and have
11 -- we produce a lot of different products. I've had a lot
12 of opportunity to participate in trade cases and never have
13 until now.

14 The difference that's gone in the period of
15 investigation is there's been tremendous imports coming in
16 that suck the life right out of this product line and we'd
17 appreciate some relief.

18 COMMISSIONER BROADBENT: Okay. Let's see, I
19 wanted some response to Salem Steel pre-hearing brief, where
20 they say that while the domestic industry may be present in
21 the automotive industry, it focuses more on the commodity
22 side, such as axles. What's the best way to respond to
23 that, Mr.?

24 MR. HART: This is Cary Hart from PTC Alliance.
25 We do provide axle housing tubing at PTC Alliance. That's

1 been a product of ours for many years, but what Salem Steel
2 does not understand is that PTC Alliance provides dozens and
3 dozens of different applications in the automotive.

4 I think what he's referring to would be smaller,
5 lighter wall applications. We made shock absorber tubes,
6 which are extremely white wall applications. We make jacket
7 tubes, which are the heavier wall outer components. We make
8 steering components, steering column tubes. We make engine
9 shafts. We make suspension components. We make seat
10 sliding mechanisms. We make -- I mean, I can go on and on
11 and on.

12 So he may think that that's all we make. And
13 that's fine, but that's not what PTC Alliance makes only.
14 We do make axle housing, but we make all of the other
15 products as well.

16 The challenge that we face is in some of the
17 very light wall smaller diameter applications, the prices
18 are not in the continuum of cost. As we -- as I've
19 testified and many of my colleagues have testified, what we
20 find is in the areas in the larger heavier walls that he's
21 saying we're -- we continue to participate in, the price is
22 in a continuum of cost versus manufacturing overhead and
23 variable cost, get to a final price, and make a reasonable
24 margin in some of the very small products that are being
25 imported, but we have evidence -- what I've testified to in

1 some cases, the raw material cost exceeds the selling price
2 that they were selling at into this country.

3 So that's where we're seeing erosion of our
4 share, erosion of our ability to participate in those
5 markets, but that doesn't mean when we have the opportunity,
6 we can't participate there. Thank you.

7 COMMISSIONER BROADBENT: Okay, thank you.
8 Looking at Chapter 2 of the staff report in the discussion
9 of substitutability, there is some indication that the
10 quality of subject imports from Switzerland stands out
11 compared to the U.S. product. Do you agree that this is the
12 case and that this is an argument that subject imports from
13 Switzerland are not fungible with those from other countries
14 or with the domestic product?

15 MR. LUBERDA: No, we do not agree that that is
16 the case. The domestic industry is making very high quality
17 technical product. And I think that is more of a function
18 of the Swiss producer where they have a -- some -- put it
19 this way. They've been selling to folks that expect --
20 they've done development with those folks. They expect to
21 get the low price the Swiss are providing. Given the
22 opportunity, anyone of these companies that participate in
23 the market, which is virtually all of them, could produce
24 the same product.

25 MR. BOYER: This is David Boyer with Webco

1 Industries. We compete with the Swiss producers every day
2 and certainly are capable of producing the same products.
3 And in fact, do today.

4 COMMISSIONER BROADBENT: Okay. Let's see. If a
5 subject country's imports are entering the United States
6 subject to a frame contract negotiated between two foreign
7 companies such that they're actually competition occurring
8 -- there isn't actually competition occurring in the United
9 States, how does this affect the accumulation analysis on
10 those imports? Is it fair to say that there is a reasonable
11 overlap of competition between these imports and others
12 which are directly competing here in the United States?

13 MR. LUBERDA: Yes, it's fair to say that there
14 is a reasonable overlap of competition, even with these
15 frameworks. Mr. Hart talked about having some of those as
16 well, but you -- we went through this in the hot roll cases
17 as well. The idea that there is some sort of immunity or
18 protection just by dealing with either somebody under a
19 framework agreement or dealing with an affiliate is just
20 wrong. These -- what everybody cares about in this market
21 is price. That's what the purchasers who are in the back of
22 the room today, who testified at the prelim talked about.
23 They talked all about price.

24 So when if the price has to be a fairly traded
25 price, these folks will suddenly be in the conversation.

1 Our producers will suddenly be in the conversation. So in
2 terms of fungibility and substitutability, they make the
3 same product.

4 COMMISSIONER BROADBENT: Mr. Luberda, according
5 to the staff report on page 5-3, most U.S. producers stated
6 that their contracts' price and/or quantity and do not
7 include meet or release provisions. Does this mean that
8 contracts do not have price adjustment mechanisms that take
9 into account changes in raw materials or existing market
10 prices for cold-drawn mechanical tube?

11 MR. HART: Mr. -- I'll take this. This is Cary
12 Hart from PTC Alliance. Any long-term contract which would
13 be in our opinion anything that's really typically outside
14 of the quarter of business, we are going to lock to a steel
15 index price most typically. Our industry in the United
16 States started out with the purchasing manager's index way
17 of doing this, which tied it to the hot roll coil market,
18 which is our feed stock for the welded product and then a
19 similar type of product -- program is in place for seamless,
20 where we link that to the scrap surcharges and alloy
21 surcharges.

22 So no, it's not true to say that we don't have
23 pricing mechanisms tied to raw material. We absolutely do.
24 So that's why when we show you that over the period of the
25 investigation, that our after material margins deteriorated

1 so greatly, it's not because we don't have mechanisms for
2 moving with the material. We do. It's that we got beat
3 down on price and had to reprice things and dropped our
4 selling prices irregardless of where our material costs were
5 going, but in normal cases, we've got linkages between
6 those except for when we're having to compete with the
7 foreign goods. Thank you.

8 COMMISSIONER BROADBENT: To what extent do
9 changes in raw material prices affect prices for cold-drawn
10 mechanical tubing?

11 MR. HART: It's Cary Hart again. They're
12 directly correlated. Generally in most cases, we're moving
13 simply with the price of raw material. It's a delicate
14 conversation do have in front of the entire group of my
15 competitors to talk about how we price, but generally, the
16 industry will move very, very close in alignment with the
17 price of steel, the input stocks, whether it be scrap or
18 alloy surcharges or whether it be the price of hot roll
19 coil, which are the inputs.

20 And everyone has slightly different mechanisms
21 for how you do that, but they're very, very closely
22 correlated to the raw material because as we've all said, we
23 need think after material margin to be maintained, which is
24 selling price less the price of raw material in order to
25 cover or variable and fix costs and hopefully make a profit

1 in the end. So there are mechanisms built in the industry
2 to do that.

3 MR. ROSENTHAL: Commissioner Broadbent, we're
4 not arguing that there's no -- there's no relationship
5 between the raw material prices and costs. What we're --
6 the data shows is that prices fell more than costs for this
7 industry and fell more than our total costs as well.

8 COMMISSIONER BROADBENT: Okay.

9 MR. PURSEL: This is Ken Pursel from Sharon
10 Tube. If I could --

11 COMMISSIONER BROADBENT: Sure.

12 MR. PURSEL: -- jump to piggyback a little bit.
13 In our experience, all of -- well, I can tell you
14 specifically Sharon Tube's pricing does fluctuate with the
15 price of our input costs, which is raw material hot roll
16 steel. That's not a significant piece of our overall cost
17 or price. It's typically less than 50 percent because we
18 put a lot of labor content and energy costs into
19 manufacturing the tubing as well.

20 But at the end of the day, what our experience
21 has been is that it -- you have to be competitive with the
22 market. And when there are outside forces that influence
23 the market in an unfair way, like we've seen or experienced
24 in this past several years, we're left with nothing but
25 eroding spread or margin over metal.

1 COMMISSIONER BROADBENT: Okay. Mr. Luberda, the
2 industry's indicia all improved substantially between
3 interim periods even as imports increased substantially.
4 What does this tell us about causation and the effects of
5 demand in this market?

6 MR. LUBERDA: Well, as you heard from the
7 industry this morning, there was a pretty much immediate
8 effect of the petition being filed with folks placing orders
9 et cetera, in anticipation of what duties placed on the
10 dumped product and subsidized products might mean. So I
11 think we do have some bounce from that.

12 And as you also heard, you know, since then,
13 there have been other improvements in ability to get new
14 data. You heard Mr. Boyer or get new orders. You heard Mr.
15 Boyer talk about, you know, prices are now going up, too, as
16 -- even for imports which is what this case is all about as
17 we filed. So it doesn't mean there's not causation.

18 And if you look how we improved, we're nowhere
19 near even where we started, which you know, it was nothing
20 that you should -- you would rush to put your retirement
21 savings into. So you know, this industry has a long way to
22 go. It was through the first half of this year was still
23 quite depressed. And you know, it -- you can't look at this
24 industry and say, at least I couldn't look at this industry
25 and say that, you know, they're out of the woods suddenly.

1 This isn't about -- you know, demand is up a little bit.
2 And that's great, but you don't get to take advantage of
3 that demand when you're being undersold by the imports. It
4 was only when the case was filed that people started saying,
5 oh, look, maybe we need to go back to the domestic industry.

6 MR. ROSENTHAL: Commissioner Broadbent, I'd just
7 add one more thing. I think there was a bounce for sure as
8 a result of the filing of the cases. It would have been a
9 bigger bounce, the industry would have done even better, had
10 it not been for the surge in imports from several of the
11 subject countries. And so, yes, they did come up just as
12 the industry was starting to get some other sales, but it
13 would have been much better had it not been for that surge,
14 which was the subject of our discussion concerning critical
15 circumstances.

16 COMMISSIONER BROADBENT: Okay. Thank you.

17 VICE CHAIRMAN JOHANSON: Do responders generally
18 know where the final end use of their product is?

19 MR. HART: This is Cary Hart, PTC Alliance. I
20 read that testimony or I read the comments from the
21 respondents there.

22 VICE CHAIRMAN JOHANSON: Right. And just to
23 let you know, it's at page 27 of the Salem sales brief.

24 MR. HART: Yeah, thank you. I think that's
25 being mischaracterized. What we're saying is we -- there

1 are two to three different segments of this market.
2 Obviously, when I work on an automotive and only my
3 colleague's companies work on automotive, we know exactly
4 where that product's being used. We know exactly what
5 platform it's on. We go through the same approval process
6 that anybody does. It's a global process. I can tell you
7 what tube's going on what vehicle, it's being used in what
8 application.

9 The same goes through all of our OEMs. If we're
10 selling a John Deere, or a Caterpillar, or a Bobcat as Mr.
11 Vore mentioned, you know, we know exactly where that gets
12 use. We know how much of it they're using. We know the
13 requirements of that.

14 What we were talking about is when we sell a
15 distributor, we sell a person who resells it, they buy a
16 product that they do not know exactly where they're going to
17 sell it, they will buy a product that they will put on a
18 shelf and they will sell it to multiple different people.
19 They don't always tell us where it's going to go and they
20 don't always know where it's going to go.

21 I would challenge Salem Steel to us where
22 everything they're selling goes to, because they act as a
23 distributor. They compete with the other distributors in
24 the U.S. market. There's a very well established
25 distribution market in the United States for distribution of

1 lawn products and metals and cold-drawn mechanical tubing.
2 And they can't tell you where everything goes. And that's
3 what we were saying. Thank you.

4 MR. BOYER: This is David Boyer with Webco
5 Industries. I agree with what Mr. Hart said. I would also
6 add when we're selling into the distribution or the metal
7 service center industry, sometimes we don't know exactly
8 where that product's going, but many times we do. Sometimes
9 we know exactly what customer they're selling to. We might
10 have an agreement with them that -- where they're stocking
11 product for that customer. So we each that kind of
12 arrangement.

13 If we don't know the customer, sometimes we know
14 the industry. For example, we might know that distributor
15 X, Y, Z is involved in the fluid power industry. So they're
16 servicing, you know, those kinds of customers.

17 So it's not like there's no visibility.
18 Sometimes there's not. They're buying it for general stock
19 and they'll sell it on a transactional basis, but we -- in
20 that industry, we often know more than nothing.

21 Regarding if we're selling to an OEM, be it
22 automotive or otherwise, we know what they're doing with our
23 tubing and support it.

24 VICE CHAIRMAN JOHANSON: Thank you for your
25 responses. Getting back to the issue of air bags, do you

1 all agree with Auto Liv at page 4 of their brief that it
2 would take years for a new producer to be qualified by
3 purchasers, which they discuss at page 4 of their brief?

4 MR. ROSENTHAL: We might want to get back to
5 Commissioner Johanson in the post-hearing brief. As you
6 heard earlier, PTC Alliance had made air bags, steel up
7 until 2012. How long it might take them or somebody else to
8 get back into this, I think we'd like to answer in the
9 post-hearing brief.

10 VICE CHAIRMAN JOHANSON: Okay. That's fine, Mr.
11 Rosenthal.

12 And this is a legal question. Could you all
13 please comment on respondent's Auto Liv's presentation at
14 pages 10 and 11 of their brief of the Commissioner's
15 domestic like product analysis from the 1980s and two
16 investigations, thin sheet glass from 1983 and auto friction
17 bearings from 1989 in which the Commission apparently used a
18 material retardation standard to examine products not
19 produced by the domestic industry?

20 MS. CANNON: This is Kathy Cannon. I would say
21 Commissioner Johanson that they are misreading those cases
22 and trying to apply them to these specific facts. In fact,
23 if you look at the specifics of some of those cases, they
24 were talking about an industry trying to get into an area of
25 law and an area of manufacturing and the Commission was

1 looking at those specifics.

2 In fact they say, there's not -- they weren't
3 trying to look at a product line. Here, you're looking at a
4 product line. You're looking at a specific type of this
5 cold-drawn tubing that was produced and is no longer
6 produced, but that is material retardation of an industry in
7 the sense of the sheet glass case or the bearings case.

8 They were looking at something quite different.
9 I would also say that the Commission's analysis I think of
10 this issue and area has evolved quite a bit since those very
11 old cases. The Commission has focused very carefully on the
12 statutory directive that they're -- if there is not domestic
13 production of a product, you look for the most similar
14 product. You don't start going off into well, could they
15 possibly produce it. You see that in a lot of cases. We've
16 heard that in a number of recent cases for example.

17 And the Commission's never decided in the
18 context to look at a specific type of product as material
19 retardation of an industry. And we address that further in
20 our brief.

21 VICE CHAIRMAN JOHANSON: Thank you for the
22 discussion now, Ms. Cannon. Yes, anything else you can
23 provide would be useful.

24 Given the relatively low pricing data coverage
25 presumably due the wide array of different product

1 specifications, how representative of the market purchaser
2 responses to the lost sales and lost revenue questions?

3 MR. LUBERDA: Well, the lost sales and lost
4 revenue questions, you know, they represented a fairly
5 significant swath of the imports. We need to -- we
6 discussed this in our brief, but -- and we can do some more
7 for the post-hearing, but the -- those 28 purchasers
8 represented a very significant swath of total domestic
9 shipments of the subject merchandise. So and it -- they cut
10 across a lot of different types of users. And so, I'd say
11 it's -- it is representative of the market overall and it's
12 consistent with the pricing product information you did
13 collect with the others. So I think it's -- it is something
14 that you can and should give weight to.

15 VICE CHAIRMAN JOHANSON: Thank you, Mr. Luberda.
16 Commissioner Williamson?

17 COMMISSIONER WILLIAMSON: Just one final
18 question. And actually now, this is what the -- your
19 purchasers might do in terms of moving offshore. I'm
20 thinking about Mr. Perry's comment. And I know this is not
21 necessarily relevant for us in determining injury, but I was
22 wondering if anybody did want to respond to his comment
23 that, you know, if we do go affirmative here, that
24 purchasers will start making the whole product offshore? So
25 I was just curious if anybody had a response to that?

1 MR. ROSENTHAL: You've heard that argument and
2 threat, if you will, since time immemorial. It's legally
3 irrelevant.

4 COMMISSIONER WILLIAMSON: Yeah, I noted that.

5 MR. ROSENTHAL: And I don't know if it's
6 factually correct either, but I can cite you cases and we
7 could in the -- in our post-hearing brief where those claims
8 have been made and the Commission had made an affirmative
9 determination. I -- so I'll just say that it's legally
10 irrelevant. He's wrong on the law. And I would argue that
11 the Commission's rejected that sort of argument for decades
12 and for good reason.

13 COMMISSIONER WILLIAMSON: Okay. Fine, just
14 wanted to give you an option to comment on it. And with
15 that, I have no further questions.

16 VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

17 COMMISSIONER BROADBENT: No further questions.

18 VICE CHAIRMAN JOHANSON: All right, that
19 concludes Commissioners' questions. Does the staff have any
20 questions?

21 MS. MARTINEZ: Keysha Martinez, office of
22 investigations. The staff has no questions.

23 VICE CHAIRMAN JOHANSON: Thank you, Ms.
24 Martinez.

25 Do respondents have any questions?

1 MR. PERRY: No.

2 VICE CHAIRMAN JOHANSON: Okay, the respondents
3 do not have any questions.

4 We will now break for lunch. We will come back
5 at 1:15. And I would like to remind you all not to leave
6 any confidential business information in the hearing room as
7 this room is not secure. And we will see you all at 1:15.

8 (Whereupon, a luncheon recess was had to
9 reconvene at 1:15 p.m., this same day.)

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1 We have received notification that some of our
2 high-volume production components have been resourced to
3 Mexico and to China as complete components as under-12 inch
4 lengths are now excluded.

5 As one of our competitors will testify, they have
6 opened a new facility in Mexico. You will also hear from
7 Vibracoustic, a major global automotive component supplier
8 and customer to both Rotec and TFI, confirming our
9 predictions on the potential impact this case could have on
10 the U.S. automotive industry.

11 Again, the big losers will be the U.S. workforce.
12 I have submitted to the Commission the sampling of more than
13 200 examples of items that the Petitioners have recently
14 regretted to quote for TFI.

15 In addition, PTC Alliance refuses to sell to TFI
16 as previously documented to the Commission. The items that
17 were quoted had lead times of 14 to 26 weeks, and pricing
18 well above other domestic and North American producers.

19 Whenever possible, TFI has historically attempted
20 to source in the U.S.A. with more than 30 percent of our
21 current tube coming from U.S. mills, just not from the
22 Petitioners.

23 With the exception of Webco and Plymouth Tube,
24 none of the Petitioners have contacted TFI or made any
25 attempts to sell tube to us in many years. In fact, of the

1 requests that we have sent to Sharon Tube, a division of
2 Zekelman Industries, they have regretted to make nearly
3 every size and grade combination that we have sent to them
4 since this Petition was filed.

5 As we had testified in May, the U.S. market does
6 not like the smaller diameter, heavy-walled nonstandard size
7 with nonstandard grades that we require for automotive
8 applications. These regrets confirm that our statement is
9 accurate.

10 In response to critical circumstance issue, TFI
11 stopped placing orders after the initial hearing while
12 waiting on directions from customers and to find alternate
13 tube sources. As we repeatedly stated, these are all custom
14 tubes made for specific customer requirements and cannot be
15 resourced without prior approval.

16 The PPAP, which is the Product Part Approval
17 Process, per the IG standards is a mandatory automotive
18 requirement which can take up to six months or longer to get
19 new products, or product changes, approved depending on the
20 various chemical and physical testing requirements.

21 The pricing we received reflected lead times
22 already out 14 to 26 weeks with many of the items they were
23 unable to produce. TFI acknowledges that we were
24 responsible for a large portion of the increase in imports
25 from Hongyi in China and The People's Republic of China. It

1 was not possible to purchase material in the U.S.A. before
2 we started missing shipments to our customers.

3 Furthermore, it was not possible to purchase tube
4 from the Petitioners during the critical circumstance
5 period. The Petitioners could not ship anything until late
6 September or October at best. Additionally, PTC Alliance
7 was on strike by August and it was not resolved until
8 mid-October, further impeding the U.S. market.

9 TFI alone had the potential to shut down large
10 portions of the North American automotive production plants,
11 including GM, Ford, Chrysler, Nissan, as well as many
12 others, if we did not get materials back into the pipeline
13 quickly with no domestic options.

14 You might ask how a small company could possibly
15 impact a majority of the automotive market. Hundreds of
16 thousands of components we ship each week are destined for
17 very specific automotive production lines. These parts are
18 not interchangeable. And, for example, if a component we
19 manufacture is part of a bushing that goes into a GM Acadia
20 platform, without that bushing the line stops. It is like
21 trying to move a car off an assembly line without the tires.
22 It's not going anywhere.

23 Now multiply this by the hundreds of thousands of
24 components that we produce each week, coupled with the
25 products supplied by our competitor, Rotec, and it does not

1 take rocket science to determine the outcome.

2 These products span across most all of the OEM
3 automotive manufacturers. As Andrew Ball and I had
4 previously testified, between our two companies we produce
5 more than 80 million components annually that are headed to
6 very specific automotive production assembly plants within
7 the automotive market.

8 Therefore, having our current suppliers in China
9 get back into production was key to diverting disaster.
10 This was not stockpiling; this was simply keeping the U.S.
11 production going, and was done in a manner that was
12 consistent with how TFI conducts business on a regular basis
13 within the automotive industry.

14 TFI is a small Midwest company with nearly 50
15 employees, many of which are represented by the United
16 Steelworkers. I wish I could assure the USW employees that
17 their jobs are safe, but unfortunately I can't. The work is
18 already moving, and by the time they return after Christmas
19 Holidays we may not need all of them.

20 For this action, to just give all the companies
21 importing the complete tube components a free pass while
22 penalizing the U.S. manufacturing base is just unfathomable.

23 Thank you.

24 MR. PERRY: Now I'd like to have Andrew Ball to
25 speak.

1 STATEMENT OF ANDREW BALL

2 MR. BALL: My name is Andrew Ball, and I am the
3 president of voestalpine Rotec, Incorporated, based on
4 Lafayette, Indiana. I am also a board member of our
5 Canadian and Mexican operations, and have worked for the
6 organization for 22 years.

7 I have previously noted that the auto industry
8 waits for no one and for nothing, and the actions taken by
9 Rotec and our customers in the last six months echo this
10 sentiment.

11 Since May we have spent over \$1 million modifying
12 our machinery in Lafayette, Indiana, to accept material less
13 than 12 inches in length--out-of-scope material. And in
14 five months we have built a second facility in Mexico.

15 Despite the aggressive speed at which we have
16 moved, for many of customers it is simply not fast enough
17 and we are today facing supply shortages in an already
18 capacity-constrained market.

19 One hundred percent of the mechanical tubes we
20 procure, regardless of the country of origin, are
21 specifically purchased for our customers' end-use
22 applications. I have no interchangeability or avenue to do
23 anything else with the material if my customer's needs dry
24 up.

25 We do not sell mechanical tubing into the U.S.

1 market. By this very definition, I have no ability to dump
2 or material injure the domestic industry. I also wish to
3 remind the Commission that 100 percent of the material
4 procured by my organization is converted to finished
5 components for use in the automotive market, primarily the
6 safety restraint market.

7 In contrast to the Petitioners' commodity
8 products, I know exactly where all of my products go. We
9 have already moved machinery to support our customers in the
10 Mexican market. This is product that we used to manufacture
11 and export from the U.S. I emphasize: We have not
12 offshored. We have not moved U.S. production. We are not
13 making in Mexico and importing into the U.S. We are making
14 in Mexico what has always been consumed in Mexico.

15 Because of this case, our U.S. facility cannot
16 export to Mexico any longer. We have been forced to
17 evaluate our footprint, and valuable jobs, tax revenue,
18 investment, and export sales have been lost forever.

19 From the day this action was announced, there has
20 been an intense focus on how to keep supplies of these
21 made-to-order products flowing to ensure that assembly
22 plants would not face shutdown scenarios in the months
23 ahead.

24 Those of us with a global footprint or capital to
25 support new facilities can more readily adapt to the demands

1 of the market. There are other domestic consumers who do
2 not have this reach, and as such the export business is
3 surely under threat. This will simply accelerate the loss
4 of value-add business and in many cases push manufacturing
5 jobs overseas.

6 There are large portions of subject country
7 material entering the U.S. today because companies like ours
8 have found a way of being competitive in arguably one of the
9 most expensive markets in the world. In many cases this
10 material flowed into this country as finished product until
11 we supported our customers onshoring initiatives.

12 It is our investment, our organization, and our
13 people that have made it possible to onshore and export
14 finished goods to Mexico and to Chinese markets. Not the
15 domestic market, and certainly not the Petitioners. For
16 them to claim this material is something they are entitled
17 to is insulting, at best.

18 Petitioners cannot make everything, and perhaps
19 more importantly they don't want to make everything, but
20 they need you to believe that they can and will. In a
21 recent example, only one U.S. producer, Plymouth Tube,
22 claims to have the size capability to make a tube in
23 question. The response on the quotation is comical.

24 We take exception to ultrasonic nondestructive
25 testing, quench and temper, hydrostatic burst testing, CQI-9

1 Certification, and ASTM E-45 inclusion testing. So
2 basically they can supply me a round metal with a hole in
3 it.

4 Oh, and I should also point out that they
5 regretted the tolerances. On the other side, I have
6 confirmed orders from Europe and China taking no exceptions
7 to my customer's demand requirements. Are these the
8 organizations that you want developing and making your
9 safety-critical automobile components in the future?

10 In a further example, Webcor quoted extended lead
11 times for an item that we currently import from Europe,
12 stating that pre-material supply is only available in
13 Europe, so lead time is 20 weeks.

14 Given that the mother tube, or pre-material, also
15 undergoes changing the outside diameter, are the Petitioners
16 also arguing that these pre-materials are included under the
17 scope? If so, doesn't this strike at the heart of the
18 argument that the domestic producers can make all products,
19 when the Petitioners themselves rely on imports of their
20 mother tubes?

21 These technical complexities further support the
22 argument that these products are complex and used in complex
23 and demanding applications. Trying to make you believe
24 anything else is a lie.

25 Finally, I wish to address the topic of critical

1 circumstances, especially with regards to Hongyi and The
2 People's Republic of China. Significant portions of our
3 business is export related and close to 100 percent of this
4 export business is supported by imported tube, tube that
5 will never enter the U.S. market.

6 Importing tubes without an order behind it is not
7 an option for me, and purchasing tubes from anywhere else in
8 such a short period of time is not feasible to my customers.
9 In fact, almost every mechanical tubing we imported from
10 Hongyi during the critical circumstance period was shipped
11 down to our Mexican plant for consumption in Mexico.

12 Because we do not sell mechanical tubing in the
13 open market, and because every tube is imported for a
14 specific use, and most of the imports were in fact sent to
15 Mexico, our imports during critical circumstance period
16 cannot undermine the remedial effect of any antidumping or
17 countervailing duty orders.

18 I implore you to thoroughly consider the
19 consequences of your decision. To save jobs of the
20 Petitioners, thousands if not tens of thousands of jobs will
21 eventually be lost in downstream U.S. industries.

22 As for Rotec, the situation is already bad
23 enough. Decisions already made cannot be reversed. What
24 has been moved will not come back, regardless of the
25 outcome, but you still have time to protect what is left.

1 We respectfully request a negative injury
2 determination. Thank you.

3 MR. PERRY: Now I would like to ask Sidd Saran of
4 Salem Steel to speak.

5 STATEMENT OF SIDD SARAN

6 MR. SARAN: Good afternoon. My name is Sidd
7 Saran. I'm the president of Salem Steel. We import
8 precision mechanical steel tubes and distribute them through
9 a network of warehouses to customers located all over the
10 U.S. in a diverse range of end markets.

11 The under-performance of domestic producers may
12 be more attributable to a focus on cyclical end markets, a
13 lack of focus on the evolving needs of the customer,
14 inflexible, high-cost business models rather than
15 lower-than-fair-value import prices.

16 Long before 2014, certain Petitioners focused on
17 key cyclical and markets of agriculture, energy,
18 construction, and mining. In our briefs we have provided
19 evidence where these companies themselves have attributed
20 their performance to these key sectors, whether in
21 statements to their investors, rating agencies, or
22 restructuring filings.

23 When times are good, these cyclical industries
24 provide better contribution margins, more so than other
25 steady industries such as automotive. During the last

1 several years, automotive-related manufacturers were
2 neglected by certain domestic mills, creating a gap.

3 An ITC survey of the importance of these factors
4 stressed product consistency, quality, delivery time, and
5 availability rather than price. Imports have filled in the
6 gap consistently over the last few years, leading chasers to
7 shift towards imports. There has been a debate regarding
8 Petitioners exposure to the energy industry.

9 The energy industry should be viewed
10 holistically, including oil and gas exploration and
11 production, transportation, refining, and storage, as well
12 as for the thermal, nuclear, and renewable energy
13 industries.

14 Furthermore, we believe the two domestic
15 producers who consistently focused on mechanical tubing for
16 the automotive industry, Metal-Matic and Seymour, which are
17 not among the Petitioners, are in better financial shape
18 than many of the Petitioners.

19 Some of these cyclical and markets are now in
20 revival. Not surprisingly, the financial performance and
21 outlook of companies focused on such markets has improved.
22 For example, Caterpillar's revenues from machinery, energy,
23 and transportation equipment increased by 27 percent to
24 \$10.7 billion from the third quarter of 2016 compared to the
25 same period in 2017. Caterpillar's stock price is up by

1 over 50 percent year-to-date. I mention Caterpillar
2 because it is a large bellwether company that is well
3 followed by the investment analyst community, and also
4 because it is a large end-user of CDMT.

5 Again, not surprisingly, certain Petitioners
6 whose information is public showed that their financial
7 performance is improving in recent quarters. This further
8 establishes the link between these companies and the
9 cyclical end markets.

10 A lack of focus by domestic producers in meeting
11 the needs of certain end customers has also led such
12 customers to purchase imports. Purchasers have indicated
13 that domestic producers are reluctant to produce CDMT of
14 certain sizes. MDITC survey's purchasers have also said
15 that certain domestic producers produce certain products
16 only on a quarterly basis. This clearly has left an opening
17 for competition, especially from international mills which
18 are more flexible in catering to customer needs.

19 Domestic producers operate with high fixed-costs
20 compared to foreign mills which exposes their profitability
21 to high down-side risks. The ITC survey of domestic
22 producers indicates that raw materials are only between 48
23 percent and 56 percent of total costs of goods sold.
24 Factory overhead and labor constitute the other expenses.

25 A fall in demand will have a significant effect

1 on the profitability of mills with high fixed costs.
2 Furthermore, certain domestic producers, although not all,
3 lack economies of scale, a point mentioned by Moody's Rating
4 Agency in one of their reports presented as evidence. Such
5 producers are more exposed to falling demand.

6 On a quick note regarding U.S. supply elasticity
7 mentioned in the ITC prehearing brief which indicates the
8 ability of domestic producers to increase or decrease
9 shipments to the U.S. market. Please consider two points.

10 One, the overall demand has increased as
11 manufacturing activity in the U.S. has increased.

12 And two, domestic producers have had price
13 increases earlier this year. While production levels may
14 have gone up after the price increases, we have heard from
15 our customer that lead times from domestic producers have
16 increased from 3 to 4 weeks to 12 to 13 weeks. This would
17 suggest that the U.S. supply elasticity estimates may be
18 below 5 to 8 times.

19 A final comment regarding critical circumstances
20 for subject imports from China. Please consider two
21 factors. One, inventory levels. I can only speak about our
22 company's inventory levels which we have provided to the
23 Commission in a confidential filing.

24 These levels have largely remained steady from
25 January 2017 to September of 2017, and in fact have

1 decreased from the beginning of the year. And, too, a
2 significant portion of the volume of material Salem Steel
3 imported from China in response to increased demand that
4 arrived in the May through August time period was ordered
5 prior to the Petition date of April 19, 2017.

6 We have not tried to undermine the remedial
7 nature of the orders. Thank you.

8 MR. PERRY: Now I would like to ask Paul Scheuer
9 of Borghi to speak.

10 STATEMENT OF PAUL SCHEUER

11 MR. SCHEUER: Good afternoon. My name is Paul
12 Scheuer and I am the North American product manager of
13 Borghi USA located in West Burlington, Iowa. I have been in
14 the fabricated steel tubing industry for 36 years.

15 Borghi USA produces fabricated tube assemblies
16 for the construction, agriculture, and automotive industries
17 using domestic and imported alloyed steel tubing.

18 Our customers are the major OEMs present in North
19 America and the products we supply are installed on the
20 assembly lines located in the USA and abroad. We produce
21 roughly 3,000 different part numbers at Borghi USA a year.
22 Of these 3,000 part numbers, no two part numbers are the
23 same. This means different material types, material alloy,
24 diameters, wall thicknesses, and different heat treatments.

25 In the selection of suppliers for our tubing

1 sources, the products included in the scope of the ITC
2 investigation, cost is important as this affects our final
3 price to our customers. But this is not the only parameter
4 considered.

5 Hydraulic tubing, which is a majority of the
6 product we use, is a specific product designed to perform
7 under certain conditions, which requires levels of
8 reliability to ensure no one is injured during the operation
9 of any machine produced by our customers.

10 Hydraulic oil pressures can reach 6500 psi and a
11 failure would result in the breakdown of the equipment, and
12 even have the possibility of creating fatal injury to the
13 operator.

14 Because of these needs, the process of supplier
15 selection is critical and is strictly followed by our
16 customers. Our customers' applications and needs come from
17 stringent requests of impeding pressure and resisting
18 vibration, and the ability to match diameters for the fit-up
19 of their applications.

20 Because of these performance issues, there are no
21 substitutes. To be considered or allowed, as this issue is
22 so significant, that end users demand information on the
23 material source used in these parts and requests written
24 approval for changes in the product we purchase, and then
25 PPAP Process to the new vendors.

1 As stated previously, we do require several
2 different sizes and variations of wall and metallurgy, and
3 only certain mills can supply the full range of products we
4 need.

5 In some cases, the hydraulic tubing is
6 specifically produced for Borghi USA and other companies in
7 our group. KST-590 is not supplied from U.S. mills, nor is
8 it included in any industrial specification. Use-only notes
9 on customer prints allow no substitutions,.

10 For the needs of Borghi USA, only a few mills
11 globally who are capable of producing are really interested
12 in supplying our hydraulic needs. Hydraulic tubing is a
13 niche in the overall mechanical tubing market. In more than
14 15 years of Borghi USA operations, U.S. tubing producers
15 have never attempted to contact us, and sadly except for
16 Plymouth Tube, Petitioners were not even known to our
17 organization.

18 After the Petition was filed on April 19th, we at
19 Borghi USA decided to explore the possibility of purchasing
20 hydraulic tubing from the Petitioners. Requests for
21 quotations were sent to several U.S. mills, including four
22 of the five Petitioners, the fifth one producing only
23 seamless tubing was outside of our needs and requirements.

24 Sadly, two of the Petitioner firms did not even
25 acknowledge our requests for quotation. The other

1 Petitioners answered by quoting 35 of the total of 55
2 different tube sizes, 63 percent.

3 The fourth Petitioners only quoted 22 over 33
4 different tube sizes, 66 percent. In addition, lead times
5 provided were about three times the lead time of our current
6 sources, and since the markets we operate in fluctuate and
7 practice lead manufacturing, we were unable to move forward.

8 During the process of this investigation, we
9 continued operating our business at usual, sending orders
10 and receiving material from our historical suppliers. No
11 action of stockpiling has ever been undertaken, as we
12 believe it to be an improper way of resolving this issue.

13 I also need to share that we are recovering from
14 a downturn in our business and layoffs in 2014. The
15 Petitioners indicate that this same downturn is due to the
16 introduction of foreign material into their business. Being
17 a fabricator of their types of materials, as we are only a
18 pass through, our major customers in Ag and construction are
19 only now recovering from their 2014-2015 downturn, the
20 actual consumer of these products.

21 Even as this investigation continues, we have
22 already noticed difficulties in the U.S. tubing market, and
23 more in general in the steel market itself. Local
24 distributors are now claiming longer lead times from the
25 U.S. mills, and their pricing to us has changed. If a

1 decision is made to move forward with changes that impact
2 our ability to purchase the proper material, all, not some,
3 along with being able to support delivery demands based on
4 our customer requests, I foresee a loss of business and jobs
5 in our company, and an overall loss of jobs in the U.S.

6 Borghi USA, Inc., employs more than 100 people in
7 our facility in Burlington, Iowa. These jobs are at risk,
8 as our business is very competitive. And as we did our
9 homework and went out and searched the global marketplace
10 for the best vendors, these are the companies that worked
11 with us to develop a full line of products, not a fraction,
12 with the thoughts of "that's good enough."

13 Our OEM customers have the capability of making
14 multiple moves in a noncompetitive environment, all of which
15 would not be in our best interest at Borghi USA. I would
16 urge the Committee to consider the consequences to our
17 business, along with that of our American customers.

18 Thank you for your time.

19 MR. PERRY: Now I'd like to ask Casey Caplea of
20 Vibracoustic to speak.

21 STATEMENT OF CASEY CAPLEA

22 MR. CAPLEA: Hello. My name is Casey Caplea and
23 I'm the vice president of a North America for a Supply Chain
24 for Vibracoustic, the U.S. auto parts producer.

25 Vibracoustic is a world leading supplier of

1 antivibration solutions in the automotive industry. We have
2 roughly 10,000 employees across our global network of
3 development and production sites, and we supply all major
4 car manufacturers all over the world.

5 We currently operate 4,300 sites in 19 countries
6 on 5 Continents, thus offering R&D and production
7 capabilities for our customers throughout Europe, North
8 America, South America, and Asia.

9 In North America, our headquarters and main R&D
10 center is located in South Haven, Michigan. We operate 13
11 manufacturing sites and one sales office in addition. We
12 currently employ roughly 1,200 people in the U.S., and 12 of
13 our 15 North American sites are located in the U.S. across
14 multiple states.

15 The main products we supply our customers are
16 engine mounts, torsional vibration dampers, isolators and
17 dampers, air springs, urethane products, and chassis
18 components. Of these components, roughly 20 percent mostly
19 are chassis parts which consists of bushings, body mounts,
20 strut mounts, and other types of products, use the two
21 products covered in the two Petition.

22 Globally we ship roughly \$389 million worth of
23 products to our customers that use mechanical tubing, with
24 roughly \$85 million in the U.S. and \$40 million in Mexico.
25 In the process of making those products, we purchase \$37

1 million worth of mechanical tubing globally. From that
2 amount, \$10.5 million are currently purchased from our tube
3 converters in the U.S., and around \$6 million of that is
4 exported to Mexico.

5 As an auto parts producer I can confirm the prior
6 statements by Tube Fabrication and Rotec, two of our
7 strategic suppliers. Our finished products and the tubes
8 that are used in them are uniquely designed products. We
9 have a great deal of competition, and a large percentage of
10 our products are supplied to global programs, which means we
11 manufacture the same products in multiple regions.

12 While we have been competitive in our local U.S.
13 market, we are not however competitive in the global market
14 for these products today. This means that a favorable
15 determination in this case could force one of two actions on
16 our part.

17 One, we source the entire finished part for the
18 U.S. market in other regions to avoid the penalties on the
19 tubes as proposed. With the amount of work we currently
20 have today, it would mean eliminating roughly one full plant
21 or 250 U.S. jobs.

22 Two, we source the cut-to-length product in other
23 regions, putting our tube converters out of work in the U.S.
24 Either way, we are at risk of eliminating U.S. jobs. Again,
25 our industry is really competitive, already competitive, and

1 fast-moving, with short response times and very precise
2 tolerance demands.

3 Each tube we purchase is therefore unique. We
4 need suppliers that can not only meet these demands but
5 exceed them if we are to continue to be successful securing
6 business and maintaining our employment level in the U.S.

7 The Petitioners, as you have heard from earlier
8 testimony, cannot and simply refuse to meet the demands we
9 need to supply our customers.

10 Our current tube converters today not only meet
11 these demands with our current material suppliers, but are
12 willing to hold safety stocks, tolerances, and meet all of
13 the demands our business needs to produce these products
14 today. Those demands in turn are established by our
15 customers, the automobile producers themselves. Thank you.

16 MR. PERRY: Now I'll let Ken Weigel take over.

17 MR. WEIGEL: Good afternoon. Ken Weigel from
18 Alston and Byrd. Gary Hadfield from Autoliv will talk about
19 airbag tubing.

20 STATEMENT OF GARY HADFIELD

21 MR. HADFIELD: Good afternoon. My name is
22 Gary Hadfield. I am the global purchasing manager
23 responsible for global tubes purchasing for Autoliv. I have
24 been with Autoliv since 2011, and my real job is to save
25 lives. I am here to explain why Autoliv believes the

1 Commission should separately consider air bag tubing and
2 find imports of airbag tubing causing no injuries to the
3 U.S. industry.

4 Autoliv Automotive Safety Products
5 Incorporated is a fully owned subsidiary of Autoliv, Inc., a
6 Delaware company. We are the world's largest automotive
7 safety supplier. We were the first to introduce the two and
8 three point seatbelt system and airbags for front and side
9 impacts. We supply automotive safety products to all the
10 leading car manufacturers in the world.

11 Every year our products save over 30,000 lives
12 and prevent ten times as many severe injuries. In the
13 United States, we have facilities in Michigan, Indiana,
14 Utah, California and Massachusetts, employing over 16,000
15 workers. Airbags are a critical safety component in all
16 automobiles. Airbags inflate to protect occupants in a
17 collision. Most side curtain airbags function using a
18 stored compressed gas. This pressure vessel containing the
19 gas must withstand the accident and release its gas into the
20 airbag.

21 It requires a particular type of tubing to
22 make that pressure vessel that will work for 25 years under
23 a variety of temperatures and humidity conditions. Among
24 all tubing products, airbag tubing probably is most
25 difficult type to make. We are very demanding of our tubing

1 suppliers. As you have read in the press, airbag failure has
2 resulted in the bankruptcy of our competitor Takata.

3 I simply must buy the tubing that our
4 engineers specify and cannot compromise on quality. Airbag
5 tubing imports from subject countries cannot be causing harm
6 to the Petitioners because they do not make airbag tubing.
7 There are only a limited number of airbag tubing suppliers
8 globally and global supply is very tight. Autoliv desires
9 to have more suppliers but there are none in the United
10 States and there are no current prospects.

11 It takes two to four years for Autoliv to
12 qualify a new supplier for airbag tubing. Autoliv has two
13 suppliers from subject countries that recently became
14 qualified. By including airbag tubing in an injury
15 decision, the Commission would be causing tremendous
16 hardship to the U.S. operations of Autoliv and our
17 suppliers.

18 In our prehearing brief, we discussed in
19 detail the differences between airbag tubing and cold-drawn
20 mechanical tubing. I think it is fair to say to our product
21 is not mechanical. It is used to make pressure vessels,
22 which is not a mechanical application. The petition casts a
23 very broad net. However, as the Commission recognized in
24 its preliminary determination, certain types of cold-drawn
25 mechanical tubing such as boiler and pressure tubing are

1 excluded.

2 Airbag tubing is also very unique. It has a
3 very small diameter of two inches or less, and a thin wall
4 thickness of one-tenth of an inch or less. Additionally, it
5 possesses a high tensile strength and high ductility at very
6 low temperatures, which are typically competing attributes.
7 The specifications of Autoliv's airbag tubing are different
8 from and not equivalent to any type of mechanical tubing
9 ASTM standards mentioned in the scope.

10 It is made to proprietary specifications that
11 are required to produce pressure vessels for airbags. Its
12 chemistry and metallurgical properties differ from those of
13 cold-drawn mechanical tubing. End uses are an important
14 factor in this case. Mechanical tube is put in certain end
15 uses as the Commission recognized in the preliminary
16 determinations. Making pressure vessels for airbags or
17 anything similar was not mentioned by the Commission.

18 Also, Petitioners did not identify airbag gas
19 chambers as an automotive use. Airbag tubing and cold-drawn
20 mechanical tubing are not produced at the same facilities in
21 the United States. In fact, Autoliv understands that none
22 of the Petitioners can currently produce airbag tubing.
23 Autoliv's airbag tubing requires a unique production
24 process. In my experience, most companies who produce
25 mechanical tubing cannot produce airbag tubing without

1 making a significant investment in equipment and testing
2 facilities.

3 It requires a specialized quenching and
4 tempering operation to yield the desire microstructure.
5 This would mean we must achieve a -- acidic structure.
6 There is no interchangeably between cold-drawn mechanical
7 tubing and airbag tubing. There is no substitute for our
8 airbag tubing. Cold-drawn mechanical tubing and airbag
9 tubing are sold in different channels of trade. Our airbag
10 tubing is sold by the mill directly to our subcontractors or
11 to us. It is not available in the market.

12 As a major purchaser and customer of airbag
13 tubing, we consider airbag tubing a very distinct product
14 and entirely different from cold-drawn mechanical tube.
15 Autoliv's airbag tubing is significantly more expensive than
16 cold-drawn mechanical tube. We understand we must pay a
17 premium for a unique product, and that our specifications
18 are very difficult to meet. Airbag tubing from subject and
19 non-subject countries is priced consistently. Not
20 surprising, all factors show a clear dividing line between
21 airbag tubing and the cold-drawn mechanical tubing that
22 Petitioners produce. Simply put, airbag tubing is
23 cold-drawn but not mechanical tubing.

24 The Department of Commerce has preliminarily
25 found critical circumstances with respect to certain

1 imports. In addition to the reasons we explained in our
2 prehearing brief, I'd like to provide an additional context
3 for why there is no stockpiling of airbag tubing. Prior to
4 initiation of this proceeding, Autoliv placed orders for
5 airbag tubing with this company, as the product was required
6 for production in the United States, Autoliv accepted these
7 imports.

8 Autoliv did not rush to beat additional duties
9 with these imports. They had been on the books for months
10 prior to the petition even being filed. With the Takata
11 recalls and its bankruptcy creating airbag supply shortages,
12 Autoliv has been hand to mouth with regards to the supply of
13 this critical, live-saving tubing.

14 While this may seem a small product to the
15 Commission in light of all cold-drawn mechanical tubing, it
16 is an extremely important product for Autoliv and others in
17 the United States to make critical life-saving devices for
18 automobiles. The result of an anti-dumping or
19 countervailing duty order would provide no benefit to the
20 Petitioners, as they do not produce the merchandise. But it
21 will harm U.S. companies and U.S. employees. Thank you, and
22 I look forward to answering all of the Commission's
23 questions.

24 MR. HORGAN: Good afternoon. This is Kevin
25 Horgan on behalf of Saltzgitter Mannesmann. Bob Moore, vice

1 president of Salzgitter Mannesmann is going to make our
2 presentation.

3 STATEMENT OF ROBERT MOORE

4 MR. MOORE: Good afternoon honorable members
5 of the Commission. My colleague and I appreciate this
6 opportunity to appear before you and to share our views on
7 matters relevant to this investigation. Again, my name is
8 Bob Moore. I am vice president of Salzgitter Mannesmann
9 International USA, Inc., SMIH for short, in Houston, Texas.

10 SMIH is a member of the Salzgitter group of
11 companies. I'm joined today by my colleague Joerg Tilly,
12 who is one of our managers of our tubular products sales
13 group in Houston. The Salzgitter Group and the name
14 Mannesmann are synonymous with the innovative and
15 sustainable manufacturing of steel and technology products.

16 We employ about 25,000 people to provide
17 customers with innovative and sustainable products of the
18 highest quality. Our core competencies are in the
19 production of specialized steel and tube products. In
20 addition, we are also successful in the field of specialized
21 machinery and plant engineering. We're an independent
22 group. Independence is a cornerstone of our group policy.

23 This forms the foundational strategic
24 initiatives with our long-term outlooks. We are not known
25 for frequent speculative measures and short-term share price

1 gains, as we do not believe that this is the type that is
2 suited to increasing the value of our company in the long
3 term. Our independence extends to our steel and tube making
4 processes. We control those processes from melt shop all
5 the way to the finished cold-drawn mechanical tube in this
6 case, as well as many other products that we produce.

7 We are innovative. Our companies have always
8 developed revolutionary products and services. Our
9 innovation is not always limited to our final products. The
10 Salzgitter Group is proud to be the owner of one of the
11 leading research and development centers for steel.
12 Numerous steel grades and innovative production processes
13 have been developed by our R&D team. Moreover, our research
14 also flows into supporting our customers in their own
15 product development.

16 We have the capabilities and the brain trust
17 to assist manufacturers in the development of tailor-made
18 steel and tubular products, which result in improvements in
19 raw material inputs for their manufactured goods. Our
20 capabilities result in tubular products which we sell to
21 manufacturers' very specific requirements.

22 Our focus is not the large volume garden
23 variety- based quality cold-drawn mechanical tube such as
24 tubing used in the hydraulic cylinder market, which
25 comprises about 30 percent of the cold-drawn mechanical tube

1 market according to market research sources. Last but not
2 least, our modern steels also play a decisive role in
3 lightweight engineering. I'd like to give you a little
4 overview about our company with respect to our precision
5 tube manufacturing and our sales in the United States.

6 Our average annual production capacity in
7 Germany is about 159,000 metric tons. Our 2016 total
8 production was about 150,000 metric tons. We've produced
9 both welded and seamless cold-drawn mechanical tubing in a
10 size range from one-eighth of an inch up to 16 inch, above
11 the largest diameter of most of the Petitioners.

12 Out of that total, about 107,000 tons were
13 sold in Germany, 71.7 percent of total production in 2016.
14 32,000 tons were sold to other EU markets, about 21.7
15 percent of our production. Only 2,497 metric tons were sold
16 to the United States in 2016, which is 1.7 percent of our
17 total production. 2,426 tons of the U.S. sales went
18 specifically to Tier 1 and Tier 2 automotive customers, over
19 97 percent of our total sales of our product in the United
20 States.

21 100 percent of our sales to the automotive
22 industry customers are in European customer applications,
23 specific grades, qualities and standards. All of our
24 automotive customers are U.S. subsidiaries of European
25 automotive suppliers, parts suppliers. 75 percent of our

1 sales to automotive customers in the United States are to
2 one specific customer. All sales to this customer are for
3 a single engineered part. This is part of a global supply
4 chain contract for special European modified grades of steel
5 and in metric sizes that is not made in the United States,
6 according to our customer's input.

7 Effectively, 100 percent of our sales to
8 automotive applications are extensions of frame contracts to
9 European parent companies of our automotive customers. Thus
10 our sales are typically part of annual or semi-annual supply
11 chain contracts engaged in Germany. Our customers have
12 informed us that they are not able to purchase the tubing
13 from U.S. producers based on grade, quality, size or quality
14 parameters.

15 Our largest customer is a multinational
16 customer who has a footprint on three continents and is
17 quite capable of moving his production of his engineered
18 product outside of the United States, and in fact we have
19 been informed that they are looking at doing that even as we
20 meet here. This case, if the Commission finds an
21 affirmative for the Petitioners, is not going to save
22 American jobs in that company. It's going to create loss of
23 American jobs in that company.

24 This is our forward view. Our home market and
25 regional market, Germany and the EU for precision tubes has

1 been very stable for over -- the last three years. Over the
2 past year automotive demand in our home and regional market
3 has substantially increased to the point that our mill is
4 sold out well into the -- past the end of the second quarter
5 of this year. Our forecast is that our home market will
6 remain stable at a very healthy level for the foreseeable
7 future.

8 Thus, our forecasts for sales to the U.S.
9 remain relatively flat and intentionally limited to only the
10 highly specialized applications and customers which we
11 currently serve. We do not have any plans for capital
12 expansion of our tubing mills in Germany. We choose to
13 limit ourselves in the United States based on excellence in
14 quality, innovation and customer-oriented engineering. We
15 do not base our sales on price alone.

16 We have the distinct global guidelines of
17 return on shareholder value, excellence in service and
18 provision of exceptional quality products which exceed the
19 norms. We sell premium products at premium prices. Based
20 on the facts of our level of participation in the U.S.
21 market, which truly differentiates Salzgitter from all other
22 respondents as well as the Petitioners, we are not injuring
23 nor posing threat of injury to the U.S. petitioners.

24 In point of fact, we enjoy amicable
25 relationships with one or more of the Petitioners, including

1 at times working with them to supply them with certain
2 non-tubular feedstock for their U.S. operations. For all
3 these reasons, we respectfully request the Commission to
4 make a negative determination on the matter of injury or
5 threat of injury to the U.S. industry. Thank you again for
6 allowing us this time to present our views. My colleague
7 and I will be happy to address any questions you may have.

8 MR. VANDER SCHAAF: Good afternoon. My name
9 is Lyle Vander Schaaf from Brinks, Gilson and Lione, here on
10 behalf of Dana, Incorporated and I'd like to introduce our
11 final witness, Brandon DeGrendel from Dana.

12 STATEMENT OF BRANDON DEGREDEL

13 MR. DeGREDEL: Good afternoon. My name is
14 Brandon DeGrendel. I'm a senior buyer -- yeah, no problem.
15 I'm a senior buyer for Dana, Incorporated and have been
16 purchasing and selling steel tubing for the past six years.
17 I'm here today to state that Dana opposes the imposition of
18 anti-dumping duty order on cold-drawn mechanical tubing
19 produced out of Switzerland and Germany.

20 Dana is headquartered in Maumee, Ohio and it
21 was founded in 1904. Dana is a leading producer and
22 supplier of drive line products, including axles, drive
23 shafts and transmissions. Dana supports the passenger
24 vehicle, commercial truck and off highway markets as well as
25 industrial and stationery equipment applications. Our

1 customer base includes virtually every major vehicle
2 manufacturers.

3 In order to support our customers, Dana has
4 manufacturing locations worldwide and employs nearly 29,000
5 people in 33 countries. Domestically, we have production
6 facilities in Illinois, Indiana, Kentucky, Ohio, Michigan,
7 Missouri, Pennsylvania, South Carolina, Tennessee, Texas,
8 Virginia and Wisconsin. Our U.S. production operations are
9 comprised of 22 plants and we employ approximately 15,000
10 workers.

11 Dana purchases cold-drawn mechanical tubings
12 both domestically and also from vendors who manufacture
13 their product in Germany and Switzerland. In our strategy,
14 we tend to buy material as close to our manufacturing
15 locations as possible. When considering production
16 facilities outside of the United States, we have to look to
17 them in times when they are not -- we are not able to source
18 material meeting our specifications.

19 Of our purchases of cold-drawn mechanical
20 tubing, we purchase roughly 85 percent domestically and
21 expect this number to increase moving forward. Dana
22 sourcing decisions are based upon a multitude of factors,
23 including but not limited to product knowledge, supplier
24 experience, design expertise, product and manufacturing
25 quality, reliability of supply, total cost of ownership and

1 management commitment.

2 Our sourcing decisions involve company-wide
3 resources and utilize a purchasing team, product engineers,
4 applications engineers, program managers, supply development
5 engineers as well as other personnel conducting line trials
6 tests and other analyses to confirm the form and function of
7 every component. In many cases, product development is done
8 with our OEMs. We also work both internally and with our
9 suppliers to develop products that meet the OEM
10 specification.

11 Generally, it takes several years to research
12 and launch these applications. When a supplier is awarded a
13 program, they must PPAP each supplied part and supply
14 documentation which outlines their complete production
15 process. Once a program has launched, all requested changes
16 must be validated, approved and documented with new PPAP
17 submission.

18 Depending on the extent of the requested
19 change, the OEM will also need to validate and approve the
20 change. This process can be as extensive as the product's
21 initial validation and can take several months or even years
22 to gain approval. If it is deemed appropriate to conduct a
23 market test, Dana can spend roughly a year targeting new
24 suppliers. Even if a new supplier's material meets our
25 specification and has a substantial price improvement, it

1 is likely to take between two and four years to validate the
2 supplier's samples and to gain the OEM's approval before
3 initiating a switch.

4 Dana sees the cold-drawn mechanical tubing
5 market as a global marketplace. For example, if we were to
6 not purchase material from a supplier located in
7 Switzerland, Dana would not necessarily purchase
8 alternatively from a U.S. supplier cold-drawn mechanical
9 tubing. For the reasons outlined in Dana's basis for
10 making purchasing decisions, Dana has previously decided to
11 source material from a supplier providing cold-drawn
12 mechanical tubing in Germany and Switzerland.

13 For the material sourced from the supplier out
14 of Germany, to this date Dana has not been successful in
15 identifying or developing a new supplier that can meet the
16 specifications required for manufacturing our very light
17 drive shafts. This is based on material surface condition,
18 material hardness and decarbonization tolerances.
19 Anti-dumping duties could cause this business to no longer
20 be economically viable to be produced in the United States.

21 Dana also has material which is currently
22 sourced from a supplier out of Switzerland. After several
23 years of development with the domestic cold-drawn mechanical
24 tubing suppliers, Dana has only recently been able to
25 develop domestic sources which may now be able to supply

1 material considered to be more or less interchangeable with
2 the material which was previously supplied from the
3 manufacturer in Switzerland.

4 Dana has recently conducted market tests for
5 the remaining business from a supplier in Switzerland and
6 found that domestic suppliers are able to offer a much lower
7 price. Based on this data, the consideration of
8 anti-dumping duties appear to be unjust. For this reason,
9 we oppose the imposition of anti-dumping duties on
10 cold-drawn mechanical tubing from Switzerland and Germany.
11 Thank you, and I'll be happy to answer any questions you
12 may have.

13 MR. VANDER SCHAAF: So that concludes the last
14 witness. And I'd like to just make one follow up comment to
15 sort of try -- tie some of this together. My name is Lyle
16 Vander Schaaf for the record.

17 We're sort of perplexed by what we heard this
18 morning by the domestic industry talking about price being
19 the only factor and the most important factor. As you heard
20 from Mr. DeGrendel and some of the other witnesses at this
21 panel, if price is the most important factor, and a
22 purchaser is going to move from a domestic supplier to an
23 import supplier, they then have to begin the process of
24 getting approval from the OEM, going through the
25 certification and qualification process, and then after 16

1 months, or in some cases two years, or in some cases four
2 years, they might be able to switch a supplier. But
3 otherwise, they're not going to be able to switch a
4 supplier.

5 So we don't really understand what the domestic
6 industry was talking about this morning when they say that
7 people -- they can't get contracts because of price. Many
8 of the programs that Dana is involved in were started three,
9 four, five, even seven years ago. That's when they
10 submitted this PPAP proposal to the automotive manufacturer,
11 where they identified their supplier and they locked in
12 their supplier.

13 Are they saying that five years ago, the prices
14 were lower and so they weren't brought to the table to work
15 with the automotive parts supplier? Or are they saying that
16 they can't break through the door now because their prices
17 are too high?

18 Well, in any event, it takes 16 months for them
19 to qualify and certify. So if they're talking about this
20 situation from the auto industry sector, we don't understand
21 what they're talking about. It can't be about price,
22 because you have to qualify and certify, which takes 16 to
23 24 months before you're even considered. So we don't agree
24 with the testimony this morning. Thank you.

25 VICE CHAIRMAN JOHANSON: Thank you all for your

1 testimony today. I certainly appreciate all of you being
2 here. I will begin the questions this afternoon.

3 And this first one is for Mr. Perry. Mr. Perry
4 on pages 1 and 4 of your brief, you discuss the impact of
5 these investigations on the automotive industry and you
6 assert that this "cannot be ignored." However under
7 statute, are we able to take into consideration conditions
8 of the downstream industries?

9 MR. PERRY: Well that's always an issue when you
10 have these cases. As we know, the United States, unlike
11 almost every other country in the world, doesn't have a
12 public interest test. So it's much harder to take event of
13 the downstream industries.

14 But we also think there's a lot of other reasons
15 why the Commission can go negative in this case and find no
16 material injury and no threat of material injury. But we
17 think it is important. And the PPAP process which Lyle
18 Vander Schaaf just talked about, attenuated competition is
19 another big issue in this case.

20 So there are a number of issues in this case
21 that could cause the Commission to record -- to reach a
22 negative determination. And the impact upon the auto parts
23 and the automobile industry will be substantial.

24 VICE CHAIRMAN JOHANSON: Thank you, Mr. Perry.
25 In the petitioner's brief at page 41, they assert that

1 respondents have not challenged that the domestic industry
2 is injured, but only that subject imports are not the cause
3 of that injury. Do you agree with what they state? Do you
4 agree that the domestic industry shows signs of injury?

5 MR. PERRY: Well, the question is who's in the
6 domestic industry? And this is a very important point
7 because of the two companies that supply the automotive
8 industry, Metal-Matic and Seymour, which weren't even
9 addressed by the petitioners.

10 In Metal-Matic's case, the petitioners can't
11 meet the prices set by Metal-Matic. I'm not talking import
12 prices here. They can't meet the prices set by Metal-Matic,
13 another domestic producer. According to your preliminary
14 determination, Metal-Matic never responded to the domestic
15 producer's questionnaire. If that is true at the time of
16 the vote, I suggest you must make an adverse inference
17 pursuant to the statute. And you must take it as all facts
18 available and take an adverse inference because Metal-Matic,
19 a significant domestic producer, has not responded to the
20 questionnaire.

21 We also believe firmly that Seymour is probably
22 doing better because again, they worked with the automotive
23 industry. The petitioners here went off to do their
24 commodity products and went off to do their commodity
25 products, automotive always went to the back of the line.

1 So but Metal-Matic and Seymour stayed in there
2 and continued to compete with us. And we have specific
3 evidence we provided to the Commission where Webco had a
4 price and Metal-Matic had a price. Now these are two
5 domestics, right? Webco's price was \$1,000 higher than
6 Metal-Matic's price.

7 Now I'm going to ask Julie and Andrew to follow
8 up on this. I mean, this is key points. Metal-Matic was
9 supplying the domestic -- supplying the -- all these things
10 are working with the automotive industry. To my knowledge
11 at least as indicated in your preliminary, there's no
12 questionnaire response. Now what do you do?

13 So Julie, why don't you add something on that?

14 MS. ELLIS: I had submitted I guess some of the
15 "responses". And on some of the no quotes from Webco, if
16 you note on there, they're marked "regret based on price
17 feedback." And in a meeting with their sales reps, that
18 pricing feedback was in response to I gave them an idea
19 where they needed to be with domestic pricing, not pitting
20 them against anyone, but domestic pricing and North American
21 pricing.

22 And so after that meeting, many of the quotes
23 began to come back with the note, "regret based on price and
24 feedback." I'm not sure what all that means, but on the
25 items that we have side by side quotes on, and we have in my

1 pre-petition brief, I had given you three particular items
2 that we're resourcing to the U.S. There's a substantial
3 difference in the pricing between Metal-Matic and between
4 Webco's pricing.

5 We can address the exact amount in pre -- or in
6 the post-conference, not publicly, but that's not a problem.
7 I don't have an issue with sourcing with Webco if I could
8 get them competitive even within the domestic market. We
9 currently purchase about 30 percent of our tubing
10 requirements from the domestic market, but they're just not
11 competitive within that market.

12 In regards to Sharon, Sharon has not quoted on
13 anything we have sent them since the petition was filed.
14 We've sent out quotes for our existing business. And then
15 we've also been inundated with requests for quotes from
16 within the market and as everyone scrambled to figure out
17 what to do with their tube products.

18 And out of those, almost every single quote
19 comes back with regret on OD, ID, wall tolerances, ratios,
20 OD to ID, don't stop the grade of tube. I know
21 historically, we used to buy many years ago a lot of stuff
22 from Sharon Tube. And things that I thought they should be
23 able to quote, they don't quote. They haven't quoted.

24 Webco, I'd love to put some business with them,
25 we just can't seem to get together on the pricing and

1 compare domestically on the pricing.

2 MR. PERRY: I mean, one of the points here is if
3 Metal-Matic has not submitted a questionnaire response, then
4 how is your pricing information worth anything?

5 Andrew, would you like to respond?

6 MR. BALL: Yeah. I think Bill raises an
7 interesting point, which is how do you define the market?
8 Is it the market that exists on the data or is it the market
9 that petitioners would like to have access to?

10 And I mention that because we also have
11 historically purchased a lot of product in the U.S. market.
12 And I had Mr. Hart this morning discuss about pricing
13 agreements. It is precisely the reason why we don't procure
14 material in the U.S. market today because the domestic
15 producers broke pricing agreements.

16 It's been very difficult in the history of
17 automotive supply to get any recovery when it comes to
18 material shifts. But back in 2004 and 2005 when the
19 material markets shifted to an unsustainable level, we were
20 able to get that done. And our customers were prepared to
21 pay what was fairly happening in the steel market. They
22 were not, however, prepared to pay gouged prices where
23 petitioners took clear opportunity of better market
24 conditions.

25 We also heard this morning that they were

1 talking about keeping automotive as a section of their
2 business. And indeed, there's no dispute they do have
3 certain portions of automotive business.

4 Knowing my business and knowing Julie's
5 business, then why would they agree to have the scope ruling
6 cover less than 12 inches or exclude less than 12 inches,
7 which is 90 percent of the components I make? So when we
8 make 60 million components and we know that based on the
9 imports statistics how large a portion we represent, why
10 would they immediately exclude our business?

11 And the history is complicated. They exclude
12 our business because it's difficult. It's many, many
13 different sizes, many small diameters and most occasions,
14 very small production runs. They're not interested in that
15 business. They're interested in drive shaft, prop shaft,
16 axle, long large length products, high volume, much easier
17 to make, much less logistical complexity. And we've been
18 told as such.

19 So I think the question for Mr. Perry is very
20 true. Is what do you define as the market? Is it a market
21 that they want or is it the market based on the import
22 statistics?

23 MR. PERRY: Make one other make one other point.
24 Commissioner Broadbent in questioning the petitioners said
25 it's somewhat of a messy scope here. And they -- you know,

1 the point that we made that they -- there's over 200
2 products they can't make. And she said, well, usually by
3 the time it comes back from Commerce, it's much clearer.

4 The problem here is they didn't align. They
5 didn't allow the countervailing duty case and the dumping
6 case. Think about it. The tubes 12 inches and below were
7 excluded by Commerce less than one month ago in the
8 anti-dumping preliminary. That has affected foreign
9 producers on here. They're at verifications with the
10 Commerce Department. And verifications I can tell you are
11 highly intense and nobody from the industry can or the
12 company can be missing. They've game the system, that's
13 fine. That's what's allowed on the statute, but that's
14 what's happened here. And that's the situation you have.

15 VICE CHAIRMAN JOHANSON: So Mr. Ball, the
16 domestics do not make most of the products that you make, is
17 that what you're stating, because yours are more
18 specialized?

19 MR. BALL: No, I think the comment this morning
20 is absolutely true. The same drawing process, the same
21 products are made on exactly the same equipment. And these
22 producers used to supply us with that product. The business
23 is complex. It's complex because there's multiple different
24 part numbers and really small volume runs. And they're not
25 interested in that business. So it's not that they can't

1 make it. It's that they've chosen not to make it.

2 We fell out of favor with them when other
3 industries started to take over. We're 100 percent
4 automotive. We don't have any other business. If I was to
5 say to my automotive customers today that we have a better
6 opportunity in oil and gas, or in agriculture and something
7 else, and therefore, their prices go up the next day, I've
8 got two of my big customers here today. You can ask them
9 what the response would be if I tried to get an increase
10 from them. That's the question. It's not that they can't
11 make it. It's that they've chosen to not to make it.

12 VICE CHAIRMAN JOHANSON: All right, thank you
13 for your response.

14 MR. PERRY: Could I add one thing to that?

15 VICE CHAIRMAN JOHANSON: Yes, Mr. Perry, go
16 ahead.

17 MR. PERRY: The point we made at the
18 preliminary, too, is that the petitioners are focused on
19 agriculture, construction, mining, energy, they're selling
20 cold-drawn mechanical tubing in tons. But what we're doing,
21 we want feet, so our purchases are in feet. And that gives
22 you an idea. You've got two diametrically opposed, two
23 ships passing the night, two different markets.

24 So these are small runs. And the petitioners in
25 truth really don't want that business. They'd like to have

1 it, but when the other markets go up, we end up at -- the
2 automotive ends up at the back of the line.

3 VICE CHAIRMAN JOHANSON: All right, thank you
4 for your responses.

5 Commissioner Williamson?

6 COMMISSIONER WILLIAMSON: Thank you. And I too
7 want to express my appreciation to all the witnesses for
8 coming today.

9 Mr. Perry, post-hearing, could you take a look
10 at footnote 1 on Chapter 3, page 1 regarding other companies
11 that are assumed to be -- produced this subject product?
12 And I think Seymour's not in there, but if we look at our
13 financial data, there's a lot of data on Seymour. But there
14 are two other companies. And I guess particularly look at
15 it, their size relative to total market and what do you
16 think about, you know, if we take if we draw adverse
17 inferences, so what? I guess the question I ask.

18 MR. PERRY: That's --

19 COMMISSIONER WILLIAMSON: If you could address
20 that with that footnote in mind?

21 MR. PERRY: Yeah, let me make the point I made
22 here because I just made it. Yes, from a tons per point of
23 view, these companies are small. But from a feet point of
24 view, they're incredibly important. They don't make their
25 money selling tons. They make money selling specific --

1 COMMISSIONER WILLIAMSON: Are you talking about
2 the domestic companies that you say are not in our data?
3 Are you talking about your --

4 MR. PERRY: Yeah.

5 COMMISSIONER WILLIAMSON: Well, then, could you
6 please put some stuff on the -- something on the record to
7 substantiate that, that we should --

8 MR. PERRY: Sure.

9 COMMISSIONER WILLIAMSON: -- take that into
10 consideration?

11 MR. PERRY: We can do that. And that's --

12 COMMISSIONER WILLIAMSON: And I invite the
13 petitioner.

14 MR. PERRY: You're talking about the staff
15 report and it's --

16 COMMISSIONER WILLIAMSON: Footnote 3-1.

17 MR. PERRY: 3-1. Definitely, thank you.

18 COMMISSIONER WILLIAMSON: Yeah, because
19 otherwise, as to why we should -- why should we draw an
20 adverse inference on this -- our information.

21 Okay. Mr. Ball, you've talked a lot about, I
22 think, bringing in product that you then were re-exporting
23 or shipping to Mexico. And I didn't understand your
24 argument since I assume if you're going to re-export it, you
25 wouldn't really be entering it or you'd be using it a few

1 trades -- somehow or other, you would not be subject to any
2 duties. Or did I misunderstand what you're talking about?

3 MR. BALL: There might be a bit of a
4 misunderstanding. So I'll try to clarify. So about 60
5 percent of our product made in North America is shipped to
6 overseas, primarily Mexico.

7 Better? Okay, so about 60 percent of our
8 product is re-exported to Mexico. We need to bring in the
9 long length of material to be able to do that. So when it
10 enters the U.S., it is considered obviously subject material
11 and we have to pay whatever duties are levied at that point.

12 Some of that material is converted in North
13 America and shipped into North American plants. The rest of
14 it was converted in North America and shipped as components.
15 But either way, we have to pay a duty.

16 For the material that we were bringing in for
17 our new Mexican facility, which was not ready, we had to
18 move product that was only being consumed in Mexico. So
19 instead of making the component in the U.S. and shipping the
20 component, we had to continue the supply chain to bring the
21 product into our North American plant, and then simply
22 transloaded onto trucks within one or two weeks, and then
23 ship it down to your new facility when it was ready to
24 receive the material. So that was the timing of issue.

25 I guess I want to be clear on our modification

1 of machines. Under the scope of determination from the
2 petitioners, they've said that less than 12 inches is
3 excluded, which means that firmly in the crosshairs is ever
4 single component that we currently make for both the NAFTA
5 region and for the North American market. For all of our
6 business, everything that we make is in scope.

7 So we have taken the choice. Because of the
8 long PPAP timing, that we had to keep the same supply base.
9 And the only way of making sure that we could keep American
10 jobs was to spend significant amounts of money to modify
11 equipment, so instead of bringing in the long length
12 material and sticking it on automated equipment to make
13 final component, we now bring in the components from the
14 same supplier, stick it through the same machine, and
15 produce the end component.

16 We chose to do the more expensive route in order
17 to maintain U.S. jobs rather than simply picking up that
18 machine and moving it into the Mexican market.

19 MR. PERRY: Also, Commissioner, this all
20 happened after the preliminary conference, even the creation
21 of this Mexican facility. So this was a very compressed
22 time frame. And we did submit evidence from Andrew Ball and
23 Rotec on the record to show that in fact this is what
24 happened.

25 The imported tube from Hongyi came into the

1 United States, but then was -- much of it was re-exported
2 down to Mexico during the critical circumstances period.

3 COMMISSIONER WILLIAMSON: Okay, thank you.

4 MR. WEIGEL: Yeah, Commissioner Williamson?

5 COMMISSIONER WILLIAMSON: Sure.

6 MR. WEIGEL: Gary Hadfield, who is involved in
7 this business, and in the North American market can speak to
8 that question as well.

9 MR. HADFIELD: The subject material of coming in
10 from Hongyi is used in seatbelt retractors.

11 COMMISSIONER WILLIAMSON: It's --

12 MR. HADFIELD: The vast majority of it. And it
13 is brought --

14 COMMISSIONER WILLIAMSON: This is tubing?

15 MR. HADFIELD: It's tubing, yes.

16 COMMISSIONER WILLIAMSON: Okay, okay, thank you.

17 MR. WEIGEL: But just to make clear, it is not
18 air bag tube.

19 MR. HADFIELD: It's not air bag tubing. It's --

20 COMMISSIONER WILLIAMSON: But it is subject
21 product?

22 MR. HADFIELD: Yes.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. HADFIELD: And so, it's coming in. We have
25 Rotec that does some operations for us to finish the parts

1 and to deliver them to some of the seatbelt manufacturing
2 facilities for Autoliv that are in Mexico. And so, this is
3 really material that never necessarily needs to be a U.S.
4 job, but it has been a U.S. job and we like having the U.S.
5 jobs. But because of this dumping action, it's really
6 putting us in a very difficult situation.

7 COMMISSIONER WILLIAMSON: Okay.

8 MR. PERRY: Commissioner, Rotec was from its
9 Lafayette, Indiana plant exporting component parts to China.
10 That's no longer happening.

11 COMMISSIONER WILLIAMSON: Okay. Because of?

12 MR. PERRY: Because you can't take -- I mean,
13 you've got to change suppliers. You can't change the
14 suppliers because of the PPAP process. So all that business
15 has gone down to Mexico. We can import the tubes there
16 without changing the suppliers and export out of Mexico to
17 some other countries or have it consumed in Mexico. So the
18 export business is gone.

19 COMMISSIONER WILLIAMSON: Okay. Thank you.

20 Okay, several purchasers have indicated that
21 lead times have been extended for both domestic and subject
22 imports. They raised that same question this morning. What
23 accounts for this and how does this affect end users? You
24 heard the response of the petitioners this morning or no?

25 MR. PERRY: Repeat the --

1 COMMISSIONER WILLIAMSON: Okay, several
2 purchasers indicated that lead times have been extended for
3 both domestic and subject imports. What accounts for this
4 and how does this affect end users? So why are the lead
5 times being extended?

6 MR. PERRY: Well, that's go ahead.

7 COMMISSIONER WILLIAMSON: Yeah.

8 MR. PERRY: I think really Andrew can testify to
9 talk about both. Domestic impact just keep in mind the
10 automotive industry unlike other industry is a just-in-time
11 manufacturing.

12 COMMISSIONER WILLIAMSON: Yeah, but a lot of
13 other industries are too nowadays, but --

14 MR. PERRY: Yeah, when you push out the lead
15 times for months, it becomes very different -- difficult.

16 Julie?

17 MS. ELLIS: In our case, yeah, and from the --
18 some of the domestic mills that I had talked to even when
19 this action had taken, they had all -- were already their
20 business was picking up before the filing of the action.

21 In the case of Tube Fabrication, our business is
22 up substantially this year and especially in the second
23 half. Lead times then early on, coming into even the
24 critical circumstance period when this was filed and we
25 stopped placing orders in order to figure where to place our

1 products. Or if we could move them, what think customers
2 would allow us to do, thinking that we could possibly buy
3 domestic tube within the critical circumstance period.
4 Quickly found out that they had gone from six weeks for now
5 they were quoting us 14, 16, weeks and longer.

6 And I think part of it was upticks in markets.
7 I know our second half was a lot of increase in sales.
8 Third quarter or fourth quarter, we had customers pulling
9 stuff back due to planned shutdowns in December. And they
10 pulled all that production volume back into November, which
11 pushed us into October --

12 COMMISSIONER WILLIAMSON: So --

13 MS. ELLIS: -- increasing or third quarter
14 requirements.

15 COMMISSIONER WILLIAMSON: So are you saying the
16 lead times were extended for both imports and -- because and
17 domestic because of increased demand?

18 MS. ELLIS: I can't speak to all of it. Or my
19 exports seemed similar timing than they had been. But -- or
20 my imports had seen similar timing. My domestic product
21 lead times have all shifted way out.

22 COMMISSIONER WILLIAMSON: Okay, thank you.
23 Anybody know why the lead times may have increased for the
24 imports?

25 MR. SCHEUER: So what -- I'd like to address

1 that. This is Paul Scheuer from Borghi, U.S.A. Why is lead
2 time so critical? We work for customers that actually do
3 custom builds. So if there is a backhoe, or a dozer. or a
4 skid steer that gets sold to a customer, those units get
5 pushed forward.

6 And there are so many different options on those
7 types of platforms that we are rushed to supply the conduit
8 in order to implement the hydraulic pressure into those
9 specific areas, so --

10 COMMISSIONER WILLIAMSON: But it hasn't --
11 that's been true for a while though, hasn't it?

12 MR. SCHEUER: No, sir. It's -- when the economy
13 started a downturn, they were building the stock. So all
14 the dealers were getting all of this equipment out in the
15 field. However, when you in particular want to buy a unit
16 and you say here's the money, they pushed that one directly
17 up front because that way, they don't have to send it to
18 stock. And then all of a sudden, we get these calls that
19 say, tomorrow, do you have it in inventory? If you don't
20 have it in inventory, how long will it take to make it? We
21 immediately call the material suppliers and go, guys, we've
22 got a -- we have to ship this ASAP. We've got 14 days.
23 What can you do? That's where they lead time comes in. So
24 that's why we push that question.

25 COMMISSIONER WILLIAMSON: Okay.

1 MR. HADFIELD: This is Gary Hadfield with
2 Autoliv. I can comment a little bit on our industry as it
3 relates to capacity and supply. Much has been discussed
4 regarding automobile manufacturing and how there isn't
5 necessarily a huge amount of growth that's taking place
6 there right now.

7 However, the amount of content of automotive
8 safety within a vehicle is growing dramatically. So what is
9 transpiring with many of the mills that we are dealing with
10 is we are putting them at or above capacity right now.

11 COMMISSIONER WILLIAMSON: Okay. Okay. Thank
12 you for those answers. Okay. Thank you.

13 VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

14 COMMISSIONER BROADBENT: Mr. Perry, could you
15 walk me through the parts of the statute that you think are
16 the strongest for your case?

17 MR. PERRY: Well, I think I tried to give you --
18 I can't remember off the top of my head and I'd like to
19 respond to that. Yeah, I'd like to respond to that in a
20 post-hearing brief because I did put down the ways to get to
21 a negative determination.

22 I did quote -- set forth the statute with regard
23 to an adverse inference you can draw because of failure to
24 respond to a questionnaire response. When I was here at the
25 Commission, I did a case called Atlantic Shiver. And

1 Atlantic Shiver stated -- one of the principals of that case
2 which was the court of appeals of the federal circuit was
3 you have to make a decision. And when they don't have the
4 information, you've got to use an adverse inference.

5 Also there, I did lay out in detail the statute
6 and the past statements of the Commission with regards to
7 critical circumstances. But I'd like to respond to that
8 especially on the injury and other material injury parts in
9 my post-hearing brief.

10 COMMISSIONER BROADBENT: And you don't want to
11 just talk about it a little bit or?

12 MR. PERRY: Well, I'm trying to remember off the
13 top of my head.

14 COMMISSIONER BROADBENT: Okay.

15 MR. PERRY: And one of the biggest points I was
16 trying to make was the contributing causes of injury here.
17 And in fact, you also had an extremely attenuated
18 competition. And those are two of the points I was trying
19 to make.

20 COMMISSIONER BROADBENT: Okay. What accounts
21 for the substantial drop in apparent U.S. consumption
22 between 2014 and 2016 and the corresponding increase in
23 apparent consumption between the interim periods?

24 MR. SARAN: This is Sidd Saran from Salem Steel.
25 I think this has much to do with the industry that you're

1 looking at, but if you look at the overall economy of the
2 U.S., then one of the things that you see is that the U.S.
3 economy really kick started itself towards the second half
4 of 2016 and went up. And there were a number of
5 contributing factors especially with the number of cyclical
6 and markets that came back.

7 So for example, construction, there was a lot of
8 hope with regards to what would happen in construction after
9 Mr. Trump was elected. Agriculture slowly started to come
10 back. You can see that in the announcements of various
11 agricultural industries, especially Caterpillar, which is a
12 bellwether company like I mentioned before. John Deere as
13 well.

14 So I think what you're seeing is a number of end
15 of markets coming back, which has contributed to a rise in
16 demand in the, you know, second half of 2016 onwards.

17 The earlier time period, in contrast, was still
18 a declining time period. I think one of the leading causes
19 of that decline was the energy industry, which was facing
20 several hardships. And that can be clearly seen if you just
21 track the price of oil, which started a dramatic decline
22 from the mid-2014, you know, it was -- at its peak, it was
23 close to \$140 a barrel or so. And then at its lowest point,
24 fell to between, you know, between \$30 and \$40 a barrel.
25 And now it's in the mid-50s or so. It's slowly starting to

1 recover, but those are the trends.

2 COMMISSIONER BROADBENT: On page 223 of the
3 pre-hearing report, it states that eight purchasers reported
4 that they or their customers sometimes require domestic
5 material and in those cases might not purchase a lowest
6 priced product. What circumstances would lead to firms
7 requiring domestic product?

8 MR. BALL: So, this is Andrew Ball from
9 Voestalpine. So I think when we answered the questionnaire,
10 it would be covering immediate increases in supply
11 situations. So either that would be because of a recall
12 notification in the market. It could be a big quality issue
13 in the market. Generally speaking in automotive, it's not
14 generally because of a rise in demand. You don't typically
15 see that suddenness of demand increase.

16 COMMISSIONER BROADBENT: Uh-huh.

17 MR. BALL: So it would be let's say an out of
18 the ordinary event that would cause that, where probably at
19 that level, the OEM would be responsible for either
20 miscommunicating information or something else happening and
21 then we would end up having to fill the pipeline as quickly
22 as possible.

23 The reality is when you start getting close to
24 shutting down an auto plant, price doesn't matter. You
25 know, you pay whatever you have to in order to keep the

1 5,000 people at the assembly plant going. So obviously, if
2 you've got something that's on your doorstep versus perhaps
3 two or three weeks away from a transportation side of
4 things, then that's typically the route that you take.

5 COMMISSIONER BROADBENT: Okay, let's see. Mr.
6 Perry, we have evidence that the domestic industry does
7 produce cold-drawn mechanical tubing for the automotive
8 sector, and you Respondents are arguing, however, that they
9 -- that the domestics do not produce for this sector and
10 they don't produce many of the specialized products used in
11 this sector.

12 Petitioners state that they are very active in
13 supplying this sector. How do we reconcile all this factual
14 disagreement?

15 MR. PERRY: Well, we did mention that they do
16 make axles and drive shafts, which are more to the commodity
17 side. But I ask Andrew.

18 MR. BALL: So I would -- I mean I would simply
19 respond by there's not been a disagreement from the
20 Petitioners or from the Respondents about the amount of time
21 that it takes to get products launched and certified and
22 doing through the entire process. Everybody's in complete
23 agreement. So I think we understand that this isn't
24 something we just go to the shelf and pick off the shelf and
25 do.

1 I think the one key portion here that's
2 missing is that the -- when we choose our suppliers, we
3 choose partners. We need them, or let's say they need us in
4 order to do business, but we really need them more. They
5 are our lifeline. So what we try to do is we try to stick
6 as much business as we can with key strategic suppliers.
7 Not just somebody we're buying metal from, but people that
8 we can work with, people that can meet our demands, people
9 that can change at a moment's notice, people that work in
10 development with us, bundle products together.

11 Believe me, it is not easy purchasing
12 overseas. You have logistical problems, you have
13 snowstorms, you have strikes on the coast, you have topics
14 like this that come up. It is not an easy feat. So all of
15 us would prefer to buy domestically. Unfortunately, we have
16 found that the service is just not there, and so we have
17 been forced over the years to move our business elsewhere.
18 That's the reason why we procure overseas. It is not
19 price.

20 MR. HORGAN: Excuse me, if I could add
21 something. This is Kevin Horgan. I think probably the
22 answer was in the testimony this morning. When Commissioner
23 Williamson asked why, how the domestic producers were able
24 to compete overseas in Europe and other places and maintain
25 exports, and the response was basically that they had unique

1 capabilities or technical ability that enabled them to serve
2 certain nation markets overseas.

3 I think that's the same thing you see on the
4 U.S. side. We have the German industry in particular.
5 Their exports are highly concentrated in a single product,
6 if you look at their numbers. So they've developed a
7 technical capacity to produce that one product that isn't,
8 doesn't exist in the United States. So it's enabled them
9 maintain exports of that single product even that the
10 domestic industry is not producing. It also explains why
11 the domestics can compete in Europe on some products,
12 because these products are niche products.

13 If you develop a capability of producing a
14 niche product you have a big advantage, particularly in the
15 automotive industry where you have a long lead time where
16 you have to get approved to supply that product. So you're
17 going to have -- you're not going to have much overlapping
18 competition among those products.

19 MR. HADFIELD: This is Gary Hadfield with
20 Autoliv. I have a comment regarding that question. If
21 they're active in trying to pursue these types of items, how
22 come I have not seen them in the last five years? I have
23 never had a visit from any of the Petitioners.

24 COMMISSIONER BROADBENT: Okay.

25 MR. PERRY: I just mentioned -- this is

1 William Perry of Harris Bricken again. I do a lot of work
2 with the Northwest Trade Adjustment Assistance Center, which
3 gives trade adjustment assistance to U.S. companies that
4 have been injured by imports. One of the common problems we
5 see with a lot of U.S. companies that are injured is the
6 failure of marketing. I hear that in all of these cases
7 when I come into the Commission. They never called on us,
8 and now we're hearing it all over the place again here in
9 this case. Thank you.

10 COMMISSIONER BROADBENT: Okay. This question
11 relates to imports from Switzerland. Looking at Chapter 2
12 of the staff report and the discussion of substitutability,
13 there is some indication that the quality of subject imports
14 from Switzerland stands out compared to the U.S. product.
15 Do you agree that this is the case, and is there any
16 argument that subject imports from Switzerland are not
17 fungible with those from other countries or the domestic
18 product?

19 MR. SPAK: Thank you, Commissioner Broadbent.
20 Greg Spak from White and Case. We also pointed out in our
21 prehearing brief that there are those differences, and it's
22 clear it came from the staff report and a lot of the
23 responses from the purchasers that there is a difference
24 with respect to the Swiss product and the manner in which --
25 relating to both the product and the manner in which they

1 compete in the U.S. market. So we do think there's a
2 substantial difference there.

3 COMMISSIONER BROADBENT: Okay, thank you very
4 much.

5 MR. DeGRENDEL: My name is Brandon DeGrendel
6 too, and I can speak to that a little bit as well. My
7 experience with that is that --

8 MR. BISHOP: Move your mic a little closer
9 Brandon please.

10 MR. DeGRENDEL: Yeah. More or less, you have
11 to look at the time frame that we're talking about as well.
12 What I've seen is a trend where technologies will be
13 developed overseas, specifically in Switzerland or Germany.
14 They'll come over to the U.S. and then producers in the U.S.
15 will improve their technology or make investments to be able
16 to compete with those companies overseas.

17 So if you look back to when certain programs
18 have launched, it may be more applicable that Switzerland
19 had an advantage nine years ago as opposed to today, when
20 these suppliers domestically now can compete directly with
21 them. So you have to factor that.

22 VICE CHAIRMAN JOHANSON: Mr. Ball, you were
23 speaking a few moments ago during my first round of
24 questioning, and you brought up the issue of pricing
25 agreements. You stated that the domestic industry had not

1 complied with pricing agreements. Could you discuss that a
2 bit please?

3 MR. BALL: Sure. I think most of the specific
4 details provided were in the prehearing brief, which was a
5 very weighty document. But in that, I provided information
6 showing what our pricing was for the domestic mills relative
7 to steel prices, which is what we consider the base input
8 material. You have the smolling, whether it's coil or
9 whether it's bar, depending on whether it's cold-drawn
10 welded or cold-drawn seamless.

11 And so we track those indexes very carefully
12 and with all of our suppliers, domestic and foreign, we have
13 agreements in place where we link their final selling price
14 to us, to the input raw material price that they have to
15 procure. Yeah, they can't affect what happens in the market
16 and we recognize that, and for the most part almost every
17 one of our customers also recognized that it's considered
18 fair. Prices move with the market.

19 Going back a long time ago, and this strikes
20 at the heart of the partnership that we're looking for from
21 our suppliers, we had those very same agreements. When
22 other markets were more favorable, I think we heard this
23 morning there was a discussion of margin to metal was the
24 comment this morning. When other industries are willing to
25 pay a higher margin to metal requirement, then automotive

1 went to the back.

2 So yes, our suppliers came to us and said
3 we're happy to supply you, but we would do better to use our
4 capacity for other product, and therefore this is the price,
5 take it or leave it. Therefore, we have to leave it and we
6 had to go find somewhere else, because we couldn't justify
7 to our customers that additional increase.

8 VICE CHAIRMAN JOHANSON: If you could inform
9 me, were the price agreements discussed explicitly in your
10 brief?

11 MR. BALL: They were in the prehearing brief
12 also we filed back in April. There may be some of the
13 Respondents here.

14 MP The post-conference brief.

15 VICE CHAIRMAN JOHANSON: Post-conference
16 brief?

17 MP Yeah.

18 VICE CHAIRMAN JOHANSON: Okay. I read that.
19 I apologize. I just don't recall that part.

20 MR. BALL: We can re-provide in the
21 post-conference brief.

22 VICE CHAIRMAN JOHANSON: That would be fine.
23 I'd appreciate that. Once again, that all occurred during
24 the Period of Investigation?

25 MR. BALL: No, no. This was --

1 VICE CHAIRMAN JOHANSON: Prior.

2 MR. BALL: --a bitter taste left in the mouth,
3 of saying that if this is the way that we're going to be
4 treated by the domestic producers, then obviously they don't
5 want to be the partners we want them to be.

6 VICE CHAIRMAN JOHANSON: Okay. Mr. Perry?

7 MR. PERRY: That leads into the point we've
8 been making all along, which is when the markets go good,
9 when energy, construction, mining, agriculture are up, then
10 automotive falls to the back of the line. It goes to
11 directly the point I made to Commissioner Williamson, which
12 is they sell in tons. When they sell in tons they make more
13 money. For automotive, you have to make all these specified
14 little products and you're selling in feet and they don't
15 make as much, or at least that's the way they look at it.

16 VICE CHAIRMAN JOHANSON: Thank you, Mr. Perry.
17 Mr. Ball, you brought up the issue of raw material costs and
18 this question, my next question deals with that. On pages
19 30 to 31 of their brief, Petitioners state that raw
20 materials cannot be responsible for the full decline in U.S.
21 prices because raw material unit costs fall by less on an
22 absolute basis than do average unit values for net sales.

23 Then on page 22 of Salzgitter's brief, it is
24 pointed out that raw material costs declined by more on a
25 percentage basis than did the AUVs to net sales. When

1 purchasers learn about raw material costs coming down and
2 then come to you to seek concessions on price, do they seek
3 a discount based on a fixed dollar decline or a discount
4 based on a percentage decline?

5 MR. BALL: Okay. So without getting into
6 specifics, we have agreements with all our suppliers that
7 will track whatever indexes most of us use.

8 VICE CHAIRMAN JOHANSON: Once again, this is
9 the index you're use again?

10 MR. BALL: That's correct, yep. So but
11 whichever index is most applicable to their marketplace,
12 because when you buy all over the world, steel typically
13 moves, but there's some delays in particular markets. So we
14 recognize that delay and we respect the market that we're
15 procuring from. In some of the agreements, we have it
16 quarterly; in other markets, it's monthly. We also respect
17 shifts in exchange rate, which a lot of people don't. So I
18 guess it -- I can provide lots of information if you'd like
19 in the post-conference brief and give you some information
20 on that.

21 Maybe to get to the reason why the per unit
22 costs would come down, if a large portion of this material
23 is related to the automotive market, then we're all
24 essentially obliged to give year over year costing to our
25 customers. So it doesn't surprise me to see product less

1 expensive today than it was five years ago, because I don't
2 have a single product today that I'm supplying that's any
3 more expensive than it was five years ago.

4 By the absolute contrary, these guys won't do
5 business with us unless we commit to year or year costing.

6 VICE CHAIRMAN JOHANSON: Thank you, Mr. Ball.

7 MR. HORGAN: This is Kevin Horgan. If I can
8 just --

9 VICE CHAIRMAN JOHANSON: Yes. Go right ahead,
10 Mr. Horgan.

11 MR. HORGAN: I think we do -- in terms of the
12 costs of raw materials and the impact on prices, I think we
13 submitted a framed contract as one of our exhibits in our
14 prehearing brief, and that contract which is with a major
15 customer contains a cost indexing provision. So sometimes
16 the CDMT is indexed to the cost of the raw materials by
17 virtue of the contract.

18 VICE CHAIRMAN JOHANSON: All right, than you
19 Mr. Horgan. And you're representing Salzgitter; is that
20 correct?

21 MR. HORGAN: That's correct.

22 VICE CHAIRMAN JOHANSON: Yes. I should have
23 asked you earlier as well, since you all brought this up in
24 your brief, and I apologize for not doing that. This
25 question is for Mr. Perry. Mr. Perry, on page 31 of your

1 brief, you argue that out of scope products were counted in
2 one of the Petitioners' exhibits.

3 MR. PERRY: Excuse me. It was before I
4 realized that what had happened at the Commerce Department
5 regarding cold-sized mechanical tubing, and I think that
6 that's why I let some of the other respondents speak to that
7 issue, because they knew it better than I did.

8 VICE CHAIRMAN JOHANSON: Okay, that's fine.
9 Thank you, Mr. Perry. How should we interpret the absence
10 of price comparisons for Germany, Korea and Switzerland?

11 MR. HORGAN: This is Kevin Horgan. I'd like
12 to address that on behalf of Salzgitter. First of all, I
13 think during the morning session the question came up of how
14 the Commission selected the prices for price comparisons,
15 and it was implied that we somehow selected price in our
16 selected products that would not produce price comparisons.

17 I think first of all I want to say when we
18 were asked to comment on the questionnaire, we submitted a
19 list of maybe a dozen products which we suggested could be
20 used for price comparisons, and the Commission responded by
21 asking us to pare that list down to one or two actually. We
22 did pare it down to two at their request.

23 But the important point is the Petitioners
24 suggested that we were trying to avoid price comparisons.
25 Well if that were true, all we would have had to do was

1 nothing. We wouldn't have had to submit any suggestions
2 because we already knew the pricing products selected by the
3 Commission at the Petitioners' suggestion were not going to
4 produce any pricing comparisons.

5 So we submitted a dozen suggestions, because
6 we wanted to elicit price comparisons because Mr. Moore
7 testified we sell premium products at premium prices. We
8 want you to see what our prices are and compare them to U.S.
9 prices. So this notion that we were trying to avoid price
10 comparisons is just not accurate.

11 The second is they pointed that -- I think
12 their Exhibit 13 indicated there were only two basically
13 instances where customers or purchasers reported switching,
14 and I think you've got to attach some volume to what those
15 two instances might mean, because as Mr. Moore testified and
16 as the record shows, there were a few major suppliers who
17 supplied virtually all of the merchandise from Germany.

18 Some of that was supplied by captive
19 suppliers. A big proportion was supplied by captive
20 suppliers. So and also supplied pursuant to brand
21 contracts. So those -- there was no switching going on
22 there. There were no customers. So the customers, the few
23 instances that were identified with regard to Germany
24 represent very small volumes of product. So if you want to
25 think about, you know, the impact of German imports on the

1 United States in terms of price, there was minimal impact.

2 VICE CHAIRMAN JOHANSON: Thank you Mr. Horgan,
3 and the yellow light has come on, so I'd better stop there.
4 Commissioner Williamson.

5 COMMISSIONER WILLIAMSON: Thank you. Just one
6 question. This morning there was a lot of discussion of
7 scope and the Petitioners said what they had done at
8 Commerce about narrowing the scope or including something.
9 So I wonder, does that question, does that response to the
10 discussion this morning clear up this issue of scope?

11 MR. SPAK: Thank you, Commissioner Williamson.
12 Greg Spak from -- yeah. Greg Spak from White and Case. We
13 were certainly more encouraged about what we heard this
14 morning with respect to especially the 10305-3 product.
15 Especially, you know, encouraging was this notion that the
16 cold-sizing that the Petitioners really want the scope to
17 cover would require a change in outside diameter, reduction
18 of outside diameter.

19 I think one of the witnesses said something on
20 the order of 20, 25, 40 percent, something along those
21 lines. We'll have to check the record exactly what the
22 percentages were. So if they had said that at the very
23 beginning of the case, I think we could have avoided a lot
24 of paper work going back and forth to the Commerce
25 Department and to the Commission about that particular

1 issue.

2 So I would say I'm not sure that it completely
3 resolves it. We hope it does. If they had been that clear
4 before, it never would have been an issue.

5 MR. HORGAN: This is Kevin Horgan again. If I
6 could add, now that may resolve the issue as to that one
7 specification. But it doesn't resolve the larger issue,
8 because even the revised scope determination used by the
9 Commerce Department today, which we checked at lunch,
10 cold-sized tubing is still included.

11 You heard the Petitioners say well, how much
12 cold-sizing? Well, you've got to decide how much
13 cold-sizing is enough to include you in the scope or get you
14 out. You can do a little bit, but you can't do too much.
15 But we don't know what the scale is. We don't know where it
16 is. So somebody, and it should be the Commission I suppose,
17 should be asking all these companies that produce these
18 as-welded tubes how much cold-sizing they're actually doing,
19 to determine if they're in or out of this case.

20 When you realize that that market is three
21 times the size of this market, you can see how big an impact
22 that would have if we included a lot of cold-sized tube in
23 this investigation, in terms of the performance of the
24 industry, negligibility, a dozen other issues. So no one's
25 asking that question, so what we don't know is how many

1 people are out there producing cold-sized tube, which
2 according to Petitioners should be included in the case.
3 There's no undertaking by the Commission or anyone else to
4 get that information.

5 COMMISSIONER WILLIAMSON: I think I did ask
6 for that post-hearing this morning.

7 MR. HORGAN: Post-hearing.

8 COMMISSIONER WILLIAMSON: I asked them to
9 submit that post-hearing this morning.

10 MR. HORGAN: I'm sorry. Thank you.

11 COMMISSIONER WILLIAMSON: Yeah. No, I just --
12 I just went back to check. Thank you.

13 MR. HORGAN: Okay, thank you. Good idea.

14 COMMISSIONER WILLIAMSON: Okay. Thank you,
15 good.

16 MR. VANDER SCHAAF: This is Lyle Vander Schaaf
17 from Brinks, Gilson and Lione. There is still the open
18 issue though of whether there are other entities out there
19 who are not part of the petitioning group, whether they
20 produced that cold-sized material. I think that may be
21 another issue the Commission has to deal with.

22 COMMISSIONER WILLIAMSON: You mean other U.S.
23 producers?

24 MR. VANDER SCHAAF: Yes, U.S. producers who
25 produce that product who are not part of the petitioning

1 group or who have not submitted questionnaires.

2 COMMISSIONER WILLIAMSON: Okay. Well we
3 talked about the footnote one with Mr. Perry. Are you
4 saying there are others in addition to those too?

5 MS. HOLDSWORTH: Yes. This is Judith
6 Holdsworth from -- for Saltzgitter, deKieffer and Horgan.
7 We provided a list of producers of as-welded tubing, and the
8 producers of cold-sized tubing in particular, and
9 ArcelorMittal is one of those. But then there's another
10 seven or eight producers of welded tubing that presumably --
11 may or may not do sizing. But I think that it's worthy of
12 an investigation to see if that -- they also make an
13 in-scope material merchandise, and how much that is.

14 I mean potentially we have only covered here
15 about a fourth of all of the subject merchandise. I don't
16 know how you would determine then that this industry, as
17 defined, is injured.

18 COMMISSIONER WILLIAMSON: Okay. Well, if you
19 have it, you know, make it available to staff and I guess
20 Petitioners, I asked them to also address the same question.

21 MS. HOLDSWORTH: Yeah. As I said, it's
22 Exhibit 9 I believe of our prehearing brief for Saltzgitter.

23 COMMISSIONER WILLIAMSON: Okay. Well that can
24 be addressed post-hearing.

25 MS. HOLDSWORTH: Uh-huh.

1 COMMISSIONER WILLIAMSON: Thank you, and
2 actually I have no further questions. Thank you.

3 VICE CHAIRMAN JOHANSON: Commissioner
4 Broadbent.

5 COMMISSIONER BROADBENT: Mr. Hadfield, is it
6 your impression that if Commerce does not grant a scope
7 exclusion in this case, you will be forced to source from a
8 domestic industry that does not have the experience
9 producing the product you're seeking, or are you
10 anticipating that the production of airbags will move
11 overseas?

12 MR. HADFIELD: We will continue to source
13 from the providers that we have been able to qualify. As I
14 stated, we take very seriously our quality concerns. We
15 have to have the highest quality of tubing in order to
16 accomplish what we're trying to do. We've been trying the
17 number of suppliers that we have globally for some time.
18 We've recently qualified a couple of sources.

19 I can say that in those two respective cases,
20 it has taken us three years in one case to qualify them and
21 four years in another. We have nothing against the U.S.
22 industry. We would be happy to buy airbags components from
23 the U.S. industry. But it will take us four years for us to
24 qualify them. So in the meantime, I have -- I cannot buy
25 from the U.S. sources.

1 MR. WEIGEL: This is Ken Weigel from Alston
2 and Bird. Just to be clear, we did go to the Commerce
3 Department as well --

4 MR. BISHOP: Ken, move your mic a little
5 closer please.

6 MR. WEIGEL: Ken Weigel from Alston and Bird.
7 We did go to the Commerce Department on behalf of Autoliv
8 and argued that airbag tubing is a separate product and
9 should be excluded from the scope of this case. Petitioners
10 objected, and the Commerce Department has determined it is
11 in. So unless the Commission -- the Petitioners can always
12 change their mind as they said, which is unfortunate if we
13 have to go through all of this work and then they change
14 their mind.

15 But if the Commission doesn't find a like
16 product and then look at the, what we argue material
17 retardation issue because we did hear the companies in the
18 U.S. have made it in the past, and they stopped making it
19 outside of the period of review, that as Mr. Hadfield said,
20 he can't buy this tubing from a non-qualified supplier.

21 As we mentioned in our prehearing statement,
22 what he has found is that the suppliers, they don't pass the
23 first time and they don't necessarily pass the second time,
24 and that they do require investment in facilities to make
25 the product, because it's a very unique product and we

1 continue to believe it's not mechanical tubing, although
2 everyone seems to be telling us it's within the scope.

3 MR. HADFIELD: Additionally I would share
4 that the Petitioners have stated that they've produced
5 airbag tubing in the past. I can tell you that the
6 technology in airbag tubing has changed significantly over
7 the last five years. I mean it would be the comparison of a
8 eight track tape compared to current technology today in the
9 music industry.

10 It's light years beyond where we were in the
11 past, and my understanding is, and this is only from
12 reference other people in the industry, that the reason that
13 they were not used, at least in the case of Plymouth, was
14 not because of price. It was because of other factors.

15 COMMISSIONER BROADBENT: Okay. Another
16 question from -- yeah, yep.

17 MR. PERRY: I had one point. When asked --
18 the Petitioners were asked generally about exclusion, Mr.
19 Rosenthal made a good point, which is he can't tell --
20 they're reluctant to grant exclusions, because one of their
21 clients might want to produce it in the future, which is a
22 good point. Except the point that in the automotive area,
23 you're in just in time manufacturing.

24 So it's either yes or no. If you don't want
25 to do it -- you might do it some time. That means you're

1 excluding all the qualified products coming into the United
2 States, when in fact you might do something in the future.
3 That's the problem.

4 COMMISSIONER BROADBENT: Okay. This is a
5 question, another question for Mr. Moore and Mr. Horgan.
6 Mr. Moore, you testified that most of your company shipments
7 went to specialized automotive sale subject to frame
8 contracts. If we accept that this is true, where does that
9 leave us?

10 You look at imports from Germany as shown in
11 page 422, you can see that a large share of the imports from
12 Germany is not sold to the U.S. automotive sector, and
13 there's a lot of overlap with other subject imports and the
14 domestic products in the automotive sector.

15 How should we make an assessment of reasonable
16 overlap of competition?

17 MR. HORGAN: Excuse me, this is Kevin Horgan
18 and I'll have to review the facts. But my understanding is
19 the single automotive product accounts for a very
20 substantial portion of German exports to the U.S., and so --
21 and that's a product which is subject to a frame contract
22 that -- but it's also supplied by a captive supplier. So in
23 that instance, you're going to have no price competition.

24 That whatever price competition existed in
25 Germany where they signed the global frame contract, and we

1 submitted a copy of an example of one of those global frame
2 contracts. So they're selling at the same price in Germany,
3 the United States and I think on three continents. So
4 there's going to be absence of -- certainly of dumping,
5 because the price is the same everywhere it goes.

6 And that competition is not conducted in the
7 United States, and I think the statute requires the
8 Commission to look at prices in the United States. That
9 substantial portion of the German exports to the U.S. are
10 not having any price impact in the United States. That's
11 our view.

12 COMMISSIONER BROADBENT: Okay. We have
13 received substantial testimony today about the lack of
14 interchangeability between subject imports and the domestic
15 product. On the other hand, we have most purchasers
16 responding to our questionnaires stating that subject
17 imports from each source are always or frequently
18 interchangeable with the domestic product. You can see
19 that in Table 2-11.

20 Broad comparability across every factor
21 considered important for most subject imports in Table 2-10,
22 and overlap in terms of the sectors that the domestic
23 industry and subject imports sell into. We also have
24 Petitioners saying that -- we also have Petitioners saying
25 that sell or are capable of selling that the vast majority

1 of cold-drawn mechanical tubing products. What do we do
2 with all this conflicting evidence?

3 MR. BALL: I feel sorry for you, because
4 you're exactly right. It's extremely conflicting. All I
5 can talk to is --

6 COMMISSIONER BROADBENT: I'm really glad.
7 Thank you for --

8 (Simultaneous speaking.)

9 MR. BALL: Yes, it is. It is.

10 COMMISSIONER BROADBENT: That's my day.

11 MR. BALL: I certainly more confused that I am
12 today. So I think one of the things that you have to
13 appreciate with these products is that the specification as
14 defined by these global standards, ASTM, bin specifications,
15 EM 10305, whatever it is, there's still typically as we
16 would describe from the UK, as wide as a bus.

17 Which means is there is a scope that you have
18 to work within, but that doesn't mean that it's going to
19 meet your end product needs. So we have very complex seat
20 belt applications where we have purchased material from the
21 domestic market, and it meets every single specification as
22 per the standard. When we put that material onto our
23 machinery, it does not perform in the same manner as the
24 material that also meets the standard from other producers.

25 I think that's the reason why everybody is so

1 focused on saying that the process is interchangeable, but
2 the reality is these products take significant periods of
3 time to develop. Once it develops, nothing changes. So if
4 it was a 20 percent reduction followed by a particular heat
5 treatment, followed by a further reduction, that's the way
6 the process stays. It's not as simple as meeting a
7 specification as defined by the standard. All of us here,
8 at least in the automotive sector, face that.

9 So it's not even apples to apples comparison,
10 which is why I think it becomes so complex.

11 COMMISSIONER BROADBENT: Yep.

12 MR. VANDER SCHAAF: Commissioner Broadbent,
13 this is Lyle Vander Schaaf. Can I -- or Bill, were you
14 going to have another witness address that, Mr. Perry?
15 Okay. Let me -- I'll talk after she does. Sorry.

16 COMMISSIONER BROADBENT: Ms. Ellis?

17 MS. ELLIS: Additionally, most of the
18 Petitioners can make a lot of the tubes or sizes. Part of
19 the issue you get into is a lot of these programs were
20 kicked off many years ago. So with the point when we talk
21 about PPAP, that particular product was designed around a
22 particular global supplier, be it domestic or be it
23 offshore, and around the type of material we're going to use
24 from that particular region.

25 So once it's locked into that, you know, you

1 can easily say they make it all. But when you come back and
2 start quoting items or trying to get them to produce, a lot
3 of times it's already been approved with different types of
4 materials and grades and things that don't fall within their
5 normal specifications for the region. I mean many of the
6 products during the period from 2014 to date have been in
7 production. You know, they were launched -- some products
8 we have run six, eight. I've got products that's been
9 running for 20 years.

10 But once they go into production, there's no
11 supply chain. So it gets very complicated as far as when
12 you get into who can produce what, and to what tolerances.
13 Even within the domestic mill, they all have their own
14 niches as to what they can produce. Some do some things
15 better than others. You know one particular company can do
16 a certain range of sizes better than one of the others. You
17 know, it's not that they can all do every single size.

18 COMMISSIONER BROADBENT: Was there someone
19 else?

20 MR. VANDER SCHAAF: This is Lyle Vander Schaaf
21 from Brinks, Gilson and Lione. I was going to parrot the
22 same thing that Ms. Ellis said. In speaking with Mr.
23 DeGrendel from Dana yesterday, I was sort of scratching my
24 head because he did talk about products being
25 interchangeable.

1 But then you ask well why don't you buy from
2 different suppliers, and they're like well, they can't make
3 it or they don't make it or their product had problems and
4 they weren't willing to work to get the right material
5 together so that we could machine it.

6 And so I think in this industry, a lot of
7 people are answering the question from the perspective of
8 what is theoretically interchangeable, because even if
9 something is interchangeable in this industry or market,
10 it's not like they can then switch suppliers and go to an
11 alternative supplier, because they're locked into those
12 programs with the OEM where, if they're going to go ahead
13 and switch, they've got to go through the two year
14 qualification process. They've got to do a new P-PAP.
15 They've got to get approval from the OEM, from the auto
16 manufacturer, to switch suppliers.

17 So it's not a realistic interchangeability for
18 these guys because they're really prohibited from switching
19 suppliers. Dana's got a number of contracts with U.S.
20 suppliers for tube. There's no way imports can break into
21 those contracts, into those programs. If they were going
22 to, it would take two years from Dana to switch from a U.S.
23 supplier to an import supplier.

24 So the interchangeability thing, it doesn't
25 have as much of a relevance I think in this case, at least

1 for the auto sector, and that's the perspective that I'm
2 looking at. So that's my take on that issue.

3 MR. PERRY: Could I add one other thing? You
4 may not know it, but cold-drawn mechanical tubing was in
5 another case. This is about five or six year ago.

6 MS. ELLIS: 2010.

7 MR. PERRY: 2010. We had a case on pipe and
8 tubes from China, and U.S. Steel had bought the case along
9 with others. They specifically excluded mechanical tubing
10 from the scope, and all of a sudden in the preliminary, the
11 Commerce Department on its own included mechanical tubing in
12 the scope. We were able to get it out. How did we get it
13 out? Commerce does not like use definitions. So basically
14 they way we got it out is if it was a standard pipe size
15 like a commodity product, it was in. If the products coming
16 in, the mechanical tubing were not standard sizes, they were
17 out.

18 It turns out that a lot of the mechanical
19 tubing coming in are not standard sizes. That may give you
20 an idea. They're being designed for a specific component
21 part, as a result they're made to order products. That's
22 the difference.

23 COMMISSIONER BROADBENT: Okay, thank you.

24 VICE CHAIRMAN JOHANSON: Given the relatively
25 low pricing data coverage presumably due to the wide array

1 of different product specifications, how representative of
2 the market are purchaser responses to the lost sales and
3 lost revenue questions?

4 MR. PERRY: I could have other people answer
5 that, but I don't think it's that representative. The other
6 problem is because if you're missing the questionnaire of
7 one of other major domestic companies supplying the
8 automotive sector, and its prices are substantially lower
9 than the Petitioners', it's going to be very hard for you to
10 determine what sales are being lost and whether underselling
11 is taking place or not.

12 And so that would be one of the major problems
13 with that company not responding to the questionnaire. And
14 so I would give very little weight to the pricing
15 information in this case because of these problems. Others
16 may want to add in.

17 MR. VANDER SCHAAF: Well, from Dana's
18 perspective as well, the testimony that they provided and
19 that all these witnesses provided, again this is Lyle Vander
20 Schaaf from Brinks Gilson, is that you have this
21 qualification process. So the tube manufacturer has to work
22 with the auto parts manufacturer to come up with a product
23 and to agree on the specifications to run tests to find out
24 if the tube works in the machinery, to see if there are
25 failure rates and then to come up with a product that works.

1 And then once you've done all that, you can
2 then, you know, engage in contracts and supply the tube.
3 The auto part manufacturer can make their downstream product
4 and sell to the auto industry. So there's a back and forth
5 with engineers, and there's so much taken into account
6 besides price. So that I wonder if the domestic producers
7 aren't willing to put in the time to work with the auto
8 parts producer to come up with that product, because it's
9 like a partnership.

10 And so it doesn't fall apart because of price.
11 It falls apart because the equipment doesn't work, the
12 product doesn't work, they're not going to be able to
13 provide the lead times and give the just in time delivery
14 and so forth, and that's why the negotiation fails. You're
15 so far down the road once you get a product to work. At
16 least from Dana's perspective, when they get a product that
17 works, price is just not going to be that important to them.

18 If they've one guy that's stayed, one tube
19 producer who stayed with them to design the product and they
20 got it to work and the OEM is satisfied, price just isn't
21 that important. So I don't have access to the APO record
22 because I represent a purchaser.

23 So I can't get on a protective order, I
24 haven't seen the lost sales and lost revenue allegations,
25 but from my perspective I've seen these in the past in

1 working with Dana. I just don't think that those kinds of
2 questionnaires fit with at least their style of business in
3 the auto industry.

4 I think they're a typical auto parts supplier.
5 All of their competitors do this the same way, and from
6 listening to the other witnesses at this panel, they also do
7 it the same way. So I think there's a disconnect with the
8 typical lost sale kind of situation, because the typical
9 lost sale situation is give us a quote on price. We don't
10 like it. We're walking away. We're going to buy from that
11 guy because he's cheaper. That just doesn't happen in this
12 -- not in the auto sector. It just doesn't happen.

13 MR. PERRY: Could I ask -- one other point is
14 that I think that when you may have a misunderstanding as to
15 who's setting the specifications here. I mean they call --
16 the Petitioners may come to you and say we can't supply
17 this, but could you take that, a little bit different than
18 the specification? But the engineering specifications
19 aren't set by, you know, Rotec or by TFI. They're not even
20 set by Vibracoustic. They're set by the automobile
21 manufacturers themselves.

22 When they create a specific model of car, they
23 will set the specific specifications. Also, U.S. government
24 standards are changing, especially in the safety area, to
25 make it more tough. So it's -- they're responding to

1 specifications that have been set by the automobile
2 industry, so they have no room to move.

3 VICE CHAIRMAN JOHANSON: Thank you, Mr. Perry.
4 Mr. Vander Schaaf, one more question for you. You stated
5 that price is not really that important to Dana and other
6 producers. If that's the case, I'm just being devil's
7 advocate here, if that's the case, if there were indeed
8 orders imposed, it would still be possible for Dana and
9 others to import product. It would just be at what would
10 be -- at different prices.

11 I mean the objective of the anti-dumping and
12 countervailing duty laws per statute is to return to fair
13 prices.

14 MR. VANDER SCHAAF: Well, I'll let Mr.
15 DeGrendel comment on what Dana will do. But you've heard a
16 number of witnesses here say that their OEM auto producer
17 customers are not going to accept a price increase for the
18 part that they sell to them.

19 The auto industry expects prices to go down
20 every quarter. I don't -- 333 is what I've heard or
21 something like that. I'll let Mr. DeGrendel define what
22 that is. But what you heard from all these witnesses is
23 they have operations in other countries, and they can't
24 change their supplier.

25 They're not going to be able to -- if they're

1 buying from importers now, they're not going to be able to
2 give them to the domestics unless they go through that six
3 month, 24 month qualification process. But they do have
4 offshore operations, and they can continue to supply their
5 auto producer customer with the same product at the same
6 quality that meets the PPAP requirements, and still use the
7 same supplier and not have to pay the anti-dumping duty.

8 But with anti-dumping duties that's 75 percent
9 for Germany and 35 percent for Switzerland. Good luck
10 passing that on to the domestic industry, to the domestic
11 auto industry. It's not going to happen.

12 MR. DeGRENDEL: Yeah. I can add a little bit
13 to that as well. This is Brandon DeGrendel from Dana. Keep
14 in mind that generally when these programs are being put
15 together, the pricing, it's in there up front and it's
16 justified up front, and then there's a set of different
17 terms depending on where the material is sourced.

18 For example, if the material is out of Europe,
19 there's going to be an adjustment on exchange rate as well
20 as the metal surcharge, to keep things on a safe playing
21 field for both Dana and whoever we're purchasing that
22 material from. If you're adding in a new cost at this point
23 mid-program or late program, that cost is not anticipated up
24 front. It's outside of the normal scope, and it's not going
25 to be easy to be absorbed.

1 If it was in the beginning of the program,
2 maybe it would be easier. However, we would really only to
3 going to that outside source because we had to, because the
4 suppliers here domestically could not meet our specification
5 or the suppliers in Europe or whatever other location have
6 some sort of niche that we need to accommodate in order to
7 produce their product.

8 MR. WEIGEL: This is Ken Weigel from Alston
9 and Bird. One other comment is you have to consider the
10 U.S. system, and our system looks backwards. So when I told
11 Autoliv well this is -- you know, here's what it is today
12 for your deposit rate, but I can't tell you what the final
13 number will be for a couple of years, that has a very big
14 chilling effect on imports, you know.

15 In theory, I totally agree with you
16 Commissioner, in that you should be able to pay the duty.
17 You know what the price is, you know what the duty is, and
18 you get on with your life. You either switch suppliers or
19 you do something. But what the U.S. does is, like as we saw
20 today, the countervailing duty order from China came out
21 with the final. Well it's half, roughly half of the
22 preliminary. But what will it be when it comes time for
23 assessment? Will it be still 19 percent or will it be back
24 to 40 percent?

25 So Autoliv just, they don't know. There's

1 that uncertainty built into the U.S. law, the way the U.S.
2 law is applied, that has a very big chilling effect on
3 importers once something is subject to a dumping or
4 countervailing duty order. So that's one of the real
5 problems that importers face in these cases is it creates a
6 lot of uncertainty, and unless you can live with that
7 uncertainty, you just move away.

8 You change what you're doing and that's what,
9 you know, Autoliv will need to do if dumping orders come
10 out. But in the airbag case, we're here because airbags are
11 unique. You have to remember Takata is now in bankruptcy,
12 roughly 20 percent of the industry. As Mr. Hadfield said,
13 they're living hand to mouth right now in making airbags for
14 both new vehicles and replacement vehicles.

15 MR. BALL: Sorry, I'd just like add something.
16 Perhaps this is being the guy at the end of the supply chain
17 here that's put through the ringer from the Autolivs and the
18 Danas and the Vibrocoustics of the world, only to show how
19 unimportant price is when you start doing business with
20 these guys. I mean a team of people descend upon your
21 organization. Keep in mind they have not yet seen a
22 quotation from you.

23 So when you want to do business with these
24 organizations, and you at least have a good enough sales
25 pitch to entice them that there might be something there. A

1 team of people from quality to -- they even do financial
2 risk assessments. They expect you to disclose your
3 financial statements, and if you don't pass any of those
4 tests, you're never even sent the RFQ in the first place.

5 It's the last bit of the process; it's not the
6 starting point. That's how unimportant price is.

7 MR. PERRY: Yeah, I also thought that Casey
8 Caplea of Vibracoustics should speak, because he is an auto
9 parts producer. Last night he was just saying look, if we
10 can't get it from the supplier, we just switch the part to
11 another location.

12 MR. CAPLEA: Well, and that's partially true.
13 Like I said in my statement, we do source a lot of these
14 products globally. We also make the same parts that are
15 consumed in the United States in Europe and in China. So we
16 can't import the finished product and that's what a lot of
17 our competition does today. They don't have as many U.S.
18 jobs here as we do. So they import products today, where we
19 manufacture them here with the products from Voestalpine and
20 Tube Fab.

21 Secondly again, I think everybody has said it
22 enough, but we want to say it again. Changing in the auto
23 industry is very, very difficult, and that's why we're in a
24 unique position where we're making the same parts in
25 different areas. It's a much quicker process where it's

1 already PPAP'd in three regions, as opposed to not having
2 any alternative sources PPAP through the automobile
3 industry. So the parts are already qualified.

4 And then thirdly, I think we have testimony
5 already from our suppliers that some of those parts are
6 going to come in cut and move the manufacturing to other
7 locations to supply the products to us.

8 VICE CHAIRMAN JOHANSON: Thank you, Mr.
9 Caplea. My time has expired. Commissioner Williamson, do
10 you have any more questions? Commissioner Broadbent.

11 COMMISSIONER BROADBENT: No thank you.

12 VICE CHAIRMAN JOHANSON: Okay. I have just
13 one more. How has the mechanical tubing business changed
14 during the Period of Investigation from a marketing
15 standpoint? Are there certain channels which have become
16 more or less important to U.S. importers in general?

17 MR. BALL: I'll answer, this is Andrew first
18 Voestalpine, only for us. We're a 100 percent automotive
19 supplier. So our entire focus is in the automotive region.
20 What we do know is that the tube mills in Europe are
21 absolutely booked solid. You have the testimony today from
22 Mannesmann talking about how their capacity utilization is
23 there. We're facing -- our own group has a tube mill in
24 Austria. We've got extended lead times. All of Europe is
25 struggling to keep up with productive demands. I think

1 you'll see it across all industries.

2 Now Ag's coming back in Europe. It's oil and
3 mining is also coming back. You're starting to see
4 automotive has been solid and looks like it's going to
5 remain solid, and as Mr. Hadfield gave testimony earlier,
6 it's an exponential increase in the number of tubes on a
7 vehicle as a result of the increase of safety components.

8 Every seatbelt basically has a tube at its
9 core, and almost every airbag has a tube as its core. As
10 they fit more and more of these devices on the vehicles,
11 then the use of tube on the vehicles goes up exponentially.

12 VICE CHAIRMAN JOHANSON: Thanks, Mr. Ball,
13 because at least over the Period of Investigation, that has
14 not necessarily been the case with the direction of the
15 industry. Is that correct? I mean looking at the domestic
16 industry.

17 MR. BALL: Again, it comes to the point as to
18 how you describe the domestic industry.

19 VICE CHAIRMAN JOHANSON: Right.

20 MR. BALL: But if it's in tons, then you can't
21 help but agree with the data. The data is very clear. But
22 of course we're not looking to stick heavy components onto
23 vehicles, yeah. I mean there's been a lot of focus on
24 trying to lightweight and use specialized materials in order
25 to get the same strength requirements while stripping out

1 weight.

2 There was a comment earlier about we should
3 look at sales statistics, sorry, manufacturing statistics
4 for the U.S. I think that that's entirely incorrect for
5 looking at vehicles. Most of us here have a significant
6 portion of export business. The U.S. Tier 1 and Tier 2
7 business isn't just supplying the U.S. auto assembly plants
8 or supplying the Mexican and the Canadian auto plants.

9 So therefore, I think you have to look at the
10 entire region to better understand what's really driving the
11 industry. None of us here are seeing any changes in our
12 business. In fact, quite the contrary. We're seeing record
13 year over year sales in comparison. We're seeing absolutely
14 no dip in the auto industry, which is contrary to what was
15 reported today.

16 VICE CHAIRMAN JOHANSON: Thank you, Mr. Ball.
17 That concludes my questions. That concludes the
18 Commissioner's questions. Do staff have any questions for
19 the panel?

20 MS. MARTINEZ: Keysha Martinez. Staff has no
21 questions.

22 VICE CHAIRMAN JOHANSON: Do Petitioners have
23 any questions for the panel?

24 MR. LUBERDA: We do not.

25 VICE CHAIRMAN JOHANSON: Thank you. Then we

1 will now have Petitioners' closing statement, and
2 Respondents can leave the tables.

3 MR. BISHOP: We dismiss this panel with our
4 thanks, and we will set up for closing rebuttal.

5 FEMALE SPEAKER: That's fine.

6 VICE CHAIRMAN JOHANSON: Okay, thanks.

7 MR. BISHOP: Rebuttal and closing remarks on
8 behalf of petitioner will be given by Alan Luberda and Paul
9 C. Rosenthal of Kelley Drye & Warren.

10 Gentlemen, you have 16 minutes.

11 VICE CHAIRMAN JOHANSON: Now we will to closing
12 statements. Those in support have 10 minutes Direct and 5
13 minutes for Closing, for a total of 15 minutes. Those in
14 Opposition have 8 minutes Direct and 5 minutes for Closing,
15 for a total of 13 minutes.

16 CLOSING STATEMENTS OF PAUL ROSENTHAL

17 MR. ROSENTHAL: Thank you. For the record, Paul
18 Rosenthal. I'll lead the rebuttal this afternoon. I want
19 to start with an observation that comes from Commissioner
20 Johanson's comment about the -- all capital letters brief
21 that you saw. And it reminded me of the line by Ralph Waldo
22 Emerson about the louder he talked of his honor, the faster
23 we counted the spoons.

24 To me, all caps is the equivalent of shouting.
25 And frankly, if you get behind the shouting and you look at

1 the substance, you're going to find a lot of misinformation
2 about what's happening in the marketplace and a lot of
3 unwillingness to confront the facts of what's happened in
4 this case.

5 Let's turn to the question by Commissioner
6 Broadbent that Mr. Perry, what's your statutory basis for
7 your argument? Well, he effectively conceded that his
8 entire presentation, and I'd say a fair amount of the
9 presentation by the respondents today, was based on their
10 notion that imposing anti-dumping duties will be bad for
11 downstream consuming industries. And they threaten to go
12 offshore. They claim they wouldn't buy from the domestic
13 industry or they -- and so it would be futile for the
14 Commission to follow its statutory mandate and find injury
15 where there was injury, because it would hurt them. As we
16 know, the statute doesn't allow you to consider that
17 argument.

18 Similarly, in what might be considered a man
19 bites dog interpretation of the statute, Mr. Perry said you
20 should go adverse facts available because one domestic
21 producer have failed to provide you a questionnaire
22 response, a non-petitioner by the way, failed to provide a
23 questionnaire response.

24 I've never seen a respondent make an AFA claim
25 in one of these cases and for good reason. If you take a

1 look at the response in this case, you'll find out that the
2 -- only five of the 90 identified Chinese producers
3 responded. Five out of the 8 German producers responded.
4 Three out of the 39 Indian producers responded. Four out of
5 the 12 Italian. Two of the 17 Korean. And three --
6 Switzerland respondents were very good.

7 So I'm not sure he really means AFA makes sense.
8 And by the way, if you actually look at the records, you've
9 actually got data from one of the two companies he was
10 complaining about not having supplied data.

11 Perhaps the oddest part of the presentation by
12 the respondents was their recognition or their failure to
13 recognize that the domestic industry didn't have to supply
14 the entire market or every product that customers demand in
15 order to be entitled to relief in these cases. And in fact,
16 there are very few instances where the domestic industry is
17 able to do that. In many instances because they've been
18 decimated by imports and not been forced to either shutdown
19 lines or get out of particular product capabilities. That's
20 certainly happened here.

21 But in truth, what you heard today is a focus on
22 what really amounts to a very small portion of the market.
23 All this talk about air bag products and the other products
24 being mentioned, if you actually go and you look at this,
25 it's a very, very small portion of the market. So they have

1 spent a lot of their time. Ms. Cannon likes say how -- like
2 to talk about how respondents tend to focus on the hole and
3 not the donut. They did it again today, although since
4 Switzerland is a rare respondent, I have to say they
5 focused on the hole and not the Swiss cheese itself.

6 If you take a look at this case or this slide, I
7 should say, it helps to answer some of the questions that
8 you were posing about the conflicting information in the
9 record. What is that's really going on here? All these
10 products that they've talked about today are not reflected
11 in the slide. And this slide summarizes what purchasers
12 told you. They told you during the period of investigation
13 that they switched, they were buying from domestic
14 producers. Obviously, their domestic producers were
15 producing this. They had capability and supplied it. They
16 switched from domestic producers of this product to the
17 foreign subject producers.

18 They switched. So it's not a matter of not
19 being able to supply. They switched a fair amount of
20 tonnage. And they did it because of why? Lower prices
21 being offered by the subject producers.

22 All the verbiage you heard this afternoon about
23 these other products or unwillingness to work with
24 customers, et cetera, not reflected in this slide at all.
25 And they had no answer for it.

1 Mr. Luberda's going to tell you a little bit
2 more about how they totally ignored almost the entire record
3 when it comes to volume and price and impact. They were
4 virtually mute when it came to that and instead focused on
5 what I regard as the vascular, not the jugular in this case.

6 A couple of additional points before I turn it
7 over to Mr. Luberda. One of their arguments they made was
8 that the domestic industry is not interested in the products
9 that these customers want and need because the domestic
10 industry is only interested in tons and not in feet. That's
11 not true. Interesting at lunch, we were talking -- we
12 lawyers were talking with our clients and Mr. Hart said we
13 talk about feet, not tons. That's exactly how this
14 particular industry looks at things.

15 And if you'll -- we supply you more in the
16 record about quotations in feet and not tons. They care
17 about all these offers, but they have to be real offers or
18 real opportunities. They have to be where somebody wants to
19 actually negotiate and pay a fair price.

20 There's so many instances where it's obvious
21 from some of these respondents that what's being proposed is
22 not a real interest in a working relationship or a fair
23 price, but something that might be considered to be a set up
24 or a less than sincere effort to procure tonnage and feed
25 from the domestic industry.

1 I will note that one of the witnesses talked
2 about how he sought after the cases were filed, sought
3 responses from a couple of domestic producers and he was
4 complaining that they only bid on 66 percent or 44 percent
5 of what he put out there. He didn't explain whether there
6 was any overlap. And he didn't say I could get and I wanted
7 to pursue that 66 percent. He just said, oh, they didn't
8 supply or weren't willing to supply every single foot.

9 And that's suggests to me a lack of serious
10 interest in working with the domestic industry. And I think
11 it's mainly because of price. That's my speculation.

12 The notion that the domestic industry can't or
13 won't supply the sophisticated products to the auto or any
14 other customers is ridiculous. You heard the testimony by
15 Mr. Hart about how he exports. You heard the testimony of
16 Mr. Vore about his company exports to sophisticated
17 customers. And they work with sophisticated customers on --
18 in the U.S. market.

19 The difference is that in the European market,
20 the -- their competitors there are not destroying the market
21 with low prices because they need to live there and make
22 their money there. They're perfectly happy to unload their
23 lower price in the U.S. market, which is not their key
24 market.

25 But there's no question the domestic industry

1 can, does, and continues to make products that match up
2 very, very well with the foreigners and compete head to
3 head.

4 I was interested to see Mr. Ball's concession or
5 hear Mr. Ball's concession about the automotive industry.
6 Commissioner Johanson noted that they spent a lot of time in
7 their brief arguing that the domestic industry wasn't
8 interested in the automotive industry, hadn't bet on it, and
9 that's the reason for the injury.

10 Well, they totally changed their minds in
11 questioning by the Commissioners today. And he backed off
12 -- Mr. Ball backed off the claim that the domestic industry
13 couldn't produce everything that they want to, but he
14 claimed a lack of interest in working with the domestic --
15 with their customers.

16 That's not true. They work with their customers
17 all the time and we'll provide more documentation of that in
18 our post-hearing brief. But that was -- I just want you to
19 know they've essentially abandoned that claim in questioning
20 this afternoon. I'll turn it over to Mr. Luberda to take us
21 home.

22 CLOSING STATEMENT OF R. ALAN LUBERDA

23 MR. LUBERDA: Thank you. I think it was
24 Commissioner Broadbent's question to the last panel how does
25 one reconcile the record evidence, the testimony you heard

1 from the domestic industry this morning that we're very
2 involved in the auto industry. And the detailed information
3 in the staff report that shows that the domestic industry is
4 very involved in the auto industry with the testimony this
5 afternoon that we're really not involved in the auto
6 industry and selling to those.

7 And I think you heard in the testimony how to
8 reconcile that. And it's because it's about price. We're
9 not involved -- we're -- the domestic industry is involved
10 in auto industry. I mean, TFI said, Metal-Matic, Webco, and
11 Plymouth can supply them. And Metal-Matic is supplying them
12 and that Ms. Ellis said she'd love to put Webco, if only
13 they can meet the price. Then she talked about whether that
14 was a domestic -- another domestic or a foreign price, but
15 the point was that they have to meet a price. That's when
16 they get to compete in their business. They can meet
17 whatever the low price is in the market.

18 As Paul just mentioned, the witness for Borghi
19 said that one quote he put out, two-thirds of what he put
20 out could be met. Another one was another high percentage.

21 Mr. Ball's testimony was largely about the
22 domestics won't meet price agreements. They can't pass on
23 price -- higher prices to their automotive customers. Mr.
24 Vander Schaaf, you know, they can't take price -- they won't
25 take these price increases, but then he said also, that

1 price isn't important.

2 Everything they told you this afternoon was all
3 the decisions, once they get a -- once you can produce it,
4 the decision's all about price.

5 There was a lot of discussion this afternoon
6 about how long it would take a domestic producers now to get
7 qualified to actually we're going to be able get that
8 business assuming they would make it -- give him a price
9 that would work.

10 We were actually talking about this at lunch as
11 well about you know, gee, how long does it really take? And
12 the answer was it takes about as long as the purchaser wants
13 you to take. You heard Mr. Ball talk this afternoon that as
14 soon as this case came along and he was not about to pay --
15 give us another foot or another pound at those higher prices
16 because he can't pass them along. He was able to shift
17 things to Mexico, set up a whole new supply operation, all
18 that by the way, has to be checked out by the auto industry
19 before they can use it. And he did it in under six months.

20 So I think it happens just as fast as the
21 purchasers want. There were some claims about the auto
22 industry about to shut down. When the auto industry thinks
23 it's going to shut down, it calls everybody who was sitting
24 in the room today. Calls their clients and says, hey, we
25 can't get material. Are you doing something about getting

1 material? None of those calls were made during this period.

2 So it really comes back to what's in your staff
3 report. The main volume price and impact case. And all of
4 that and everything that Mr. Rosenthal was talking about in
5 the -- what the purchasers told you points to an
6 affirmative. They took market share directly from the
7 domestic industry. There's strong evidence of price
8 underselling by both in the quarterly data and in the
9 purchaser day that's up on the screen there.

10 They told you they depressed prices. And you
11 look at what happened to the domestic industry. During that
12 period, when they were taking market share, taking sales,
13 depressing prices and underselling the domestic industry,
14 you see what happened to the bottom line. It was
15 catastrophic.

16 So they confirmed to you that this was about
17 price. The evidence shows we were competing in all those
18 markets and don't assume just because the only people
19 talking today were buying from Germany, for the most part,
20 from Germany and Switzerland, but that's the whole case. We
21 competed -- as you heard this morning, across the entire
22 product line and you saw the -- we had underselling from
23 every country from the purchasers. And as this chart shows,
24 it's from the staff report. We were being caused material
25 injury. This industry was materially injured by subject

1 imports from all of the countries. Thank you very much.

2 MR. BISHOP: Rebuttal and closing remarks on
3 behalf of respondents will be given by William E. Perry of
4 Harris Bricken.

5 Mr. Perry, you have 13 minutes.

6 CLOSING STATEMENT OF WILLIAM E. PERRY

7 MR. PERRY: Let me just make a quick closing and
8 respond to the points made by the petitioners in their
9 closing. One point I want to say up front, the all caps was
10 in my brief, but it was a quotation from Julie Ellis. She
11 put all caps in her statement because she was truly
12 frightened. She was in a situation after the preliminary
13 conference where she went to the petitioners and said can
14 you supply me because I'm not supposed to be import --
15 buying imports. And I don't want to hit a critical
16 circumstances problem. And then, he -- she got sandwiched.
17 She was running down on supply for the auto parts companies
18 and which would go to the automotive producers. She was
19 blowing down her just-in-time manufacturing and were her
20 stocks were going down and down and down. And she was
21 literally worried.

22 She would close down the production lines of
23 General Motors, Ford, Chrysler, and Nissan, just to name a
24 few, because again, she produces 20,000 automobile component
25 parts that go into those lines.

1 And that's why she had to import from Hongyi.
2 She had no choice. That is not undercutting by the way the
3 remedial effect of the order. That's because literally
4 petitioners gave her no choice.

5 Secondly, we've conceded nothing in the
6 statements I made today. We respond to all questions in the
7 post-hearing brief. They also wanted to say, oh, the
8 company that didn't respond to the questionnaire, they're
9 not important. They're not part of the petitioner's group.
10 They're really small. And again, but they're the one
11 company that has really worked with my clients to supply
12 the automobile industry.

13 And this goes back to the other part or the
14 pricing agreements. The point with the pricing agreements
15 that Andrew Ball was making, what happened was all of a
16 sudden, the petitioners have this agreement with Rotech and
17 then their other markets go up. So now, they want to have
18 significant price agreements -- price increases with Rotech.
19 And Rotech can't do that because the automobile companies
20 won't take the difference.

21 The other company, the missing company here we
22 think is doing much better, is they agreed to work with
23 companies like Tube Fabrication and Rotech and other ones to
24 basically make sure that our prices remain reasonable and
25 that no, we're not going to price gouge you. The

1 petitioners do price gouge.

2 Let me see what else. Again, the other point I
3 was making again, they keep pointing the fact that this
4 other producer is already small and insignificant. It's the
5 difference between selling tons and selling feet. You're
6 selling very specifically made to order mechanical tubing to
7 go into the automobile industry. You're not selling
8 commodity products that go down for the energy industry
9 and/or even the agricultural industry.

10 So it's different. And it's because you look at
11 the difference between tons and feet, that's also why in
12 many cases and Andrew Ball said this at the preliminary, a
13 PTC Alliance for instance doesn't really want to get into
14 this area, because they're selling in a much -- it's a very
15 different segment and a very different -- I would almost
16 consider industry, because they're selling in a very
17 different segment in the automobile area, where it's not the
18 sale of feet.

19 By the way, in the 1980s, I was here when the
20 cumulation provision was set up. I mean, what am I saying?
21 The continuum theory was established, the rainbow principle.
22 And the rainbow principle was because steel producers make
23 multiple different products with different changes. And so,
24 the continuum theory came out of the general counsel's
25 office when I was there.

1 But it was never meant to be a situation where
2 the petitioner's couldn't produce over 200 different
3 products. I said this in my opening. I've never seen
4 anything like this before. And so -- let me see. Give me
5 one moment.

6 Just -- and I guess what I want to finally end
7 on, it's not a question they say price, price, price. It's
8 what, again, let me emphasize, that in many of these cases,
9 it's not losing. The petitioners not getting a sale or
10 replacing it with an import price. It's replacing it with
11 another domestic price. And that's a whole different kettle
12 of fish.

13 When the petitioners can't meet the prices of
14 another domestic producer, that is not underselling. That
15 is not lost sales. That is called competition. And that's
16 something hopefully the United States still likes. That's
17 what the Federal Trade Commission is doing down the block,
18 because these are basically sales lost to domestic producer,
19 who's willing to come in and keep -- and stay reasonable
20 prices to these automotive companies when the petitioners
21 are not.

22 When the commodity markets go up, they come in
23 and say, give us a 50 percent increase in price. The
24 companies can't do it. They can't work with the petitioners
25 when you have that kind of situation. Thank you very much.

1 VICE CHAIRMAN JOHANSON: Thank you, Mr. Perry
2 and Mr. Luberd and Mr. Rosenthal. I will now provide the
3 closing statement.

4 Post-hearing briefs, statements, responses to
5 questions, and requests of the Commission and corrections to
6 the transcript must be filed by December 12th, 2017.
7 Closing of the record and final release data to parties
8 occurs on December 29th, 2017. Final comments are due
9 January 3rd, 2018.

10 And this hearing is adjourned.

11 (Whereupon the hearing was adjourned at 3:50
12 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Cold-Drawn Mechanical Tubing from China, Germany, India, Italy, Korea, and Switzerland

INVESTIGATION NOS.: 701-TA-576-577 and 731-TA-1362-1367

HEARING DATE: 12-6-17

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: 12-6-17

SIGNED: Mark A. Jagan

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